China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations
Three months ended March 31, 2013

(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, 2013
(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, 2013. It should be read in conjunction with the condensed consolidated interim 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, 2013 and the three months ended March 31, 2012, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to the Company's plans, objectives, expectations and intentions, which are based on the Company's current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in the Company's Annual Information Form ("Annual Information Form" or "AIF") dated March 25, 2013 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 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 trial 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 (the "Hong Kong Stock Exchange" or "HKSE") under the symbol CGG and the stock code 2099, respectively. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR atsedar.com as well as Hong Kong Exchange News at hkexnews.hk.

Performance Highlights

Three months ended March 31, 2013

- Revenue of US$76.7 million earned for the period, consistent with US$77.6 million for the same period in 2012;
- Net profit after income taxes increased by 12% to US$15.1 million in the period from US$13.5 million for the same period in 2012.
- Gold production from the CSH Mine decreased by 5% to 32,163 ounces in the period from 33,830 ounces for the same period in 2012.
- Copper production from the Jiama Mine increased significantly, by 62% to 3,083 tonnes (approximately 7 million pounds) in the period from 1,900 tonnes (4 million pounds) for the same period in 2012.

OUTLOOK

- Budgeted production of 145,000 ounces of gold from the CSH Mine in 2013.
- Budgeted production of 26.5 million pounds of copper from the Jiama Mine in 2013.
- At CSH, the Company is building a new 30,000 tonne per day ("tpd") stand-alone crushing, heap leaching and ADR (Absorption, Desorption and Refining) plant system in addition to the existing 30,000 tpd facility. Expansion construction is expected to be completed in the fourth quarter of 2013.
- The Company expects to complete the Jiama Mine's Phase II Independent Feasibility Study and to release an updated NI 43-101 compliant report in the second quarter of 2013.
- Jiama's production capacity expansion will be implemented in two stages. Stage one, planned for completion during the fourth quarter of 2013, includes completion of a new 20,000 tpd mill. Stage two is expected to be completed by 2014. By 2015, Jiama anticipates reaching its planned full capacity of 40,000 tpd of ore.
- The Company plans to drill approximately 30,000 metres at the Jiama Mine during 2013.
- The Company will continue to leverage the technical and operating experience of the Company's controlling shareholder, China National Gold Group Corporation ("CNG"), to improve operations at its mines. In addition, the Company continues to focus its efforts on increasing production while minimizing costs at both mines.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining opportunities, namely projects outside of China, which can be readily and quickly brought into production with the possibility of further expansion through continued exploration.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

QUARTER ENDED

	2013	2012				2011		
(US$ in thousands except per share)	**31-Mar**	31-Dec	30-Sep	30-Jun	31-Mar	**31-Dec**	**30-Sep**	**30-Jun**
Revenues	**76,746**	93,387	84,938	76,484	77,578	93,544	89,407	92,938
Cost of sales	**47,456**	54,190	51,207	49,896	52,165	61,428	53,017	52,519
Mine operating earnings	**29,290**	39,197	33,731	26,588	25,413	32,114	36,391	40,419
General and administrative expenses	**7,157**	7,880	6,020	5,311	5,838	4,624	3,590	5,217
Exploration and evaluation expenses	**69**	149	59	124	58	173	160	70
Income from operations	**22,064**	31,168	27,652	21,153	19,517	34,250	32,640	35,132
Foreign exchange gain (loss)	**152**	(844)	1,976	(1,125)	164	1,596	326	397
Finance costs	**2,573**	3,230	3,080	3,416	2,823	4,798	3,862	2,882
Profit before income tax	**20,755**	28,545	32,903	18,188	20,041	33,805	30,520	34,713
Income tax expense	**5,676**	7,506	6,508	5,564	6,585	6,597	6,689	7,293
Net income	**15,079**	21,039	26,395	12,624	13,456	27,209	23,830	27,420
Basic earnings per share (cents)	**3.66**	5.13	6.44	3.07	3.27	6.86	5.79	6.78
Diluted earnings per share (cents)	**3.66**	5.13	6.44	3.07	3.27	6.86	5.79	6.78

Selected Quarterly Production Data and Analysis

CSH Mine	**Three months ended March 31,**	
	2013	**2012**
Gold produced (ounces)	**32,163**	33,830
Gold sold (ounces)	**30,098**	33,763
Total production cost (US$) of gold per ounce	**953**	956
Cash production cost* (US$) of gold per ounce	**812**	852

* Non-IFRS measure

Gold production at the CSH Mine decreased by 5% from 33,830 ounces for the three months ended March 31, 2012 to 32,163 ounces for the three months ended March 31, 2013. The major reasons for the decrease in production are decreased gold grade in the pregnant solution in the processing cycle, and lower grade ore being placed on the leach pad during the first quarter of 2013 as compared to the same period in 2012.

The total production cost of gold per ounce and cash production cost of gold per ounce for the three months ended March 31, 2013 both decreased compared with the same period in 2012. The primary reason is lower waste rock removal expenditures, which are included in production cost in 2013, compared to the same period in 2012.

