The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants to the Company.

Deloitte.
德勤

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November 17, 2010

The Directors
China Gold International Resources Corp. Ltd.
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2007, 2008 and 2009 and six months ended June 30, 2010 (the "Relevant Periods") for inclusion in the prospectus of the Company dated November 17, 2010 (the "Prospectus").

The Company, formerly known as Jinshan Gold Mines Inc. and Pacific Minerals Inc., is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia. The Company's common shares began trading on the TSX Venture Exchange (formerly the Canadian Venture Exchange) on April 23, 2001. On October 5, 2006 the Company's common shares ceased trading on the TSX Venture Exchange and began trading on the Toronto Stock Exchange ("TSX") on October 6, 2006.

The name of the Company was changed from Jinshan Gold Mines Inc. to China Gold International Resources Corp. Ltd., following approval by the Company's shareholders at the Annual General Meeting held in July 2010. The name of the Company was changed from Pacific Minerals Inc. to Jinshan Gold Mines Inc., following approval by the Company's shareholders at the Annual General Meeting held in April 2004.

The detail of the corporate structure is explained in the section headed "History and Corporate Structure" in the Prospectus (the "Corporate Structure").

All subsidiaries have adopted December 31 as their financial year end dates. As of the date of this report, the Company's direct subsidiary is Pacific PGM Inc. The Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group: December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010	At the date of this report	Principal activities
			%	%	%	%	%	
Pacific PGM Inc.	British Virgin Islands May 17, 2001	US$ 100	100.0	100.0	100.0	100.0	100.0	Holding company
Pacific PGM (Barbados) Inc.	Barbados September 6, 2007	US$ 45,000	100.0	100.0	100.0	100.0	100.0	Holding company
Inner Mongolia Pacific Mining Co., Ltd. (formerly known as Ningxia Pacific Mining Co. Ltd.)	Ningxia, China April 29, 2002	US$ 37,500,000	96.5	96.5	96.5	96.5	96.5	Engaged in exploration and development of mining properties in China
Gansu Mining Company (Barbados) Ltd.	Barbados September 7, 2007	US$ 45,000	100.0	100.0	100.0	100.0	100.0	Holding company
Gansu Pacific Mining Company Ltd. ("Gansu Pacific")	Gansu, China September 18, 2006	RMB30,365,345	71.0	71.0	71.0	71.0	71.0	Engaged in exploration and development of mining properties in China
Yunnan Southern Copper (Barbados) Inc.	Barbados September 7, 2007 Disposed on May 25, 2010	US$ 45,000	100.0	100.0	100.0	N/A	N/A	Holding company
Yunnan Xindian Copper Mining Co., Ltd. ("Yunnan Xindian")	Yunnan, China March 18, 2003 Disposed on May 25, 2010	US$ 4,100,045	99.0	99.0	99.0	N/A	N/A	Engaged in exploration and development of mining properties in China
Yunnan Southern Copper Inc.	British Virgin Islands October 14, 2002/Dissolved on July 7, 2009	US$ 100	100.0	100.0	N/A	N/A	N/A	Holding company
Guizhou Copper-Silver Mining Inc.	British Virgin Islands August 21, 2002/Dissolved on July 7, 2009	US$ 200	100.0	100.0	N/A	N/A	N/A	Holding company
Yunnan Xinzhao Copper Mining Co. Ltd.	Yunnan, China December 2, 2002/ Deregistered on August 3, 2009	US$ 649,970	70.0	70.0	N/A	N/A	N/A	Inactive
Yunnan Copper-Silver Mining Inc.	British Virgin Islands August 21, 2002/Dissolved on August 13, 2009	US$ 100	100.0	100.0	N/A	N/A	N/A	Holding company
Pacific Gold Mining Inc.	British Virgin Islands February 27, 2002/Dissolved on July 17, 2009	US$ 200	100.0	100.0	N/A	N/A	N/A	Holding company
Pacific Northern Gold Inc.	British Virgin Islands October 14, 2002/Dissolved on July 17, 2009	US$ 200	100.0	100.0	N/A	N/A	N/A	Holding company

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group December 31, 2007	2008	2009	June 30, 2010	At the date of this report	Principal activities
			%	%	%	%	%	
China Platinum & Palladium Inc.	British Virgin Islands September 18, 2000/ Dissolved on July 7, 2009	US$ 200	100.0	100.0	N/A	**N/A**	N/A	Holding company
Yunnan Platinum & Palladium Inc.	British Virgin Islands October 12, 2000/ Dissolved on July 17, 2009	US$ 200	100.0	100.0	N/A	**N/A**	N/A	Holding company
Genghis Holding Company Ltd.	British Virgin Islands February 14, 1994/ Dissolved on July 17, 2009	US$ Nil	100.0	100.0	N/A	**N/A**	N/A	Holding company
Guizhou Qian Tong Mining Co. Ltd.	Guizhou, China March 5, 2004/ Dissolved on December 1, 2009	US$211,970	75.0	75.0	N/A	**N/A**	N/A	Inactive
Gansu Mining Company Ltd.	British Virgin Islands August 10, 2005/ Dissolved on June 8, 2009	US$ 1	100.0	100.0	N/A	**N/A**	N/A	Holding company

The statutory financial statements of the following subsidiaries for the Relevant Periods, or since their respective dates of incorporation/establishment, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by the following certified public accountants registered in their jurisdictions:

Name of Subsidiary	Financial period	Name of Auditor
Ningxia Pacific Mining Co., Ltd.	For the year ended 2007	Ningxia Zhengda Certified Public Accountants Co., Ltd. (寧夏正大會計師事務所(有限公司))
Inner Mongolia Pacific Mining Co., Ltd. (name before October 2008: Ningxia Pacific Mining Co., Ltd.)	For the year ended 2008	Zhongrui Yuehua Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所有限公司)
Inner Mongolia Pacific Mining Co., Ltd.	For the year ended 2009	Inner Mongolia Zhong Tian Hua Zhen Certified Public Accountants Co., Ltd. (內蒙古中天華正會計師事務所)
Gansu Pacific Mining Company Ltd.	For the year ended 2007	Longnan Xirong Certified Public Accountants Firm (隴南西榮會計師事務所)
Gansu Pacific Mining Company Ltd.	For the year ended 2008	Zhongrui Yuehua Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所有限公司)

Name of Subsidiary	Financial period	Name of Auditor
Gansu Pacific Mining Company Ltd.	For the year ended 2009	Vocation International Certified Public Accountants Co., Ltd. (天職國際會計師事務所有限公司)
Yunnan Xindian Copper Mining Co., Ltd.	For the year ended 2007	Yunnan Guangda Certified Public Accountants Co., Ltd. (雲南光大會計師事務所有限公司)
Yunnan Xindian Copper Mining Co., Ltd.	For the year ended 2008	Zhongrui Yuehua Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所有限公司)
Yunnan Xindian Copper Mining Co. Ltd.	For the year ended 2009	Vocation International Certified Public Accountants Co., Ltd. (天職國際會計師事務所有限公司)
Yunnan Xinzhao Copper Mining Co. Ltd.	For the year ended 2007	Yunnan Guangda Certified Public Accountants Co., Ltd. (雲南光大會計師事務所有限公司)
Yunnan Xinzhao Copper Mining Co. Ltd.	For the year ended 2008	Yunnan Guangda Certified Public Accountants Co., Ltd. (雲南光大會計師事務所有限公司)
Pacific PGM (Barbados) Inc.	From September 6, 2007 (date of incorporation) to December 31, 2007	Deloitte & Touche, Barbados
Pacific PGM (Barbados) Inc.	For the year ended 2008	Deloitte & Touche, Barbados
	For the year ended 2009	Ward, Patel & Co.
Gansu Mining Company (Barbados) Ltd.	From September 7, 2007 (date of incorporation) to December 31, 2007	Deloitte & Touche, Barbados
Gansu Mining Company (Barbados) Ltd.	For the year ended 2008	Deloitte & Touche, Barbados
	For the year ended 2009	Ward, Patel & Co.
Yunnan Southern Copper (Barbados) Inc.	From September 7, 2007 (date of incorporation) to December 31, 2007	Deloitte & Touche, Barbados
Yunnan Southern Copper (Barbados) Inc.	For the year ended 2008	Deloitte & Touche, Barbados
	For the year ended 2009	Ward, Patel & Co.

No audited financial statements have been prepared for Pacific PGM Inc., Yunnan Southern Copper Inc., Guizhou Copper-Silver Mining Inc., Yunnan Copper-Silver Mining Inc., Pacific Gold Mining Inc., Pacific Northern Gold Inc., China Platinum & Palladium Inc., Yunnan Platinum & Palladium Inc., Genghis Holding Company Ltd. and Gansu Mining Company Ltd. since their respective dates of incorporation as they were incorporated in countries where they were not subject to statutory audit requirements. No audited financial statements have been prepared for Guizhou Qian Tong Mining Co. Ltd. as it has not commenced business between its date of establishment to its date of dissolution. Deloitte & Touche LLP, Chartered Accountants registered in Canada, has carried out audit procedures in accordance with Canadian generally accepted auditing standards on the consolidated financial statements of the Group for the two years ended December 31, 2007 and 2008 which are prepared in accordance with Canadian generally accepted accounting principles and has carried out audit procedures in accordance with Canadian generally accepted auditing standards on the consolidated financial statements of the Group for the year ended December 31, 2009 prepared in accordance with International Financial Reporting Statements ("IFRS") (collectively referred to as the "2007 to 2009 Financial Statements"). We have carried out audit procedures in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board on the consolidated financial statements of the Group for six months ended June 30, 2010 which are prepared in accordance with IFRS (together with the 2007 to 2009 Financial Statements collectively referred to as the "Underlying Financial Statements").

The Financial Information set out in this report for the Relevant Periods has been prepared from the Underlying Financial Statements, after making such adjustments as we consider appropriate for the purpose of preparing our report in accordance with IFRS and for the inclusion in the Prospectus. For the purpose of preparing this report, we have examined the Underlying Financial Statements and performed such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for preparing the Underlying Financial Statements and the contents of the Prospectus in which the report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Group and the Company as of December 31, 2007, 2008 and 2009 and June 30, 2010 and of the consolidated results and consolidated cash flows of the Group for each of the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended June 30, 2009 together with the notes thereon have been extracted from the Group's financial information for the same period (the "June 2009 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with the International Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review of the June 2009 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with IFRS.

A. FINANCIAL INFORMATION

THE GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Years ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		$	$	$	$ (unaudited)	$
Revenues		—	29,371,411	81,047,414	25,990,353	37,679,906
Cost of sales	10	—	20,499,517	56,178,404	18,438,691	18,638,434
Mine operating earnings		—	8,871,894	24,869,010	7,551,662	19,041,472
Expenses						
General and administrative	6	4,974,556	6,141,235	3,714,554	1,837,155	2,116,293
Exploration and evaluation expenditure	7	6,604,015	5,287,610	1,909,015	606,273	93,477
		11,578,571	11,428,845	5,623,569	2,443,428	2,209,770
(Loss) income from operations		(11,578,571)	(2,556,951)	19,245,441	5,108,234	16,831,702
Other (expenses) income						
Gain on disposal of subsidiaries	19(c)	—	—	—	—	20,000
Foreign exchange (loss) gain		(3,319,847)	8,058,114	(5,887,144)	(2,129,104)	(253,306)
Interest income		439,032	174,620	5,537	3,440	1,885
Listing expenses		—	—	(2,147,906)	—	(1,544,558)
Finance costs	8	(1,699,415)	(3,592,471)	(6,308,158)	(2,289,443)	(2,228,167)
Fair value change on warrant liabilities	25(c)	(14,274,106)	12,792,931	(7,186,721)	(1,164,408)	(7,155,807)
		(18,854,336)	17,433,194	(21,524,392)	(5,579,515)	(11,159,953)
(Loss) income before income tax		(30,432,907)	14,876,243	(2,278,951)	(471,281)	5,671,749
Income tax expense	9	—	—	6,091,949	962,221	4,887,012
Net (loss) income and comprehensive (loss) income for the year/period	10	(30,432,907)	14,876,243	(8,370,900)	(1,433,502)	784,737
Attributable to						
Non-controlling interest		—	295,731	976,481	233,001	323,702
Owners of the Company		(30,432,907)	14,580,512	(9,347,381)	(1,666,503)	461,035
		(30,432,907)	14,876,243	(8,370,900)	(1,433,502)	784,737
Basic (loss) earnings per share	13	(20.05) cents	9.00 cents	(5.58) cents	(1.02) cents	0.27 cents
Diluted (loss) earnings per share	13	(20.05) cents	1.08 cents	(5.58) cents	(1.02) cents	0.27 cents
Basic weighted average number of common shares outstanding	13	151,747,438	162,059,379	167,629,459	163,889,159	169,511,321
Diluted weighted average number of common shares outstanding	13	151,747,438	164,780,867	167,629,459	163,889,159	169,937,452

THE GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
		$	$	$	$
Current assets					
Cash and cash equivalents	14	26,952,425	12,142,739	23,984,660	16,331,252
Restricted cash	15	—	5,215,704	—	10,756,703
Accounts receivable	16	348,914	148,771	1,681,880	2,070,198
Prepaid expenses and deposits	17	2,001,980	7,176,502	1,734,181	1,557,936
Inventory	18	434,609	27,644,767	10,166,429	30,385,142
		29,737,928	52,328,483	37,567,150	61,101,231
Assets classified as held for sale	19	—	—	188,971	69,794
		29,737,928	52,328,483	37,756,121	61,171,025
Non-current assets					
Inventory	18	—	—	18,852,686	15,485,352
Property, plant and equipment	19	55,512,070	66,982,216	117,918,672	117,876,668
Prepaid expense and deposits	17	—	—	—	796,430
Long-term receivable		—	—	49,689	24,252
		55,512,070	66,982,216	136,821,047	134,182,702
Total assets		85,249,998	119,310,699	174,577,168	195,353,727
Current liabilities					
Accounts payable and accrued expenses	22	15,066,485	18,932,644	35,072,604	39,768,345
Borrowings	23	—	41,603,514	12,092,005	8,513,998
		15,066,485	60,536,158	47,164,609	48,282,343
Liabilities classified as held for sale	19	—	—	41,252	17,706
		15,066,485	60,536,158	47,205,861	48,300,049
Non-current liabilities					
Deferred lease inducement		—	—	193,758	193,758
Borrowings	23	44,267,023	14,929,121	80,841,331	81,134,730
Warrant liabilities	25	13,825,817	274,507	5,286,123	—
Deferred tax liabilities	9	—	—	1,339,601	3,526,047
Environmental rehabilitation	24	2,244,633	4,131,735	1,599,120	1,993,537
		60,337,473	19,335,363	89,259,933	86,848,072
Total liabilities		75,403,958	79,871,521	136,465,794	135,148,121
Net current assets (liabilities)		14,671,443	(8,207,675)	(9,449,740)	12,870,976
Total assets less current liabilities		70,183,513	58,774,541	127,371,307	147,053,678
Owners' equity					
Share capital		76,281,053	90,384,469	99,186,918	120,577,351
Equity reserve		4,271,321	4,884,800	3,125,447	3,044,509
Deficit		(70,706,334)	(56,125,822)	(65,473,203)	(65,012,168)
		9,846,040	39,143,447	36,839,162	58,609,692
Non-controlling interest		—	295,731	1,272,212	1,595,914
Total owners' equity		9,846,040	39,439,178	38,111,374	60,205,606
Total liabilities and owners' equity		85,249,998	119,310,699	174,577,168	195,353,727

