China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations
Three months ended March 31, 2012
(Stated in U.S. dollars, except as otherwise noted)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2012
(Stated in U.S. dollars, except as otherwise noted)

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of May 14, 2012. It should be read in conjunction with the condensed interim consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as "China Gold International", the "Company", "we" or "our" as the context may require) for the three months ended March 31, 2012 and the three months ended March 31, 2011, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to the Company's plans, objectives, expectations and intentions, which are based on the Company's current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in the Company's Annual Information Form ("AIF") dated March 27, 2012 on SEDAR at www.sedar.com. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled "Forward Looking Statements" and "Risk Factors" and to discussions elsewhere within this MD&A. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD LOOKING STATEMENTS

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

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

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

THE COMPANY

Overview

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

The Company's principal mining operations are the Chang Shan Hao Gold Mine ("CSH Gold Mine" or "CSH Mine" or "CSH"), located in Inner Mongolia, China and the Jiama Copper-Gold Polymetallic Mine ("Jiama Mine" or "Jiama"), located in Tibet, China. China Gold International holds a 96.5% interest in the CSH Gold Mine, while its Chinese joint venture ("CJV") partner holds the remaining 3.5% interest. China Gold International commenced gold production at the CSH Gold Mine in July 2007 and commercial production on July 1, 2008. The Company acquired a 100% interest in the Jiama Mine on December 1, 2010. Jiama hosts a large scale copper-gold polymetallic deposit consisting of copper, gold, molybdenum, silver, lead and zinc. The Jiama Mine commenced commercial production in September 2010.

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

Performance Highlights

- Revenue increased by 119% from US$35.4 million in the three months ended March 31, 2011 to US$77.6 million in the three months ended March 31, 2012.
- Comprehensive income increased by 237% from US$3.96 million in the three months ended March 31, 2011 to US$13.35 million for the three months ended March 31, 2012.
- Gold production from the CSH Mine increased by 91% from 17,740 ounces in the three months ended March 31, 2011 to 33,830 ounces in the three months ended March 31, 2012.
- Copper production from the Jiama Mine increased by 39% from 1,367 tonnes (3,013,716 pounds) in the three months ended March 31, 2011 to 1,900 tonnes (4,187,887 pounds) in the three months ended March 31, 2012.

OUTLOOK

- For 2012, the Company has budgeted production of 130,000-135,000 ounces of gold from the CSH Mine.
- For 2012, the Company has budgeted production of 9,800-11,500 tonnes (21,599,200 - 25,346,000 pounds) of copper from the Jiama Mine.
- At the CSH Mine, a 59,000 metre (108 holes) drilling program was completed at the end of October 2011 in the mining permit area. A full evaluation on the mine's potential for gold mineralization is in progress, for both down depth and surrounding the mining permit area. The Company is undertaking preliminary efforts for the preparation of an expansion feasibility study and reserve analysis. The study will be used to determine expansion plans for the CSH Mine.
- At the Jiama Mine, a 37,000 metre (71 holes) drilling program was completed in the fourth quarter of 2011 within the mining permit area. In order to increase production and mining capacity, the Company is in the process of updating the early feasibility study and reserve estimate. The feasibility study and reserve analysis are expected to be completed in 2012 and will be used in determining the Phase II mining expansion project.
- The Company will continue to leverage the technical and operating experience of the Company's controlling shareholder, China National Gold Group ("CNG"), to improve operations at the CSH Mine and the Jiama Mine. In addition, the Company continues to focus its efforts on increasing and optimizing production while minimizing costs at both mines.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining opportunities, namely projects outside of China that can be readily and quickly brought into production with the possibility of further expansion through continued exploration.

HISTORICAL FINANCIAL INFORMATION

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

Principal Income Statement Components

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

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

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

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

The Jiama Mine commenced production in September 2010 and was in production for the entire 2011 year. The Company was able to ramp up the production of copper concentrate month over month since the beginning of 2011. Revenue generated by the Jiama Mine represents 30% of the Company's total revenue in the first quarter of 2012 compared to 33.4% in the same period of 2011.

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

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

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

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

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

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

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

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

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

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

Income taxes for the Company are provided at the combined Canadian federal and provincial income tax rates of 26.5% for the three months ended March 31, 2012 and March 31, 2011. The Company is incorporated in Canada; however, it has had no taxable profits since incorporation. During the same periods, the Company's CSH Chinese Joint Venture was subject to the PRC enterprise income tax at a rate of 25% for the three months ended March 31, 2012 and March 31, 2011.

The Company's subsidiaries, Tibet Huatailong Mining Development Co., Ltd and Jiama Industry and Trade, established in Tibet, PRC, are subject to a preferential enterprise income tax rate of 15%, applicable to enterprises in western China.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

QUARTER ENDED	**2012**	**2011**				**2010**		
(US$ in thousands except per share)	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**
Revenues	**77,578**	93,544	89,407	92,938	35,423	48,886	46,631	27,181
Cost of sales	**52,165**	61,428	53,017	52,519	23,587	26,824	23,179	13,330
Mine operating earnings	**25,413**	32,114	36,391	40,419	11,837	22,063	23,452	13,850
General and administrative expenses	**5,838**	4,624	3,590	5,217	3,937	1,828	1,396	1,171
Exploration and evaluation expenses	**58**	173	160	70	64	559	69	70
Income from operations	**19,517**	34,250	32,640	35,132	7,836	19,675	21,987	12,610
Foreign exchange gain (loss)	**164**	1,596	326	397	34	(595)	(631)	(872)
Finance costs	**2,823**	4,798	3,862	2,882	2,511	2,164	1,450	1,489
Listing expenses	**-**	-	-	-	-	43	514	1,194
Profit (loss) before income tax	**20,041**	33,805	30,520	34,713	5,444	16,923	19,405	8,205
Income tax expense	**6,585**	6,597	6,689	7,293	1,941	4,392	5,581	3,235
Net income (loss)	**13,456**	27,209	23,830	27,420	3,503	12,530	13,825	4,970
Basic earnings (loss) per share (cents)	**3.27**	6.86	5.79	6.78	0.82	5.89	7.71	2.82
Diluted earnings (loss) per share (cents)	**3.27**	6.86	5.79	6.78	0.81	5.85	7.69	2.81

Selected Quarterly Production Data and Analysis

CSH Mine	**Three months ended March 31,**	
	2012	2011
Gold produced (ounces)	**33,830**	17,740
Gold sold (ounces)	**33,763**	16,965
Total production cost (US$) of gold per ounce	**956**	764
Cash production cost* (US$) of gold per ounce	**852**	587

* Non-IFRS measure

Gold production at the CSH Mine increased by 91% from 17,740 ounces for the three months ended March 31, 2011 to 33,830 ounces for the three months ended March 31, 2012. The increase in production is due to an improvement in the ore crushing size, drip meter burial and insulation, and prevention of fine carbon powder from entering the heap and clogging drip meters.

Total production costs of gold per ounce and cash cost of gold per ounce for the three months ended March 31, 2012 both increased for the comparative period in 2011 due to extra amounts of waste rock mined in addition to higher processing costs. The CSH Mine is making continuous efforts in lowering future production costs.

Jiama Mine	**Three months ended March 31,**	
	2012	2011
Copper produced (tonnes)	**1,900**	1,367
Copper produced (pounds)	**4,187,887**	3,013,716
Copper sold (tonnes)	**2,251**	1,105
Copper sold (pounds)	**4,963,633**	2,436,105
Gold produced (ounces)	**2,453**	-
Gold sold (ounces)	**2,766**	-
Total production cost* (US$) of copper per tonne	**11,211**	12,329
Total production cost* (US$) of copper per pound	**5.09**	5.59
Total production cost* (US$) of copper per tonne after by-products credit***	**7,675**	9,599
Total production cost* (US$) of copper per pound after by-products credits***	**3.48**	4.35
Cash production cost** (US$) per tonne of copper	**8,124**	8,582
Cash production cost** (US$) per pound of copper	**3.68**	3.89
Cash production cost** (US$) of copper per tonne after by-products credit***	**4,587**	5,852
Cash production cost** (US$) of copper per pound after by-products credits***	**2.08**	2.65

* The production costs include the expenditures incurred on the mine sites for the activities related to the production including mining, processing, mine site G&A and royalties etc.
** Non-IFRS measure
*** By-products credit refers to the sales of gold and silver during the corresponding period.