Jiama Mine	Three months ended March 31, 2013	2012
Copper produced (tonnes)	**3,083**	1,900
Copper produced (pounds)	**6,797,439**	4,187,887
Copper sold (tonnes)	**3,029**	2,251
Copper sold (pounds)	**6,678,698**	4,963,633
Gold produced (ounces)	**3,339**	2,453
Gold sold (ounces)	**3,439**	2,766
Silver produced (ounces)	**265,274**	141,326
Silver sold (ounces)	**245,119**	165,778
Total production cost* (US$) of copper per tonne	**8,439**	11,211
Total production cost* (US$) of copper per pound	**3.83**	5.09
Total production cost* (US$) of copper per tonne after by-products credit***	**5,336**	7,675
Total production cost* (US$) of copper per pound after by-products credits***	**2.42**	3.48
Cash production cost** (US$) per tonne of copper	**6,693**	8,124
Cash production cost** (US$) per pound of copper	**3.04**	3.68
Cash production cost** (US$) of copper per tonne after by-products credit***	**3,590**	4,587
Cash production cost** (US$) of copper per pound after by-products credits***	**1.63**	2.08

* Production costs include expenditures incurred at the mine sites for the activities related to production including mining, processing, mine site G&A and royalties etc.
** 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, 2013, the Jiama Mine produced 3,083 tonnes (approximately 7 million pounds) of copper, which increased by 62% compared with the comparative period in 2012 (1,900 tonnes, or 4 million pounds). The significant increase in production mainly resulted from an increased volume of ore processed and better copper grade during the current quarter.

Total production cost and cash production cost of copper per tonne and per pound both decreased due to the substantial increase in production during the period. The Company is closely monitoring production costs at the Jiama Mine and will continue to make efforts to reduce costs.

Review of Quarterly Data

Three months ended March 31, 2013 compared to three months ended March 31, 2012

Revenue of US$76.7 million for the first quarter of 2013 slightly decreased by US$0.9 million, from US$77.6 million for the same period in 2012. Revenue from the CSH Mine accounted for 62%, or US$47.4 million (2012: US$54.5 million), of total revenue for the quarter. The decrease in CSH's production, due to decreased gold grade in the pregnant solution in the processing cycle and lower grades of ore placed on the heap leach pad, contributed to the 11% decrease in gold sold from 33,763 ounces (gold produced: 33,830 ounces) in 2012 to 30,098 ounces (gold produced: 32,163 ounces) in 2013. Revenue from the Jiama Mine accounted for 38% of total revenue, or US$29.3 million (2012: US$23.1 million), an increase of US$6.2 million for 2013 compared to 2012. Total copper sold increased by 35% from 2,251 tonnes (4.96 million pounds) for the three months ended March 31, 2012 to 3,029 tonnes (6.7 million pounds) for the same comparative period in 2013, due to increased ore volume, better copper grade, and relatively larger contributions from sales of other metals, such as gold.

Cost of sales of US$47.5 million for the quarter ended March 31, 2013, decreased by US$4.7 million, from US$52.2 million for the three months ended March 31, 2012. The decrease in cost of sales is primarily attributable to CSH's reduction of waste rock removal expenditures, in addition to optimization of ore processing at both mines. Cost of sales as a percentage of revenue for the Company decreased to 62% from 67% for the three months ended March 31, 2013 compared to 2012.

Mine operating earnings of US$29.3 million for the three months ended March 31, 2013 increased by 15%, or US$3.9 million, from US$25.4 million for the comparative 2012 period. Mine operating earnings as a percentage of revenue increased to 38% from 33% for the three months ended March 31, 2013 compared to 2012.

General and administrative expenses increased by US$1.3 million, from US$5.8 million for the three months ended March 31, 2012 to US$7.1 million for the three months ended March 31, 2013. Increased administrative costs, in addition to professional services provided in relation to the expansion projects resulted from, and are in line with the Company's overall growth and development strategy.

Income from operations for the first quarter of 2013 of US$22 million increased by 13%, or US$2.5 million, from US$19.5 million for 2012.

Finance costs of US$2.6 million for the three months ended March 31, 2013 decreased by 7%, from US$2.8 million for the same period in 2012, primarily due to lower interest expenses resulting from reduced principal balances on outstanding debt and increased interest capitalization. During the three months ended March 31, 2013 US$0.7 million (2012: Nil) of interest payments were capitalized for borrowing costs relating to Jiama's phase II expansion project.

Foreign exchange gain decreased by 6%, to US$0.15 million for the three months ended March 31, 2013 from US$0.16 million for the same 2012 period. The 2013 gain is related to the revaluation of monetary items held in Chinese RMB and Hong Kong Dollars, based on changes in the RMB/HKD/USD exchange rates.

Interest and other income of US$1.1 million for the three months ended March 31, 2013 decreased from US$3.2 million for the three months ended March 31, 2012. Term deposits which matured during the latter months of the 2012 fiscal year were used to fund expansion costs incurred by Jiama, resulting in reduced interest income earned from term deposits in the first quarter of 2013 compared to the same period in 2012.

Income tax expense for the first quarter of 2013 decreased by 14%, to US$5.7 million from US$6.6 million for the three months ended March 31, 2012, primarily due to the CSH Mine's decrease in revenue.

Net income of the Company increased by US$1.6 million from US$13.5 million for the three months ended March 31, 2012 to US$15.1 million for the three months ended March 31, 2013.