THE COMPANY

STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
		$	$	$	$
Current assets					
Cash and cash equivalents	14	23,121,982	6,549,244	7,578,529	6,100,341
Restricted cash	15	—	3,889,346	—	—
Accounts receivable	16	301,380	35,211	1,284,750	1,836,812
Prepaid expenses and deposits	17	425,136	465,968	502,284	421,185
		23,848,498	10,939,769	9,365,563	8,358,338
Non-current assets					
Long-term receivable		—	—	49,689	24,252
Property, plant and equipment	19	19,363	27,763	297,630	255,635
Investments in subsidiaries	20	15,525,029	17,200,661	17,570,491	17,516,286
Amounts due from subsidiaries	21	47,110,315	60,259,352	67,197,502	68,461,340
		62,654,707	77,487,776	85,115,312	86,257,513
Total assets		86,503,205	88,427,545	94,480,875	94,615,851
Current liabilities					
Accounts payable and accrued expenses	22	2,470,306	829,882	2,706,028	2,152,892
Borrowings	23	—	22,930,784	10,633,386	7,044,900
		2,470,306	23,760,666	13,339,414	9,197,792
Non-current liabilities					
Deferred lease inducement		—	—	193,758	193,758
Borrowings	23	44,267,023	14,929,121	40,000,000	40,000,000
Warrant liabilities	25	13,825,817	274,507	5,286,123	—
		58,092,840	15,203,628	45,479,881	40,193,758
Total liabilities		60,563,146	38,964,294	58,819,295	49,391,550
Net current assets (liabilities)		21,378,192	(12,820,897)	(3,973,851)	(839,454)
Total assets less current liabilities		84,032,899	64,666,879	81,141,461	85,418,059
Owners' equity					
Share capital		76,281,053	90,384,469	99,186,918	120,577,351
Equity reserve	26	4,271,321	4,884,800	3,125,447	3,044,509
Deficit	26	(54,612,315)	(45,806,018)	(66,650,785)	(78,397,559)
		25,940,059	49,463,251	35,661,580	45,224,301
Total liabilities and owners' equity		86,503,205	88,427,545	94,480,875	94,615,851

THE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Number of shares	Share capital	Equity reserve	Deficit	Subtotal	Non-controlling interest	Total owners' equity (deficit)
			$	$ (Note)	$	$	$	$
Balance, January 1, 2007		145,358,949	54,409,384	3,190,272	(40,273,427)	17,326,229	—	17,326,229
Shares issued for								
Exercise of warrants	25	9,495,373	20,047,993	—	—	20,047,993	—	20,047,993
Exercise of stock options	25	1,707,102	1,823,676	(673,498)	—	1,150,178	—	1,150,178
Stock-based compensation		—	—	1,754,547	—	1,754,547	—	1,754,547
Net loss and comprehensive loss		—	—	—	(30,432,907)	(30,432,907)	—	(30,432,907)
Balance, December 31, 2007		156,561,424	76,281,053	4,271,321	(70,706,334)	9,846,040	—	9,846,040
Shares issued for								
Exercise of warrants	25	5,407,167	11,661,776	—	—	11,661,776	—	11,661,776
Exercise of stock options	25	1,920,568	2,441,640	(1,027,931)	—	1,413,709	—	1,413,709
Stock-based compensation		—	—	1,641,410	—	1,641,410	—	1,641,410
Net income and comprehensive income		—	—	—	14,580,512	14,580,512	295,731	14,876,243
Balance, December 31, 2008		163,889,159	90,384,469	4,884,800	(56,125,822)	39,143,447	295,731	39,439,178
Shares issued for								
Exercise of warrants	25	2,250,000	5,597,821	—	—	5,597,821	—	5,597,821
Exercise of stock options	25	1,490,300	3,204,628	(1,297,570)	—	1,907,058	—	1,907,058
Stock-based compensation		—	—	(461,783)	—	(461,783)	—	(461,783)
Net (loss) income and comprehensive (loss) income		—	—	—	(9,347,381)	(9,347,381)	976,481	(8,370,900)
Balance, December 31, 2009		167,629,459	99,186,918	3,125,447	(65,473,203)	36,839,162	1,272,212	38,111,374
Shares issued for								
Exercise of warrants	25	4,060,000	21,008,571	—	—	21,008,571	—	21,008,571
Exercise of stock options	25	135,000	381,862	(118,853)	—	263,009	—	263,009
Stock-based compensation		—	—	37,915	—	37,915	—	37,915
Net income and comprehensive income		—	—	—	461,035	461,035	323,702	784,737
Balance, June 30, 2010		171,824,459	120,577,351	3,044,509	(65,012,168)	58,609,692	1,595,914	60,205,606
Balance, January 1, 2009		163,889,159	90,384,469	4,884,800	(56,125,822)	39,143,447	295,731	39,439,178
Stock-based compensation		—	—	166,450	—	166,450	—	166,450
Net (loss) income and comprehensive (loss) income		—	—	—	(1,666,503)	(1,666,503)	233,001	(1,433,502)
Balance, June 30, 2009 (unaudited)		163,889,159	90,384,469	5,051,250	(57,792,325)	37,643,394	528,732	38,172,126

Note: Amounts representing equity reserve arise from stock-based compensation provided to employees during the Relevant Periods.

THE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOW

	Notes	Years ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		$	$	$	$ (unaudited)	$
Operating activities						
(Loss) income before income tax for the year/period		(30,432,907)	14,876,243	(2,278,951)	(471,281)	5,671,749
Items not requiring use of cash and cash equivalents						
Depreciation and depletion		45,612	2,410,382	5,764,505	2,531,119	3,857,736
Fair value change on warrant liabilities		14,274,106	(12,792,931)	7,186,721	1,164,408	7,155,807
Finance costs		1,699,415	3,592,471	6,308,158	2,289,443	2,228,167
Stock-based compensation		1,754,547	1,641,410	(461,783)	166,450	37,915
Unrealized foreign exchange loss (gain)		3,175,412	(7,941,666)	2,172,413	1,773,467	253,306
Gain on disposal of subsidiaries		—	—	—	—	(20,000)
Change in non-cash operating working capital items						
Accounts receivable		(25,459)	295,864	(1,384,502)	74,651	(388,318)
Prepaid expenses and deposits		15,103	(5,174,522)	5,442,321	3,223,967	(594,747)
Inventory		(434,609)	(27,825,973)	(1,374,348)	(364,926)	(16,851,379)
Amount due from a shareholder		—	—	—	(1,433,577)	—
Accounts payable and accrued liabilities		6,950,958	3,733,380	817,754	2,580,366	(10,488,106)
Cash generated from operations		(2,977,822)	(27,185,342)	22,192,288	11,534,087	(9,137,870)
Interest paid		(4,679,741)	(5,863,517)	(6,681,899)	(2,737,027)	(2,649,982)
Income taxes paid		—	—	(4,752,349)	(962,221)	(2,467,566)
Net cash flows (used in) from operating activities		(7,657,563)	(33,048,859)	10,758,040	7,834,839	(14,255,418)
Investing activities						
Property, plant and equipment additions		(37,618,584)	(26,839,782)	(36,581,179)	(26,770,796)	(9,294,368)
Proceeds from sale of pre-commercial gold production		15,077,020	20,906,313	—	—	—
Disposal of subsidiaries	19(c)	—	—	—	—	20,000
Restricted cash deposits paid	15	—	(15,328,003)	—	—	—
Restricted cash deposits received	15	—	10,112,299	5,215,704	5,215,704	10,756,703
Net cash flows (used in) from investing activities		(22,541,564)	(11,149,173)	(31,365,475)	(21,555,092)	1,482,335
Financing activities						
Issuance of common shares		9,071,524	11,022,868	5,329,774	—	8,829,650
Customer advance		—	—	20,488,504	20,488,504	—
Repayments of customer advance		—	—	(20,488,504)	—	—
Proceeds from private placement offering comprising the 12% senior unsecured promissory notes and share purchase warrants	23	18,118,764	—	—	—	—
Proceeds from borrowings	23	—	18,909,916	94,010,923	7,317,062	—
Repayments of borrowings	23	—	—	(66,965,645)	(18,909,916)	(3,931,026)
Net cash flows from financing activities		27,190,288	29,932,784	32,375,052	8,895,650	4,898,624
Effect of foreign exchange rate changes on cash and cash equivalents		2,084,761	(544,438)	74,304	(4,347)	221,051
Net (decrease) increase in cash and cash equivalents		(924,078)	(14,809,686)	11,841,921	(4,828,950)	(7,653,408)
Cash and cash equivalents, beginning of year/period		27,876,503	26,952,425	12,142,739	12,142,739	23,984,660
Cash and cash equivalents, end of year/period		26,952,425	12,142,739	23,984,660	7,313,789	16,331,252
Cash and cash equivalents are comprised of						
Cash in bank		9,896,230	12,140,045	23,984,660	7,313,789	16,331,252
Bank short-term deposits		17,056,195	2,694	—	—	—
		26,952,425	12,142,739	23,984,660	7,313,789	16,331,252
Supplemental cash flow information	29					

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL BUSINESS DESCRIPTION

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines Inc. and Pacific Minerals Inc., (the "Company") is a publicly listed company incorporated in British Columbia 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. 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 Group's substantial shareholder is China National Gold Group Corporation ("CNG"), a company registered in Beijing, China.

The head office, principal address and registered and records office of the Group are located at Suite 1030, One Bentall Centre, 505 Burrard Street, Vancouver, BC, Canada, V7X 1M5.

The Financial Information is presented in United States Dollars ("$") which is the functional currency of the principal subsidiaries.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which are effective for the Group's financial year beginning on January 1, 2010. For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these new IFRSs which are effective for the accounting period beginning on 1 January 2010 throughout the Relevant Periods, except for IFRS 3 (revised 2008), which has been applied for business combination for which the acquisition date is on or after 1 January 2010 and IAS 27 (revised 2008) which has been applied for accounting period beginning on 1 January 2010.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET EFFECTIVE

At the date of this report, the IASB has issued the following new and revised standards, amendment and interpretations which are not yet effective during the Relevant Periods. The Group has not early adopted these standards, amendments and interpretations in the preparation of the Financial Information for the Relevant Periods.

- IFRSs (Amendments) — Improvements to IFRSs issued in May 2010[(i)]
- IAS 24 (Revised) — Related Party Disclosures[(ii)]
- IAS 32 (Amendment) — Classification of Rights Issues[(iii)]
- IFRS 1 (Amendment) — Limited Exemption from Comparative IFRS 7 Disclosure for First Time Adopters[(v)]
- IFRS 7 (Amendment) — Disclosures — Transfers of Financial Assets[(vi)]
- IFRS 9 — Financial Instruments[(iv)]
- IFRS 14 (Amendment) — Prepayments of a Minimum Funding Requirement[(ii)]
- IFRIC 19 — Extinguishing Financial Liabilities with Equity Instruments[(v)]

(i) Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate

(ii) Effective for annual periods beginning on or after January 1, 2011

(iii) Effective for annual periods beginning on or after February 1, 2010

(iv) Effective for annual periods beginning on or after January 1, 2013

(v) Effective for annual periods beginning on or after July 1, 2010

(vi) Effective for annual periods beginning on or after July 1, 2011

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

The directors of the Company anticipate that the application of the new or revised standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. These policies have been consistently applied throughout the Relevant Periods except as mentioned below. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

(b) Foreign currencies

The Group's presentation currency and the functional currency of all of its operations is the U.S. dollar as this is the principal currency of the economic environment in which they operate.

Transactions in foreign currencies are initially recorded in the Group's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at rate of exchange ruling at the end of each period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

All gains and losses on translation of these foreign currency transactions and balances are included in profit or loss.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Revenue is not reduced for other taxes payable from the Group's production.

Revenue from the sale of gold is recognized when there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title passes and the goods have been delivered to a contractually agreed location.

Revenue is commonly subject to adjustment based on an inspection of the product by the customer. In such cases, revenue is initially recognized on a provisional basis using the Group's best estimate of contained metal and adjusted subsequently.

Interest income is recognized in profit or loss as it accrues, using the effective interest method.

(d) Share-based payments

The Group grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to six years, with vesting periods determined at its sole discretion and at prices equal to the weighted average price of the common shares for the five days immediately, preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

(e) Borrowing costs

Borrowing costs are generally expensed as incurred except where they relate to the financing of construction or development of qualifying assets requiring a substantial period of time to prepare for their intended future use.

Borrowing costs are capitalized up to the date where the asset is ready for its intended use. The amount of borrowing costs capitalized (before the effects of income tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of capitalized expenditure for the qualifying assets during the period.

(f) Income taxes

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

The tax currently payable is based on taxable income for the period. Taxable income differs from net income as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income and on the carry forward of tax losses and tax credits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary difference, and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credit directly to other comprehensive income, in which case the deferred tax is also taken directly to other comprehensive income.

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

(g) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants (if dilutive).

The number of additional shares is calculated by assuming that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods.

(h) Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment losses.

(i) Cash and cash equivalents

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

(j) Inventory

Gold in process inventory consists of gold contained in the ore on leach pads and in-circuit material within processing operations. Gold doré is gold awaiting refinement. Gold inventories are valued at the lower of average production cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimated selling price per ounce of gold is determined by the average of predicted future gold prices over the next twelve months. The estimated costs of completion are refining costs which are determined based on current refining costs per ounce of gold charged by its customers. Consequently, there are no additional selling costs.

Gold in process inventory

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

Gold doré inventory

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

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

(k) Property, plant and equipment

(i) General

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

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

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

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

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

(ii) Exploration and evaluation expenditure

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

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

- Geology — whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. A history of conversion of resources to reserves at operating mines to support the likelihood of conversion.
- Scoping — there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.
- Accessible facilities — mining property can be processed economically at accessible mining and processing facilities where applicable.

- Life of mine plans — an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing orebody.
- Authorizations — operating permits and feasible environmental programs exist or are obtainable.

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

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

(iii) Development expenditure

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

(iv) Production expenditure

Capitalization of costs incurred ceases when the related mining property has reached production levels intended by management. Incidental operations are considered necessary to bring mineral assets to the condition necessary for it to be capable of operating in the manner intended by management. Therefore costs incurred prior to reaching production levels intended by management are capitalized and the proceeds from sales prior to commissioning are offset against costs capitalized.

Mine development costs incurred to maintain current production are included in profit or loss. The distinction between mining expenditures incurred to develop new orebodies and to develop mine areas in advance of current production is mainly the production timeframe of the mining area. For those areas being developed which will be mined in the future periods, the costs incurred are capitalized and depleted when the related mining area is mined as compared to current production areas where development costs are expensed as incurred.

For open-pit operations the removal of overburden or waste ore is required to obtain access to the orebody. To the extent that the actual waste material removed per tonne of ore mined (known as the stripping ratio) is higher than the average stripping ratio in the early years of a mine's production phase, the costs associated with this process are deferred and charged to operating costs using the expected average stripping ratio over the average life of the area being mined. This reflects the fact that waste removal is necessary to gain access to the orebody and therefore realize future economic benefit. The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life of mine, per tonne of ore mined. The average life of mine cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The cost of stripping in any period will therefore be reflective of the average stripping rates for the orebody as a whole. However, where the pit profile is such that the actual stripping ratio is below the average in the early years no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The average life of mine stripping ratio and the average life of mine cost per tonne are recalculated annually in light of additional knowledge and changes in estimates. Changes in the life of mine stripping ratio are accounted for prospectively as a change in estimate.

(v) Depreciation

Mineral assets are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mine when the production level intended by management has been reached. The production level intended by management is considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be sustained. Other factors include one or more of the following:

- A significant utilization rate of plant capacity has been achieved;
- A significant portion of available funding is directed towards operating activities;
- A pre-determined, reasonable period of time of stable operation has passed; and
- A development project significant to the primary business objective of the Group has been completed and significant milestones have been achieved.

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

Effective on July 1, 2008, the Group determined that the CSH Gold Mine had reached the production level intended by management.

Plant and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets. The significant classes of plant and equipment and their estimated useful lives are as follows:

Buildings	10 years to 24 years
Crusher	14 years
Furniture and office equipment	2 to 5 years
Machinery and equipment	3 to 10 years
Motor vehicles	5 years
Leasehold improvements	5.5 years

Assets under construction are depreciated when they are substantially complete and available for their intended use, over their estimated useful lives.

Assets held under finance leases and leasehold improvements are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

(vi) Impairment

The Group's tangible and intangible assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(l) Financial assets

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designed as effective hedges.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value, with changes recognized in profit or loss. Transaction costs are expensed as incurred.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include "accounts receivable", "cash and cash equivalents" and "restricted cash".

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

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

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

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

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

(v) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

(m) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(i) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

(ii) Warrant liabilities

The Company has issued share purchase warrants with Canadian dollar exercise prices (Note 25 (c)). As a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, these warrants meet the definition of derivatives and were therefore classified as financial liabilities at FVTPL prior to their exercise and expiry dates.