During the three months ended March 31, 2012, the Jiama Mine produced 1,900 tonnes (4,187,887 pounds) of copper, which was slightly lower than the quarterly average (2,250 -2,875 tonnes, or 5,399,800 to 6,359,000 pounds) based on the forecast annual production. The first quarter's production output was adversely impacted by the severe cold weather resulting in decreased mining activity in the open pit. Production output for the remaining periods of 2012 is expected to increase as the winter conditions subside and higher grades of ore are mined.

Total production cost and cash cost of copper per tonne and per pound both increased due to the temporarily low grade of ore mined. The Company is closely monitoring production costs at the Jiama Mine and will continue to make efforts in reducing costs.

Review of Quarterly Data

Three months ended March 31, 2012 compared to three months ended March 31, 2011

Revenue increased by 119%, or US$42.2 million, from US$35.4 million for the three months ended March 31, 2011, to US$77.6 million for the three months ended March 31, 2012. Revenue from the CSH Mine accounted for 70%, or US$54.5 million (2011: US$23.6 million), of total revenue for the quarter. The increase in revenue was attributed to the 99% increase in gold sold from 16,965 ounces (gold produced: 17,740 ounces) in 2011 to 33,763 ounces (gold produced: 33,830 ounces) for the same period in 2012, due to improvements in ore crushing and management of the heap leaching. Revenue from the Jiama Mine accounted for 30%, or US$23.1 million (2011: US$11.8 million), of total revenue for the quarter. Total copper sold increased by 104% from 1,105 tonnes (2,436,105 pounds) for the three months ended March 31, 2011 to 2,251 tonnes (4,963,633 pounds) for the same comparative period in 2012.

Cost of sales increased by 121% or US$28.6 million, from US$23.6 million for the three months ended March 31, 2011 to US$52.2 million, for the same period in 2012. Jiama's cost of sales contributed US$19.9 million, or 37%, compared to US$10.6 million in 2011. The increase in Cost of sales during the first quarter of 2012 is attributed to higher amounts waste rock mined in the process of increasing production at the CSH Mine and to the temporarily low grade of ore mined at the Jiama Mine. Cost of sales as a percentage of revenue for the Company slightly increased from 66% to 67% for the three months ended March 31, 2011 and 2012 due to the parallel increase in production at both the CSH and Jiama Mine.

Mine operating earnings for the Company increased by 115%, or US$13.6 million, from US$11.8 million for the three months ended March 31, 2011 to US$25.4 million for the three months ended March 31, 2012 due to the increased production and sales revenue from both mines. Mine operating earnings as a percentage of revenue remained constant at 33% for both the three months ended March 31, 2012 and March 31, 2011.

General and administrative expenses increased by 48%, or US$1.9 million, from US$3.9 million for the three months ended March 31, 2011 to US$5.8 million for the three months ended March 31, 2012. A significant portion of the costs were attributable to Jiama's expenses, totaling US$4.1 million, of which US$1.9 million related to salaries and benefits and US$0.6 million related to administration and office expenses. The increase in general and administrative expenses is in line with the Company's positive overall growth.

Exploration and evaluation expenditures decreased by 9%, or US$6,000, from US$64,000 for the three months ended March 31, 2011 to US$58,000 for the three months ended March 31, 2012. (The capitalized exploration expenditures for the CSH Mine and the Jiama Mine can be found in the section titled “Mineral Properties.”)

Income from operations for the first quarter of 2012 increased by 150%, or US$11.7 million, from US$7.8 million for the three months ended March 31, 2011 to US$19.5 million for the three months ended March 31, 2012. The increase was primarily attributable to an increase of US$11.6 million in CSH’s mine operating earnings.

Finance costs increased by 12%, or US$0.3 million from US$2.5 million for the three months ended March 31, 2011 to US$2.8 million for the three months ended March 31, 2012, primarily attributed to higher interest rates on loans held by Jiama. There was no capitalized interest for the three months ended March 31, 2012.

Foreign exchange gain increased by 377%, or US$130,000 from a gain of US$34,000 for the three months ended March 31, 2011 to a gain of US$164,000 for the three months ended March 31, 2012. The current period’s gain is related to the translation of the foreign subsidiaries’ books of account denominated in Chinese RMB to US dollar.

Interest and other income increased from US$84,000 for the three months ended March 31, 2011 to US$3.2 million for the three months ended March 31, 2012. During the third quarter of 2011, a portion of the cash proceeds from the Company’s 2010 IPO were invested in term deposits, which resulted in approximately US$2.0 million of interest income earned by March 31, 2012. Additional interest-bearing short-term deposits were also purchased during the first quarter of 2012 with the cash generated from sales revenue.

Income tax expense increased by 239%, or US$4.7 million, from US$1.9 million for the three months ended March 31, 2011 to US$6.6 million for the same period in 2012. The increase is primarily attributable to the rise in sales and taxable income from the CSH Mine.

Net income of the Company increased by US$10.0 million from US$3.5 million for the three months ended March 31, 2011 to US$13.5 million for the three months ended March 31, 2012.

NON-IFRS MEASURES

The following table provides certain unit cost information on a cash cost of production per ounce (non-IFRS) basis for the CSH Gold Mine for the three months ended March 31, 2012 and 2011:

	CSH Mine	
	Three months ended March 31,	
	2012	2011
	US$	US$
Cost of mining per tonne of ore	**1.21**	1.28
Cost of mining waste per tonne of ore	**3.03**	1.08
Other mining costs per tonne of ore	**0.47**	0.35
Total mining costs per tonne of ore	**4.71**	2.71
Cost of reagents per tonne of ore	**1.08**	0.74
Other processing costs per tonne of ore	**1.20**	1.10
Total processing cost per tonne of ore	**2.28**	1.84

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

The Company has included cash cost per gold ounce data to supplement its condensed interim consolidated financial statements, which are presented in accordance with IFRS. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance, operating results or financial condition prepared in accordance with IFRS. The Company has included cash cost per ounce data because it understands that certain investors use this information to determine the Company’s ability to generate earnings and cash flow. The measure is not necessarily indicative of operating results, cash flow from operations, or financial condition as determined under IFRS. Cash costs are determined in accordance with the Gold Institute’s Production Cost Standard.

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

	CSH Mine (Gold)			
	Three months ended March 31,			
	2012		2011	
	US$	US$/ounce	US$	US$/ounce
Total Production Costs	32,271,119	956	12,969,331	764
Adjustments	(3,490,229)	(103)	(3,010,722)	(177)
Total cash production costs	28,780,890	853	9,958,609	587

	Jiama Mine (Copper)			
	Three months ended March 31,			
	2012		2011	
	US$	US$/pound	US$	US$/pound
Total production costs	25,240,850	5.09	13,623,871	5.59
Adjustments	(6,950,946)	(1.41)	(4,140,217)	(1.70)
Total cash production costs	18,289,904	3.68	9,483,654	3.89

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

MINERAL PROPERTIES

The CSH Mine

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

The CSH Mine is owned and operated by Inner Mongolia Pacific Mining Co., a Chinese Joint Venture in which China Gold International holds a 96.5% interest and Ningxia Nuclear Industry Geological Exploration Institution (formerly known as Brigade 217) holds the remaining 3.5%.

The following table shows the exploration expenditures expensed and capitalized during the three months ended March 31, 2012 and March 31, 2011.