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, 2013 and 2012:

CSH Mine

	Three months ended March 31,	
	2013	2012
	US$	US$
Cost of mining per tonne of ore	**1.50**	1.21
Cost of mining waste per tonne of ore	**2.44**	3.03
Other mining costs per tonne of ore	**0.49**	0.47
Total mining costs per tonne of ore	**4.43**	4.71
Cost of reagents per tonne of ore	**1.49**	1.08
Other processing costs per tonne of ore	**1.23**	1.20
Total processing cost per tonne of ore	**2.72**	2.28

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

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

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,			
	2013		2012	
	US$	US$ Per ounce	US$	US$ Per ounce
Total Production Costs	**28,686,903**	**953**	32,271,119	956
Adjustments	**(4,254,871)**	**(141)**	(3,490,229)	(103)
Total cash production costs	**24,432,032**	**812**	28,780,890	853

Jiama Mine (Copper)

	Three months ended March 31,			
	2013		2012	
	US$	US$ Per pound	US$	US$ Per pound
Total production costs	**25,566,318**	**3.83**	25,240,850	5.09
Adjustments	**(5,290,913)**	**(0.79)**	(6,950,946)	(1.41)
Total cash production costs	**20,275,405**	**3.04**	18,289,904	3.68

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.

MINERAL PROPERTIES

The CSH Mine

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

The CSH Mine is owned and operated by Inner Mongolia Pacific Mining Co. Limited, a Chinese Joint Venture in which 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%.

CSH Mine Expansion

The CSH Mine is currently operating at a 30,000 tpd capacity, producing over 133,000 ounces of gold per annum. A NI 43-101 compliant Technical Report Expansion Feasibility Study for the CSH Gold Project (“the CSH Technical Report”) has been completed by a group of Qualified Persons (“QP”). This report was prepared following the 2011 drilling campaign. The CSH Technical Report supports an expansion plan to increase the processing capacity from 30,000 tpd to 60,000 tpd with a mine life of 11 years, under which the open pit reserves at the CSH Mine stand at over 213 million tonnes of ore containing about 4.08 million ounces of gold. Gold production will be increased from the current 133,000 ounces per annum to about 260,000 ounces per annum by 2014. The estimated capital expenditure is US$212.9 million. The After-Tax Net Present Value (NPV) is US$642 million using a discount rate of 9% and an assumed gold price of $1,380/oz.

The CSH Technical Report is available at sedar.com and hkexnews.hk.

As of the end of the first quarter of 2013, construction on the structural foundation of the crushing station and conveyor system has been completed. Installation of significant equipment is expected to begin during the second quarter of 2013. The expansion project is on schedule to meet increased annual production capacity targets.

Production Update

CSH Mine

	Three months ended March 31,	
	2013	2012
Ore mined and placed on pad (tonnes)	**3,246,768**	2,636,262
Average grade of ore (g/t)	**0.44**	0.49
Recoverable gold (ounces)	**34,164**	24,846
Ending ore inventory (ounces)	**41,006**	28,224
Waste rock mined (tonnes)	**22,290,991**	5,498,826

For the three months ended March 31, 2013, the total amount of ore put on the leach pad was 3.2 million tonnes, with total contained gold of 34,164 ounces (1,063 kilograms). The accumulative project-to-date gold recovery rate has increased from approximately 52.7% to 53.2% to the end of the first quarter of 2013.

Exploration

The company has no drilling program at CSH to explore for higher grade mineralization down depth and mineralization in between the two open pits in 2013.

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 underground mining and open-pit mining operations which comprises the smaller Tongqianshan Pit and the larger Niumatang Pit. An underground ore transportation system has been completed which includes two shafts having an initial depth of 355 metres, which are planned to extend to a final depth of 600 metres. This underground ore transportation system is used to transfer ore from the near pit crushing facilities to the existing Phase I 6,000 tpd processing plant. This underground ore transportation system is independent of the Phase II underground mine plans.

Phase I of the Jiama Mine commenced mining operations in the latter half of 2010 and reached its design capacity of 6,000 tpd in early 2011.

Phase II Expansion

The Company has retained the engineering firm Minarco-Mine Consult (MMC), part of the Runge Limited Group of Companies, in conjunction with independent consulting engineers and management to complete a prefeasibility study for potential expansion. The Company plans to expand the Jiama Mine from its current mining and processing capacity of 6,000 tpd to 40,000 tpd of ore through the expansion of current open-pit operations and the development of new open-pit and underground mining operations. Phase II Expansion will include four open pits, one underground mine, and a new floatation plant with a processing capacity of 34,000 tpd. Processing capacity will be increased from the current production rate of 1.8 million tonnes of ore per year to 12.3 million tonnes of ore per year, producing approximately 176 million pounds of Cu, 2.3 Kt of Mo, 35 Koz of Au, 2.7 Moz of Ag, per annum over a period of 31 years. LOM (Life Of Mine) average head grade will be 0.77%, 0.03%, 0.22 g/t and 12 g/t for Cu, Mo, Au and Ag respectively. The estimated capital expenditure is US$705 million. The project has after-tax Net Present Value (NPV) of US$1.2 billion with a discount rate of 9% at metal price assumptions of: $2.90/lb Cu, $18/lb Mo, $1,380/oz Au, $16.5/oz Ag. The project has after-tax Internal Rate of Return (IRR) of 53.7% and payback period of 4.5 years.

On October 25, 2012, MMC completed a project review and, as part of its engagement, produced a NI 43-101 compliant Independent Pre-Feasibility Study Technical Report ("Jiama Technical Report") on the Jiama Mine. The Jiama Technical Report was filed at sedar.com and hkexnews.hk on November 12, 2012.