(iii) Other financial liabilities

The Group has classified accounts payable and accrued expenses and borrowings as other financial liabilities.

(iv) Derecognition of financial liabilities

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

(n) Environmental rehabilitation

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

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, including the effects of inflation and movements in foreign exchange rates, revisions to estimated reserves, resources and lives of operations, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out in Note 4 (k)(vi).

(o) Leases

Rentals payable under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized on a straight-line basis over the lease term.

(p) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(r) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, which are described in Note 4, the directors of the Company have identified the following judgement and key sources of estimation uncertainty that have significant effect on the amounts recognized in the financial information.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

(a) Inventories

The Group records the cost of mining ore placed on its leach pads and in process at its mine as gold-in-process inventory, and values gold-in-process inventory at the lower of cost and estimated net realizable value. These costs are charged to earnings and included in cost of sales on the basis of ounces of gold recovered. The assumptions used in the valuation of gold-in-process inventories include estimates of gold contained in the ore placed on leach pads, assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads, and the amount of gold in the process plant and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove inaccurate, the Group could be required to write down the recorded value of its gold-in-process inventories.

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

During the year ended December 31, 2009, the management re-assessed the recovery rate used in the inventory model based on latest available information. Impairment of inventory of $3,030,461 was recognized in the profit or loss in respect of the Group's gold in process inventory during the year ended December 31, 2009. Details are disclosed in Note 18.

(b) Property, plant and equipment

The Group's property, plant and equipment is depreciated and amortized on either a unit-of-production basis or straight-line method over their estimated useful lives. Under the unit-of-production method, the calculation of depreciation and depletion of property, plant and equipment is based on the amount of reserves expected to be recovered from the mine. If these estimates of reserves prove to be inaccurate, or if the Group revises its mining plan, due to reductions in the metal price forecasts or otherwise, to reduce the amount of reserves expected to be recovered, the Group could be required to write down the recorded value of its property, plant and equipment, or to increase the amount of future depreciation and depletion expense.

Further, a technical report released in March 2010 has resulted in the management reviewing the estimated useful life of its assets, particularly the buildings located on the mine site. A change of estimate is accounted for prospectively and as a result, the management has increased the life of the buildings from 10 years to 24 years effective January 1, 2010. The depreciation of buildings was reduced by US$128,201 for the six months ended June, 2010 due to the change of buildings useful life.

In addition, IFRS requires the Group to consider at the end of each reporting period whether there has been an impairment indicator of its property, plant and equipment. If the Group determines there has been an impairment because its prior estimates of future net cash flows have proven to be inaccurate, due to reductions in the metal price forecasts, increases in the costs of production, reductions in the amount of reserves expected to be recovered or otherwise, or because the Group has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Group would be required to write down the recorded value of its property, plant and equipment.

(c) Environmental rehabilitation

Environmental rehabilitation costs have been estimated based on the Group's interpretation of current regulatory requirements and have been measured at the net present value of expected future cash expenditure upon reclamation and closure. Environmental rehabilitation costs are capitalized as mineral assets costs and depreciated over the life of the mine. Because the fair value measurement requires the input of subjective assumptions, including the environmental rehabilitation costs, changes in subjective input assumptions can materially affect the estimate of the obligation.

During the year ended December 31, 2009 and six months ended June 30, 2010, a reduction of $3,145,917 were made from changes in the estimated timing and amount of cash flows and addition of $295,265 were made from changes in discount rate, respectively on the environmental rehabilitation costs, details of which are disclosed in Note 24.

6. GENERAL AND ADMINISTRATIVE

The general and administrative expenses for the Group are broken down as follows:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Administration and office	1,003,393	1,171,211	1,509,368	523,000	520,291
Depreciation	45,612	19,922	45,246	11,318	44,608
Investor relations	325,392	552,001	186,054	85,200	131,090
Professional fees	654,103	854,250	1,148,062	429,052	497,483
Salaries and benefits(1)	2,330,823	2,767,193	588,267	589,068	646,295
Shareholder information, transfer agent and filing fees	211,023	201,301	165,293	99,425	101,959
Travel	404,210	575,357	72,264	100,092	174,567
	4,974,556	6,141,235	3,714,554	1,837,155	2,116,293

(1) Stock-based compensation (a non-cash item) of $1,257,150, $1,289,056, $(475,575), $78,348 and $155,977 has been included in salaries and benefits for the years ended December 31, 2007, 2008, 2009 and six months ended June, 2009 and 2010 respectively. The negative stock-based compensation for the year ended December 31, 2009 is due to forfeitures.

7. EXPLORATION AND EVALUATION EXPENDITURE

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
CSH Gold Mine (Note 19 (a))	1,239,111	1,824,263	267,299	—	58,040
Dadiangou Gold Project (Note 19 (b))	3,275,637	1,655,319	431,467	270,823	65,172
Xinjiang Projects (Note 19 (c))	1,726,213	920,268	795,206	223,941	—
Generative exploration	363,054	887,760	415,043	111,509	(29,735)
	6,604,015	5,287,610	1,909,015	606,273	93,477

Stock-based compensation (a non-cash item) of $497,397, $177,742, $96,775, $59,425 and $(96,552) has been included within exploration and evaluation expenditures for the years ended December 31, 2007, 2008, 2009 and six months ended June 2009 and 2010, respectively. The negative stock-based compensation for the six months ended June 30, 2010 is due to forfeitures.

8. FINANCE COSTS

The finance costs for the Group are broken down as follows:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Effective interest	6,428,979	9,097,733	9,458,796	4,446,471	3,052,385
Financial services agreement (note 27)	—	—	409,770	—	—
Accretion on environmental rehabilitation	323,250	405,314	392,277	202,107	85,267
	6,752,229	9,503,047	10,260,843	4,648,578	3,137,652
Less: Amount capitalized	(5,052,814)	(5,910,576)	(3,952,685)	(2,359,135)	(909,485)
Total finance costs	1,699,415	3,592,471	6,308,158	2,289,443	2,228,167

Loss on repurchase of promissory notes of $268,808 and $121,502 has been included in finance costs for the year ended December 31, 2009 and six months ended June 30, 2010, respectively (note 23(ii)(b)).

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

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	%	%	%	% (unaudited)	%
Capitalization rate	19.27	19.24	16.51	19.24	6.67

9. INCOME TAX EXPENSE

The Company and its subsidiaries in Canada are subject to Canadian federal and provincial tax which are calculated at 34.12%, 31.00%, 30.00%, 30.00% and 28.50% of the estimated assessable profit for the years ended December 31, 2007, 2008, 2009 and six months ended June 30, 2009 and 2010, respectively. The Company and its subsidiaries in Canada had no assessable profit for the Relevant Periods.

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC.

On March 16, 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 33% to 25% for the Company's PRC subsidiaries from January 1, 2008 onwards.

For the years ended December 31, 2007, 2008, 2009 and six months ended June 30, 2009 and 2010, the Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 33%, 25%, 25%, 25% and 25%, respectively, of taxable income.

The New Law imposes withholding tax of 10% upon the distribution of the profits earned by the Company's PRC subsidiaries on or after January 1, 2008 to non-resident shareholders.

At December 31, 2008, 2009, and June 30, 2010, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was $3,305,000, $20,788,000 and $33,242,000, respectively. No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

Tax expense comprises:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Current tax expense	—	—	4,752,348	962,221	2,700,566
Deferred tax expense relating to the origination of and reversal of temporary differences	—	—	1,339,601	—	2,186,446
	—	—	6,091,949	962,221	4,887,012

The tax expense for the Group can be reconciled to the (loss) income before income tax for the year/period per the consolidated statements of comprehensive income as follows:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
(Loss) income before income tax	(30,432,907)	14,876,243	(2,278,951)	(471,281)	5,671,749
Statutory tax rate	34.12%	31.00%	30.00%	30.00%	28.50%
Tax based on combined Canadian federal and provincial statutory rates	(10,383,708)	4,611,635	(683,685)	(141,384)	1,616,448
Deduct:					
Effect of different tax rates of subsidiaries operating in other jurisdictions	63,783	(153,085)	(1,115,200)	(244,904)	(1,846,287)
Tax effect of losses not recognized	2,041,169	2,385,444	906,505	155,827	1,288,984
Tax effect of deductible temporary differences not recognized	2,675,591	(1,250,211)	1,332,787	85,918	749,619
Tax effect of non-deductible expenses/ non-taxable income	5,148,805	(5,768,894)	4,915,682	826,383	2,867,226
Effect of change in the future tax rates	454,360	175,111	735,860	280,381	211,022
	—	—	6,091,949	962,221	4,887,012

For the purpose of consolidated statements of financial position presentation, certain deferred tax assets have been recognized to the extent of the deferred tax liabilities relating to taxable temporary differences. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Years ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
	$	$	$	$
Deferred income tax assets				
Property, plant and equipment	—	2,130,354	2,563,002	3,064,883
Prepaid expenses	—	—	1,757,309	224,008
	—	2,130,354	4,320,311	3,288,891
Deferred income tax liabilities				
Inventory	—	—	(4,989,052)	(6,814,938)
Others	—	(2,130,354)	(670,860)	—
	—	(2,130,354)	(5,659,912)	(6,814,938)
Net deferred income tax liabilities	—	—	(1,339,601)	(3,526,047)

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

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Deferred income tax assets				
Tax loss carryforwards	4,867,200	7,252,644	8,159,149	9,448,133
Other tax deductible temporary differences	4,164,071	2,913,860	4,246,647	4,996,266
Total unrecognized deferred income tax assets	9,031,271	10,166,504	12,405,796	14,444,399

No net deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable.

The Company and its subsidiaries have unrecognized non-capital losses for income tax purposes that may be used to offset future taxable income as follows:

	December 31, 2007		
	Local currency	U.S. dollar equivalent	Expiry date
	$	$	
Non-capital losses			
Canadian	$ 14,818,010	14,996,468	2008-2027
Chinese Renminbi	RMB23,977,465	3,272,614	2008-2012
		18,269,082	

	December 31, 2008		
	Local currency	U.S. dollar equivalent	Expiry date
	$	$	
Non-capital losses			
Canadian	$ 32,562,944	26,590,678	2009-2028
Chinese Renminbi	RMB 9,252,881	1,356,270	2009-2013
		27,946,948	

	December 31, 2009		
	Local currency	U.S. dollar equivalent	Expiry date
	$	$	
Non-capital losses			
Canadian	$ 34,268,100	32,636,597	2013-2029

	June 30, 2010		
	Local currency	U.S. dollar equivalent	Expiry date
	$	$	
Non-capital losses			
Canadian	$ 40,233,932	37,792,534	2013-2030

10. NET (LOSS) INCOME FOR THE YEAR/PERIOD

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Auditor's remuneration	282,825	347,825	496,740	189,635	129,323
Depreciation included in cost of sales	—	2,390,460	5,697,758	2,519,801	3,813,128
Depreciation included in administrative expenses (Note 6)	45,612	19,922	45,246	11,318	44,608
Total depreciation	45,612	2,410,382	5,743,004	2,531,119	3,857,736
Gain on disposal of property, plant and equipment	(831)	(4,123)	(6,583)	—	(15,684)
Staff costs					
Directors' emoluments (Note 11)	725,447	897,607	85,917	96,504	394,717
Retirement benefit contributions	84,056	180,263	34,998	86,650	19,445
Other staff costs	1,521,320	1,689,323	467,352	405,914	232,133
Total salaries and benefits included in administrative expenses (Note 6)	2,330,823	2,767,193	588,267	589,068	646,295
Staff costs included in exploration and evaluation expenditure	1,587,675	1,479,885	413,356	351,739	68,717
Total staff costs	3,918,498	4,247,078	1,001,623	940,807	715,012

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Directors' emoluments					
Directors' fees	39,073	46,905	33,289	15,483	85,278
Other emoluments for non-executive directors and independent non-executive directors					
Stock-based compensation	360,395	557,138	51,538	80,478	221,497
Retirement benefit contribution	1,341	1,583	1,090	543	1,041
Other emoluments for executive directors					
Salaries and other benefits	181,128	199,373	—	—	84,861
Stock-based compensation	141,798	90,845	—	—	—
Retirement benefit contribution	1,712	1,763	—	—	2,040
	725,447	897,607	85,917	96,504	394,717

	Directors' fees	Salaries and other benefits	Retirement benefit obligation	Stock-based compensation	Total
	$	$	$	$	$
Year ended December 31, 2007					
Name of director					
Jay Chmelauskas	—	181,128	1,712	141,798	324,638
R. Edward Flood	—	—	—	72,079	72,079
Ian He	11,164	—	362	72,079	83,605
Daniel Kunz	11,164	—	362	72,079	83,605
Pierre Lebel	16,745	—	617	72,079	89,441
Peter G. Meredith	—	—	—	72,079	72,079
	39,073	181,128	3,053	502,193	725,447
Year ended December 31, 2008					
Name of director					
Zhaoxue Sun (Appointed May 13, 2008)	—	—	—	—	—
Bing Liu (Appointed May 13, 2008)	—	—	—	—	—
Ian He	11,257	—	362	113,260	124,879
Daniel Kunz	11,257	—	362	113,260	124,879
Yunfei Chen (Appointed May 13, 2008)	7,505	—	241	—	7,746
Zhanming Wu (Appointed May 13, 2008)	—	—	—	—	—
Jay Chmelauskas (Resigned September 8, 2008)	—	199,373	1,763	90,845	291,981
R. Edward Flood (Resigned May 13, 2008)	—	—	—	104,098	104,098
Pierre Lebel (Resigned December 19, 2008)	16,886	—	618	113,260	130,764
Peter G. Meredith (Resigned May 13, 2008)	—	—	—	113,260	113,260
	46,905	199,373	3,346	647,983	897,607
Year ended December 31, 2009					
Name of director					
Zhaoxue Sun	—	—	—	—	—
Bing Liu	—	—	—	—	—
Zhanming Wu	—	—	—	—	—
Xin Song (Appointed October 9, 2009)	—	—	—	—	—
Yunfei Chen	10,512	—	369	—	10,881
Ian He	11,389	—	445	66,725	78,559
Gregory Hall (Appointed October 9, 2009)	1,752	—	—	—	1,752
John King Burns (Appointed October 27, 2009)	1,752	—	—	—	1,752
Daniel Kunz (Resigned October 15, 2009)	7,884	—	276	(15,187)	(7,027)
	33,289	—	1,090	51,538	85,917

	Directors' fees	Salaries and other benefits	Retirement benefit obligation	Stock-based compensation	Total
	$	$	$	$	$
Six months ended June 30, 2010					
Zhaoxue Sun	—	—	—	—	—
Bing Liu	—	—	—	—	—
Zhanming Wu	—	—	—	—	—
Xin Song	—	—	—	—	—
Xiangdong Jiang (Appointed June 17, 2010)	—	84,861	2,040	—	86,901
Yunfei Chen	19,801	—	198	51,064	71,063
Ian He	24,515	—	285	68,305	93,105
Gregory Hall	21,009	—	288	51,064	72,361
John King Burns	19,953	—	270	51,064	71,287
	85,278	84,861	3,081	221,497	394,717
Six months ended June 30, 2009 (unaudited)					
Zhaoxue Sun	—	—	—	—	—
Bing Liu	—	—	—	—	—
Zhanming Wu	—	—	—	—	—
Yunfei Chen	5,161	—	181	—	5,342
Ian He	5,161	—	181	40,239	45,581
Daniel Kunz	5,161	—	181	40,239	45,581
	15,483	—	543	80,478	96,504

Five highest paid individuals

The five highest paid individuals included, one director for the year ended December 31, 2007, one director for the year ended December 31, 2008 and three directors for the six months ended June 30, 2010. For the year ended December 31, 2009 and six months ended June 30, 2009, the five highest paid individuals did not include any directors of the Company. The emoluments of the remaining four for the year ended December 31, 2007, remaining four for the year ended December 31, 2008, all five for the year ended December 31, 2009, all five for the six months ended June 30, 2009 and remaining two for the six months ended June 30, 2010, are as follows:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Employees					
Salaries and other benefits	678,950	877,313	660,665	331,857	161,490
Retirement benefit contributions	7,405	7,690	10,342	9,112	2,040
Stock-based compensation	416,946	465,016	227,106	141,026	—
	1,103,301	1,350,019	898,113	481,995	163,530

Their emoluments were within the following bands:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
				(unaudited)	
HK$Nil to HK$1,000,000 (equivalent to approximately US$Nil to US$128,205)	—	—	1	5	2
HK$1,000,001 to HK$1,500,000 (equivalent to approximately US$128,206 to US$192,307)	—	1	1	—	—
HK$1,500,001 to HK$2,000,000 (equivalent to approximately US$192,308 to US$256,409)	1	—	3	—	—
HK$2,000,001 to HK$2,500,000 (equivalent to approximately US$256,410 to US$320,513)	3	—	—	—	—
HK$2,500,001 to HK$3,000,000 (equivalent to approximately US$320,514 to US$384,615)	—	2	—	—	—
HK$3,000,001 to HK$3,500,000 (equivalent to approximately US$384,616 to US$448,718)	—	1	—	—	—

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or the Company or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the Relevant Periods.