	CSH Mine	
	Three months ended March 31,	
	2012	2011
	US$	US$
Exploration expensed	58,138	21,175
Exploration capitalized	791,931	-
	850,069	21,175

Mineral Resources and Reserves

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

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

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

CSH Gold Mine Total Reserves at December 31, 2011

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

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

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

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

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

Resource Estimates for the CSH Mine at December 31, 2011

	Measured		Indicated		Measured+Indicated			Inferred		
Cutoff (g/t)	Million Tonnes	Au Grade (g/t)	Million Tonnes	Au Grade (g/t)	Million Tonnes	Au Grade (g/t)	Au Million Ounces	Million Tonnes	Au Grade (g/t)	Au Million Ounces
0.3	**89.71**	**0.68**	**129.71**	**0.62**	**219.41**	**0.64**	**4.53**	**0.51**	**0.44**	**0.007**
0.35	81.26	0.71	114.87	0.65	196.13	0.68	4.28	0.35	0.49	0.005
0.4	72.97	0.75	99.80	0.70	172.77	0.72	4.00	0.24	0.54	0.004
0.45	64.82	0.79	85.96	0.74	150.78	0.76	3.70	0.18	0.57	0.003
0.5	57.01	0.84	73.87	0.78	130.88	0.81	3.40	0.12	0.62	0.002

Production Update

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

	CSH Mine Three months ended March 31, 2012	2011
Ore mined and placed on pad (tonnes)	**2,636,262**	2,344,388
Average grade of ore (grams per tonne)	**0.49**	0.61
Recoverable gold (ounces)	**24,846**	22,416
Ending ore inventory (ounces)	**28,224**	63,249
Waste rock mined (tonnes)	**5,498,826**	1,574,852

For three months ended March 31, 2012, the total amount of ore put on the leach pad was 2,636,262 tonnes, with total contained gold of 1,290,315 grams (41,484 ounces). The accumulative project-to-date gold recovery rate has increased from approximately 42% to 50% between the twelve months ended March 31, 2011 and the twelve months ended March 31, 2012. The Company continues to carefully monitor the behavior of gold inventory in the process.

Exploration

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

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

The Jiama Mine

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

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

The following table shows the exploration expenditures expensed and capitalized during the three months ended March 31, 2012 and March 31, 2011.

	Jiama Mine	
	Three months ended March 31,	
	2012	2011
	US$	US$
Exploration expensed	**-**	-
Exploration capitalized	**449,016**	3,635,192
	449,016	3,635,192

Mineral Resources and Reserves

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

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

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

TABLE 1.1

BEHRE DOLBEAR'S JORC MEASURED AND INDICATED MINERAL RESOURCES ESTIMATES FOR THE JIAMA PROJECT AS OF JUNE 2011

(CUT OFF GRADE FOR THE RESOURCE ESTIMATE IS 0.3% COPPER OR 0.03% MOLYBDENUM)

			Average grade			
Model	**Category**	**Tonnes**	**Cu**	**Mo**	**Au**	**Ag**
		(kt)	(%)	(%)	(g/t)	(g/t)
Shallow Skarn	Measured	60,579	0.82	0.057	0.33	15.47
	Indicated	210,722	0.75	0.061	0.29	14.07
	Meas+Ind	271,301	0.77	0.06	0.30	14.38
Steep Skarn	Measured	4,012	0.76	0.031	0.27	17.59
	Indicated	18,971	0.76	0.032	0.26	17.62
	Meas+Ind	22,983	0.76	0.032	0.26	17.61
Hornfels	Measured	0	0.00	0.000	0.00	0.00
	Indicated	655,089	0.27	0.037	0.03	1.04
	Meas+Ind	655,089	0.27	0.037	0.03	1.04
Porphyry	Measured	0	0.00	0.000	0.00	0.00
	Indicated	56,596	0.11	0.056	0.01	0.74
	Meas+Ind	56,596	0.11	0.056	0.01	0.74
All Models	**Total**	**1,005,969**	**0.41**	**0.044**	**0.10**	**5.00**

TABLE 1.2

BEHRE DOLBEAR'S JORC INFERRED MINERAL RESOURCE ESTIMATES FOR THE JIAMA PROJECT AS OF JUNE 2011

(CUT OFF GRADE FOR THE RESOURCE ESTIMATE IS 0.3% COPPER OR 0.03% MOLYBDENUM OR 1% LEAD OR 1% ZINC)

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

Mineral Reserves

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

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

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

Reserve Estimated for the Jiama Mine as at December 31, 2011

(Cut Off grade for the resource estimate is 0.3% Copper or 0.03% Molybdenum)

		Grade				**Contained Metals**			
Type		**Cu**	**Mo**	**Au**	**Ag**	**Cu**	**Mo**	**Au**	**Ag**
	Kt	%	%	g/t	g/t	Kt	Kt	t	t
Total Proven and Probable	**103,440**	0.84	0.039	0.31	16.40	868.90	40.34	32.07	1,696.42

Exploration

The Jiama Mine's 2011 exploration program was completed by December 2011 and consisted of 37,000 metres of drilling with a total of 71 diamond drill holes. The Company is in the process of preparing an updated feasibility study and reserve estimate.

LIQUIDITY AND CAPITAL RESOURCES

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

At March 31, 2012, the Company had an accumulated surplus of US$53.1 million and working capital of US$272.1 million. China Gold International's cash balance at March 31, 2012 was US$319.4 million.

For the CSH Mine, the fourth principal repayment of RMB20 million (approximately US$3.1 million) on the Company's RMB290 million (approximately US$42.3 million) term loan from the Agricultural Bank of China ("ABC") will be made in June 2012. The aggregate amount of the three principal repayments due in 2012 is RMB80 million (US$12.6 million). Interest payments of approximately US$200,000 are paid monthly on the ABC loan and will continue to be paid throughout 2012.

For the Jiama Mine, the second principal repayment on the loan for RMB200 million (approximately US$31.7 million) from the Bank of China ("BOC") will be paid on December 28, 2012. During 2012, monthly interest payments of approximately US$340,000 will be made on the BOC loan. As at March 31, 2012 the total balance of the BOC loan was RMB500 million (approximately US$79.4 million). During the first quarter of 2012, an additional RMB48 million was drawn down from the syndicate loan facility, of which the first principal repayment of RMB100 million on the syndicated loan facility ("SLF") balance with various banks is due in June 2013. Interest payments of approximately US$450,000 will be paid monthly on the SLF during 2012. As at March 31, 2012 the total balance of the syndicate loan facility was RMB750 million (approximately US$119.05 million).

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

Restrictive covenants

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

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

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

COMMITMENTS AND CONTINGENCIES

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

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

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

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

				Payment Due by Year			
	Total	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Principal repayment on ABC term loan	**36,510,834**	12,699,421	15,874,276	7,937,137	—	—	—
Principal repayment on BOC loan	**79,371,378**	31,748,551	23,811,413	23,811,414	—	—	—
Principal repayment on Syndicated loan	**119,057,068**	—	15,874,276	23,811,414	31,748,551	47,622,827	—
Operating leases Vancouver(a)	**1,110,075**	876,476	103,822	103,822	25,955	—	—
Operating leases CSH Mine(a)	**509,529**	24,723	32,964	32,964	32,964	32,964	352,950
Operating leases Jiama(a)	**1,497,436**	212,835	153,512	153,512	153,512	153,512	670,553
Capital commitments of CSH Mine(b)	**238,324**	238,324	—	—	—	—	—
Capital commitments of the Jiama Mine(b)	**44,464,272**	44,464,272	—	—	—	—	—
Total	**282,758,916**	90,264,602	55,850,263	55,850,263	31,960,982	47,809,303	1,023,503

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

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

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

Cash flows

The following table sets out selected cash flow data from the Company's consolidated cash flow statements for the periods ended March 31, 2012 and March 31, 2011

	Three months ended March 31	
	2012	2011
	US$	US$
Net cash used in operating activities	**(34,413,927)**	(17,914,114)
Net cash used in investing activities	**(10,262,831)**	(24,143,268)
Net cash from financing activities	**10,039,067**	30,996,446
Effect of foreign exchange rate changes on cash and cash equivalents	**(258,322)**	567
Net decrease in cash and cash equivalents	**(34,637,691)**	(11,060,936)
Cash and cash equivalents, beginning of period	**354,312,905**	301,608,717
Cash and cash equivalents, end of period	**319,416,892**	290,548,348

Operating cash flow

For the three months ended March 31, 2012, net cash outflow from operating activities was US$34.4 million which was primarily attributable to (i) interest paid of US$2.7 million, (ii) income tax paid of US$17.4 million, (iii) a decrease of US$16.1 million in accounts payable and (iv) an increase in accounts receivables of US$38.6 million, partially offset by (i) profit before income tax US$20.0 million, (ii) depreciation and depletion of US$6.2 million, (iii) amortization of intangible assets of US$3.8 million, (iv) finance costs of US$2.8 million and (v) a decrease in inventory of US$8.8 million.