Since its commencement, the Jiama phase II expansion project has progressed as scheduled. The first stage of construction for expanding mining operation from 6,000 tpd to 20,000 tpd is expected to be completed by the end of 2013. Stage two construction for an additional 20,000 tpd is planned for completion by the end of 2014.

Production Update

Jiama Mine

	Three months ended March 31,	
	2013	2012
Ore mined (tonnes)	**489,677**	409,227
Waste mined (tonnes)	**477,900**	1,402,314
Average copper grade of ore	**0.63%**	0.56%
Copper recovery rate	**89%**	84%
Average gold grade of ore (g/t)	**0.31**	0.29
Gold recovery rate	**60%**	65%
Average silver grade of ore (g/t)	**21.35**	17.44
Silver recovery rate	**64%**	57%

Exploration

In 2013, the Company plans to drill about 30,000 metres. The main goals of the 2013 drilling program are:
• to further delineate the South Pit ore body to define a potentially larger final pushback
• infill drilling to further define the main high grade ore body in the current underground mining area
• to further delineate the gold deposit discovered in 2012 on the east side of the South Pit
• to either confirm the area for a waste dump (condemnation drilling) or identify if there is a potential for another hornfels open pit
• to test a porphyry anomaly on the Bayi Ranch exploration license area from the 2012 geochemistry analysis

The following table shows the exploration expenditures expensed and capitalized during the three months ended March 31, 2013 and March 31, 2012.

	Jiama Mine	
	Three months ended March 31,	
	2013	2012
	US$	US$
Exploration expensed	**-**	-
Exploration capitalized	**288,018**	449,016
	288,018	449,016

Natural Disaster

On March 29, 2013 a landslide occurred in Ze Ri Mountain, Pu Lang Valley, Si Bu Village, Zha Xi Gang Town, Mozhugongka County, Lhasa City, Tibet Autonomous Region of the People's Republic of China approximately 10 km from the Company's Jiama Mine. An estimated two million cubic metres of rock and debris covered an area measuring about three kilometres in length. Although there was no substantial impact and no damage to the Jiama Mine's production facilities, 83 employees of external exploration contractors of the Company were buried in the natural disaster. Operations are ongoing at the Jiama Mine and the Company continues to review the impact of the natural disaster on the Company's operations.

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

At March 31, 2013, the Company had an accumulated surplus of US$121.7 million, working capital of US$43.6 million and bank borrowings of US$280 million. The Company's cash balance at March 31, 2013 was US$154.2 million.

Management believes that its forecast cash flows from operating and financing activities are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. Revenue and related expenses should increase as production increases after completion of the planned expansions. Some of the Company's available cash will be used to fund capital expenditures planned for Phase II expansion at the Jiama Mine as well as other business expenses. The Company also is in advanced discussions to arrange project debt financing to support expansion of the Jiama Mine. The CSH Mine's expansion will be funded by cash generated from its existing operations.

Cash flows

The following table sets out selected cash flow data from the Company's consolidated interim cash flow statements for the periods ended March 31, 2013 and March 31, 2012.

	Three months ended March 31,	
	2013	2012
	US$'000	US$'000
Net cash from (used in) operating activities	**16,325**	(34,414)
Net cash used in investing activities	**(110,448)**	(10,263)
Net cash from financing activities	**66,325**	10,039
Net increase (decrease) in cash and cash equivalents	**(27,798)**	(34,638)
Effect of foreign exchange rate changes on cash and cash equivalents	**280**	(258)
Cash and cash equivalents, beginning of period	**181,740**	354,313
Cash and cash equivalents, end of period	**154,222**	319,417

Operating cash flow

For the three months ended March 31, 2013, net cash inflow from operating activities was US$16.3 million which was primarily attributable to (i) profit before income tax of US$20.8 million, (ii) depreciation and depletion of US$7.7 million, and (iii) increase in accounts payable and accrued liabilities of US$5.1 million, partially offset by (i) interest paid of US$3.1 million, (ii) income tax paid of US$12.4 million, and (iii) an increase of US$4.6 million in inventory.

Investing cash flow

For the three months ended March 31, 2013, net cash outflow from investing activities was US$110.4 million, which was primarily attributable the acquisition of property, plant and equipment of US$83.7 million and the deposit paid for acquisition of property, plant and equipment of US$25.0 million.

Financing cash flow

For the three months ended March 31, 2013, net cash inflow from financing activities was US$66.3 million, which is primarily attributable to proceeds from a bank loan of US$69.7 million, partially offset by repayment of borrowings of US$3.2 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at March 31, 2013, the Company's total debt was US$280 million and the total equity was US$1,385million. The Company's gearing ratio was 0.20 as at March 31, 2013 and 0.18 as at March 31, 2012.

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 ("ABC"), 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 ("BOC") 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.

Entrustment Loan Agreement

On October 18, 2012, Inner Mongolia Pacific entered into an entrustment loan agreement with CNG and the head office of ABC, pursuant to which Inner Mongolia Pacific provided an entrustment loan in the sum of RMB100 million (approximately US$16 million) to CNG through ABC as the entrusted bank. The term of the Entrustment Loan is six months and carries an interest rate announced by the People's Bank of China for the equivalent duration. The principal of the loan shall be repaid at maturity.

The loan principal amount and interest are to be paid by CNG on May 13, 2013.

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 of the future acquisition of property, plant and equipment and construction for both the CSH Mine and the Jiama Mine.