12. DIVIDEND

No dividends have been paid or declared by the Company during the Relevant Periods.

13. (LOSS) EARNINGS PER SHARE

(Loss) earnings used in determining (loss) earnings per share ("EPS") are presented below:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
(Loss) income attributable to owners of the Company for the purpose of basic (loss) earnings per share	(30,432,907)	14,580,512	(9,347,381)	(1,666,503)	461,035
Effect of dilutive potential ordinary shares:					
Fair value change on warrant liabilities 25(c)	—	(12,792,931)	—	—	—
(Loss) income attributable to owners of the Company for the purpose of diluted (loss) earnings per share	(30,432,907)	1,787,581	(9,347,381)	(1,666,503)	461,035
Weighted average number of shares, basic	151,747,438	162,059,379	167,629,459	163,889,159	169,511,321
Dilutive securities					
Options	—	1,707,012	—	—	426,131
Warrants	—	1,014,476	—	—	—
Weighted average number of shares, diluted	151,747,438	164,780,867	167,629,459	163,889,159	169,937,452
Basic (loss) earnings per share	(20.05) cents	9.00 cents	(5.58) cents	(1.02) cents	0.27 cents
Diluted (loss) earnings per share	(20.05) cents	1.08 cents	(5.58) cents	(1.02) cents	0.27 cents

Due to a net loss for the years ended December 31, 2007 and 2009 and for six months ended June 30, 2009, all stock options and warrants (disclosed in Notes 25 (b) and (c)) were excluded from the diluted EPS computation because their effect would have been anti-dilutive. For the six months ended June 30, 2010, the warrants were excluded from the diluted EPS computation because their effect would have been anti-dilutive.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group and the Company comprised of bank balances and bank deposits with an original maturity of three months or less. The Group's and the Company's bank balances and cash equivalents are denominated in the following currencies:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Denominated in				
Canadian dollars	21,795,824	649,888	5,812,185	5,473,273
Chinese Renminbi	3,755,368	5,538,082	16,361,908	10,048,746
U.S. dollars	1,401,233	5,954,769	1,810,567	809,233
Total cash and cash equivalents	26,952,425	12,142,739	23,984,660	16,331,252

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Denominated in				
Canadian dollars	21,795,824	649,888	5,812,185	5,473,273
U.S. dollars	1,326,158	5,899,356	1,766,344	627,068
Total cash and cash equivalents	23,121,982	6,549,244	7,578,529	6,100,341

15. RESTRICTED CASH

THE GROUP

In December 2008, the Group's subsidiary in China, Inner Mongolia Pacific Mining Co. Ltd. ("Inner Mongolia Pacific"), received $1,326,358 (RMB 9,000,000) from the local Chinese tax authority. These funds were temporarily held on behalf of the local Chinese tax authority and therefore, not available for use by the Group and were returned to the local Chinese tax authority in January 2009.

At June 30, 2010, the Group received deposit from the purchaser in respect of its sales of the Dadiangou Gold Project of $10,756,703, and such amounts cannot be used until the completion of the disposal transaction. Hence, the amount has been included as restricted cash at June 30, 2010 (Note 19(b)).

THE GROUP AND THE COMPANY

The Group signed a contract with an equipment manufacturer to purchase crusher equipment for $15,557,383 to be delivered in early 2009. The Group established a $15,000,000 letter of credit facility with its bank and opened a $14,001,645 standby letter of credit for the purchase of the equipment. As security for the standby letter of credit, which expired on January 15, 2009, the Group placed $14,001,645 as restricted cash with its bank. The Group has reduced its standby letter of credit to $3,889,346 after making progress payments of $10,112,299 and the security placed with its bank reduced to $3,889,346 as of December 2008. The standby letter of credit expired on January 15, 2009 and the security was released in full. On February 19, 2009, the Group paid $3,889,346 to the equipment supplier.

16. ACCOUNTS RECEIVABLE

The Group's and the Company's accounts receivable arise from the following sources: interest receivables, amount due from shareholder, listing expense receivable and goods and services tax ("GST") receivable due from various government taxation authorities. These are broken down as follows:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Interest receivables	41,039	—	—	—
GST receivable	258,292	35,162	65,167	88,056
Listing expense receivable (Note 27)	—	—	1,184,911	1,748,756
Amount due from shareholder (Note 27)	—	—	346,437	130,624
Other receivables	49,583	113,609	85,365	102,762
Total accounts receivable	348,914	148,771	1,681,880	2,070,198

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Interest receivables	41,039	—	—	—
GST receivable	258,292	35,162	65,167	88,056
Listing expense receivable (Note 27)	—	—	1,184,911	1,748,756
Other receivables	2,049	49	34,672	—
Total accounts receivable	301,380	35,211	1,284,750	1,836,812

Listing expense receivable is due from Skyland Mining Limited ("Skyland"), a subsidiary of CNG, based on a cost sharing agreement between the Group and Skyland entered into in September 2009 (Note 27). The Group and Skyland agreed to share equally costs related to the proposed listing of the Company on the Stock Exchange and the Group has recorded this as a cost recovery against the listing expenses in the consolidated statements of comprehensive income.

Below is an aged analysis presented based on invoice date or GST form date at the end of the reporting period (excluded listing expense receivable and assets classified as held for sale of the Group) of the Group's and the Company's accounts receivable:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Less than 1 month	301,380	35,211	65,167	102,973
1 to 3 months	—	—	85,365	218,469
Over 6 months	47,534	113,560	346,437	—
	348,914	148,771	496,969	321,442
Listing expense receivable	—	—	1,184,911	1,748,756
Total accounts receivable	348,914	148,771	1,681,880	2,070,198

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Less than 1 month	301,380	35,211	65,167	88,056
1 to 3 months	—	—	34,672	—
	301,380	35,211	99,839	88,056
Listing expense receivable	—	—	1,184,911	1,748,756
Total accounts receivable	301,380	35,211	1,284,750	1,836,812

The Company did not have accounts receivable that were past due but not impaired. Of the Group's accounts receivable balance, the following were past due but not impaired:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Over 6 months	47,534	113,560	346,437	—

Management considers that the Group's accounts receivable that are neither past due nor impaired have good credit quality at the end of each reporting period with reference to past settlement history.

At June 30, 2010, all of the GST receivable was outstanding less than 1 month. The Group anticipates full recovery of these amounts and, therefore, no impairment has been recorded against these receivables. The credit risk on the GST receivable has been further discussed in Note 31 (b).

The Group's and the Company's other receivables mostly represented employees' travel advances as of December 31, 2007, 2008, 2009 and June 30, 2010. The other receivables are unsecured, interest free and repayable upon written notice from the Group.

The Group holds no collateral for any receivable amounts outstanding as of December 31, 2007, 2008, 2009 and June 30, 2010.

17. PREPAID EXPENSES AND DEPOSITS

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Deposit for environmental protection	—	—	—	796,430
Refundable CSH Gold Mine construction deposits	1,228,902	3,975,699	192,876	—
Deposits for mine supplies and services	—	—	705,420	827,596
Rent deposits	264,385	358,875	246,846	246,877
Permit advance	—	315,863	—	—
Deposits for spare parts	—	634,789	133,036	105,028
Insurance	402,091	304,757	286,787	194,951
Prepaid resources taxes	—	1,476,319	—	—
Other	106,602	110,200	169,216	183,484
Total prepaid expenses and deposits	2,001,980	7,176,502	1,734,181	2,354,366
Less: Amounts that are utilized within one year shown under current assets	(2,001,980)	(7,176,502)	(1,734,181)	(1,557,936)
Amounts that are utilized for more than one year shown under non current assets	—	—	—	796,430

At June 30, 2010, amounts of $796,430 represented deposit for environmental protection that are expected to be utilized for more than one year and therefore are classified as non-current assets.

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Rent deposits	227,749	230,313	242,470	242,470
Insurance	158,827	125,455	110,291	45,056
Other	38,560	110,200	149,523	133,659
Total prepaid expenses and deposits	425,136	465,968	502,284	421,185

18. INVENTORY

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Gold in process	—	25,136,984	27,076,254	41,325,590
Gold doré bars	—	1,013,325	1,069,014	3,067,920
Consumables	429,277	1,328,923	344,231	760,006
Spare parts	5,332	165,535	529,616	716,978
Total inventory	434,609	27,644,767	29,019,115	45,870,494

Inventory totalling $Nil, $20,499,517, $56,178,404 (included impairment of $3,030,461), $18,438,691 and $18,638,434 for the years ended December 31, 2007, 2008, 2009 and for six months ended June 30, 2009 and 2010 respectively, was recognized in cost of sales after commercial production began.

THE GROUP

The actual gold recovery rate of 43% from the uncrushed ore realized up to December 2009 is 8% lower than the predicted recovery rate of 51% used in the Group's inventory model and as such the Group has recorded an impairment of $3,030,461 during the year ended December 31, 2009. Impairment of inventory is included in cost of sales during the year ended December 31, 2009. At June 30, 2010, estimated gold recovery rate of 43% was used which was the same as of December 31, 2009.

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Gold in process	—	25,136,984	30,106,715	44,356,051
Impairment of inventory	—	—	(3,030,461)	(3,030,461)
Total gold in process	—	25,136,984	27,076,254	41,325,590

Management has allocated inventory that are expected to be recovered more than twelve months after the reporting period to take into consideration the longer term process involved in recovering gold from a heap leaching system.

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Amounts expected to be recovered within 12 months	434,609	27,644,767	10,166,429	30,385,142
Amounts expected to be recovered after 12 months	—	—	18,852,686	15,485,352
Total inventory	434,609	27,644,767	29,019,115	45,870,494

19. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Motor vehicles	Furniture and office equipment	Crusher	Machinery and equipment	Buildings	Leasehold improvements	Mineral assets	Construction in progress	Total
	$	$	$	$	$	$	$	$	$
Cost									
As of January 1, 2007	274,330	441,908	—	165,502	56,308	—	5,327,531	14,749,310	21,014,889
Additions	824,217	237,637	—	180,045	59,222	—	20,781,095	13,864,491	35,946,707
Disposals	(8,310)	(55,238)	—	—	—	—	—	—	(63,548)
Reclassification	—	1,237	—	24,628,632	3,942,616	—	—	(28,572,485)	—
As of December 31, 2007	1,090,237	625,544	—	24,974,179	4,058,146	—	26,108,626	41,316	56,898,048
Additions	223,732	171,533	—	—	217,655	—	6,250,322	28,685,801	35,549,043
Disposals	(129,833)	(74,105)	—	(51,357)	—	—	—	—	(255,295)
Transfer to inventory	—	—	—	—	—	—	(20,401,790)	—	(20,401,790)
As of December 31, 2008	1,184,136	722,972	—	24,922,822	4,275,801	—	11,957,158	28,727,117	71,790,006
Additions	68,990	216,697	—	895,270	578,491	—	9,949,133	48,256,412	59,964,993
Disposals	(93,773)	(6,966)	—	—	—	—	—	—	(100,739)
Reclassified as assets held for sale	(37,422)	(48,633)	—	(10,036)	(76,321)	—	—	—	(172,412)
Reclassification	—	—	—	900,126	—	100,458	—	(1,000,584)	—
Environmental rehabilitation adjustment (Note 24)	—	—	—	—	—	—	(3,145,917)	—	(3,145,917)
As of December 31, 2009	1,121,931	884,070	—	26,708,182	4,777,971	100,458	18,760,374	75,982,945	128,335,931
Reversal of accrual	—	—	—	—	—	—	—	(5,719,987)	(5,719,987)
Additions	119,746	30,050	—	60,870	144,163	—	2,368,294	6,571,245	9,294,368
Disposals	(53,913)	—	—	—	—	—	—	—	(53,913)
Reclassification	—	—	71,511,403	(1,103,785)	—	—	(741,049)	(69,666,569)	—
Environmental rehabilitation adjustment (Note 24)	—	—	—	—	—	—	295,265	—	295,265
As of June 30, 2010	1,187,764	914,120	71,511,403	25,665,267	4,922,134	100,458	20,682,884	7,167,634	132,151,664
Accumulated depreciation									
As of January 1, 2007	(83,981)	(200,143)	—	(46,213)	(704)	—	—	—	(331,041)
Charge for the year	(116,883)	(132,306)	—	(751,783)	(113,399)	—	—	—	(1,114,371)
Eliminated on disposals	7,479	52,726	—	(771)	—	—	—	—	59,434
As of December 31, 2007	(193,385)	(279,723)	—	(798,767)	(114,103)	—	—	—	(1,385,978)
Charge for the year	(236,557)	(149,452)	—	(2,216,229)	(375,875)	—	(579,372)	—	(3,557,485)
Eliminated on disposals	65,471	70,202	—	—	—	—	—	—	135,673
As of December 31, 2008	(364,471)	(358,973)	—	(3,014,996)	(489,978)	—	(579,372)	—	(4,807,790)
Charge for the year	(216,772)	(175,290)	—	(2,141,625)	(393,584)	(4,566)	(2,832,668)	—	(5,764,505)
Eliminated on disposals	67,879	6,966	—	—	—	—	—	—	74,845
Reclassified as assets held for sale	33,679	23,430	—	4,333	18,749	—	—	—	80,191
As of December 31, 2009	(479,685)	(503,867)	—	(5,152,288)	(864,813)	(4,566)	(3,412,040)	—	(10,417,259)
Charge for the period	(104,166)	(75,014)	(1,385,833)	(1,154,984)	(86,401)	(9,133)	(1,072,117)	—	(3,887,648)
Reclassification	—	—	(196,538)	196,538	—	—	—	—	—
Eliminated on disposals	29,911	—	—	—	—	—	—	—	29,911
As of June 30, 2010	(553,940)	(578,881)	(1,582,371)	(6,110,734)	(951,214)	(13,699)	(4,484,157)	—	(14,274,996)
Carrying value									
As of December 31, 2007	896,852	345,821	—	24,175,412	3,944,043	—	26,108,626	41,316	55,512,070
As of December 31, 2008	819,665	363,999	—	21,907,826	3,785,823	—	11,377,786	28,727,117	66,982,216
As of December 31, 2009	642,246	380,203	—	21,555,894	3,913,158	95,892	15,348,334	75,982,945	117,918,672
As of June 30, 2010	633,824	335,239	69,929,032	19,554,533	3,970,920	86,759	16,198,727	7,167,634	117,876,668

THE COMPANY

	Motor vehicles	Furniture and office equipment	Leasehold improvements	Construction in process	Total
	$	$	$	$	$
Cost					
As of January 1, 2007	48,363	162,580	—	—	210,943
Additions	—	12,581	—	—	12,581
Disposals	—	(52,832)	—	—	(52,832)
As of December 31, 2007	48,363	122,329	—	—	170,692
Additions	—	31,084	—	—	31,084
Disposals	(48,363)	(73,601)	—	—	(121,964)
As of December 31, 2008	—	79,812	—	—	79,812
Additions	—	212,108	—	100,458	312,566
Disposals	—	(6,966)	—	—	(6,966)
Transfer from construction in progress	—	—	100,458	(100,458)	—
As of December 31, 2009	—	284,954	100,458	—	385,412
Additions	—	1,339	—	—	1,339
As of June 30, 2010	—	286,293	100,458	—	386,751
Accumulated depreciation					
As of January 1, 2007	41,915	127,331	—	—	169,246
Charge for the year	6,448	28,247	—	—	34,695
Eliminated on disposals	—	(52,612)	—	—	(52,612)
As of December 31, 2007	48,363	102,966	—	—	151,329
Charge for the year	—	19,248	—	—	19,248
Eliminated on disposals	(48,363)	(70,165)	—	—	(118,528)
As of December 31, 2008	—	52,049	—	—	52,049
Charge for the year	—	38,133	4,566	—	42,699
Eliminated on disposals	—	(6,966)	—	—	(6,966)
As of December 31, 2009	—	83,216	4,566	—	87,782
Charge for the period	—	34,200	9,134	—	43,334
As of June 30, 2010		117,416	13,700	—	131,116
Carrying value					
As of December 31, 2007	—	19,363	—	—	19,363
As of December 31, 2008	—	27,763	—	—	27,763
As of December 31, 2009	—	201,738	95,892	—	297,630
As of June 30, 2010	—	168,877	86,758	—	255,635

Included in the cost above is $5,211,174, $11,121,750, $15,074,435 and $15,983,920 as of December 31, 2007, 2008, 2009 and June 30, 2010 related to finance costs which have been capitalized as construction in progress and mineral assets.