For the three months ended March 31, 2011, net cash outflow from operating activities was US$17.9 million which was primarily attributable to (i) a decrease of US$17.9 million in accounts payable, (ii) income taxes paid of US$7.8 million, (iii) an increase in inventory of US$4.3 million, (iv) interest paid of US$2.5 million, and (v) an increase in accounts receivable of US$0.9 million, partially offset by (i) net income of US$5.4 million, (ii) depreciation and depletion of US$4.7 million, (iii) finance costs of US$2.5 million, (iv) amortization of intangible assets of US$2.2 million, (v) a decrease in prepaid expenses and deposits of US$0.6 million, and (vi) stock based compensation of US$.01 million.

Investing cash flow

For the three months ended March 31, 2012, net cash outflow from investing activities was US$10.3 million, which was primarily attributable to the acquisition of property, plant and equipments for US$11.4 million, partially offset by receipt of deferred consideration from disposal of a mining project to a related company for US$1.4 million.

For the three months ended March 31, 2011, net cash outflow from investing activities was US$24.1 million, which was primarily attributable to the acquisition of property, plant and equipment for US$20.3 million and for deposits paid on the acquisition of property, plant and equipment for US$3.7 million.

Financing cash flow

For the three months ended March 31, 2012, net cash inflow from financing activities was US$10.04 million, which is primarily attributable to proceeds from the syndicated loan facility of US$7.5 million and deemed capital contribution of US$2.7 million from shareholders by way of shared cost on the recent HK IPO listing fee, partially offset by dividend paid to a non-controlling shareholder of US$0.18 million.

For the three months ended March 31, 2011, net cash inflow from financing activities was US$31.0 million which was primarily attributable to the proceeds from the increase in the syndicated loan facility for RMB203.05 million (US$31.0 million) for Jiama.

RELATED PARTY TRANSACTIONS

China National Gold (CNG) owns 39.3 percent of outstanding common shares of the Company as at March 31, 2012 and at December 31, 2011.

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

On January 27, 2012, CNG and Inner Mongolia Pacific Mining Co. Ltd., which is a subsidiary of the Company and operates the Company's CSH Gold Mine, entered into the 2012 Contract for Purchase and Sale of Doré. The Contract servers the purpose of regulating the sale and purchase of gold doré between the two parties for the three years ending December 31, 2012, 2013 and 2014. The price of gold doré bars sold to CNG is referenced to the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange on the notification date less refining fee.

The 2012 Contract for the Purchase and Sale of Doré and the Annual Monetary Caps for doré sales to CNG of RMB1,782 million, RMB1,980 million and RMB3,168 million, for the three years ending December 31, 2012, 2013 and 2014 respectively were approved at the Company's Extraordinary General Meeting held March 16, 2012 by the independent shareholders of the Company.

Revenue from sales of doré bars to CNG increased from US$20.3 million for the period ended March 31, 2011 to US$53 million for the period ended March 31, 2012. For the three months ended March 31, 2012, construction services of US$9.6 million were provided to the Group by subsidiaries of CNG.

On December 30, 2011, Inner Mongolia Pacific entered into two lease contracts with China Gold Beijing Property Management Center, a wholly-owned subsidiary of China National Gold. The two lease contracts are (a) in relation to the lease of the office premises which was used by the Beijing operating centre of the Company, for a term from January 1, 2011 to December 31, 2011 retrospectively for an annual rental payment of RMB1,314,000 (the "**First Lease Contract**"), and (b) in relation to the lease of the office premises to which the Beijing operating centre of the Group has relocated to, for a term from January 1, 2012 to December 31, 2012 for an annual rental payment of RMB6,719,395 (the "**Second Lease Contract**").

PROPOSED TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2011.

CHANGE IN ACCOUNTING POLICIES

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the condensed interim consolidated financial statements as at March 31, 2012.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

The company did not have any derivatives as at March 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2012, the Company had not entered into any material off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

The Company has not paid any dividends since incorporation and does not currently have a fixed dividend policy. The Directors will determine any future dividend policy on the basis of, among others things, the results of operations, cash flows and financial conditions, operating and capital requirements, the amount of distributable profits and other relevant factors.

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

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

OUTSTANDING SHARES

As of March 31, 2012, the Company had 396,163,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the Company's DC&P and ICFR as of March 31, 2012 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of March 31, 2012 and provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the Company's ICFR as of March 31, 2012 and have concluded that these controls and procedures were effective as of March 31, 2012 and provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the quarter ended March 31, 2012, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

QUALIFIED PERSON

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

Disclosure of a scientific or technical nature in this MD&A in respect of the Jiama Mine was prepared by or under the supervision of Dr. Yingting Tony Guo, P. Geo, a qualified person for the purposes of NI 43-101.

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

May 14, 2012

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
(incorporated in British Columbia, Canada with limited liability)

Condensed Consolidated Financial Statements
For the three months ended March 31, 2012

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2012

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended March 31, 2012

	NOTES	Three months ended March 31, 2012 US$	Three months ended March 31, 2011 US$
Revenues	18	**77,577,988**	35,423,497
Cost of sales		**(52,164,740)**	(23,586,755)
Mine operating earnings		**25,413,248**	11,836,742
Expenses			
General and administrative	3	**5,837,772**	3,936,515
Exploration and evaluation expenditure		**58,138**	63,982
		5,895,910	4,000,497
Income from operations		**19,517,338**	7,836,245
Other income (expenses)			
Foreign exchange gain		**164,241**	34,412
Interest and other income		**3,182,675**	84,309
Finance costs	4	**(2,823,184)**	(2,511,374)
		523,732	(2,392,653)
Profit before income tax		**20,041,070**	5,443,592
Income tax expense	5	**(6,585,270)**	(1,940,657)
Profit for the period		**13,455,800**	3,502,935
Other comprehensive income for the period			
Exchange difference arising on translation		**(109,050)**	458,826
Total comprehensive income for the period		**13,346,750**	3,961,761
Profit for the period attributable to			
Non-controlling interests		**513,489**	274,249
Owners of the Company		**12,942,311**	3,228,686
		13,455,800	3,502,935
Total comprehensive income for the period attributable to			
Non-controlling interests		**513,489**	274,249
Owners of the Company		**12,833,261**	3,687,512
		13,346,750	3,961,761
Basic earnings per share	6	**3.27 cents**	0.82 cents
Diluted earnings per share	6	**3.27 cents**	0.81 cents
Basic weighted average number of common shares outstanding		**396,163,753**	396,135,981
Diluted weighted average number of common shares outstanding		**396,280,697**	396,365,829

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2012

	NOTES	**March 31, 2012 US$**	December 31, 2011 US$
Current assets			
Cash and cash equivalents		**319,416,892**	354,312,905
Accounts receivable	7	**40,368,704**	5,844,620
Prepaid expenses and deposits	8	**7,766,118**	6,371,619
Prepaid lease payments		**192,297**	192,425
Inventory	9	**19,404,623**	27,104,701
		387,148,634	393,826,270
Non-current assets			
Prepaid expense and deposits	8	**5,460,856**	5,442,920
Prepaid lease payments		**6,683,892**	6,731,565
Amount due from a non-controlling shareholder		**418,536**	415,839
Inventory	9	**13,220,275**	14,292,189
Deferred tax asset		**876,296**	769,493
Property, plant and equipment	10	**371,668,815**	361,060,501
Mining rights	11	**958,236,176**	962,004,395
		1,356,564,846	1,350,716,902
Total assets		**1,743,713,480**	1,744,543,172
Current liabilities			
Accounts payable and accrued expenses	12	**59,734,979**	70,535,963
Borrowings	13	**47,622,827**	44,491,761
Tax liabilities		**7,646,421**	17,838,522
		115,004,227	132,866,246
Net current assets		**272,144,407**	260,960,024
Total assets less current liabilities		**1,628,709,253**	1,611,676,926

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At March 31, 2012

	NOTES	March 31, 2012 US$	December 31, 2011 US$
Non-current liabilities			
Deferred lease inducement		**101,091**	109,516
Borrowings	13	**187,316,453**	183,051,817
Deferred tax liabilities		**132,352,685**	132,865,648
Deferred income	14	**836,031**	864,958
Environmental rehabilitation	15	**4,370,987**	4,253,314
		324,977,247	321,145,253
Total liabilities		**439,981,474**	454,011,499
Owners' equity			
Share capital	16	**1,228,183,687**	1,228,183,687
Equity reserves		**16,380,600**	16,451,333
Retained profits		**53,103,475**	40,161,164
		1,297,667,762	1,284,796,184
Non-controlling interests		**6,064,244**	5,735,489
Total owners' equity		**1,303,732,006**	1,290,531,673
Total liabilities and owners' equity		**1,743,713,480**	1,744,543,172