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

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

There were no significant changes in capital commitments and operating lease commitments between March 31, 2013 and December 31, 2012. The following table outlines principal payments on bank loans for the periods indicated:

		Payment Due by Period		
	Total	Within one year	Within two to five years	Over five years
	US$'000	US$'000	US$'000	US$'000
Principal repayment of bank loans	279,950	86,881	193,069	-

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.

RELATED PARTY TRANSACTIONS

CNG owned 39.3 percent of the outstanding common shares of the Company as at March 31, 2013 and December 31, 2012.

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

On October 24, 2008, the Company's subsidiary, Inner Mongolia Pacific entered into a non-exclusive contract for the purchase and sale of doré with CNG (the "2008 Contract") pursuant to which Inner Mongolia Pacific sold gold doré bars to CNG from time to time through to December 31, 2011, with pricing referenced to the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of No. 2 silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. On January 27, 2012, Inner Mongolia Pacific entered into a contract for purchase and sale of doré with CNG for the purpose of regulating the sale and purchase of gold doré to be carried out between them for the three years ending December 31, 2012, 2013 and 2014 on the same pricing terms as the 2008 Contract. Revenue from sales of gold doré bars to CNG decreased from US$53 million for the three months ended March 31, 2012 to US$45 million for the three months ended March 31, 2013. For the three months ended March 31, 2013, construction services of US$66 million were provided to the Group by subsidiaries of CNG (US$10million for the three months ended March 31, 2012).

In addition to the aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business.

PROPOSED TRANSACTIONS

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 projects that may qualify as acquisition targets through joint venture, merger and/or outright 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 audited annual consolidated financial statements.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a 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, 2012.

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, 2013.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds a number of financial instruments, the most significant of which are investments, 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, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2013, 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, 2013 the Company had 396,358,753 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, 2013 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, 2013, 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, 2013 and have concluded that these controls and procedures were effective as of March 31, 2013 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 three months ended March 31, 2013, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

QUALIFIED PERSON

Disclosure of a scientific or technical nature in this section of the MD&A in respect of updates at the CSH Gold Project and Jiama project was prepared by or under the supervision Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

May 14, 2013

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, 2013

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2013

	NOTES	Three months ended March 31, 2013 US$'000	2012 US$'000
Revenues	15	76,746	77,578
Cost of sales		(47,456)	(52,165)
Mine operating earnings		29,290	25,413
Expenses			
General and administrative expenses	3	(7,157)	(5,838)
Exploration and evaluation expenditure		(69)	(58)
		(7,226)	(5,896)
Income from operations		22,064	19,517
Other (expenses) income			
Foreign exchange gain, net		152	164
Interest and other income		1,112	3,183
Finance costs	4	(2,573)	(2,823)
		(1,309)	524
Profit before income tax		20,755	20,041
Income tax expense	5	(5,676)	(6,585)
Profit for the period		15,079	13,456
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		492	(109)
Fair value gain on available-for-sale investment		1,241	-
Total comprehensive income for the period		16,812	13,347
Profit for the period attributable to			
Non-controlling interests		568	513
Owners of the Company		14,511	12,943
		15,079	13,456
Total comprehensive income for the period attributable to			
Non-controlling interests		569	513
Owners of the Company		16,243	12,834
		16,812	13,347
Basic earnings per share	6	3.66 cents	3.27 cents
Diluted earnings per share	6	3.66 cents	3.27 cents
Basic weighted average number of common shares outstanding	6	396,354,753	396,163,753
Diluted weighted average number of common shares outstanding	6	396,393,854	396,280,697

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2013

	NOTES	March 31, 2013 US$'000	December 31, 2012 US$'000 (audited)
Current assets			
Cash and cash equivalents		154,222	181,740
Accounts receivable	7	2,922	3,380
Prepaid expenses, deposits and other receivables	8	10,392	10,270
Entrusted loan receivable	14	16,089	16,052
Prepaid lease payments		205	194
Inventory	9	45,058	38,450
		228,888	250,086
Non-current assets			
Prepaid expense, deposits and other receivables	8	35,337	45,727
Prepaid lease payments		7,120	6,626
Inventory	9	8,004	10,005
Deferred tax asset		7,492	7,100
Available-for-sale investment	16	22,615	21,373
Property, plant and equipment	10	643,627	517,115
Mining rights		946,927	948,232
		1,671,122	1,556,178
Total assets		1,900,010	1,806,264
Current liabilities			
Accounts payable and accrued expenses	11	92,257	75,073
Borrowings	12	86,881	72,234
Tax liabilities		6,199	12,193
		185,337	159,500
Net current assets		43,551	90,586
Total assets less current liabilities		1,714,673	1,646,764
Non-current liabilities			
Borrowings	12	193,069	140,695
Deferred tax liabilities		130,326	130,659
Deferred income		759	803
Environmental rehabilitation		6,017	6,813
		330,171	278,970
Total liabilities		515,508	438,470

	NOTE	March 31, 2013 US$'000	December 31, 2012 US$'000 (audited)
Owners' equity			
Share capital	13	1,228,873	1,228,731
Equity reserves		25,456	23,761
Retained profits		121,677	107,166
		1,376,006	1,359,658
Non-controlling interests		8,496	8,136
Total owners' equity		1,384,502	1,367,794
Total liabilities and owners' equity		1,900,010	1,806,264

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on May 14, 2013 and are signed on its behalf by:

(Signed by) Xin Song
Xin Song
Director

(Signed by) Zhanming Wu
Zhanming Wu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2013