Construction in progress as of December 31, 2008, 2009 mainly consisted of the crusher facility construction for the CSH Gold Mine and a building under construction. Costs for the construction of the crushing facility for the CSH Gold Mine amounting to $69,666,569 were transferred to crusher from construction in progress during the six months ended June 30, 2010. The life of the crushing facility has been estimated to be 14 years.

At June 30, 2010, construction in progress consisted of a building under construction at the CSH Gold Mine.

Mineral assets consist of development costs capitalized for the CSH Gold Mine commencing on May 1, 2006, when the Company determined by way of a feasibility study that the CSH Gold Mine had economically recoverable reserves. Capitalization of development costs, as part of mineral assets, stopped when the CSH Gold Mine entered into commercial production on July 1, 2008. Deferred development costs included mine operating costs net of proceeds received from the sale of pre-commercial gold production and accordingly, the measurement and valuation of gold inventory at July 1, 2008 resulted in the reclassification of $20,401,790 to inventory from mineral assets.

Mineral property interests

(a) CSH Gold Mine

The CSH Gold Mine consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. It is centrally positioned within the east-west-trending Tian Shan Gold Belt. The site is approximately 650 kilometers ("km") northwest of Beijing.

In April 2002, the Company entered into a joint venture agreement with a Chinese partner, the Brigade 217 of the Northwest Geological Bureau ("the Brigade"), to acquire up to a 96.5% interest in the CSH Gold Mine. In April 2005, the Company completed its earn-in obligations and acquired the 96.5% interest. The Chinese partner was also entitled to receive from the Company two $1,000,000 payments, the first of which was paid in May 2007, and the second was paid in February 2008.

	January 1, 2007	Increase/ (decrease) during the year	December 31, 2007	Increase during the year	Transfer(1)	December 31, 2008	Increase during the year	December 31, 2009	Increase/ (decrease) during the period	June 30, 2010
	$	$	$	$	$	$	$	$	$	$
Exploration expenditure charged to profit or loss	5,840,503	1,239,111	7,079,614	1,824,263	—	8,903,877	267,299	9,171,176	58,040	9,229,216
Mineral assets(2)	5,327,531	20,781,095	26,108,626	6,250,322	(20,401,790)	11,957,158	6,803,216	18,760,374	1,922,510	20,682,884
Construction in progress(3)	14,749,310	(14,707,994)	41,316	28,685,801	—	28,727,117	47,255,828	75,982,945	(68,815,311)	7,167,634

(1) Amounts were transferred to inventory upon entering into commercial production effective July 1, 2008.

(2) During the year ended December 31, 2009 and six months ended June 30, 2010, a reduction of $3,145,917 were made from changes in the estimated timing and amount of cash flows and additions of $295,265 were made from changes in discount rate, respectively on the environmental rehabilitations (Note 24).

(3) During the year ended December 31, 2007 and 2009, $28,572,485 and $1,000,584 was transferred out of construction in progress, respectively. During the six months ended June 30, 2010, $69,666,569 was transferred out of construction in progress to crusher and the Group reversed $5,719,987 accruals on construction in progress upon the completion of crushing facility construction.

Assets classified as held for sale and Liabilities classified as held for sale

(b) Dadiangou Gold Project

The Dadiangou project consists of a licensed area of 15 km^2 in Gansu Province, China. The project is located in the Qinling Fold Belt, a gold producing region that trends west to east through the provinces of Gansu and Shaanxi in central China.

In September 2005, the Group entered into a joint venture agreement with its Chinese partner, Nuclear Industry Northwest Economic and Technology Company ("NINETC"), to acquire a majority interest in the Dadiangou project. Under the terms of the agreement, the Group can earn a 71% interest by incurring exploration expenditures of approximately $3,700,000 over the first three years of exploration commencing on September 19, 2006 and making payments to NINETC of approximately $1,494,080 (of which $125,000 has been paid). The Group can increase its interest to 80% by incurring additional exploration expenditures of approximately $3,200,000 and by making additional payments of approximately $360,000 to NINETC. NINETC can then choose to participate at a 20% level for all future expenditures, or have their ownership interest diluted. Up to June 30, 2010, the Group had not incurred the required exploration expenditure and its interest in this project remained as 71% as of December 31, 2007, 2008, 2009 and June 30, 2010.

	January 1, 2007	Increase during the year	December 31, 2007	Increase during the year	December 31, 2008	Increase during the year	December 31, 2009	Increase during the period	June 30, 2010
	$	$	$	$	$	$	$	$	$
Exploration expenditure charged to profit or loss	699,488	3,275,637	3,975,125	1,655,319	5,630,444	431,467	6,061,911	65,172	6,127,083

The Company considered that the Dadiangou Gold Project carried out by Gansu Pacific is not a sizeable mine site and decided not to further develop this project. The Company has decided to sell its interest in Gansu Pacific in 2009 and in December 2009, the Group entered into a letter of intent with a potential purchaser which is a subsidiary of Zhongjin Gold Corporation Limited and a subsidiary of CNG in relation to the disposal of its entire interest in Gansu Pacific. The consideration will be determined after the completion of due diligence procedures. As a result, the Group has recorded the assets and liabilities of Gansu Pacific at December 31, 2009 as assets classified as held for sale and liabilities classified as held for sale. On April 28, 2010, the Company's subsidiary, Gansu Pacific, and NINETC have entered into an agreement to sell the Dadiangou Gold Project. The parties are selling the project to Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of Zhongjin Gold Corporation Limited, a company listed on the Shanghai Stock Exchange and a subsidiary of CNG. The price is RMB 88 million (approximately $13.1 million), of which the Group will be entitled to 53%, or RMB 46.6 million (approximately $7 million). The transaction has not yet been completed as of the date of this report. At June 30, 2010, the Group had received deposit from the purchaser of $10,756,703, and such amounts cannot be used until the completion of the disposal transaction. Hence, the amount has been included as restricted cash at June 30, 2010 (Note 15).

Assets classified as held for sale and liabilities classified as held for sale are broken down as follows:

Assets classified as held for sale

	December 31, 2009	June 30, 2010
	$	$
Cash	81,186	3,592
Accounts receivable	1,047	2,525
Property, plant and equipment	75,071	63,677
	157,304	69,794

Liabilities classified as held for sale

	December 31, 2009	June 30, 2010
	$	$
Accounts payable	17,054	17,706

(c) Xinjiang Projects

The Group held two exploration permits covering 96 km² in the Xinjiang Uygur Autonomous Region ("Xinjiang") of Northwest China. The permits were held under Yunnan Xindian, a Chinese-Foreign Joint Venture in which the Group held a 99% interest and the partner, Yunnan Geological and Mining Co. Ltd., held a 1% interest. The permits were granted in June 2006 and expired on June 30, 2009. The Group had not renewed the permits and ceased further development in this site subsequent to June 30, 2009.

	January 1, 2007	Increase during the year	December 31, 2007	Increase during the year	December 31, 2008	Increase during the year	December 31, 2009
	$	$	$	$	$	$	$
Exploration expenditure charged to profit or loss	1,634,472	1,726,213	3,360,685	920,268	4,280,953	795,206	5,076,159

As the project did not find any resources with commercial values, the Company has decided to sell its interest in the Xinjang Projects and as a result, has recorded the assets and liabilities of Yunnan Xindian at December 31, 2009 as assets classified as held for sale and liabilities classified as held for sale. Negotiations with interested parties to dispose of its entire equity interest in Yunnan Xindian Mining Co. Ltd. have taken place since 2009 and the disposal was completed in May 2010. Assets classified as held for sale and liabilities classified as held for sale at December 31, 2009 are broken down as follows:

Assets classified as held for sale

	December 31, 2009
	$
Cash	8,382
Accounts receivable	4,920
Prepaid expenses — rent deposits	1,215
Property, plant and equipment	17,150
	31,667

Liabilities classified as held for sale

	December 31, 2009
	$
Accounts payable	24,198

On April 26, 2010, the Company's subsidiary, Pacific PGM Inc., entered into an agreement with an independent third party to dispose of all equity interests in Yunnan Southern Copper (Barbados) Inc. which in turn held a 99% interests in Yunnan Xindian for a total consideration of US$20,000.

In May 2010, the transaction was completed and the Group disposed of its entire interest in Yunnan Southern Copper (Barbados) Inc. for a total consideration of $20,000. The net assets at the date of disposal were as follows:

	$
Net assets disposed of	—
Gain on disposal	20,000
Total consideration	20,000
Satisfied by:	
Cash	20,000
Net cash inflow arising on disposal	20,000

20. INVESTMENTS IN SUBSIDIARIES

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Unlisted shares — cost	1,021	1,021	1,021	1,021
Deemed investment cost — imputed interest	15,524,008	17,199,640	17,569,470	17,515,265
	15,525,029	17,200,661	17,570,491	17,516,286

21. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are for ongoing operations and are unsecured, interest free and repayable upon written notice given from the Company, and the Company does not intend to withdraw the funding in the foreseeable future. Fair value adjustments have been made by the Company on the amounts due from subsidiaries using the effective interest rate with a corresponding increase in investments in subsidiaries. The effective interest rate for the advances made during the three years ended December 31, 2007, 2008, 2009 and six months ended June 30, 2010 are 7.47%, 5.31%, 5.94% and 5.94% per annum, respectively.

22. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

The following is an aged analysis of the accounts payable and accrued expenses:

THE GROUP

	December 31,			June,
	2007	2008	2009	2010
	$	$	$	$
Less than 1 month	13,391,117	13,979,217	24,526,308	27,712,634
1 to 3 months	527,804	1,485,099	1,444,774	4,190,226
3 to 6 months	38,167	3,235,841	2,525,308	1,262,983
Over 6 months	1,109,397	232,487	6,576,214	6,602,502
Total	15,066,485	18,932,644	35,072,604	39,768,345

Included within the Group's accounts payable and accrued expenses are crusher construction costs payable of Nil, $132,779, $15,454,985 and $9,471,059 as of December 31, 2007, 2008, 2009 and June 30, 2010 respectively.

Included within the Group's accounts payable and accrued expenses are deposit from sales of Dadiangou Gold Project of $10,756,703 as of June 30, 2010 (see note 19(b)).

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Less than 1 month	2,470,306	829,882	2,424,823	1,412,216
1 to 3 months	—	—	278,980	648,857
3 to 6 months	—	—	75	89,722
Over 6 months	—	—	2,150	2,097
Total	2,470,306	829,882	2,706,028	2,152,892

Included within the Group's and the Company's accounts payable and accrued expenses are interest payable to CNG of Nil, Nil, $166,667 and Nil as of December 31, 2007, 2008, 2009 and June 30, 2010 respectively.

23. BORROWINGS

THE GROUP

	Effective interest rate	Maturity	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
	%		$	$	$	$
Current						
Short-term loan(i)	6.21	March 26, 2009	—	18,672,730	—	—
Current portion of long-term loan(iii)	5.18	September 2010 to September 9, 2014	—	—	1,458,619	1,469,098
Notes payable(ii)	19.54	December 14, 2009	—	22,930,784	—	
Notes payable(ii)	12.00	June 26, 2011	—	—	10,633,386	7,044,900
			—	41,603,514	12,092,005	8,513,998
Non-current						
Long-term loan — ABC(iii)	5.18	September 2010 to September 9, 2014	—	—	40,841,331	41,134,730
Long-term loan — CNG(iii)	6.00	December 6, 2011	—	—	40,000,000	40,000,000
Notes payable(ii)	19.54	December 14, 2009	26,708,698	—	—	—
Notes payable(ii)	19.48	June 26, 2010	17,558,325	14,929,121	—	—
			44,267,023	14,929,121	80,841,331	81,134,730
			44,267,023	56,532,635	92,933,336	89,648,728

THE COMPANY

	Effective interest rate	Maturity	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
	%		$	$	$	$
Current						
Notes payable(ii)	19.54	December 14, 2009	—	22,930,784	—	—
Notes payable(ii)	12.00	June 26, 2011	—	—	10,633,386	7,044,900
			—	22,930,784	10,633,386	7,044,900
Non-current						
Long-term loan — CNG(iii)	6.00	December 6, 2011	—	—	40,000,000	40,000,000
Notes payable(ii)	19.54	December 14, 2009	26,708,698	—	—	—
Notes payable(ii)	19.48	June 26, 2010	17,558,325	14,929,121	—	—
			44,267,023	14,929,121	40,000,000	40,000,000
			44,267,023	37,859,905	50,633,386	47,044,900

(i) Short-term loan

In June 2009, the Groups subsidiary, Inner Mongolia Pacific Mining Co. Ltd. ("IMP") secured a non-revolving credit facility for $30,732,757 (RMB 210,000,000) from CNG. The credit facility is unsecured and bears interest payable monthly at 5.31% per annum. The credit facility matures on and is repayable in full by September 30, 2009, but may be extended upon agreement of IMP and CNG. IMP drew down the credit facility by a total of $11,710,973 (RMB 80,000,000) which was repaid by December 31, 2009.

The Group received $18,909,916 (RMB 130,000,000) of the bridge loan proceeds from the Industrial and Commercial Bank of China in September 2008, to support operations at the CSH Gold Mine during the construction and installation of crushers. The bridge loan was unsecured and denominated in RMB at an annual interest rate of 6.21%. Interest was payable monthly and the principal amount was repayable in installments of $4,421,192 (RMB 30,000,000) in January 2009, $7,368,654 (RMB 50,000,000) in February 2009, and $7,368,654 (RMB 50,000,000) in March 2009. The principal amount was fully repaid by March 26, 2009. Principal repayments of $14,600,000 (RMB 100,000,000) were funded by an advance from CNG as prepayment of future gold sales to CNG. The bridge loan was guaranteed by the Group's substantial shareholder, CNG.

As a condition of its promissory note holders consenting to the unsecured bridge loan, the Group has extended to December 14, 2010 the expiry date of 3,860,000 common share purchase warrants to purchase 3,860,000 common shares issued in connection with a note offering that closed in December 2006 (Note A), and has extended to June 26, 2011 the expiry date of 2,450,000 warrants to purchase 2,450,000 common shares in connection with a note offering that closed in June 2007 (Note B and C). The holders of the warrants may exercise the warrants at the original exercise price of CAD1.60 per common share in the case of the warrants issued in connection with the December 2006 note offering and CAD2.50 in the case of the warrants issued in connection with the June 2007 note offering, until the new expiry date. No other terms of the warrants were changed. As a result of the warrant expiry date extensions, the Group determined the additional value of the warrants taking into account the expiry date extensions and recorded the incremental value of $1,294,238 as a cost of obtaining the bridge loan. The effective interest rate of the bridge loan is 19.91%.

The fair values of the warrants after expiry dates extension were measured using the Black-Scholes option pricing model and were based on risk free annual interest rates ranging from 2.9% to 3.0%, expected lives ranging from 2.21 to 2.74 years, an expected volatility of 62%, and a dividend yield rate of nil. The fair values of the warrants are included in warrant liability in the Group's consolidated statement of financial position.