The condensed consolidated financial statements on pages 1 to 28 were approved and authorized for issue by the Board of Directors on May 14, 2012 and are signed on its behalf by:

(Signed by) Xin Song	(Signed by) Bing Liu
Xin Song	Bing Liu
Director	Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2012

	Number of shares	Share capital US$	Equity reserve US$ (note b)	Exchange reserve US$	Retained profits (deficits) US$	Subtotal US$	Non-controlling interests US$	Total owners' equity US$
At January 1, 2011 (audited)	396,126,753	1,228,098,150	11,159,786	237,244	(39,246,500)	1,200,248,680	3,180,759	1,203,429,439
Profit for the year	-	-	-	-	3,228,686	3,228,686	274,249	3,502,935
Exchange difference arising on translation	-	-	-	458,826	-	458,826	-	458,826
Total comprehensive income for the year	-	-	-	458,826	3,228,686	3,687,512	274,249	3,961,761
Exercise of stock options (note a)	12,000	42,488	(15,782)	-	-	26,706	-	26,706
Share based compensation (note a)	-	-	83,050	-	-	83,050	-	83,050
At March 31, 2011 (unaudited)	396,138,753	1,228,140,638	11,227,054	696,070	(36,017,814)	1,204,045,948	3,455,008	1,207,500,956
At January 1, 2012 (audited)	396,163,753	1,228,183,687	11,354,226	5,097,107	40,161,164	1,284,796,184	5,735,489	1,290,531,673
Profit for the period	-	-	-	-	12,942,311	12,942,311	513,489	13,455,800
Exchange difference arising on translation	-	-	-	(109,050)	-	(109,050)	-	(109,050)
Total comprehensive income for the period	-	-	-	(109,050)	12,942,311	12,833,261	513,489	13,346,750
Share based compensation (note a)	-	-	38,317	-	-	38,317	-	38,317
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	(184,734)	(184,734)
At March 31, 2012 (unaudited)	396,163,753	1,228,183,687	11,392,543	4,988,057	53,103,475	1,297,667,762	6,064,244	1,303,732,006

Notes:

(a) Amounts represent equity reserve arising from share based compensation provided to employees during the year ended December 31, 2011 and the period ended March 31, 2012.

(b) Amounts represent reserves arising from share based compensation provided to employees set out in Note (a) and deemed contribution from shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2012

	Three months ended March 31, 2012 US$	2011 US$
Net cash used in operating activities	**(34,413,927)**	(17,914,114)
Net cash used in investing activities		
Payment for acquisition of property, plant and equipment	**(11,416,734)**	(20,271,361)
Deposit paid for acquisition of property, plant and equipment	**(244,409)**	(3,719,384)
Advance to a non-controlling shareholder	**-**	(152,523)
Receipt of deferred consideration from disposal of a mining project to a related company	**1,398,312**	-
	(10,262,831)	(24,143,268)
Net cash from financing activities		
Proceeds from borrowings	**7,487,949**	30,969,740
Deemed capital contribution from a shareholder in repayment of listing fee	**2,735,852**	-
Issuance of common shares	**-**	26,706
Dividends paid to a non-controlling shareholder	**(184,734)**	-
	10,039,067	30,996,446
Net decrease in cash and cash equivalents	**(34,637,691)**	(11,060,936)
Effect of foreign exchange rate changes on cash and cash equivalents	**(258,322)**	567
Cash and cash equivalents, beginning of period	**354,312,905**	301,608,717
Cash and cash equivalents, end of period	**319,416,892**	290,548,348
Cash and cash equivalents are comprised of cash in bank	**319,416,892**	290,548,348

See accompanying notes to the condensed consolidated financial statements.

1. GENERAL

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines 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 ("TSX") and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the acquisition, exploration, development and mining of mineral reserves in the People's Republic of China ("PRC"). The directors of the Company consider that China National Gold Group Corporation ("CNG"), a state owned company registered in Beijing, PRC which is controlled by state-owned Assets Supervision and Administration Commission of the State Council of the PRC, is able to exercise significant influence over the Company.

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended March 31, 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2011.

In the current interim period, the Group has applied the following new and revised amendments issued by the International Accounting Standard Board and IFRS Interpretations Committee ("IFRIC") which are effective for the financial year beginning January 1, 2012:

Amendments to IFRS 7	Disclosure - Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets

2. PRINCIPAL ACCOUNTING POLICIES - continued

The application of the above new and revised International Financial Reporting Standards ("IFRSs") has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective.

The potential impacts of the new or revised standards that have been issued but not yet effective have been discussed in the Group's consolidated financial statements for the year ended December 31, 2011.

3. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses of the Group are as follows:

	Three months ended March 31,	
	2012	2011
	US$	US$
Administration and office	1,071,496	224,607
Investor relations	170,386	311,482
Professional fees	707,593	506,145
Salaries and benefits	2,099,022	1,573,450
Shareholder information, transfer agent and filing fees	107,899	95,964
Depreciation	272,689	80,191
Travelling	306,304	300,774
Others	1,102,383	843,902
Total general and administrative expenses	5,837,772	3,936,515

4. FINANCE COSTS

The finance costs for the Group are as follows:

	Three months ended March 31,	
	2012	2011
	US$	US$
Effective interests on borrowings:		
- wholly repayable within five years	2,701,741	2,466,811
Accretion on environmental rehabilitation (Note 15)	121,443	44,563
	2,823,184	2,511,374

5. INCOME TAX EXPENSE

The Company and its subsidiaries in Canada are subject to Canadian federal and provincial tax which is calculated at 26.5% of the estimated assessable profit for the three months ended March 31, 2012 (26.5% for the three months ended March 31, 2011). The Company had no assessable profit subject to Canadian federal and provincial tax since its incorporation.

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.

For the three months ended March 31, 2012, the Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 25% (25% for the three months ended March 31, 2011) except for Tibet Huatailong Mining Development Co. Ltd. ("Huatailong") and 墨竹工卡縣甲瑪工貿有限公司 ("Jiama Industry and Trade") which were established in the westward development area of the PRC and subject to preferential tax rate of 15% of taxable income until year 2020. Income tax expense for the three months ended March 31, 2012 represents PRC Enterprise Income Tax of US$7,206,359 and deferred tax credit of US$621,089 (PRC Enterprise Income Tax of US$1,732,244 and deferred tax expenses of US$208,413 for the three months ended March 31, 2011).

6. EARNINGS PER SHARE

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

	Three months ended March 31, 2012	Three months ended March 31, 2011
Income attributable to owners of the Company for the purposes of basic and diluted earnings per share (US$)	12,942,311	3,228,686
Weighted average number of shares, basic	396,163,753	396,135,981
Dilutive securities		
- Options	117,140	229,848
Weighted average number of shares, diluted	396,280,893	396,365,829
Basic earnings per share	3.27 cents	0.82 cents
Diluted earnings per share	3.27 cents	0.81 cents

7. ACCOUNTS RECEIVABLE

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

	March 31, 2012 US$	December 31, 2011 US$
Trade receivables	39,269,160	703,673
Less: allowance for doubtful accounts	(49,989)	(50,038)
	39,219,171	653,635
GST receivable	57,328	20,802
Amount due from a shareholder (Note 17(a))[1]	-	2,735,852
Amounts due from related companies (Note 17(a))[2]	358,913	1,398,312
Other receivables	733,292	1,036,019
Total accounts receivable	40,368,704	5,844,620

(1) Amount represents listing fee receivable from CNG, which is unsecured, interest free and repayable on demand. The amount has been fully settled during the three months ended March 31, 2012.

(2) As at December 31, 2011, the amount represented consideration receivable from Gansu Zhongjin Gold Mining Co. Ltd, CNG’s subsidiary, regarding the disposal of a mining project in November 2011, as disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2011. The amount is unsecured, interest free and repayable on demand, and fully settled during the three months ended March 31, 2012. The outstanding balances at March 31, 2012 represent service fee receivables arising from the provision of transportation services to the subsidiaries of CNG during the three months ended March 31, 2012. The amount is unsecured, interest free and repayable on demand.