	Number of shares	Share capital US$'000	Equity reserve US$'000 (note a)	Investment revaluation reserve US$'000	Exchange reserve US$'000	Statutory reserve US$'000 (note b)	Retained profits US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total owners' equity US$'000
At January 1, 2012 (audited)	396,163,753	1,228,184	11,355	-	5,097	-	40,161	1,284,797	5,735	1,290,532
Profit for the period	-	-	-	-	-	-	12,943	12,943	513	13,456
Exchange difference arising on translation	-	-	-	-	(109)	-	-	(109)	-	(109)
Total comprehensive income for the period	-	-	-	-	(109)	-	12,943	12,834	513	13,347
Share based compensation	-	-	38	-	-	-	-	38	-	38
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(185)	(185)
At March 31, 2012 (unaudited)	396,163,753	1,228,184	11,393	-	4,988	-	53,104	1,297,669	6,063	1,303,732
At January 1, 2013 (audited)	396,318,753	1,228,731	11,251	559	8,018	3,933	107,166	1,359,658	8,136	1,367,794
Profit for the period	-	-	-	-	-	-	14,511	14,511	568	15,079
Fair value gain on available-for-sale investment	-	-	-	1,241	-	-	-	1,241	-	1,241
Exchange difference arising on translation	-	-	-	-	491	-	-	491	1	492
Total comprehensive income for the period	-	-	-	1,241	491	-	14,511	16,243	569	16,812
Exercise of stock options	40,000	142	(53)	-	-	-	-	89	-	89
Share based compensation	-	-	16	-	-	-	-	16	-	16
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(209)	(209)
At March 31, 2013 (unaudited)	396,358,753	1,228,873	11,214	1,800	8,509	3,933	121,677	1,376,006	8,496	1,384,502

Notes:

(a) Amounts represent equity reserve arising from share based compensation provided to directors and employees and deemed contribution from shareholders in previous years.

(b) Statutory reserve which consists of appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC"), forms part of the equity of PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount equal to minimum of 10% of their profits after taxation each year to a statutory reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

	Three months ended March 31, 2013 US$'000	2012 US$'000
Net cash from (used in) operating activities	16,325	(34,414)
Net cash used in investing activities		
Payment for acquisition of property, plant and equipment	(83,651)	(11,417)
Deposit paid for acquisition of property, plant and equipment	(24,988)	(244)
Receipt of deferred consideration from disposal of a mining project to a related company	-	1,398
Deposit paid for acquisition of land use right	(1,276)	-
Payment for acquisition of land use right	(533)	-
	(110,448)	(10,263)
Net cash from financing activities		
Proceeds from borrowings	69,659	7,488
Deemed capital contribution from a shareholder in repayment of listing fee	-	2,736
Issuance of common shares upon exercise of stock options	89	-
Dividends paid to a non-controlling shareholder	(209)	(185)
Repayment of borrowings	(3,214)	-
	66,325	10,039
Net decrease in cash and cash equivalents	(27,798)	(34,638)
Effect of foreign exchange rate changes on cash and cash equivalents	280	(258)
Cash and cash equivalents, beginning of period	181,740	354,313
Cash and cash equivalents, end of period	154,222	319,417
Cash and cash equivalents are comprised of		
Cash and saving deposits in banks	154,222	319,417

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 Group 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 on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended March 31, 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2012.

In the current interim period, the Group has applied the following new and revised standards, interpretation and amendments ("new and revised IFRSs") which are mandatorily effective for the current interim period:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive income
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. In addition, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively. The Group has renamed its condensed consolidated statement of comprehensive income to condensed consolidated statement of profit or loss and other comprehensive income and the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IFRS 13 Fair Value Measurement

Upon the adoption of IFRS 13 *Fair Value Measurement*, the Group made more extensive disclosures (quantitative and qualitative) about fair value measurements. Relevant disclosures are set out in note 16.

The application of the other new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

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

3. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31,	
	2013	2012
	US$'000	US$'000
Administration and office	2,858	2,174
Depreciation of property, plant and equipment	308	273
Professional fees	868	708
Salaries and benefits	2,375	2,099
Others	748	584
Total general and administrative expenses	7,157	5,838

4. FINANCE COSTS

	Three months ended March 31, 2013 US$'000	Three months ended March 31, 2012 US$'000
Effective interests on borrowings wholly repayable within 5 years	3,120	2,702
Accretion on environmental rehabilitation	163	121
	3,283	2,823
Less: Amount capitalised to property, plant and equipment	(710)	-
	2,573	2,823

5. INCOME TAX EXPENSE

	Three months ended March 31, 2013 US$'000	Three months ended March 31, 2012 US$'000
PRC Enterprise Income Tax	6,401	7,206
Deferred tax credits	(725)	(621)
Total income tax expense	5,676	6,585

6. EARNINGS PER SHARE

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
Profit for the period attributable to owners of the Company for the purposes of basic and diluted EPS (US$000)	14,511	12,943
Weighted average number of shares, basic	396,354,753	396,163,753
Dilutive securities		
- Stock options	39,101	117,140
Weighted average number of shares, diluted	396,393,854	396,280,893
Basic EPS	3.66 cents	3.27 cents
Diluted EPS	3.66 cents	3.27 cents

7. ACCOUNTS RECEIVABLE

	March 31, 2013 US$'000	December 31, 2012 US$'000
Trade receivables	945	1,234
Less: allowance for doubtful debts	(50)	(50)
	895	1,184
Amounts due from related companies	1,073	1,354
Other receivables	954	842
Total accounts receivable	2,922	3,380

The Group allows an average credit period ranging from 90 days to 180 days to its trade customers for gold dofe bars sales and copper sales, respectively.