Effective interest recognized for the bridge loan, until its repayment on March 26, 2009, was $1,099,973 for the year ended December 31, 2008 and $709,772 for the year ended December 31, 2009.

(ii) Notes payable

THE GROUP AND THE COMPANY

	Note A	Note B	Note C	Total
	$	$	$	$
Balances of notes payable, January 1, 2007	21,604,895	—	—	21,604,895
Total proceeds	—	11,668,067	7,000,840	18,668,907
Less: Fair value of warrants	—	(1,500,777)	(900,466)	(2,401,243)
Fair value of the notes payable	21,604,895	10,167,290	6,100,374	37,872,559
Less: Transaction costs for the notes payable	—	(462,252)	(17,170)	(479,422)
Unrealized foreign exchange loss	3,771,705	831,956	520,987	5,124,648
Effective interest	4,770,372	1,058,098	600,509	6,428,979
Interest paid	(3,438,274)	(776,046)	(465,421)	(4,679,741)
Balances of notes payable, December 31, 2007	26,708,698	10,819,046	6,739,279	44,267,023
Unrealized foreign exchange gain	(5,429,323)	(2,191,334)	(1,349,697)	(8,970,354)
Effective interest	4,906,233	1,978,923	1,112,604	7,997,760
Interest paid	(3,254,824)	(1,359,657)	(820,043)	(5,434,524)
Balances of notes payable, December 31, 2008	22,930,784	9,246,978	5,682,143	37,859,905
Unrealized foreign exchange loss	3,693,230	1,243,176	960,770	5,897,176
Effective interest	4,721,339	2,235,146	1,107,779	8,064,264
Interest paid	(3,024,764)	(1,291,349)	(795,898)	(5,112,011)
Principal payments	(28,320,589)	—	—	(28,320,589)
Principal repurchase	—	(7,755,359)	—	(7,755,359)
Balances of notes payable, December 31, 2009	—	3,678,592	6,954,794	10,633,386
Unrealized foreign exchange loss (gain)	—	1,468	(92,995)	(91,527)
Effective interest	—	143,241	621,000	764,241
Interest paid	—	(13,777)	(437,899)	(451,676)
Principal repurchase	—	(3,809,524)	—	(3,809,524)
Balance of notes payable, June 30, 2010	—	—	7,044,900	7,044,900

(a) Note A

On December 14, 2006, the Group completed a $25,935,546 (CAD30,000,000) ("Note A") private placement offering consisting of senior unsecured promissory notes ("Notes") and 6,000,000 warrants for financing the development of the CSH Gold mine. The Notes mature on December 14, 2009, are repayable in Canadian dollars, and carry an annual interest rate of 12%. Interest on the Notes is payable on a calendar quarterly basis commencing on March 31, 2007. The Group can elect to prepay the Notes anytime after 18 months from the issue date with no prepayment penalty. The effective interest rate is 19.54%. On December 14, 2009, the Notes A totalling CAD30,000,000 were repaid.

The Group has allocated the $25,935,546 face value of the private placement offering to the Notes and warrants based on the fair value of the warrants and the Notes. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 3.9%, an expected life of two years, an expected volatility of 79%, and a dividend yield rate of Nil. Each warrant entitles the holder to acquire one common share at CAD1.60 each and expires on December 14, 2008 (see Note 25 (c)). The expiry date has been extended to December 14, 2010 (see Note 23(i)).

The Group has the right to accelerate the expiry date of the warrants anytime after 18 months from the issue date, if the Group's common shares trade at or above a volume weighted average share price of CAD2.75 for 20 consecutive trading days.

The expiry date was accelerated by the Company on March 18, 2010.

On December 14, 2009, Note A was repaid in full. By April 17, 2010, all the warrants had been exercised (see 25(c))

(b) Notes B and C

On June 26, 2007, the Group concluded an $18,668,907 (CAD20,000,000) private placement offering consisting of senior unsecured promissory notes ("June 07 Notes") and 4,000,000 warrants. Ivanhoe Mines Ltd. ("Ivanhoe"), a substantial shareholder of the Group at that time, purchased $7,000,840 (CAD7,500,000) ("Note C") of the June 07 Notes and $11,668,067 (CAD12,500,000) ("Note B") was purchased by third parties. The June 07 Notes mature on June 26, 2010, are repayable in Canadian dollars and carry an annual interest rate of 12%. Interest on the June 07 Notes is payable on a calendar quarterly basis commencing on September 30, 2007. The Group can elect to prepay Note B anytime after 18 months from the issue date with no prepayment penalty and Note C after six months from the issue date with no prepayment penalty. Note B ranks pari passu with the notes issued in December 2006 ("Note A") while Note C is subordinate to Notes A and B. The effective interest rate of Note B and Note C is 19.48% and 17.66% respectively.

The Group has allocated the $18,668,907 face value of the private placement offering to the June 07 Notes and warrants based on the fair value of the warrants and the June 07 Notes. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 4.6%, an expected life of two years, an expected volatility of 72%, and a dividend yield rate of Nil. Each warrant entitles the holder to acquire one common share at CAD2.50 and expires on June 26, 2009 (see Note 25 (c)). The expiry date has been extended to June 26, 2011 (see Note 23(i)).

On December 14, 2009, CAD8,500,000 of Note B were repurchased from the market at a consideration of $8,024,167. The loss on repurchase was $268,808 and included in finance cost. The balance of CAD4,000,000 was repurchased on January 11, 2010 at a consideration of $3,931,026 and the loss on repurchase was $121,502 and included in finance cost. On June 1, 2010, the maturity date for Note C has extended from June 26, 2010 to June 26, 2011. The effective interest rate is revised from 17.66% to 12%.

The Group has the right to accelerate the expiry date of the warrants anytime after 18 months from the issue date, if the Group's common shares trade at or above a volume weighted average share price of CAD4.25 for 20 consecutive trading days.

On April 16, 2010, the expiry date of the warrants with exercise price of CAD2.50 was accelerated by the Company. During the six months ended June 30, 2010, all warrants at CAD$2.50 had been exercised (see Note 25(c)).

(iii) Long-term loans

On September 14, 2009, the Company's subsidiary, IMP, secured a five-year Renminbi RMB 290,000,000 ($42,299,950) long-term loan ("term loan") from the Agricultural Bank of China ("ABC"). The purpose of the term loan is to satisfy the outstanding funding requirements for the capital expansion loan provided by CNG in June 2009. The term loan is supported by a guarantee from CNG. The annual interest rate for the term loan is currently 5.184% and interest is payable monthly. The term loan principal is repayable through periodic instalments with RMB 10,000,000 ($1,469,098) due in each of September 2010 and 2011 and further instalments of RMB 30,000,000 ($4,407,293) due in successive three-month intervals starting in September 2012 through to September 2014, when the remaining outstanding balance is scheduled to be repaid in full.

On December 3, 2009, the Company secured a two years term loan in the amount of $40,000,000 from its substantial shareholder, CNG. The purpose of the term loan was to redeem the CAD30,000,000 of the 12% promissory notes due to mature on December 14, 2009. The funds were also used for the early redemption of the CAD12,500,000 of the 12% promissory notes, due to mature on June 26, 2010 and on January 11, 2010. The loan is unsecured with interest at 6% per annum payable quarterly. Subject to prior repayment, the loan will become due and payable in December 2011.

24. ENVIRONMENTAL REHABILITATION

Reclamation and closure costs have been estimated based on the Group's interpretation of current regulatory requirements and determined based on the net present value of future cash expenditures upon reclamation and closure. Reclamation and closure costs are capitalized as mine development costs (under mineral assets), and amortized over the life of the mine on a unit-of-production basis.

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total $7,897,000, $7,897,000, $9,495,000, and $9,571,000 discounted at 17.6%, 12.1%, 10% and 9% per annum at December 31, 2007, 2008, 2009 and June 30, 2010, respectively. The settlement of the obligations will occur through to 2030. No assets have been legally restricted for the purposes of settling the environmental rehabilitation.

The following is an analysis of the environmental rehabilitation:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Balance, beginning of year/period	—	2,244,633	4,131,735	1,599,120
Additions to site reclamation and additions resulted from changes in discount rate during the year/period	1,833,169	1,224,696	244,066	295,265
Accretion incurred in the current year/period	323,250	405,314	392,277	85,267
Foreign exchange loss (gain)	88,214	257,092	(23,041)	13,885
Reductions resulted from changes in the estimated timing and amount of cash flows	—	—	(3,145,917)	—
	2,244,633	4,131,735	1,599,120	1,993,537

25. SHARE CAPITAL, OPTIONS AND WARRANTS

(a) Common shares

(i) Authorized

Unlimited common shares without par value

(ii) Issued and outstanding

December 31, 2007: 156,561,424 common shares; December 31, 2008: 163,889,159 common shares; December 31, 2009: 167,629,459 common shares; June 30, 2010: 171,824,459 common shares

(b) Stock options

The Group has a stock option plan which permits the Board of Directors of the Group to grant options to directors and employees to acquire common shares of the Group at the fair market value on the date of approval by the Board of Directors. A portion of the stock options vests immediately on the grant date and the balance vests over a period of up to five years from grant date. The stock options have a life of up to six years from grant date. The fair market value of the exercise price is the weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the Board of Directors. The Compensation and Benefits Committee makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements. The Group is authorized to issue options to a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan. At December 31, 2007, 2008, 2009 and June 30, 2010, there were 6,629,607, 10,601,616, 15,215,946 and 15,982,446 options available for future grants, respectively.

The following is a summary of option transactions under the Group's stock option plan for the Relevant Periods:

	December 31,						June 30,	
	2007		2008		2009		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CAD		CAD		CAD		CAD
Balance, beginning of period	7,412,140	1.21	9,026,535	1.50	5,787,300	1.75	1,547,000	2.04
Options granted	3,593,000	2.18	50,000	2.45	—	—	400,000	5.12
Options exercised	(1,707,102)	0.78	(1,920,568)	0.64	(1,490,300)	1.36	(135,000)	1.78
Options forfeited	(271,503)	1.22	(1,083,000)	2.90	(2,625,000)	1.06	(612,000)	2.16
Options expired	—	—	(285,667)	1.31	(125,000)	1.74	—	—
Balance, end of period	9,026,535	1.50	5,787,300	1.75	1,547,000	2.04	1,200,000	3.05

During the year ended December 31, 2007, the Group granted 3,593,000 stock options to certain employees and consultants at exercise prices ranging from CAD1.62 to CAD2.20 with expiry dates ranging from January 12, 2012 to July 20, 2013. The grant-date fair value and compensation costs of $4,979,230 will be expensed/recognized over the vesting periods of the options, of which $1,031,171 was included in the net amount of $1,754,547 expensed/recognized in the year ended December 31, 2007.

During the year ended December 31, 2008, the Group granted 50,000 stock options to an employee at an exercise price of CAD2.45 with the expiry date of May 1, 2014. The grant-date fair value and compensation costs of $76,062 will be expensed/recognized over the vesting periods of the options, of which $19,187 was included in the net amount of $1,641,410 expensed/recognized in the year ended December 31, 2008.

No stock options were granted during the year ended December 31, 2009. Due to forfeitures of stock options by employees before the vesting date, the Company re-estimated the number of options that will ultimately vest in the future and recognized a reversal of compensation cost of $461,783 during the year ended December 31, 2009.

400,000 stock options were granted during the six months ended June 30, 2010. The options were granted on June 1, 2010 and expire on June 1, 2015. The exercise price was CAD4.35 per share from June 1, 2010 until June 1, 2011, CAD4.78 per share from June 2, 2011 until June 1, 2012, CAD5.21 per share from June 2, 2012 until June 1, 2013, CAD5.64 per share from June 2, 2013 until June 1, 2014, and CAD6.09 per share from June 2, 2014 until June 1, 2015 or such later termination date as may apply. 20% of the shares are vested immediately, an additional 20% of the shares are vested on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014, respectively. The fair value of these options at date of grant was approximately $860,000, of which approximately $204,000 has been charged to the profit and loss for the six months ended June 30, 2010.

Due to forfeitures of stock options by employees before the vesting date, the Company re-estimated the number of options that will ultimately vest in the future and recognized a compensation costs of $166,450 (unaudited) and $37,915 during the six months ended June 30, 2009 and 2010, respectively.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2007:

Expiring in	Options outstanding: Number outstanding at December 31, 2007	Remaining contractual life (years)	Weighted average exercise price	Options exercisable: Number exercisable at December 31, 2007	Weighted average exercise price
			CAD		CAD
2008	1,766,567	0.13 to 0.90	0.77	1,766,567	0.77
2009	1,236,968	1.01 to 1.92	1.43	803,701	1.52
2010	50,000	2.52	0.50	50,000	0.50
2011	2,385,000	3.13 to 3.87	1.09	1,555,167	1.09
2012	518,000	4.04 to 4.46	2.17	67,000	1.87
2013	3,070,000	4.04 to 4.46	2.17	—	—
	9,026,535		1.50	4,242,435	1.04

The following table summarizes information about stock options outstanding and exercisable at December 31, 2008:

Expiring in	Options outstanding: Number outstanding at December 31, 2008	Remaining contractual life (years)	Weighted average exercise price	Options exercisable: Number exercisable at December 31, 2008	Weighted average exercise price
			CAD		CAD
2009	506,300	0.07 to 0.92	1.34	506,300	1.34
2010	50,000	1.52	0.50	50,000	0.50
2011	1,801,000	2.13 to 2.84	1.10	1,214,600	1.09
2012	310,000	3.03 to 3.20	1.85	206,666	1.85
2013	3,070,000	4.55	2.20	614,000	2.20
2014	50,000	5.00	2.45	—	—
	5,787,300		1.75	2,591,566	1.45

The following table summarizes information about stock options outstanding and exercisable at December 31, 2009:

Expiring in	Options outstanding: Number outstanding at December 31, 2009	Remaining contractual life (years)	Weighted average exercise price	Options exercisable: Number exercisable at December 31, 2009	Weighted average exercise price
			CAD		CAD
2011	210,000	1.50	1.05	210,000	1.05
2013	1,337,000	3.56	2.20	350,000	2.20
	1,547,000		2.04	560,000	1.77

The following table summarizes information about stock options outstanding and exercisable at June 30, 2010:

Expiring in	Option outstanding: Number outstanding at June 30, 2010	Remaining contractual life (years)	Weighted average exercise price	Options exercisable: Number exercisable at June 30, 2010	Weighted average exercise price
2011	165,000	1.00	1.05	165,000	1.05
2013	635,000	3.05	2.20	230,000	2.20
2015	400,000	4.92	5.21	80,000	5.21
	1,200,000		3.05	475,000	3.05

The fair value of options granted was determined using the Black-Scholes option pricing model, and the following weighted average assumptions:

	Years ended December 31,			Period ended June 30,
	2007	2008	2009	2010
Risk free interest rate	4.00%	3.34%	N/A	1.44%
Expected life (years)	4.6	6.0	N/A	2.5
Expected volatility	73%	55%	N/A	94.57%
Expected dividend per share	$ Nil	$ Nil	N/A	$ Nil
Expected annual forfeitures	—	—	N/A	—
Fair value per option granted	$1.35	$1.36	N/A	$ 2.15

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

(c) Warrants

The following is a summary of number of warrants outstanding:

	December 31,			June 30,
	2007	2008	2009	2010
Balance, beginning of year/period	17,212,540	11,717,167	6,310,000	4,060,000
Issued	4,000,000	—	—	—
Exercised	(9,495,373)	(5,407,167)	(2,250,000)	(4,060,000)
Balance, end of year/period	11,717,167	6,310,000	4,060,000	—

The following is a summary of warrants amounts outstanding:

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Balance, beginning of year/period	9,347,834	13,825,817	274,507	5,286,123
Issued	2,401,243	—	—	—
Extension of warrants	—	1,294,238	—	—
Exercised	(12,197,366)	(2,052,617)	(2,175,105)	(12,441,930)
Fair value change on warrant liabilities	14,274,106	(12,792,931)	7,186,721	7,155,807
Balance, end of year/period	13,825,817	274,507	5,286,123	—

Warrants issued with Canadian dollar exercise prices

As a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, these warrants meet the definition of derivatives and are therefore classified as derivative liabilities measured at fair value. The fair values of the warrants was determined using the Black-Scholes option pricing model at the end of each reporting period. Upon exercise into common shares, the fair value of warrants included in derivative liabilities were reclassified to equity.