The Group's other receivables mostly represented employees' cash and travel advances as at March 31, 2012 and December 31, 2011. The other receivables are unsecured, interest free and repayable upon written notice from the Group.

At March 31, 2012, US$38,813,706 trade receivable is from the gold doŕe sale to CNG (December 31, 2011: Nil) (note 17(a)). The Group allows an average credit period of 90 days and 180 days to its trade customers for gold doŕe sales and copper sales, respectively.

7. ACCOUNTS RECEIVABLE - continued

Below is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period:

	March 31, 2012 US$	December 31, 2011 US$
Less than 30 days	38,864,223	68,160
31 to 90 days	82,137	162,936
91 to 180 days	69,371	119,080
Over 180 days	203,440	303,459
	39,219,171	653,635

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$203,440 and US$303,459 at March 31, 2012 and December 31, 2011, respectively, which are past due, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience.

Movement in the allowance for doubtful accounts:

	US$
At January 1, 2011	41,590
Addition	8,448
At December 31, 2011	50,038
Exchange realignment	(49)
At March 31, 2012	49,989

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 March 31, 2012, the GST receivable was outstanding less than three months. The Group anticipates full recovery of these amounts and, therefore, no impairment has been recorded against these receivables.

The Group holds no collateral for any receivable amounts outstanding as at March 31, 2012 and December 31, 2011.

8. PREPAID EXPENSES AND DEPOSITS

	March 31, 2012 US$	December 31, 2011 US$
Deposits for mine supplies and services (note a)	3,553,393	3,151,621
Deposits for spare parts	3,309,330	2,235,833
Deposits for environmental protection (note b)	4,105,247	4,109,291
Deposits paid for acquisition of property, plant and equipment (note c)	244,409	221,336
Prepayment for the land use rights (note d)	793,714	794,496
Prepaid insurance	228,797	303,533
Rent deposits	21,644	22,589
Others	970,440	975,840
Total prepaid expenses and deposits	13,226,974	11,814,539
Less: Amounts that are utilized within one year shown under current assets	(7,766,118)	(6,371,619)
Amounts that are utilized for more than one year shown under non-current assets	5,460,856	5,442,920

Notes:

a. The amount represents deposits paid to third party vendors and related parties for purchasing of raw materials and inventory consumables. Included in the deposit as at March 31, 2012, US$317,486 (December 31, 2011: US$317,797) are expected to be utilized after one year and therefore shown as a non-current asset.

b. The amount represents deposits paid to the PRC local land administration bureau for undertaking the restoration of land when the lease term is expired. Such amount is receivable upon the end of the mine life by contractual term and is expected to be repaid after one year and subject to the approval of the PRC local land administration bureau, therefore it is shown as a non-current asset at March 31, 2012 and December 31, 2011.

c. The amount represents deposits paid to third party contractors for the acquisition of property, plant and equipment to expand its mining capacity in Tibet, the PRC. The amount is shown as non-current asset.

d. The amount of RMB5,000,000 represents the full amount paid to PRC local land administration bureau for the acquisition of land use rights in Tibet, the PRC as at March 31, 2012 and December 31, 2011, respectively. The approval procedure of the PRC government is still in progress and expected to be completed by the end of the 2012 year. The amount is shown as non-current asset at March 31, 2012 and December 31, 2011.

9. INVENTORY

	March 31, 2012 US$	December 31, 2011 US$
Gold in process	15,678,530	23,407,804
Gold doré bars	8,981,473	8,506,475
Consumables	3,803,964	4,355,930
Copper concentrates	311,512	2,071,173
Spare parts	3,849,419	3,055,508
Total inventory	32,624,898	41,396,890
Less: Amounts expected to be recovered after 12 months (note) (shown under non-current assets)	(13,220,275)	(14,292,189)
Amounts shown under current assets	19,404,623	27,104,701

Note:

Management has taken into consideration the long-term process involved in recovering gold from a heap leaching system and classified inventory, specifically, the gold in process, that are expected to be recovered more than twelve months after the end of the reporting period into non-current assets.

Inventory totaling US$48,444,516 for the three months ended March 31, 2012 (three months ended March 31, 2011: US$21,367,777) was recognized in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$	Crusher US$	Furniture and office equipment US$	Machinery and equipment US$	Motor vehicles US$	Leasehold improvements US$	Mineral assets US$	Construction in progress ("CIP") US$	Total US$
COST									
At December 31, 2011	141,402,423	72,282,943	1,572,657	79,031,549	5,373,236	100,458	87,215,283	16,123,407	403,101,956
At March 31, 2012	147,062,610	72,282,943	1,618,914	81,030,137	5,512,371	100,458	90,092,893	22,182,612	419,882,938
ACCUMULATED DEPRECIATION									
At December 31, 2011	(4,487,893)	(9,660,728)	(866,648)	(15,432,683)	(1,285,059)	(41,096)	(10,267,348)	-	(42,041,455)
At March 31, 2012	(6,791,719)	(11,074,705)	(922,868)	(16,467,303)	(1,478,766)	(42,649)	(11,436,113)	-	(48,214,123)
CARRYING VALUE									
At December 31, 2011	136,914,530	62,622,215	706,009	63,598,866	4,088,177	59,362	76,947,935	16,123,407	361,060,501
At March 31, 2012	140,270,891	61,208,238	696,046	64,562,834	4,033,605	57,809	78,656,780	22,182,612	371,668,815

Included in the cost above is US$15,983,922 as at March 31, 2012 (December 31, 2011: US$15,983,922) in relation to finance costs which have been capitalized as crusher and mineral assets.

10. PROPERTY, PLANT AND EQUIPMENT - continued

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

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

Mineral assets mainly represent drilling and related costs incurred on sites with an existing mine and on areas within the boundary of a known mineral deposit, which contain proven and probable reserves. The majority of mineral assets and such related costs are capitalized prior to the commencement of production at the mine site. Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines.

Mineral property interests

(a) Chang Shan Hao Gold Mine ("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. The carrying value of the CSH Gold Mine in relation to mineral assets is US$36,451,598 as at March 31, 2012 (December 31, 2011: US$36,354,701).

(b) Jiama Mine

The Jiama Mine is a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet. The Jiama Mine holds two exploration and extraction permits covering an area of approximately 76.9 km^2 and 66.4 km^2, respectively. The carrying value of the Jiama Mine in relation to mineral assets is US$42,205,182 as at March 31, 2012 (December 31, 2011: US$40,593,234).

11. MINING RIGHTS

	Mining rights US$
COST	
At January 1, 2011	976,466,490
Exchange realignment	2,455,588
At December 31, 2011	978,922,078
Exchange realignment	(48,590)
At March 31, 2012	978,873,488
ACCUMULATED AMORTIZATION	
At January 1, 2011	(1,183,779)
Additions	(15,710,119)
Exchange realignment	(23,785)
At December 31, 2011	(16,917,683)
Additions	(3,720,224)
Exchange realignment	595
At March 31, 2012	(20,637,312)
CARRYING VALUE	
At December 31, 2011	962,004,395
At March 31, 2012	958,236,176

Note:

Mining rights represent mining rights in the Jiama Mine acquired through the acquisition of the Skyland Mining Limited and its subsidiaries. The mining rights will expire in 2013 and in the opinion of the directors of the Company, the Group will be able to renew the mining rights with the relevant government authority continuously at insignificant cost.

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

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accounts payables and accrued expenses are comprised of the following:

	March 31, 2012 US$	December 31, 2011 US$
Accounts payable[(1)]	40,407,914	48,388,211
Advances from customers	1,589,883	1,736,483
Mining cost accrual	2,107,291	2,118,338
Payroll and benefit payables	3,497,928	5,143,046
Other accruals	2,424,642	2,320,585
Other tax payable	7,718,406	8,388,783
Other payables	1,630,490	1,250,137
Amount due to CNG (Note 17(a))[(2)]	358,425	31,780
Amounts due to CNG's subsidiaries (Note 17(a))[(3)]	-	1,158,600
	59,734,979	70,535,963

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

	March 31, 2012 US$	December 31, 2011 US$
Less than 30 days	11,064,535	14,281,536
31 to 90 days	5,784,090	5,827,444
91 to 180 days	3,177,697	7,297,733
Over 180 days	20,381,592	20,981,498
Total accounts payable	40,407,914	48,388,211

(1) Amount represents trade payables and construction cost payables to third parties and related companies. Amount is unsecured, interest-free and repayable on demand.