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

	March 31, 2013 US$'000	December 31, 2012 US$'000
Less than 30 days	195	372
31 to 90 days	290	343
91 to 180 days	198	249
Over 180 days	212	220
	895	1,184

8. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES

Amounts mainly represents deposits paid for mine supplies and services, acquisition of spare parts, environmental protection, acquisition of property, plant and equipment, prepayment for land use rights and mining consultancy fee.

As at March 31, 2013, there were deposits for acquisition of property, plant and equipment of approximately US$29,155,000 (December 31, 2012: approximately US$40,230,000) for the expansion of production at the mine sites.

9. INVENTORY

	March 31, 2013 US$'000	December 31, 2012 US$'000
Gold in process	28,990	26,192
Gold doré bars	5,913	4,127
Consumables	6,776	7,677
Copper concentrates	4,925	5,004
Spare parts	6,458	5,455
Total inventory	53,062	48,455
Less: Amounts expected to be recovered after 12 months (note) (shown under non-current assets)	(8,004)	(10,005)
Amounts shown under current assets	45,058	38,450

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$46,039,000 for the three months ended March 31, 2013 (three months ended March 31, 2012: US$48,445,000) was recognised in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2013, the Group’s net increase in construction in progress was approximately US$111.8 million (for the period ended March 31, 2012: construction in progress net increased approximately US$6.1 million) and approximately US$19.5 million on mineral assets (for the period ended March 31, 2012: approximately US$2.9 million), respectively.

Depreciation of property, plant and equipment was US$7.7 million (for the period ended March 31, 2012: US$6.2 million) for the three months ended March 31, 2013. The depreciation amounts were recognised in cost of sales, general and administrative expenses and capitalised in inventory.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payables and accrued expenses comprise the following:

	March 31, 2013 US$'000	December 31, 2012 US$'000
Accounts payable	15,154	18,837
Construction cost payables	39,442	27,697
Advances from customers	4,867	6,221
Mining cost accrual	9,029	3,747
Payroll and benefit payables	2,131	4,631
Other accruals	2,507	1,643
Other tax payable	7,970	6,803
Other payables	11,157	5,494
	92,257	75,073

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

	March 31, 2013 US$'000	December 31, 2012 US$'000
Less than 30 days	8,883	9,872
31 to 90 days	1,591	3,944
91 to 180 days	2,077	244
Over 180 days	2,603	4,777
Total accounts payable	15,154	18,837

12. BORROWINGS

	Effective interest rate For three month ended March 31, 2013 %	Effective interest rate For the year ended December 31, 2012 %	Repayment date [3]	March 31, 2013 US$'000	December 31, 2012 US$'000
Current					
Current portion of long-term loan - Agricultural Bank of China ("ABC") [1]	6.08	6.28	June 9, 2013 to March 9, 2014	16,089	16,052
Current portion of long-term loan - Bank of China ("BOC")	4.57	5.00	December 28, 2013	24,133	24,078
Syndicated loan	4.82	4.82	June 4, 2013	16,089	16,052
Current portion of long-term loan - China Construction Bank ("CCB")	4.17	4.17	November 9, 2013	16,089	16,052
Bank loan - Industrial and Commercial Bank of China	4.02	-	January 27, 2014	8,045	-
Bank loan - China Development Bank	4.02	-	February 28, 2014	6,436	-
				86,881	72,234
Non-current					
Long-term loan - ABC [1]	6.08	6.28	September 9, 2014	4,827	8,026
Long-term loan - BOC	4.57	5.00	December 28, 2014	24,134	24,078
Syndicated loan	4.82	4.82	June 4, 2014 to June 4, 2016	104,579	104,337
Long-term loan - CCB	4.17	4.17	November 9, 2014	48,267	4,254
Long-term loan - ABC [2]	4.17	-	June 25, 2014 to December 25, 2014	11,262	-
				193,069	140,695
				279,950	212,929

Note:

(1) The loan was obtained by Inner Mongolia Pacific Mining Co. Ltd., a subsidiary of the Company.

(2) The loan was obtained by Tibet Huatailong Mining Development Co. Ltd, a subsidiary of the Company.

(3) The dates represent repayment schedules for current and non-current portions of each bank loan as at March 31, 2013.

13. SHARE CAPITAL, OPTIONS AND WARRANTS

(a) Common shares

Authorized - Unlimited common shares without par value

Issued and outstanding - 396,358,753 (December 31, 2012: 396,318,753) common shares at March 31, 2013.

(b) Stock options

The Group had a stock option plan which permits the board of directors of the Company to grant options to directors, employees 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 stock options vest immediately on the grant date and the balance vests over a period of up to five years from the grant date.

The stock options have a life of up to six years from grant date. The fair market value of the exercise price is the weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the board of directors.

13. 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, 2013 to March 31, 2013		January 1, 2012 to December 31, 2012	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance, beginning of period	540,000	4.62	695,000	3.98
Options exercised	(40,000)	2.20	(155,000)	2.18
Option expired	(5,000)	2.20	-	-
Balance, end of period	495,000	4.84	540,000	4.62

No stock options were granted during the three months ended March 31, 2013 and the year ended December 31, 2012.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2013.