The fair value of warrants granted was determined using the Black-Scholes option pricing model, using the following weighted average assumptions at the end of each reporting period:

	Years ended December 31,			Period ended June 30,
	2007	2008	2009	2010
Risk free interest rate	3.92%	1.30%	0.68%	N/A
Expected life (years)	0.93	2.16	0.31	N/A
Expected volatility	58.19%	81.75%	96.93%	N/A
Expected dividend per share	Nil	Nil	Nil	N/A

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

The following table summarizes information about warrants outstanding at December 31, 2007:

Number of warrants	Exercise price	Expiry date
	CAD	
3,015,167	1.45	February 28, 2008
4,702,000	1.60	December 14, 2008
4,000,000	2.50	June 26, 2009
11,717,167		

The following table summarizes information about warrants outstanding at December 31, 2008:

Number of warrants	Exercise price	Expiry date
	CAD	
3,860,000(i)	1.60	December 14, 2010
2,450,000(i)	2.50	June 26, 2011
6,310,000		

Note:

(i) As mentioned in Note 23 (i), the expiry dates of 3,860,000 warrants and 2,450,000 warrants were extended to December 14, 2010 and June 26, 2011, respectively, in September 2008.

The following table summarizes information about warrants outstanding at December 31, 2009:

Number of warrants	Exercise price	Expiry date
	CAD	
1,610,000(i) (ii)	1.60	December 14, 2010
2,450,000(i)(iii)	2.50	June 26, 2011
4,060,000		

Notes:

(i) As mentioned in Note 23 (i), the expiry dates of 1,610,000 warrants and 2,450,000 warrants were extended to December 14, 2010 and June 26, 2011, respectively, in September 2008.

(ii) Subsequent to December 31, 2009, the Company exercised its right to accelerate the expiry date of the CAD1.60 share warrants (Note 23 (ii) (a). The new expiry date of these warrants became April 22, 2010. These warrants were fully exercised by April 17, 2010.

(iii) On April 16, 2010, the Company exercised its right to accelerate the expiry date of these warrants, which became on May 17, 2010. All these warrants were fully exercised by May 13, 2010.

No warrants were outstanding at June 30, 2010.

26. RESERVES

THE COMPANY

	Equity reserve	Deficit
	$	$
Balance, January 1, 2007	3,190,272	(29,191,322)
Shares issued for		
Exercise of stock options	(673,498)	—
Stock-based compensation	1,754,547	—
Net loss and comprehensive loss	—	(25,420,993)
Balance, December 31, 2007	4,271,321	(54,612,315)
Shares issued for		
Exercise of stock options	(1,027,931)	—
Stock-based compensation	1,641,410	—
Net income and comprehensive income	—	8,806,297
Balance, December 31, 2008	4,884,800	(45,806,018)
Shares issued for		
Exercise of stock options	(1,297,570)	—
Stock-based compensation	(461,783)	—
Net loss and comprehensive loss	—	(20,844,767)
Balance, December 31, 2009	3,125,447	(66,650,785)
Shares issued for		
Exercise of stock options	(118,853)	—
Stock-based compensation	37,915	—
Net loss and comprehensive loss	—	(11,746,774)
Balance, June 30, 2010	3,044,509	(78,397,559)

27. RELATED PARTY TRANSACTIONS

CNG and Ivanhoe owned the following percentages of outstanding common shares of the Group:

	December 31,			June 30,
	2007	2008	2009	2010
	%	%	%	%
CNG	—	41.2	40.3	39.3
Ivanhoe	43.0	—	—	—

In October 2008, the Group terminated its contract for the refining and purchase and sale of gold doré with a third-party refiner and entered into an equivalent agreement for the purchase and sale of gold doré with CNG, who is shipping the gold doré to a designated refiner in China. The new agreement is on substantially the same terms as the original contract with the third-party refiner, but the Group has determined that this arrangement will address delays in payment and counterparty risks being experienced under the contract with the third-party refiner.

The breakdown of the sales transactions between related parties is as follows:

	Years ended December 31,			Period ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Gold sales	—	14,011,969	77,723,334	24,814,768	34,505,793
Silver sales (netted in cost of sales)	—	60,531	166,214	135,058	401,759

In the opinion of the directors, the Company's gold doré bar and silver sales was sold to CNG at market price under relevant agreement during the Relevant Periods and the related party transactions will continue after listing on the Main Board of the Stock Exchange.

The Group incurred the following expenses with Ivanhoe, CNG and Global Mining Management ("GMM"), all of these companies were/are related to the Company by way of directors or shareholders in common. Ivanhoe was the substantial shareholder of the Company and GMM was a subsidiary of Ivanhoe and a related party of the Company up to May 2008. After the sale of the equity interest in the Company by Ivanhoe to CNG in May 2008, CNG then became a substantial shareholder of the Company. Both Ivanhoe and GMM ceased to be related parties of the Group after May 2008.

	Years ended December 31,			Period ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Corporate administration	721,166	596,916	—	—	—
Financial services agreement	—	—	409,770	—	—
Salaries and benefits	1,374,057	333,069	—	—	—
Interest	461,712	835,602	1,384,193	371,763	1,484,730
Total related party expenses	2,556,935	1,765,587	1,793,963	371,763	1,484,730

During the years ended December 31, 2007 and 2008, Ivanhoe and GMM incurred corporate administration and salaries on behalf of the Group and these corporate administration and salaries have been recorded on a cost recovery basis. The interest expense has been recorded on the effective interest method.

A financial services agreement was entered into by the Group and CNG in 2009 whereby CNG would provide the Company with assistance with respect to obtaining additional financial support, including, but not limited to negotiations with respect to non-revolving credit facilities, assistance with respect to application and provision of a guarantee for bank loans to be used for the construction of the crusher and other financing options. The directors confirmed that this financial services agreement expired on December 31, 2009 and as such, the Group does not expect to obtain any additional financial support from CNG pursuant to this financial services agreement.

The breakdown of the expenses between the different related parties is as follows:

	Years ended December 31,			Period ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
CNG	—	395,818	1,793,963	371,763	1,484,730
Ivanhoe	461,712	439,784	—	—	—
GMM	2,095,223	929,985	—	—	—
Total related party expenses	2,556,935	1,765,587	1,793,963	371,763	1,484,730

In the opinion of the directors, the above transactions were conducted on normal commercial terms and in the ordinary course of business.

During the year ended December 31, 2009, CNG extended trade credit of $20,488,504 and a non-revolving credit facility of $30,732,757 (RMB 210,000,000) (Note 23) to IMP. By December 31, 2009, the Group had repaid the total advances under trade credit extension and non-revolving credit facility from CNG.

During the year ended December 31, 2009, the Group entered into a letter of intent with a subsidiary of CNG to dispose of its entire interest in Gansu Pacific. During the six months ended June 30, 2010, the Group entered into an agreement, with Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of CNG, to dispose of its entire interest in Gansu Pacific. The transaction has not yet been completed as of the date of this report. See note 19(b).

Related party balances

THE GROUP

The assets and liabilities of the Group include the following amounts due from related parties:

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Assets				
Restricted cash received from CNG's subsidiary for sales of Dadiangou Gold Project	—	—	—	10,756,703
Listing expense receivable from CNG's subsidiary	—	—	1,184,911	1,748,756
Accounts receivable from CNG	—	—	346,437	130,624
Prepaid expenses to GMM	227,749	—	—	—
Prepaid expenses to CNG's subsidiaries	—	—	283,451	295,839
Total related party assets	227,749	—	1,814,799	12,931,922

Accounts receivable from CNG arose from sale of gold to CNG. There is no credit period. The balance of $346,437 and $130,624 at December 31, 2009 and June 30, 2010, respectively is aged within 6 months.

Listing expense receivable from Skyland, CNG's subsidiary and accounts receivable from CNG are included in accounts receivable and prepaid expenses to CNG's subsidiaries are included in prepaid expenses and deposits in the consolidated statements of financial position.

The assets and liabilities of the Group include the following amounts due to related parties:

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Liabilities				
Accounts payable to GMM	375,409	—	—	—
Accounts payable to CNG's subsidiaries	—	76,190	109,391	68,528
Interest payable to CNG	—	—	166,667	—
Other payable to CNG's subsidiaries for deposit from sales of Dadiangou Gold Project	—	—	—	10,756,703
Total related party liabilities	375,409	76,190	276,058	10,825,231

Accounts payable to CNG's subsidiaries and interest payable to CNG are included in accounts payable and accrued expenses in the consolidated statements of financial position.

The Group had repaid the total customer advances received from CNG amounted to $20,488,504 during 2009.

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Assets				
Listing expense receivable from CNG's subsidiary	—	—	1,184,911	1,748,756
Amounts due from subsidiaries	47,110,315	60,259,352	67,197,502	68,461,340
Total related party assets	47,110,315	60,259,352	68,382,413	70,210,096
Liability				
Interest payable to CNG	—	—	166,667	—

Key management personnel compensation

THE GROUP

	Years ended December 31,			Period ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Salary cost					
Salaries and other benefits	976,897	1,391,025	822,960	344,087	278,039
Post employment benefits	11,107	15,380	11,382	10,935	4,156
Stock-based payments	1,502,341	—	—	—	—
	2,490,345	1,406,405	834,342	355,022	282,195

28. 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 to allocate resources to the segments and to assess their performance.

The chief operating decision-maker which is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors.

The Group derives its revenue primarily from mining, extraction, production and selling of gold ore to external clients.

The executive directors review the Group's consolidated financial statements prepared under Canadian generally accepted accounting principles ("Canadian GAAP") for the purposes of resources allocation and performance evaluation for the years ended December 31, 2007 and 2008 and under IFRS for the year ended December 31, 2009 and six months ended June 30, 2010. The Group's segment (loss) income is $(16,531,264) and $2,218,763 during the years ended December 31, 2007 and 2008, respectively, which is the same as the (loss) income of the Group for the year under Canadian GAAP as disclosed in Note 33. The principal differences between Canadian GAAP and IFRS are disclosed in Note 33.

The Group's segment (loss) income is $(8,370,900), $(1,433,502) (unaudited) and $784,737 for the year ended December 31, 2009 and six months ended June 30, 2009 and 2010, respectively, which is the same as the net (loss) income and comprehensive (loss) income for the year/period of the Group as disclosed in the consolidated statements of comprehensive income.

The Group operated in two geographical areas, Canada and China. The Group's Corporate Division located in Canada only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *Operating Segments*. During the year/period, the Group's revenue was solely generated from CSH Gold Mine for gold sales to customers in China.

The Group began to generate revenue in 2008. During the years ended December 31, 2008, 2009 and six months ended June 30, 2009 and 2010, the total segment revenue comprises revenue from three customers, two customers, two customers and two customers, respectively. The Group sells approximately 47.7%, 95.9%, 95.5% (unaudited) and 91.6% of its gold to one creditworthy customer, CNG who is also the Group's substantial shareholder for the years ended December 31, 2008, 2009 and six months ended June 30, 2009 and 2010. The sales to CNG do not constitute economic dependence for the Group as there are other customers in China to whom gold can be sold.

29. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

The Group incurred the following non-cash investing and financing activities:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Value of warrants transferred to share capital upon exercise	12,197,366	2,052,617	2,175,105	—	12,441,930
Transfer of share option reserve upon exercise of options	673,498	1,027,931	1,297,570	—	118,853

30. CAPITAL RISK MANAGEMENT

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

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

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

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

The Group has complied with all covenants included in its short-term loan, long-term loan and the indenture for its notes payable.

31. FINANCIAL INSTRUMENTS

The following table does not include financial assets and financial liabilities classified as held for sale as of December 31, 2009 and June 30, 2010 (see Note 19 (b) and (c)).

THE GROUP

	Financial instrument classification	Carrying amount December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
		$	$	$	$
Financial assets					
Cash and cash equivalents	Loans and receivables	26,952,425	12,142,739	23,984,660	16,331,252
Restricted cash	Loans and receivables	—	5,215,704	—	10,756,703
Accounts receivable	Loans and receivables	348,914	148,771	1,681,880	2,070,198
Long-term receivable	Loans and receivables	—	—	49,689	24,252
Financial liabilities					
Accounts payable and accrued expenses	Other financial liabilities	15,066,485	18,932,644	35,072,604	39,768,345
Short-term loan	Other financial liabilities	—	18,672,730	—	—
Notes payable	Other financial liabilities	44,267,023	37,859,905	10,633,386	7,044,900
Long-term loans	Other financial liabilities	—	—	82,299,950	82,603,828
Warrant liabilities	FVTPL	13,825,817	274,507	5,286,123	—

THE COMPANY

	Financial instrument classification	Carrying amount December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
		$	$	$	$
Financial assets					
Cash and cash equivalents	Loans and receivables	23,121,982	6,549,244	7,578,529	6,100,341
Restricted cash	Loans and receivables	—	3,889,346	—	—
Accounts receivable	Loans and receivables	301,380	35,211	1,284,750	1,836,812
Long-term receivable	Loans and receivables	—	—	49,689	24,252
Amounts due from subsidiaries	Loans and receivables	47,110,315	60,259,352	67,197,502	68,461,340
Financial liabilities					
Accounts payable and accrued expenses	Other financial liabilities	2,470,306	829,882	2,706,028	2,152,892
Notes payable	Other financial liabilities	44,267,023	37,859,905	10,633,386	7,044,900
Long-term loan	Other financial liabilities	—	—	40,000,000	40,000,000
Warrant liabilities	FVTPL	13,825,817	274,507	5,286,123	—

The fair values of the Group's and the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and short-term loan approximate their carrying values due to their short term nature.

The carrying amounts of the notes payable and long-term loans measured at amortized cost in the Group's and the Company's financial statements approximate their fair values.

The Group's and the Company's financial instruments are exposed to certain financial risks including currency risk, credit risk, liquidity risk and interest risk. The following disclosure does not include the effect of financial assets and liabilities classified as held for sale as of December 31, 2009 and June 30, 2010.

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Group operates in China and Canada and its functional currency is U.S. dollar. A significant change in the currency exchange rates between RMB or Canadian dollar relative to U.S. dollar could have a significant effect on the Group's results of operations, financial position or cash flows. The Group has not hedged its exposure to currency fluctuations.

The Group is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and RMB:

Canadian dollar monetary assets and liabilities

THE GROUP AND THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Cash and cash equivalents	21,795,824	649,888	5,812,185	5,473,273
Accounts receivable	260,341	35,211	99,839	88,267
Accounts payable and accrued expenses	(2,470,306)	(829,882)	(1,487,292)	(1,370,351)
Borrowings	(44,267,023)	(37,859,905)	(10,633,386)	(7,044,900)
Warrant liabilities	(13,825,817)	(274,507)	(5,286,123)	—
	(38,506,981)	(38,279,195)	(11,494,777)	(2,853,711)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease in the Group's and the Company's loss before income tax/increase in loss before income tax of approximately $3,851,000 and $1,149,000 for the years ended December 31, 2007 and 2009, respectively, an increase in the Group's income before income tax/decrease in income before income tax of approximately $3,828,000 and $285,000 for the year ended December 31, 2008 and six months ended June 30, 2010, respectively, an increase in the Company's income before income tax/decrease in income before income tax of approximately $3,828,000 for the year ended December 31, 2008 and a decrease in the Company's loss before income tax/increase in loss before income tax of approximately $285,000 for the six months ended June 30, 2010.

RMB monetary assets and liabilities

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Cash and cash equivalents	3,755,368	5,538,082	16,361,908	10,048,746
Restricted cash	—	1,326,358	—	10,756,703
Accounts receivable	47,534	113,560	397,130	1,400,185
Accounts payable and accrued expenses	(12,474,754)	(18,031,985)	(32,347,188)	(37,417,778)
Borrowings	—	(18,672,730)	(42,299,950)	(42,603,828)
	(8,671,852)	(29,726,715)	(57,888,100)	(57,815,972)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the RMB against the U.S. dollar would result in a decrease in the Group's loss before income tax/increase in loss before income tax of approximately $867,000, $5,788,000 for the years ended December 31, 2007 and 2009, respectively, and an increase in income before tax/decrease in income before tax of approximately $2,973,000 and $5,782,000 for the year ended December 31, 2008 and six months ended June 30, 2010, respectively.