(2) Amount represents consultancy fee for exploration services paid by CNG to a third party on behalf of the Group. The amount is unsecured, interest-free and repayable on demand.

(3) Amount as at December 31, 2011mainly represented disposal proceeds payable to Nuclear Industry Northwest Economic and Technology Company, a subsidiary of CNG, the non-controlling shareholder of a mining project, as disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2011. The amount was due following the sale of the project and was fully settled during the three months ended March 31, 2012.

Included within the Group's accounts payable are construction costs payables of US$27,181,996 as at March 31, 2012 (December 31, 2011: US$29,588,300).

13. BORROWINGS

	Effective interest rate March 31, 2012 %	Effective interest rate December 31, 2011 %	Maturity	March 31, 2012 US$	December 31, 2011 US$
Current					
Current portion of long-term loan Agricultural Bank of China ("ABC") (a)	6.56	6.23	March 9, 2013	15,874,276	12,711,932
Current portion of long-term loan Bank of China ("BOC") (b)	4.69	4.62	December 28, 2012	31,748,551	31,779,829
				47,622,827	44,491,761
Non-current					
Long-term loan - ABC (a)	6.56	6.23	June 9, 2013 to September 9, 2014	20,636,558	23,834,872
Long-term loan - BOC (b)	4.69	4.62	December 28, 2013 to December 28, 2014	47,622,827	47,669,744
Syndicated loan (c)	4.82	4.82	June 4, 2013 to June 4, 2016	119,057,068	111,547,201
				187,316,453	183,051,817
				234,939,280	227,543,578

(a) ABC Loan

On September 14, 2009, the Group's subsidiary, Inner Mongolia Pacific Mining Co., Ltd. ("IMP"), secured a five-year RMB290,000,000 (US$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 carries interest at floating rate based on the People's Bank of China base rate. The Term Loan principal is repayable through instalments of RMB20,000,000 due in June 2012 and further instalments of RMB30,000,000 each due in September 2012 and December 2012, RMB20,000,000, RMB20,000,000, RMB30,000,000 and RMB30,000,000 will be repayable for each of the quarters ended December 31, 2013, respectively. The remaining outstanding balance of the Term Loan is scheduled to be repaid in full in 2014.

(b) BOC Loan

The loan was raised from BOC in December 2009 and carries interest at floating rate based on the People's Bank of China base rate and is repayable in four annual instalments starting from December 28, 2011. RMB200,000,000 has been paid during the year ended December 31, 2011. RMB200,000,000, RMB150,000,000 and RMB150,000,000 will be repayable on December 28, 2012, December 28, 2013 and December 28, 2014, respectively.

13. BORROWINGS - continued

(c) Syndicated Loan

The Group entered into a syndicated loan facility agreement with various banks on June 4, 2010 which is available for the group to draw down up to June 4, 2013. As at March 31, 2012, the group has drawn down the amount of the loan of RMB750,000,000 (equivalent to approximately US$119,057,000) (December 31, 2011: RMB702,000,000 equivalent to US$111,547,000). The unutilized facility was nil (December 31, 2011: RMB48,000,000 (equivalent to approximately US$7,620,000)) as at March 31, 2012.

The loan carries interest at the rate based on the People's Bank of China base rate. RMB100,000,000, RMB150,000,000, RMB200,000,000 and RMB300,000,000 will be repayable in June 2013, June 2014, June 2015 and June 2016, respectively.

The contractual maturity dates of the loans are as follows:

	March 31, 2012 US$	December 31, 2011 US$
Within one year	47,622,827	44,491,761
More than one year, but not exceeding two years	55,559,965	55,614,702
More than two years, but not exceeding five years	131,756,488	127,437,115
	234,939,280	227,543,578
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(47,622,827)	(44,491,761)
	187,316,453	183,051,817

The Group pledged certain assets to secure the loans. The carrying values of the pledged assets are as follows:

	March 31, 2012 US$	December 31, 2011 US$
Property, plant and equipment	243,700,691	246,992,832
Mining rights	958,236,176	962,004,395
	1,201,936,867	1,208,997,227

14. DEFERRED INCOME

Pursuant to the approval notices issued by the Ministry of Finance Department of the PRC in July 2010 and by the local Finance Bureau in Inner Mongolia of the PRC in December 2010, IMP received government grants in relation to the construction of property, plant and equipment of the Group amounting to approximately RMB4,839,000 (equivalent to approximately US$715,000) during the year ended December 31, 2010. In addition, approximately RMB930,000 (equivalent to approximately US$144,000) was further granted to IMP by local Finance Bureau in Inner Mongolia of the PRC in May 2011, in relation to construction of property, plant and equipment of the Group. The grants are recorded as deferred income in the consolidated statement of financial position and will be credited to profit or loss on a straight-line basis over the expected useful lives of the related assets. During the three months ended March 31, 2012, deferred income of approximately US$28,000 (three months ended March 31, 2011: US$7,000) has been credited to profit or loss.

Movement in the deferred income:

	January 1, to March 31, 2012 US$	January 1, to December 31, 2011 US$
Balance beginning of period/year	864,958	712,610
Addition	-	143,739
Credited to other income	(28,103)	(28,378)
Exchange realignment	(824)	36,987
Balance, end of period/year	836,031	864,958

15. 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.

Environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine and the Jiama Mine. Environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total US$24,429,000 (December 31, 2011: US$24,429,000), discounted at 10.1% (December 31, 2011: 10.1%) per annum at March 31, 2012. No assets have been legally restricted for the purposes of settling environmental rehabilitation costs.

15. ENVIRONMENTAL REHABILITATION - continued

The following is an analysis of environmental rehabilitation:

	January 1 to March 31, 2012 US$	January 1 to December 31, 2011 US$
Balance, beginning of period/year	4,253,314	1,887,923
Additions to site reclamation	-	2,224,138
(Reductions) resulted from change in discount rate	-	(127,101)
Accretion incurred in the current period/year	121,443	179,190
Exchange realignment	(3,770)	89,164
Balance, end of period/year	4,370,987	4,253,314

16. SHARE CAPITAL, OPTIONS AND WARRANTS

(a) Common shares

Authorized - Unlimited common shares without par value

Issued and outstanding - 396,163,753 (December 31, 2011: 396,163,753) common shares at March 31, 2012.

(b) Stock options

The Group had a stock option plan which permitted the board of directors of the Company to grant options to directors, employees, and consultants to acquire common shares of the Company at the fair market value on the date of approval by the board of directors. A portion of the granted stock options vested immediately on the grant date and the balance will vest over a period of up to five years from the grant date. The granted stock options have a life of up to six years from grant date. The fair market value of the exercise price was 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.

16. SHARE CAPITAL, OPTIONS AND WARRANTS - continued

(b) Stock options - continued

The following is a summary of option transactions under the Company's stock option plan:

	January 1, 2012 to March 31, 2012		January 1, 2011 to December 31, 2011	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance, beginning of period	695,000	3.98	780,000	3.71
Options exercised	-	-	(37,000)	1.45
Options forfeited	-	-	(48,000)	3.95
Balance, end of period	695,000	3.98	695,000	3.98

295,000 stock options were granted during the year ended December 31, 2007 at exercise price of CAD2.2. These options will expire on July 20, 2013. 199,000 stock options were vested at December 31, 2011 while the remaining 96,000 stock options will vest on July 20, 2012. Approximately US$4,000 and US$7,000 were charged to the profit or loss for the three months ended March 31, 2012 and 2011 respectively.

400,000 stock options were granted during the year ended December 31, 2010. The options were granted on June 1, 2010 and expire on June 1, 2015. 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 options were vested immediately and on June 2, 2011 respectively. An additional 20% of the options will be vested on June 2, 2012, June 2, 2013 and June 2, 2014, respectively. The fair value of these options at date of grant was approximately US$860,000, of which approximately US$34,000 and US$76,000 were charged to the profit or loss for the three months ended March 31, 2012 and 2011 respectively.

No stock options were granted during the three months ended March 31, 2012 and the year ended December 31, 2011.

16. SHARE CAPITAL, OPTIONS AND WARRANTS - continued

(b) Stock options - continued

The following table summarizes information about stock options outstanding and exercisable at March 31, 2012.

	Options outstanding			Options exercisable	
Expiring in	Number outstanding at March 31, 2012	Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at March 31, 2012	Weighted average exercise price CAD
2013	295,000	1.30	2.20	199,000	2.20
2015	400,000	3.17	5.30	160,000	4.78
	695,000		3.98	359,000	3.35

The following table summarizes information about stock options outstanding and exercisable at December 31, 2011:

	Options outstanding			Options exercisable	
Expiring in	Number outstanding at December 31, 2011	Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at December 31, 2011	Weighted average exercise price CAD
2013	295,000	1.56	2.20	199,000	2.20
2015	400,000	3.42	5.30	160,000	4.78
	695,000		3.98	359,000	3.35

17. RELATED PARTY TRANSACTIONS

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

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

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

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

	March 31, 2012 %	December 31, 2011 %
CNG	39.3	39.3

17. RELATED PARTY TRANSACTIONS - continued

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

(i) Transactions/balances with CNG and its subsidiaries

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

	Three months ended March 31, 2012 US$	Three months ended March 31, 2011 US$
Gold doré sales by the Group	52,972,776	20,305,502
Construction service provided to the Group	(9,595,755)	-

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

	March 31, 2012 US$	December 31, 2011 US$
Assets		
Trade receivables from sales of gold doré bars (Note 7)	38,813,706	-
Listing expense receivable (Note 7)	-	2,735,852
Other receivables (Note 7)	358,913	1,398,312
Deposits for mine supplies and services (Note 8)	320,501	730,301
Total amounts due from CNG and its subsidiaries	39,493,120	4,864,465

The amounts due from CNG and its subsidiaries, which are included in accounts receivable, are non-interest bearing, unsecured and have no fixed terms of repayments except for the trade receivable arising from the sale of gold doré bars to CNG with an average credit period of 90 days.

	March 31, 2012 US$	December 31, 2011 US$
Liabilities		
Construction cost payables to CNG's subsidiaries (Note 12)	2,460,354	-
Other payable to CNG (Note 12)	358,425	31,780
Other payable to CNG's subsidiaries (Note 12)	-	1,158,600
Total amounts due to CNG and its subsidiaries	2,818,779	1,190,380

17. RELATED PARTY TRANSACTIONS - continued

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

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

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group also conducts business with other government - related entities. The Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities which are government - related entities in its ordinary course of business. Over 90% (2011: over 79%) of its bank deposits and borrowings are with government related entities.

(b) Transactions/balances with other non-government related parties/entities

The Group has the following significant balances with related parties at the end of each reporting period:

	March 31, 2012 US$	December 31, 2011 US$
Asset		
Amount due from a non-controlling shareholder with significant influence over a subsidiary	418,536	415,839

The amounts due from the related parties are non-interest bearing, unsecured and have no fixed terms of repayments.

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

	Three months ended March 31, 2012 US$	2011 US$
Salaries and other benefits	121,142	162,678
Post employment benefits	4,541	6,599
	125,683	169,277

18. 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 of the Company.

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

(ii) The mine-produced copper segment - the production of copper multi products and other by-products.

Information regarding the above segments is reported below.

(a) Segment revenues and results

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

For the three months ended March 31, 2012

	Mine-produced gold US$	Mine-produced copper US$	Segment total and consolidated US$
REVENUE - EXTERNAL	54,445,738	23,132,250	77,577,988
SEGMENT PROFIT	22,174,619	3,238,629	25,413,248
General and administrative			(5,837,772)
Exploration and evaluation expenditure			(58,138)
Foreign exchange gain			164,241
Interest and other income			3,182,675
Finance costs			(2,823,184)
Profit before income tax			20,041,070

18. SEGMENT INFORMATION - continued

(a) Segment revenues and results - continued

For the three months ended March 31, 2011

	Mine-produced gold US$	Mine-produced copper US$	Segment total and consolidated US$
REVENUE - EXTERNAL	23,585,033	11,838,464	35,423,497
SEGMENT PROFIT	10,615,702	1,221,040	11,836,742
General and administrative			(3,936,515)
Exploration and evaluation expenditure			(63,982)
Foreign exchange gain			34,412
Interest and other income			84,309
Finance costs			(2,511,374)
Profit before income tax			5,443,592

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the mine operating earnings earned by each segment representing the revenues less direct cost of sales as shown on the condensed consolidated statement of comprehensive income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

18. SEGMENT INFORMATION - continued

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment:

Segment assets	March 31, 2012 US$	December 31, 2011 US$
Mine-produced gold	211,865,708	179,358,098
Mine-produced copper	1,210,760,266	1,205,136,024
Total segment assets	1,422,625,974	1,384,494,122
Cash and cash equivalents	319,416,892	354,312,905
Deferred tax assets	876,296	769,493
Accounts receivable	281,790	4,435,819
Prepaid expenses and deposits	341,589	412,019
Property, plant and equipment	170,939	118,814
Consolidated assets	1,743,713,480	1,744,543,172

Segment liabilities	March 31, 2012 US$	December 31, 2011 US$
Mine-produced gold	33,035,293	43,675,240
Mine-produced copper	37,382,738	47,602,072
Total segment liabilities	70,418,031	91,277,312
Amounts payable and accrued expenses	2,170,387	2,215,445
Borrowings	234,939,280	227,543,578
Deferred lease inducement	101,091	109,516
Deferred tax liabilities	132,352,685	132,865,648
Consolidated liabilities	439,981,474	454,011,499

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than corporate assets, deferred tax assets, and cash and cash equivalents; all liabilities are allocated to operating segments other than corporate liabilities, deferred tax liabilities and borrowings.

18. SEGMENT INFORMATION - continued

(c) Other segment information

	Three months ended March 31, 2012				
	Mine-produced gold	Mine-produced copper	Segment total	Unallocated	Total
	US$	US$	US$	US$	US$
Amount included in the measure of segment profit or loss or segment assets					
Additions of property, plant and equipment	2,573,162	14,453,922	17,027,084	-	17,027,084
Depreciation of property, plant and equipment	(3,236,809)	(2,946,055)	(6,182,864)	-	(6,182,864)
Amortization of intangible assets	-	(3,720,224)	(3,720,224)	-	(3,720,224)
Release of prepaid lease payment	-	(38,048)	(38,048)	-	(38,048)

	Three months ended March 31, 2011				
	Mine-produced gold	Mine-produced copper	Segment total	Unallocated	Total
	US$	US$	US$	US$	US$
Amount included in the measure of segment profit or loss or segment assets					
Additions of property, plant and equipment	4,371,712	15,906,982	20,278,694	-	20,278,694
Depreciation of property, plant and equipment	2,990,841	1,646,607	4,637,448	17,349	4,654,797
Amortization of intangible assets	-	2,218,978	2,218,978	-	2,218,978
Release of prepaid lease payment	-	39,966	39,966	-	39,966
Loss on disposal of property, plant and equipment	1,732	-	1,732	-	1,732

(d) Geographical information

The Group operated in two geographical areas, Canada and the PRC. The Group's corporate division located in Canada only earns revenues that are considered incidental to the activities of the Group and therefore does not meet the definition of an operating segment as defined in IFRS 8 Operating Segments. During the three months ended March 31, 2012 and 2011, the Group's revenue was generated from gold sales and copper multi products to customers in the PRC.

(e) Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	Three months ended March 31,	
	2012	2011
	US$	US$
Revenue from customers attributable to gold sales - CNG	52,972,776	20,305,502

For the three months ended March 31, 2012 and 2011, the Group sold approximately 97.3% and 86.1% respectively of its gold to one creditworthy customer, CNG, who is also the Group's substantial shareholder.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

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

	Three months ended March 31,	
	2012	2011
	US$	US$
Transfer of share option reserve upon exercise of options	-	15,782

20. 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:

	March 31, 2012	December 31, 2011
	US$	US$
Within one year	1,148,228	1,415,220
Between two to five years	953,537	976,804
Over five years	1,015,275	1,055,166
	3,117,040	3,447,190

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

	March 31, 2012	December 31, 2011
	US$	US$
Capital commitments		
Capital expenditure in respect of acquisition of property, plant and equipment in the consolidated financial statements contracted but not provided for	44,702,596	58,440,653

Other commitments and contingencies existed at March 31, 2012 and December 31, 2011

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 will vary each year 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.

21. EVENT AFTER THE REPORTING PERIOD

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