	Options outstanding			Options exercisable	
Expiring in	Number outstanding at March 31, 2013	Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at March 31, 2013	Weighted average exercise price CAD
2013	95,000	0.30	2.20	95,000	2.20
2015	400,000	2.17	5.47	240,000	5.21
	495,000		4.84	335,000	4.36

The following table summarizes information about stock options outstanding and exercisable at December 31, 2012:

	Options outstanding			Options exercisable	
Expiring in	Number outstanding at December 31, 2012	Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at December 31, 2012	Weighted average exercise price CAD
2013	140,000	0.55	2.20	140,000	2.20
2015	400,000	2.42	5.47	240,000	5.21
	540,000		4.62	380,000	4.10

14. 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, 2013 %	December 31, 2012 %
CNG	39.3	39.3

(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, 2013 US$'000	Three months ended March 31, 2012 US$'000
Gold doré sales by the Group	45,300	52,973
Provision of transportation by the Group	-	1,638
Construction service provided to the Group	(66,483)	(9,596)

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

	March 31, 2013 US$'000	December 31, 2012 US$'000
Assets		
Entrusted loan receivable from CNG	16,089	16,052
Other receivables	1,213	1,929
Total amounts due from CNG and its subsidiaries	17,302	17,981

14. RELATED PARTY TRANSACTIONS - continued

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

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

Except for the Entrusted Loan, the amounts due from CNG and its subsidiaries, which are included in other receivables, are non-interest bearing, unsecured and have no fixed term of repayments.

	March 31, 2013 US$'000	December 31, 2012 US$'000
Liabilities		
Accounts payable to CNG's subsidiaries	6,420	-
Construction cost payables to CNG's subsidiaries	1,720	-
Total amounts due to CNG's subsidiaries	8,140	-

The amounts due to CNG's subsidiaries which are included in accounts payable and construction cost payables, are non-interest bearing, unsecured and have no fixed terms of repayments.

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

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group 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 95% (2012: over 86%) 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, 2013 US$'000	December 31, 2012 US$'000
Asset		
Amount due from a non-controlling shareholder of a subsidiary (included in other receivable)	424	423

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

14. RELATED PARTY TRANSACTIONS - continued

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

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

	Three months ended March 31,	
	2013	2012
	US$'000	US$'000
Salaries and other benefits	133	121
Post employment benefits	5	5
	138	126

15. 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, metallurgical processing, production and selling of gold doré bars to external clients.

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

Information regarding the above segments is reported below.

15. SEGMENT INFORMATION - continued

(a) Segment revenues and results

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

For the three months ended March 31, 2013

	Mine-produced gold US$'000	Mine-produced copper US$'000	Segment total and consolidated US$'000
REVENUE - EXTERNAL	47,395	29,351	76,746
SEGMENT PROFIT	18,708	10,582	29,290
General and administrative expenses			(7,157)
Exploration and evaluation expenditure			(69)
Foreign exchange gain, net			152
Interest and other income			1,112
Finance costs			(2,573)
Profit before income tax			20,755

For the three months ended March 31, 2012

	Mine-produced gold US$'000	Mine-produced copper US$'000	Segment total and consolidated US$'000
REVENUE - EXTERNAL	54,446	23,132	77,578
SEGMENT PROFIT	22,175	3,238	25,413
General and administrative expenses			(5,838)
Exploration and evaluation expenditure			(58)
Foreign exchange gain, net			164
Interest and other income			3,183
Finance costs			(2,823)
Profit before income tax			20,041

15. SEGMENT INFORMATION - continued

(a) Segment revenues and results - continued

For the three months ended March 31, 2012 - continued

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 profit or loss and other comprehensive income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for the three months ended March 31, 2013 and 2012.

As of March 31, 2013, there is no material change in the amounts of segment assets and segment liabilities from December 31, 2012.

16. FINANCIAL INSTRUMENTS

As at March 31, 2013 and December 31, 2012, the Group's available-for-sale investment include investment in equity securities listed in Hong Kong and investment in an unlisted company incorporated in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange of Hong Kong Limited is measured from quoted price (unadjusted) in active market (Level 1 fair value measurement). As at March 31, 2013, US$21,811,000 (December 31, 2012: US$20,570,000) investment in listed equity securities are measured at fair value on a recurring basis. The Group's investment in listed equity securities represent investment in a company engaged in in mining, processing and trading of nonferrous metals in the PRC. For the three months period ended March 31, 2013, the fair value increase of US$1,241,000, was recorded in other comprehensive income.

As at March 31, 2013, US$804,000 (December 31, 2012: US$803,000) investment in an unlisted company incorporated in the PRC is measured at cost since the investment in unlisted equity instrument does not have a quoted market price and the fair value cannot be measured reliably.

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended December 31, 2012. There was no transfer between Level 1 and 2 in the current period and prior period.

17. CONTINGENT LIABILITIES

During the year ended December 31, 2012, the Company received a notice from China International Economic and Trade Arbitration Commission (the "Commission") alleging that the Company breached the agreement with one of its construction suppliers. The Company filed a countersuit against the construction supplier to the Commission for the unsatisfactory result of the construction and the destruction of certain plant, property and equipment. As a result, the Commission assigned a third party expert for evaluation of the validity of the claims made by both parties. As of the date of the report, the evaluation is still in progress, and therefore, the management considers the arbitration to be in a preliminary stage and the potential loss cannot be measured reliably.

18. EVENT AFTER THE REPORTING PERIOD

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