THE COMPANY

The Company did not have any RMB denominated monetary assets and liabilities at the end of each reporting period.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sells approximately 47.7%, 95.9%, 95.5% (unaudited) and 91.6% of its gold to one creditworthy customer, CNG who is also the Group's substantial shareholder for the year ended December 31, 2008, 2009 and six months ended June 30, 2009 and 2010 and exposes the Group to concentration of credit risk. The failure of this customer to make required payments could have a negative impact on the Group's results. The Group's cash and short-term bank deposits are held in large Chinese and Canadian banks. These deposits mature at various dates within 3 months. The Group does not have any asset backed commercial paper in its short-term bank deposits. The Group's accounts receivable consists primarily of goods and services tax refund due from the Federal Government of Canada and listing expense receivable from Skyland, all of which are not outstanding for more than 180 days.

The Group had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in PRC or Canada during the Relevant Periods. Maximum exposure to credit risk is as follows:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Cash and cash equivalents	9,896,230	12,140,045	23,984,660	16,331,252
Bank short-term deposits	17,056,195	2,694	—	—
Restricted cash	—	5,215,704	—	10,756,703
Accounts receivable	348,914	148,771	1,681,880	2,070,198
Long-term receivable	—	—	49,689	24,252
	27,301,339	17,507,214	25,716,229	29,182,405

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Cash and cash equivalents	6,065,787	6,546,550	7,578,529	6,100,341
Bank short-term deposits	17,056,195	2,694	—	—
Restricted cash	—	3,889,346	—	—
Accounts receivable	301,381	35,211	1,284,750	1,836,812
Long-term receivable	—	—	49,689	24,252
Amounts due from subsidiaries	47,110,315	60,259,352	67,197,502	68,461,340
	70,533,678	70,733,153	76,110,470	76,422,745

The Company had concentration of credit risk exposure on the amounts due from subsidiaries and the risk of default payment depends on the gold production activities carried out by its subsidiaries. The Company monitors the gold production activities of the subsidiaries and the level of credit risk exposures to ensure that appropriate follow up actions are taken when required.

(c) Liquidity risk

The Group's substantial shareholder, CNG, funded the repayment of notes payable due to mature on December 14, 2009 of $28,320,589 (CAD30,000,000) and notes payable due to mature on June 26, 2010 and January 11, 2010 of $11,955,193 (CAD12,500,000) through a $40,000,000 unsecured two years term loan. At June 30, 2010, all the above mentioned notes payable were settled (see Note 23).

During the year ended December 31, 2009, CNG extended trade credit of $20,488,504 and a non-revolving credit facility of $30,732,757 (RMB 210,000,000) (Note 23(i)) to IMP. By December 31, 2009, the Group had repaid the total advances under trade credit extension and non-revolving credit facility from CNG. This repayment was funded through a $42,299,950 (RMB 290,000,000) unsecured term loan to IMP from the ABC in September 2009 (Note 23 (iii)).

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 30.

The following table details the Group's and the Company's remaining contractual maturities for its non-derivative financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to satisfy the liabilities.

THE GROUP

	Weighted average interest rate	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying Amount
	%	$	$	$	$	$
As of December 31, 2007						
Accounts payable and accrued expenses	—	15,066,485	—	—	15,066,485	15,066,485
Note payables (Note 23 (ii)(a))	12.00	3,643,344	33,839,865	—	37,483,209	26,708,698
Note payables (Note 23 (ii)(b))	12.00	2,428,896	2,428,896	21,426,966	26,284,758	17,558,325
		21,138,725	36,268,761	21,426,966	78,834,452	59,333,508
As of December 31, 2008						
Accounts payable and accrued expenses	—	18,932,644	—	—	18,932,644	18,932,644
Short-term loan (Note 23 (i))	6.21	19,248,137	—	—	19,248,137	18,672,730
Note payables (Note 23 (ii)(a))	12.00	27,318,024	—	—	27,318,024	22,930,784
Note payables (Note 23 (ii)(b))	12.00	1,960,783	17,297,421	—	19,258,204	14,929,121
		67,459,588	17,297,421	—	84,757,009	75,465,279
As of December 31, 2009						
Accounts payable and accrued expenses	—	35,072,604	—	—	35,072,604	35,072,604
Long-term loan — ABC (Note 23 (iii))	5.18	3,660,480	3,583,815	42,946,690	50,190,985	42,299,950
Long-term loan — CNG (Note 23 (iii))	6.00	2,433,333	42,433,333	—	44,866,666	40,000,000
Note payables (Note 23 (ii)(b))	12.00	11,373,917	—	—	11,373,917	10,633,386
		52,540,334	46,017,148	42,946,690	141,504,172	128,005,940
As of June 30, 2010						
Account payable and accrued expenses		39,768,345	—	—	39,768,345	39,768,345
Long-term loan — ABC (Note 23 (iii))	5.18	3,648,275	3,576,771	42,209,945	49,434,992	42,603,828
Long-term loan — CNG (Note 23 (iii))	6.00	2,433,333	41,060,000	—	43,493,333	40,000,000
Note payable (Note 23 (ii)(b))	12.00	7,880,444	—	—	7,880,444	7,044,900
		53,730,397	44,636,771	42,209,945	140,577,114	129,417,073

THE COMPANY

	Weighted average interest rate	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying Amount
	%	$	$	$	$	$
As of December 31, 2007						
Accounts payable and accrued expenses	—	2,470,306	—	—	2,470,306	2,470,306
Notes payable	12.00	3,643,344	33,839,865	—	37,483,209	26,708,698
Notes payable	12.00	2,428,896	2,428,896	21,426,966	26,284,758	17,558,325
		8,542,546	36,268,761	21,426,966	66,238,273	46,737,329
As of December 31, 2008						
Accounts payable and accrued expenses	—	829,882	—	—	829,882	829,882
Notes payable	12.00	27,318,024	—	—	27,318,024	22,930,784
Notes payable	12.00	1,960,783	17,297,421	—	19,258,204	14,929,121
		30,108,689	17,297,421	—	47,406,110	38,689,787
As of December 31, 2009						
Accounts payable and accrued expenses	—	2,706,028	—	—	2,706,028	2,706,028
Long-term loan — CNG . . .	6.00	2,433,333	42,433,333	—	44,866,666	40,000,000
Notes payable	12.00	11,373,917	—	—	11,373,917	10,633,386
		16,513,278	42,433,333	—	58,946,611	53,339,414
As of June 30, 2010						
Accounts payable and accrued expenses	—	2,152,892	—	—	2,152,892	2,152,892
Long-term loan — CNG . . .	6.00	2,433,333	41,060,000	—	43,493,333	40,000,000
Notes payable	12.00	7,880,444	—	—	7,880,444	7,044,900
		12,466,669	41,060,000	—	53,526,669	49,197,792

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's short term bank deposits, notes payables, long-term loan from CNG and short-term loan have fixed interest rates and therefore, are not subject to interest rate fluctuations but changes to exchange rates could affect interest payable (see Note 23) and is subject to fair value interest rate risk. The risk that the Group and the Company will realize a loss as a result of a decline in the interest rates relates to its variable rate bank balances and a 30 basis point higher/lower in the interest rate of its variable rate bank balances would result in a decrease in the Group's loss before income tax/ increase in loss before income tax of approximately $81,000 and $72,000 for the years ended December 31, 2007 and 2009, respectively, and increase in the Group's income before tax/decrease in income before tax of $36,000 and $24,000 for the year ended December 31, 2008 and six months ended June 30, 2010, respectively. A 30 basis point higher/lower in the interest rate of its variable rate bank balances would result in a decrease in the Company's loss before income tax/ increase in loss before income tax of approximately $69,000, $23,000 and $9,000 for the years ended December 31, 2007, 2009 and six months ended June 30, 2010, respectively, and increase in the Company's income before tax/decrease in income before tax of $20,000 for the year ended December 31, 2008.

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

(e) Fair value measurements recognized in the statement of financial position

The analysis of financial instruments that are measured subsequent to initial recognition at fair value can be categorized into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's and the Company's financial liabilities at FVTPL include warrant liabilities and are categorized into Level 3. A reconciliation of level 3 fair value measurement of the Group's and the Company's warrant liabilities are disclosed in note 25(c). The Group and the Company do not have any warrant liabilities at June 30, 2010 as all the warrants were exercised during the six months ended June 30, 2010. There has been no transfer between Level 1 and Level 2 of the financial instruments at FVTPL throughout the Relevant Periods and the details are as follows:

		December 31,			June 30,
		2007	2008	2009	2010
		$	$	$	$
Financial liabilities at FVTPL					
Warrant liabilities	Level 3	13,825,817	274,507	5,286,123	—

(f) Price risk

The Group and the Company is exposed to price risk of the Company's shares through its financial liabilities at FVTPL — warrant liabilities (as disclosed in Note 25 (c)). Therefore, the Group and the Company are exposed to price risk because of changes in market prices of its shares.

Price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to price risks for warrant liabilities fluctuating in the TSX stock market at the Relevant Periods.

If the Company's share price had been 50% higher/lower at the end of December 31, 2007 and all other variables were held constant, the Group's loss before income tax would be increase/decrease by approximately $14.8 million/$11.7 million for the year ended December 31, 2007.

If the Company's share price had been 50% higher/lower at the end of December 31, 2008 and all other variables were held constant, the Group's income before income tax would decrease/increase by approximately $386,000/$228,000 for the year ended December 31, 2008.

If the Company's share price had been 50% higher/lower at December 31, 2009 and all other variables were held constant, the Group's loss before income tax would increase/decrease by approximately $4.8 million/$3.5 million for the year ended December 31, 2009.

No sensitivity analysis are presented for the six months ended June 30, 2010 as the warrants have been fully exercised.

32. COMMITMENTS AND CONTINGENCIES

Operating leases commitments

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

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Within one year	101,329	53,289	95,482	94,263
Between two and five years	70,393	21,615	391,307	363,584
	171,722	74,904	486,789	457,847

Operating lease payments represent rentals payable by the Group for its premises. Leases are negotiated for an average term of three to five years.

Capital commitments

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Capital expenditure in respect of acquisition of property, plant and equipment for the CSH Gold Mine contracted but not provided for	—	25,030,987	10,465,453	1,291,654
Capital commitment in respect of payments to the CSH Gold Mine project and Dadiangou Gold project joint venture partner	1,643,160	1,729,080	—	—
	1,643,160	26,760,067	10,465,453	1,291,654

Other commitments and contingencies existed at June 30, 2010:

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

The Group is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Group does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Group.

33. SUMMARY OF DIFFERENCES BETWEEN IFRS AND CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("CANADIAN GAAP")

During the years ended December 31, 2007 and 2008, the reporting for Canadian purposes was done under Canadian GAAP. The consolidated financial information prepared under IFRS and those prepared under Canadian GAAP for the years ended December 31, 2007 and 2008 have the following major differences:

(i) Environmental rehabilitation

Under IFRS, the provision for environmental rehabilitation must be adjusted for changes in the discount rate. However, under Canadian GAAP, the provision for environmental rehabilitation is not adjusted for changes in the discount rate.

(ii) Share-based compensation

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. Under Canadian GAAP, the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

Further, under Canadian GAAP, consultants are treated as non-employees and the fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. While under IFRS, management has determined that all of the grants awarded to their consultants are considered as employees as the services rendered by their consultants are similar to those rendered by employees. Hence, adjustments are made accordingly under IFRS.

(iii) Share purchase warrants

Under IFRS, as a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, the share purchase warrants meet the definition of derivatives and are measured at FVTPL. The fair values of the share purchase warrants was determined using the Black-Scholes option pricing model at grant date and the end of each reporting period. Under Canadian GAAP, the share purchase warrants are measured at fair value at initial recognition using the Black-Scholes option pricing model, and recorded in equity reserve with no subsequent remeasurement.

	December 31,	
	2007	2008
	US$	US$
Total assets under Canadian GAAP	87,465,388	120,542,330
Adjustments for different accounting treatments:		
Environmental rehabilitation[(i)]	(2,215,390)	(1,231,631)
Total assets under IFRS	85,249,998	119,310,699

	December 31, 2007	December 31, 2008
	US$	US$
Total liabilities under Canadian GAAP	63,793,531	80,828,645
Adjustments for different accounting treatments:		
Environmental rehabilitation(i)	(2,215,390)	(1,231,631)
Share purchase warrants(iii)	13,825,817	274,507
Total liabilities under IFRS	75,403,958	79,871,521

	December 31, 2007	December 31, 2008
	US$	US$
Total equity under Canadian GAAP	23,671,857	39,417,954
Adjustments for different accounting treatments:		
Share purchase warrants(iii)	(13,825,817)	(274,507)
Reclassification of non-controlling interest	—	295,731
Total equity under IFRS	9,846,040	39,439,178

	Years ended December 31, 2007	Years ended December 31, 2008
	US$	US$
(Loss) income for the year under Canadian GAAP	(16,531,264)	2,218,763
Adjustments for different accounting treatments:		
Stock-based compensation(ii)	372,463	(135,451)
Share purchase warrants(iii)	(14,274,106)	12,792,931
(Loss) income for the year under IFRS	(30,432,907)	14,876,243

34. JIAMA PROPERTY ("JIAMA")

On September 23, 2009, the Company announced that it executed a memorandum of understanding with CNG and another partner to acquire a 100% interest of Skyland. Skyland owned the Jiama property which is a significant polymetallic deposit consisting of copper, molybdenum, gold, silver and other minerals. As the proposed acquisition is a related party transaction under Canadian securities laws, the Company has established a special committee of independent directors to review the transaction. A review process has been undertaken to conform to related party transaction requirements, the terms of this acquisition have been determined by negotiation between CNG and its partner on the one hand and a special committee of independent directors on the other.

The definitive purchase agreement was signed subsequent to June 30, 2010. See section C for details.

B. DIRECTORS' REMUNERATION

Save as disclosed in Section A Note 11 above, no other remuneration has been paid in respect of the Relevant Periods to the directors of the Company. Under the arrangement presently in force, the estimate aggregate amount of the Company's directors' remuneration payable for year ending December 31, 2010 is approximately $1,752,000, excluding additional management bonuses and stock-based compensation which are payable at the Company's discretion after June 30, 2010.

C. SUBSEQUENT EVENTS

On August 30, 2010, the Company announced that it has signed a definitive purchase agreement (the "Purchase Agreement") with China National Gold Group Hong Kong Limited ("China National Gold Hong Kong"), a wholly owned subsidiary of CNG, the Company's substantial shareholder, and Rapid Result Investments Limited ("Rapid" and together with China National Gold Hong Kong, the "Vendors"), pursuant to which it will purchase 100% of Skyland from the Vendors. The chief asset of Skyland is its 100% interest in the Jiama property (the "Jiama Property"), a copper polymetallic metal mining property located in Metrorkongka County, Tibet.

The Purchase Agreement provides that the Company will purchase all of the issued and outstanding shares of Skyland from the Vendors and assume shareholder loans made by each of China National Gold Hong Kong and Rapid to Skyland in the aggregate amount of approximately US$42.3 million in exchange for US$742,300,000 (subject to adjustment), with such consideration payable by the Company through the issuance of 170,252,294 common shares of the Company at a deemed price of US$4.36 per share.

The terms of the transaction were settled by a special committee of independent directors, with the support of a valuation and fairness opinion by Haywood Securities Inc ("Haywood").

Completion of the transaction is subject to a number of conditions, including but not limited to receipt of shareholder approval from the Company's disinterested shareholders, the completion of the Company's listing on the Stock Exchange and receipt of applicable regulatory approvals, including TSX approval and approval of the China Securities and Regulatory Commission ("CSRC"). The approval from CSRC was obtained in September 2010. Further, a special meeting of shareholders (in which the substantial shareholder had refrained from voting) was held on October 14, 2010, at which disinterested shareholders approved the acquisition transaction, the transaction is expected to close in November, 2010. An information circular detailing the transaction was filed in September 2010. The information circular included the formal valuation of the Jiama Property received from Haywood.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the companies now comprising the Group have been prepared in respect of any period subsequent to June 30, 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong