中國黃金國際資源有限公司
China Gold International Resources Corp. Ltd.

(Incorporated in British Columbia, Canada with limited liability)
HK Stock Exchange Stock Code: 2099
Toronto Stock Exchange Stock Code: CGG

2014
ANNUAL REPORT

COMPANY HIGHLIGHTS

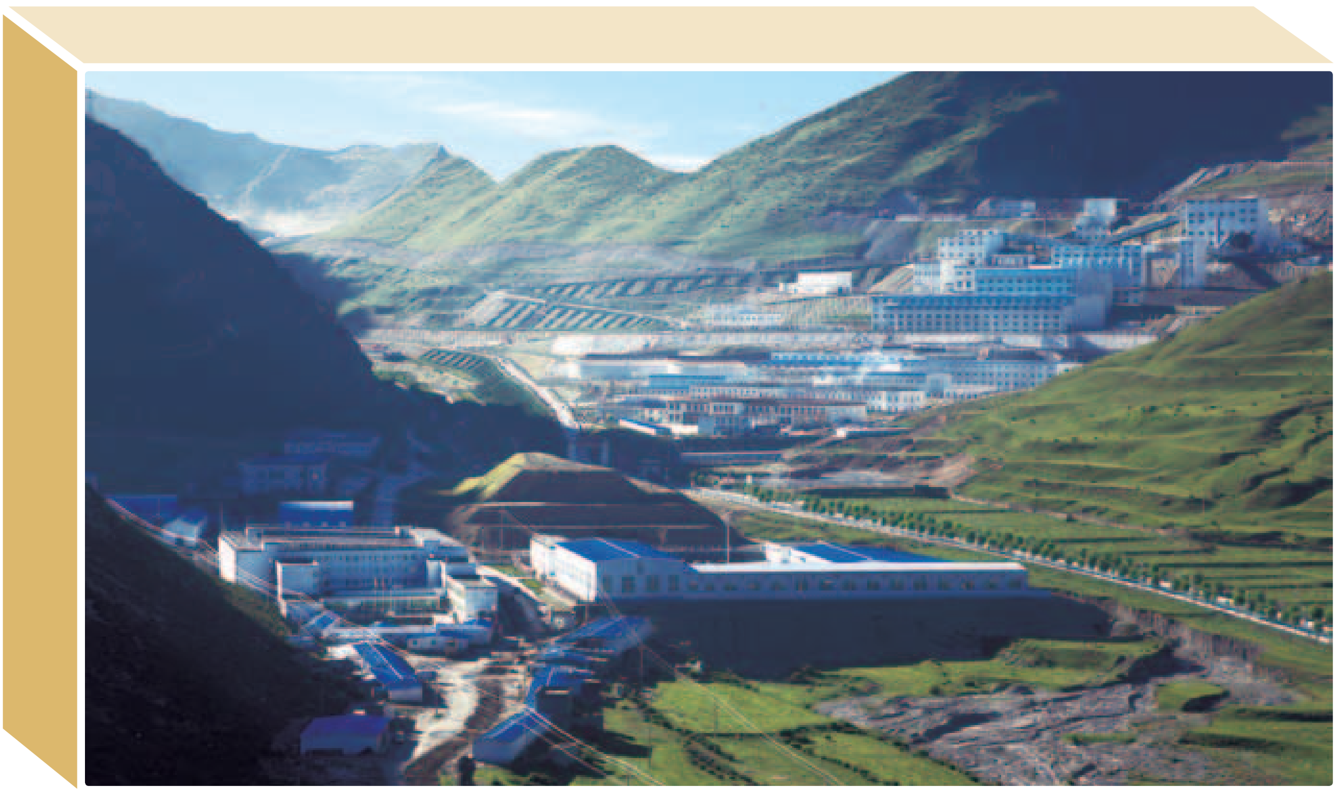
THE COMPANY

Overview

China Gold International Resources Corp Ltd. ("China Gold International" or "The Company") 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 operation 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 began its trial gold production at the CSH Gold Mine in July 2007 and commercial production commenced on July 1, 2008. The Company acquired 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.

The Company has adopted a growth strategy focused on strategic acquisitions sourced from the international project pipeline of its principal shareholder and the largest gold producer in China, China National Gold Group Corporation ("China National Gold") and developing potential partnerships with other senior and junior mining companies. The Company also contemplates expanding resources and reserves at its existing properties through exploration programs.

JIAMA MINE Phase I



MESSAGE FROM THE CHAIRMAN

Xin Song

Chairman of the Board
Executive Director

Dear Shareholders, Employees and Supporters of the Company,

The Company prevailed through another challenging year in our industry and filled it with many successes.

The continuous decline in precious metal prices in the last 2 years and metals price volatility throughout the year has had an adverse effect on our industry but it has also provided our industry with an opportunity to tighten costs, diversify assets and focus on profitability in addition to growth.

China Gold International accepted those industry challenges and responded with stringent company-wide cost savings, operational efficiencies on both of our mines and strategic decisions about our potential acquisitions projects.

In 2014 our company was focused on improving the performance of the business, careful capital allocation to grow the CSH and Jiama Mines and evaluation of numerous potential acquisitions – all to ensure creating greater value for shareholders.

We achieved another year of record production on both of our mines. In 2014 we produced 180,674 ounces of gold and 30,847,753 pounds of copper surpassing our own expectations. Revenues of US$277.8 million and profit of US$41.9 million prove our stability and profitability.

We continue to adhere to our recently adopted vision: we are focusing on growth which incorporates a very stringent company-wide cost reduction and management policy. Consequently in 2014 we have seen a 17% reduction in cash production costs at CSH from US$707 to US$590 per ounce of gold and a 17% reduction in cash production costs at Jiama from US$1.65 to US$1.37 per pound of copper after by-products credits.

In our acquisition strategy we continued to exercise the highest degree of caution which helped us to avoid overpaying for assets and write-offs that many of our industry peers went through. Currently we are evaluating many opportunities that may offer great value to our business and to you – our shareholders.

We have successfully upheld our promises to the shareholders about our expansion plans on both of our mines. We doubled the CSH Mine's processing capacity from 30,000 tpd to 60,000 tpd. Gold production is also expected to increase from its 2013 level of 130,000 ounces per annum to about 208,890 ounces per annum by 2015. Jiama's expansion program is on schedule. Stage one of the processing plant will be ready for a loaded testing run in the second quarter of 2015. Stage two will be completed in 2016, along with the completion of underground development system. The copper production is projected to increase to 53 million pounds in 2015.

The Company perseveringly promotes scientific and technological innovation. The Jiama Mine's innovative Cu-Mo separation process achieved success and realized industrialization. The average recovery rate of copper is 90.45% and molybdenum is 52.18%. Our Company is proud of our expertize in Cu-Mo separation technology especially in cold climate, high altitude and ecological fragile areas. The Jiama Mine was granted nine scientific and technological achievement awards this year. The CSH Mine promotes new high standards of processing, metallurgy and recovery rate.

The Company knows quite well that winning the respect of communities and government is crucial to guarantee future success of our business. Therefore, we not only pay and support attention to profitability, but also actively interact with local communities by advocating social responsibility and participating in local charity activities in China and Canada.

Organic growth, cost management and international expansion continue to be our main goals for 2015. We continue to work very closely with China National Gold, the largest gold producer in China and a major shareholder of our company. We serve as the only international expansion vehicle for China National Gold and one of our mandates from them is to acquire and further develop accretive, top-quality assets. We continue to leverage their financial capabilities and technical expertise to facilitate financing of those acquisitions and to develop them into profitable producers.

I am optimistic about the future of the gold sector. Many members of our management team have 20-40 years of industry experience, so it is not the first and not the last commodity downturn that we have seen. We strongly believe recovery is around the corner.

I am honored to work with our dedicated employees, directors and management who improved and grew our business throughout this challenging business climate. I am very enthusiastic about continuing our work to maximize value for shareholders, and to position the Company for future growth. Thank you for investing in China Gold International, and for your continued interest and support.

Sincerely,

Xin Song
Chairman of the Board, Executive Director

MESSAGE FROM THE CEO

Bing Liu

Chief Executive Officer,
Executive Director

Dear Valued Shareholders and Friends,

In a cyclical business like gold mining, it is the quality of our assets, our robust business strategy, and our experienced and hardworking team that enable us to come through challenging times with continued success and growth.

In 2014, China Gold International's board, management and employees worked hard to strengthen the Company in the face of uncertain markets in order to achieve and often exceeded our 2014 goals. We surpassed both our gold and copper production targets. Cost management at all levels of our organization was our biggest priority this year and we have succeeded. Cash cost on both of our mines were reduced by 17%.

We monitored industry conditions very closely and adapted to the lower gold price environment. We kept delivering growth and profitability that we promised to our shareholders.

2014 was a challenging and very rewarding year for our company and the industry. Constant swings in commodity prices pushed us to further reduce costs, focus on margins and look for new financing vehicles.

In July, with the support of China National Gold Group, for the first time our Company successfully completed a bond offering thus adding another financing option to enable us to aggressively pursue our growth strategy. This offering was the first US dollar denominated bond issuance supported by a company's credit rating outside of China in the history of gold companies in the Asia Pacific Region. The financing costs were significantly lower than the industry standard. The offer was nearly 15 times oversubscribed and generated the highest percentage of subscription by European investors compared to other recent Chinese corporate bond issues. We set a benchmark in the international capital markets for others to follow. Concurrently to this offering, China Gold International was assigned a “BBB-“ corporate rating with “Stable Outlook” by Standard & Poor’s Rating Services (“S&P”). This rating is comparable to those received by top-tier mining companies.

I am pleased to report that we achieved revenues of US$277.8 and profit of US$41.9 in 2014 maintaining our profitability for the 5th year in a row. The Company’s consolidated gold production from both of its mines increased by 22% from 148,326 ounces in 2013 to 180,674 ounces in 2014 surpassing its previously announced 2014 guidance of 165,000 ounces.

Copper production from the Jiama Copper-Gold Polymetallic Mine increased by 9% from 28,323,626 pounds in 2013 to 30,847,753 pounds in 2014. This is the fourth straight year of increasing production at the Jiama Mine. The Company exceeded its previously announced 2014 expected copper production guidance of 28.6 million pounds.

We expect to produce approximately 53 million pounds of copper and 226,000 ounces of gold for 2015.

Jiama’s Phase II expansion is on schedule. Stage one of the processing plant has undergone a load-free test run at the end of 2014. After some troubleshooting efforts, the plant is basically ready for loaded test run and plans to carry on a loaded test run in the second quarter of 2015. The two open pits are well prepared for mining. Stage two of the processing plant will be completed in 2016, along with the completion of underground development system. After the completion of the expansion, the ore processing capability will be increased from 6,000 tpd to 50,000 tpd; The copper production is projected to increase to 53 million pounds in 2015. The new additional 30,000 tpd heap leaching and processing system at the CSH Mine have been successfully completed with a total crushing capacity of 60,000 tpd. The CSH Mine’s gold production is expected to increase from its 2013 level of 130,000 ounces per annum to above 208,890 ounces per annum by 2015.

It is not just operational results that drive us, both our mines will provide jobs to our employees locally and internationally, improve the infrastructure and education in the surrounding communities and generate significant returns to our shareholders.

We are seeing many more opportunities for potential acquisitions in the sector and in hindsight we are glad that we were prudent and cautious and did not acquire assets prematurely. We will utilize our past technical experience and forward looking vision to evaluate properties which could result in increased shareholder return.

I would like to thank all who have contributed to our successes, local communities, our dedicated workforce, our Board of Directors and management. We are all growing and prospering together through our hard work. Thank you to our shareholders for believing in us and supporting our growth.

Sincerely,

Bing Liu
Chief Executive Officer, Executive Director

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Xin Song

CHAIRMAN OF THE BOARD, EXECUTIVE DIRECTOR

Mr. Song, 52, was elected as Chairman of the Board on February 24, 2014 having joined the Company on October 9, 2009. From October 9, 2009 to February 24, 2014, Mr. Song served as the Chief Executive Officer and an Executive Director and was responsible for the Company's strategic planning and business operations. Mr. Song has served as the President of China National Gold Group Corporation ("China National Gold"), the Company's principal shareholder and the largest gold producer in China, since December 2013. From 2003 to December 2013, Mr. Song served as Vice President of China National Gold, where he was responsible for resources development, geological exploration and international operations. Mr. Song has served as Chairman of the Board of Skyland Mining Limited, since December 2007 and served as Chairman of the Board of Tibet Jia Ertong Mining Development Co., Ltd., from April 2008, which companies are subsidiaries that hold the Company's Jiama Mine. Mr. Song has served as Chairman of the board of Zhongjin Gold Corporation Limited ("Zhongjin Gold"), a public company listed on the Shanghai Stock Exchange, since February 2014, for which he served as a director from March 2007 to February 2014 and Chairman of the Board from September 2003 to March 2007. Mr. Song has served as Chairman of the Board of China National Gold Group Hong Kong Limited, since February 2014, for which he served as a director from March 2008 to February 2014. Mr. Song has served as a director of China Gold Hong Kong Holding Corp. Limited, since August 2011. He has served as a director of Mundoro Mining Inc., a private British Columbia based junior natural resource company, since October 2011.

Mr. Song holds a Ph.D. doctorate degree in resources economics and management from the University of Science and Technology Beijing, China, a Master's degree in business administration from the China Europe International Business School, a Master's degree in mining engineering from the University of Science and Technology in Beijing and a Bachelor's Degree in mineral processing engineering from the Central-South Institute of Mining and Metallurgy.

Bing Liu

CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR

Mr. Liu, 52, was elected as Chief Executive Officer and an Executive Director on February 24, 2014 and joined the Company on May 12, 2008. From May 12, 2008 to February 24, 2014, Mr. Liu served as a non-Executive Director, and was responsible for the supervision of finance related matters and the Company's overall strategic planning. Mr. Liu has served as Vice President and Chief Accountant of China National Gold, since November 1999 and has served as a director of China National Gold Group Hong Kong Limited, since March 2008 and has served as a director of China Gold Hong Kong Holding Corp. Limited, since August 2011. Mr. Liu has extensive experience in mine financing, construction and development and has served as a director of Zhongjin Gold since March 2007. Mr. Liu has served as a director of Mundoro Mining Inc., a private British Columbia based junior natural resource company, since October 2011. Prior to joining China National Gold, Mr. Liu served as Senior Secretary of the China National Economy and Trade Commission from April 1992 to October 1997 and March 1998 to November 1999 and as Senior Secretary of the China Textile General Association from October 1997 to March 1998. He also served as an Accountant of China Automobile Industry Corporation from July 1987 to April 1992.

Mr. Liu is a Senior Accountant and Senior Gold Investment Analyst in China. Mr. Liu holds a Master's degree in currency and banking from the Department of Business Administration, Asia International Open University in Macau and holds a Bachelor's Degree in finance from the Department of Finance and Trade Economics, Chinese Academy of Social Science.

Lianzhong Sun

NON-EXECUTIVE DIRECTOR

Mr. Sun, 56 joined the Company on February 24, 2014 as a non-Executive Director and is responsible for the supervision of operation related matters and the Company's overall strategic planning. Mr. Sun serves as Vice President of China National Gold, the Company's principal shareholder, where he is mainly responsible for resources development. Mr. Sun served as chairman of the board of Tibet Huatailong, Ltd., from June 2010 to February 2012, which holds the Company's Jiama Mine. Mr. Sun has served as a director of China National Gold Group Hong Kong Limited since February 2014. From March 2005 to January 2009, Mr. Sun served as Vice President of Zhongjin Gold. He has served as chairman of the board of Kichi-chaarat Company, a mining company based in The Kyrgyz Republic, since February 2012. From December 2000 to July 2011, Mr. Sun served as Chairman of the Board of four other mining enterprises which are subsidiaries of China National Gold.

Mr. Sun has nearly 40 years of experience in the mining industry. In addition to senior management experience, Mr. Sun also has extensive management experience in on-site operation of mining enterprises. From March 1993 to December 2000, Mr. Sun served as head and general manager of three mining enterprises, through which he had first-hand insight of the operation and management of mine-site production and became an expert in cost-control and management enhancement. Since 2005, Mr. Sun has been responsible for resource development of China National Gold.

Mr. Sun graduated from Shenyang Gold Institute and majored in Mining Engineering.

Liangyou Jiang

SENIOR EXECUTIVE VICE PRESIDENT, EXECUTIVE DIRECTOR

Mr. Jiang, 49, was appointed as Senior Executive Vice President of the Company on August 18, 2014 and an Executive Director of the Company on October 23, 2014. Mr. Jiang joined the Company in August 2010 as the General Manager of Tibet Huatailong Mining Development Co., Ltd. ("Tibet Huatailong"), the Company's wholly-owned subsidiary, and served as the Chairman of Tibet Huatailong from February 2012 to August 2014. Mr. Jiang worked as Chief Engineer of China National Gold since August 2014. From September 2007, Mr. Jiang has served as the Head of Engineering Management Division of the Investment Management Department of China National Gold. In February 2008, he was appointed as a Manager of the Investment Management Department. Prior to joining China National Gold Group's headquarters, Mr. Jiang served as a General Manager of China Kazakhstan Mining Corp. Ltd., a subsidiary of China National Gold Group. From August 1987 to March 2005, Mr. Jiang worked at Changchun Gold Design Institute. He was appointed as a Chief Engineer of the Institute in February 2000 and then as Vice President and Chief Engineer of the Institute since April 2002. Mr. Jiang won more than 20 provincial-level scientific and technological achievement awards and numerous honorary titles from various agencies. In 2005, Mr. Jiang was awarded the special allowance by the state Council.

Mr. Jiang is a Senior Professional Engineer, holds a Bachelor's Degree in mineral processing from Northeastern University, and is currently a Ph.D. candidate in mineral processing at Northeastern University.

Xiangdong Jiang

VICE PRESIDENT OF PRODUCTION, EXECUTIVE DIRECTOR

Mr. Jiang, 56, was elected as an Executive Director of the Company on June 17, 2010 and serves as the Company's Vice President of Production, since March 24, 2009. Mr. Jiang joined the Company in July 2002 as a manager in charge of projects in China and was responsible for the supervision of all exploration projects including the establishment of the gold exploration and drilling program at the CSH Gold Mine. Mr. Jiang served as Vice President of Business Development of the Company from May 20, 2004 to September 8, 2008 and was, during this time, primarily responsible for undertaking property review and evaluation and exploring business opportunities for the Company. Mr. Jiang served as Vice President of Production and Technology from September 8, 2008 to March 23, 2009 and was promoted to Vice President of Production on March 24, 2009. Mr. Jiang has served as a director of Inner Mongolia Pacific Mining Co. Ltd. ("Inner Mongolia Pacific"), since September 2008, which operates the Company's CSH Gold Mine and as General Manager of the CSH Gold Mine since August 2007.

Mr. Jiang has over 30 years of experience in the mining industry. Prior to joining the Company, Mr. Jiang worked on projects ranging from grass roots to bankable feasibility studies for global mining companies including Cyprus Amax Minerals, Placer Dome, Barrick Resources and First Quantum Minerals.

Mr. Jiang holds a Bachelor's Degree in Geology and Mineral Exploration from Changchun College of Geology.

Ian He

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. He, 53, joined the Company on May 31, 2000 as a non-Executive Director and serves as an independent director. Mr. He has more than 30 years of experience in the mining industry. Mr. He has served as President and a director of Tri-River Ventures Inc., a public company listed on the TSX Venture Exchange since October 2006, as a director of several TSX Venture Exchange listed companies including Jiulian Resources Inc. since October 2006, Huaxing Machinery Corp. since January 2011, and Dolly Varden Silver Corp since June 2013, as a director of Zhongrun Resources Investment Corporation, a public company listed on the Shenzhen Stock Exchange, since December 2010, as a director of Vatukoula Gold Mines, a public company listed on AIM of London Stock Exchange since February 2013. From August 1995 to June 2006, Mr. He served as President and a director of Spur Ventures Inc., a public company listed on the Toronto Stock Exchange with phosphate mining and fertilizer operations in China.

Mr. He holds a Ph.D. degree and a M.A.Sc degree both in mineral process engineering from the University of British Columbia and a Bachelor's Degree in coal preparation from the Heilongjiang University of Technology (formerly Heilongjiang Institute of Mining and Technology), China.

Yunfei Chen

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chen, 43, joined the Company on May 12, 2008 as a non-Executive Director and serves as an independent director. Mr. Chen is based in Hong Kong where he provides independent advisory services. Mr. Chen has served as an independent director of DongFeng Auto., a Hong Kong listed Chinese auto company since October 2013. Previously, Mr. Chen worked for Deutsche Bank Hong Kong from July 2001 to August 2007, where he served as a director and managing director in charge of general industries and mining for Asia at various times. Prior to joining Deutsche Bank, Mr. Chen was an attorney with Sullivan & Cromwell based in New York and Hong Kong, from March 1997 to July 2001.

Mr. Chen graduated from Southern Illinois University, Carbondale, with a juris doctor degree and is qualified to practice law in New York. Mr. Chen obtained his bachelor of law degree in China.

Gregory Hall

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Hall, 65, joined the Company on October 9, 2009 as a non-Executive Director and serves as an independent director. Mr. Hall is a geologist with over 40 years of experience in the mining industry and has extensive experience working with global mining companies. In his career, Mr. Hall has been involved in the discoveries of Gold Field's Granny Smith and Keringal gold mines and Rio Tinto's Yandi iron ore mine in Western Australia. Mr. Hall has served as a director of Montero Mining and Exploration Limited, a public company listed on the TSX Venture Exchange, since January 2010, as a director of Zeus Resources Ltd., a public company listed on the Australian Stock Exchange since August 2010 and as a director of Namibian Copper Limited a public company listed on the Australian Stock Exchange since June 2013. Mr. Hall serves as a director of three private companies including Oryx Mining and Exploration Limited, Golden Phoenix Resources Ltd., and Golden Phoenix International Pty. Ltd. From 2000 to 2006, Mr. Hall served as Chief Geologist of the Placer Dome Group.

Mr. Hall holds a Bachelor of Science Degree in Applied Geology from the University of New South Wales, Australia in 1973.

John King Burns

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Burns, 64, joined the Company on October 27, 2009 as a non-Executive Director and serves as an independent director. Mr. Burns has extensive experience in the global resource sector. Mr. Burns has served as Chairman of Simba Energy Inc., a public company listed on the TSX Venture Exchange, since September 2009, as Chairman of Amana Copper, formerly Titan Goldworx Resources Inc., a public company listed on the CNSX Exchange since November 2011, and as Chairman of Dolly Varden Silver Corporation, a public company listed on the TSX Venture Exchange, since March 2011. Mr. Burns has served as a director of Corazon Gold Corp., a public company listed on the TSX Venture, until 2013, as Senior Advisor for Potomac Energy and Strategic Resources Fund, since September 2010 and as Chairman of the Advisory Board of Lockwood Financial Group, since September 2010. In his career, Mr. Burns has served as Vice President and Chief Financial Officer of the Drexel Burnham Lambert Commodity Group in New York, London and Chicago, Managing Director and global head of the Derivative Trading and Finance Group of Barclays Metals Group, Barclays Bank PLC in London and Managing Director of Frontier Risk Management LLC in Chicago and has served as Lead Director and an audit committee member for a number of public companies in the extractive natural resources and information technology spaces.

Mr. Burns holds a Bachelor of Arts Degree in economics from the University of Pennsylvania.

SENIOR MANAGEMENT

Jerry Xie

EXECUTIVE VICE PRESIDENT AND CORPORATE SECRETARY

Mr. Xie, 54, joined the Company on March 24, 2009 and serves as Executive Vice President and Corporate Secretary. Mr. Xie is responsible for overseeing corporate secretarial matters, managing compliance. Mr. Xie plays an important role in business development, project evaluation, investor relations, public relations as well as and manages the daily operations at the Company's Vancouver office. Mr. Xie served as Vice President and Secretary to the Board of the Company from March 24, 2009 to October 9, 2009 at which time he was promoted to Executive Vice President and Corporate Secretary. After joining the Company, Mr. Xie was involved in the Company's HK IPO process, Jiama mine evaluation, merger and acquisitions and the recent bond issuance. Mr. Xie has 25 years of experience of Engineering and Project Management in the petro-chemical and oil-sand industry. Prior to joining the Company, Mr. Xie worked as Project Manager, Project Engineer and a Senior Piping Stress Analyst for LPEC/SINOPEC, Fluor, Bantrel, Tri-Ocean and WorleyParsons Canada Ltd., resource and energy engineering companies in China and Canada, from February 1982 to March 2009.

Mr. Xie holds a Master Degree in Engineering from the University of Calgary, a Master's Degree in Engineering from the Beijing University of Science & Technology and a diploma from the Mechanical Department of Shanghai Institute of Chemical Industry. Mr. Xie is a Professional Engineer with APEGGA.

Derrick Zhang

CHIEF FINANCIAL OFFICER

Mr. Zhang, 45, joined the Company on January 4, 2010 and serves as Chief Financial Officer responsible for financing, internal control and the planning and management of the Company's accounting and financial reporting, since August 10, 2011. Mr. Zhang served as interim Chief Financial Officer of the Company from February 28, 2011 to August 10, 2011 and served as Controller of the Company from January 4, 2010 to February 28, 2011. Mr. Zhang has over 20 years of experience in financial reporting and engineering for public and private companies including experience leading financial reporting for mergers and acquisitions. Mr. Zhang was a Financial and Accounting Supervisor and Cost Accountant for E-One Moli Energy (Canada) Ltd., an operating subsidiary of China Synthetic Rubber Corporation, a public company listed on the Taiwan Stock Exchange, from May 2008 to December 2009 and September 2006 to November 2007, respectively. Mr. Zhang was a Financial Analyst for Teleflex (Canada) Ltd., an operating subsidiary of Teleflex Incorporated, a public company listed on the New York Stock Exchange, from November 2007 to April 2008. Mr. Zhang was an accountant with Docuport Inc., a private technology company, from May 2005 to May 2006. From 1991 to 2001, Mr. Zhang worked as a Mining and Construction Cost Engineer in China and Singapore.

Mr. Zhang is a Certified General Accountant in Canada and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Zhang is also a Member of the Society of Economic Geologists in United States. Mr. Zhang holds a Bachelor of Commerce degree with a major in Accountancy from Concordia University in Montreal, Quebec, Canada and a Bachelor of Engineering degree in Geology from Southwest University of Science and Technology in China.

Songlin Zhang

VICE PRESIDENT AND CHIEF ENGINEER

Mr. Zhang, 54, joined the Company on February 15, 2012 and serves as Chief Engineer and then as Vice President in the same year. Mr. Zhang has over 23 years of experience in the mining industry in both North America and China and is experienced in mine project evaluation, reserve and resource estimation and mine economic analysis. Prior to joining the Company, Mr. Zhang served as a technical director for White Tiger Gold where he managed all aspects of reserve and resource evaluation activities for various projects. Mr. Zhang was formerly a Consulting Engineer for Newmont Gold Corp., where he was involved in valuating production drilling and developing mine planning and ore grade control protocols in Newmont Northern Nevada and Peru Yanacocha operations. He was formerly a Senior Mine Engineer for Echo Bay Mines Ltd. (which merged with Kinross Gold Corporation) at the McCoy/Cove mine where he developed methodology for reserve and resource estimation, served as a member of the reserve committee for the company and conducted a full due diligence study of the Nevada Phoenix project. Mr. Zhang conducted various research projects for open-pit and underground mines in China while working as an assistant professor at the University of Science and Technology Beijing, China.

Mr. Zhang holds a Master Degree in Mining Engineering from Mackay School of Mines, University of Nevada-Reno in Nevada, USA, a Master Degree in Mining Engineering from the University of Science and Technology Beijing, China and a Bachelor's Degree in Mining Engineering from the University of Science and Technology Beijing, China. Mr. Zhang is a registered member of The Society for Mining, Metallurgy and Exploration and is a Qualified Person as defined in National Instrument 43-101 of the Canadian Securities Administrators.

Lisheng Zhang

VICE PRESIDENT

Mr. Zhang, 55, serves as the Company's Vice President responsible for overseeing overall management of the CSH Gold Mine, since March 2013. Mr. Zhang joined the Company in September 2008 as a chairman of Inner Mongolia Pacific Mining Co. Ltd., a subsidiary of the Company, which owns and operates CSH Gold Mine. Mr. Zhang serves as an Executive Officer of two large mining companies which are subsidiaries of China National Gold, since 1995. Mr. Zhang has over 35 years of experience in the mining industry. Mr. Zhang's knowledge of local culture of Inner Mongolia and his working experience contributed to the rapid and sustainable development of CSH Gold Mine.

The Board of Directors (the "Board") of the Company is pleased to present their report together with the audited consolidated financial statements (the "Financial Statements") of the Company together with its subsidiaries for the financial year ended December 31, 2014 (the "Financial Year").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company include the acquisition, exploration, development and production of gold and other non-ferrous metals properties. The Company's principal subsidiaries are set out in Note 35 of the Financial Statements and the activities of the Company's principal subsidiaries at December 31, 2014 are set out below:

Name of subsidiary	Country of incorporation	Issued and fully paid share capital	Principal activities
Pacific PGM Inc.	British Virgin Islands	US$100	Holding company
Pacific PGM (Barbados) Inc.	Barbados	US$130,000	Holding company
Inner Mongolia Pacific Mining Co., Ltd.	People's Republic of China	US$45,000,000	Exploration, development and mining of properties in China
Inner Mongolia Xinhan Exploration Technology Co., Ltd.	People's Republic of China	RMB8,500,000	Inactive
Skyland Mining Limited	Barbados	US$233,380,700 plus RMB1,510,549,032	Holding company
Tibet Jia Ertong Mining Development Co., Ltd.	People's Republic of China	US$273,920,000	Exploration, development and mining of properties in China and investment holding
Tibet Huatailong Mining Development Co. Ltd.	People's Republic of China	RMB1,760,000,000	Exploration, development and mining of properties in China
Jiama Industry and Trade Co., Ltd.	People's Republic of China	RMB5,000,000	Mining transport and logistics
Skyland Mining (BVI) Limited	British Virgin Islands	US$1.00	Holding company

RESULTS

The results of the Company for the Financial Year are set out in the Consolidated Statement of Comprehensive Income on page 5 of the Financial Statements.

DIVIDENDS

The Board has not recommended, declared or paid any dividends for the Financial Year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement of the property, plant and equipment of the Company during the Financial Year are set out in Note 19 of the Financial Statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the Financial Year are set out in Note 26 of the Financial Statements.

RESERVES

Details of the reserves available for distribution to the shareholders as at December 31, 2014 are set out in Note 37 of the Financial Statements.

DIRECTORS

The directors during the Financial Year and up to the date of this report are as follows:

Executive Directors

Xin Song *(Chairman)*
Bing Liu
Liangyou Jiang
Xiangdong Jiang

Non-Executive Director

Lianzhong Sun

Independent Non-Executive Directors

Ian He
Yunfei Chen
Gregory Hall
John King Burns

In accordance with article 14.1 of the Company's articles, each of the directors are subject to retirement and re-election annually and the term of office for each of the directors will end immediately before the election of directors at the Company's upcoming annual general meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), and considers that all of the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the Company's upcoming annual general meeting has a service contract with the Company for his services as a director, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Mr. Xin Song, Mr. Bing Liu, Lianzhong Sun and Mr. Liangyou Jiang are considered to have a conflict of interest in the transactions as set out in the section headed "Connected transactions and continuing connected transactions" below due to their senior management positions in China National Gold. The 2012 Contract for Purchase and Sale of Dore, the Jiama Framework Agreement, the 2013 Lease Contract, the Supplemental Jiama Framework Agreement, the Supplemental Contract for Purchase and Sale of Dore, the Product and Service Framework Agreement, the 2013 Contract for Purchase and Sale of Copper Concentrate, the 2015 Contract for Purchase and Sale of Dore, the 2014 Contract for Purchase and Sale of Copper Concentrate, and the Jiama Phase II Hornfels Stripping and Mining Agreement (details of each are as set out in the section headed "Connected transactions and continuing connected transactions" below) were entered into between the Company, the Company's subsidiaries and China National Gold, the ultimate controlling shareholder of the Company. Save as aforesaid, no contracts of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at December 31, 2014 or at any time during the Financial Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

To the best knowledge of the directors, during the Financial Year and up to the date of this report, save for the directorships and management roles of our directors in other gold mining companies, none of our directors had any interests in businesses that compete or are likely to compete, either directly or indirectly with the Company. Please refer to the biographies of our directors set out under the section of this report headed "Board of Directors and Senior Management" for details of such circumstances.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND STOCK OPTIONS

As of December 31, 2014, the interests of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, "SFO"), or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code"), were as follows:

SHARES

Name	Position	Company	Number of shares held	Nature of interest	Approximate percentage of interest in the Company
Ian He	Director	China Gold International Resources Corp. Ltd.	160,000 (1)	Personal	0.040%
Xiangdong Jiang	Director and Vice President of Production	China Gold International Resources Corp. Ltd.	38,800 (1)	Personal	0.0098%

Notes:

1. Information relating to share ownership provided by each director of the Company.

STOCK OPTIONS

Name	Position	Company	Number of stock options held to purchase shares
Ian He	Director	China Gold International Resources Corp. Ltd.	100,000
Yunfei Chen	Director	China Gold International Resources Corp. Ltd.	100,000
Gregory Hall	Director	China Gold International Resources Corp. Ltd.	100,000
John King Burns	Director	China Gold International Resources Corp. Ltd.	100,000

Other than the holdings disclosed in the table above, none of the directors, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as at December 31, 2014.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

China National Gold is the ultimate controlling shareholder of the Company currently holding approximately 39.3% of the issued shares and is therefore a connected person of the Company under the Hong Kong Listing Rules. As a result, the transactions entered into between China National Gold and the Group as described in this section below constitutes non-exempt continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

On January 27, 2012, China National Gold and Inner Mongolia Pacific entered into a non-exclusive contract for the purchase and sale of dore (the "2012 Contract for Purchase and Sale of Dore") pursuant to which Inner Mongolia Pacific shall sell gold dore bars to China National Gold from time to time through to December 31, 2014, 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, pursuant to the terms and conditions of the 2012 Contract for Purchase and Sale of Dore. Details of the 2012 Contract for Purchase and Sale of Dore are as stated in the Company's announcement dated February 14, 2012.

Inner Mongolia Pacific entered into a Supplemental Contract for Purchase and Sale of Dore with China National Gold on April 26, 2013, to revise, among others, the original payment term of the 2012 Contract for Purchase and Sale of Dore; whereas the proposed annual caps remained unchanged. Details of the Supplemental Contract for Purchase and Sale of Dore are as stated in the Company's circular dated May 21, 2013.

Annual monetary caps for the transactions stipulated under the 2012 Contract for Purchase and Sale of Dore pursuant to Chapter 14A of the Hong Kong Listing Rules are as follows: December 31, 2012: RMB1,782 million (approximately US$281,275,953), December 31, 2013: RMB1,980 million (approximately US$312,528,837) and December 31, 2014: RMB3,168 million (approximately US$500,046,140).

Payments made by China National Gold pursuant to the 2012 Contract for Purchase and Sale of Dore were approximately RMB1.18 billion for year ended December 31, 2014 which accounted for 67% of the total sales of the Group for the year then ended.

On November 6, 2012, the Company entered into a development framework agreement (the "Jiama Framework Agreement") with China National Gold pursuant to which China National Gold would provide mining development services to the Company at the Jiama Mine in order to implement the Phase II development plan for the Jiama Mine as set out in the prefeasibility study report produced by Minarco-MineConsult (the "Prefeasibility Study") during the period from December 21, 2012 to August 31, 2014. Please refer to the announcement of the Company dated 25 October 2012 for more details of the Prefeasibility Study. Details of the Jiama Framework Agreement are as stated in the Company's announcement dated November 20, 2012.

The Company entered into a Supplemental Jiama Framework Agreement (the "Supplemental Jiama Framework Agreement") on April 26, 2013, whereby the length of the Agreement was extended to expire on December 31, 2015 and revised the annual caps of the Jiama Framework Agreement for two years ending December 31, 2013 and December 31, 2014 and adding an annual cap for the year ending December 31, 2015. Details of the Supplemental Jiama Framework Agreement are as stated in the Company's circular dated May 21, 2013.

Annual monetary caps for the transactions stipulated under the Supplemental Jiama Framework Agreement pursuant to Chapter 14A of the Hong Kong Listing Rules are as follows: December 31, 2013: RMB1,167.5 million and December 31, 2014: RMB299.55 million with the addition of an annual monetary cap for December 31, 2015: RMB95.827 million.

Payments made by the Company pursuant to the Jiama Framework Agreement as amended by the Supplemental Jiama Framework Agreement were approximately RMB162.787 million for year ended December 31, 2014.

On December 10, 2012, Inner Mongolia Pacific entered into a lease contract (the "2013 Lease Contract") with China Gold Beijing Property Management Centre ("China Gold Beijing Property Management Centre"), a wholly-owned subsidiary of China National Gold. The 2013 Lease Contract was in relation to the lease of the office premises for use by the Beijing operating centre of the Group, for a term from January 1, 2013 to December 31, 2013 for an annual rental payment of RMB6,800,000. Details of the 2013 Lease Contract are as stated in the Company's announcement dated December 10, 2012. Payment made by Inner Mongolia Pacific pursuant to the 2013 Lease Contract was RMB6,800,000 for the year ended December 31, 2013, representing 100% of the annual cap.

As Inner Mongolia Pacific is controlled by the Company, and both the Company and China Gold Beijing Property Management Center are ultimately controlled by China National Gold, China Gold Beijing Property Management Center is a connected person of the Company by virtue of Rule 14A.07 of the Hong Kong Listing Rules. Based on the applicable percentage ratios, the transaction contemplated under the 2013 Lease Contract constitutes continuing connected transactions of the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rule.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules), when calculated on aggregated basis, for the 2013 Lease Agreement exceeds 0.1%, but all of the percentage ratios are less than 5%, the transaction contemplated under the 2013 Office Lease Agreement constitutes a continuing connected transaction and is subject to the reporting and announcement requirements but is exempt from the independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

On April 26, 2013, the Company entered into a Product and Service Framework Agreement (the "Product and Service Framework Agreement") with China National Gold for the provision of providing mining related services and products to the Company for three years until June 18, 2016. Details of the Product and Service Framework Agreement are as stated in the Company's circular dated May 21, 2013.

Annual monetary caps for the transactions stipulated under the Product and Service Framework Agreement pursuant to Chapter 14A of the Hong Kong Listing Rules are as follows: December 31, 2013: RMB870 million, December 31, 2014: RMB780 million and December 31, 2015: RMB650 million.

Payments made by the Company pursuant to the Product and Service Framework Agreement were approximately RMB463.428 million for year ended December 31, 2014.

On April 26, 2013, Tibet Huatailong entered into a Contract for Purchase and Sale of Copper Concentrate (the "2013 Contract for Purchase and Sale of Copper Concentrate") with China National Gold Group International Trading Co., Ltd. (a department of China National Gold) for the sale and purchase of copper sulphide concentrates. Details of the 2013 Contract for Purchase and Sale of Copper Concentrate are as stated in the Company's circular dated May 21, 2013.

Annual monetary caps for the transactions stipulated under the 2013 Contract for Purchase and Sale of Copper Concentrate pursuant to Chapter 14A of the Hong Kong Listing Rules are as follows: December 31, 2013: RMB510 million, and December 31, 2014: RMB3,400 million.

Payments made by the Company pursuant to the 2013 Contract for Purchase and Sale of Copper Concentrate were approximately RMB36.509 million for year ended December 31, 2014.On May 7, 2014, Tibet Huatailong entered into a Contract for Purchase and Sale of Copper Concentrate (the "2014 Contract for Purchase and Sale of Copper Concentrate") with China Gold International Trade Co., Ltd. (a department of China National Gold) for the sale and purchase of copper sulphide concentrates, which mainly contain copper with a small amount of gold and silver, produced at the Jiama Mine. Details of the 2014 Contract for Purchase and Sale of Copper Concentrate are as stated in the Company's circular dated May 7, 2014.

Annual monetary caps for the transactions stipulated under the 2014 Contract for Purchase and Sale of Copper Concentrate pursuant to Chapter 14A of the Hong Kong Listing Rules will not exceed RMB3,553 million for the year ending December 31, 2015.

On May 7, 2014, Inner Mongolia Pacific entered into a Contract for Purchase and Sale of Dore (the "2015 Contract for Purchase and Sale of Dore") with China National Gold for the sale and purchase of gold dore bars and silver by-products produced at the CSH Gold Mine. Details of the 2015 Contract for Purchase and Sale of Dore are as stated in the Company's circular dated May 7, 2014.

Annual monetary caps for the transactions stipulated under the 2015 Contract for Purchase and Sale of Dore pursuant to Chapter 14A of the Hong Kong Listing Rules are as follows: December 31, 2015: RMB2,275 million, December 31, 2016: RMB2,437.5 million and December 31, 2017: RMB2,470 million.

On May 7, 2014, Tibet Huatailong entered into a Jiama Phase II Hornfels Stripping and Mining Agreement (the "Jiama Phase II Hornfels Stripping and Mining Agreement") with CTMG, whereby CTMG shall provide stripping and mining services for phase II production-period hornfels at the Jiama Mine. Details of the Jiama Phase II Hornfels Stripping and Mining Agreement are as stated in the Company's circular dated May 7, 2014.

Annual monetary caps for the transactions stipulated under the Jiama Phase II Hornfels Stripping and Mining Agreement pursuant to Chapter 14A of the Hong Kong Listing Rules are as follows: for the Period commencing July 1, 2014 to December 31, 2014: RMB183 million for the years ending December 31, 2015: RMB366 million and December 31, 2016: RMB366 million.

There were no payments made by Tibet Huatailong for the year ended December 31, 2014.

The Company's auditor, Deloitte Touche Tohmatsu, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules has been provided to the directors of the Company, and was qualified in respect of the above matter. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

The Company's independent non-executive directors have confirmed that the continuing connected transactions carried out under (i) 2012 Contract for Purchase and Sale of Dore, (ii) the Supplemental Contract for Purchase and Sale of Dore, (iii) the Jiama Framework Agreement,, (iv) the Supplemental Jiama Framework Agreement, (v) the 2013 Lease Contract (vi) the Product and Service Framework Agreement, (vii) the 2013 Contract for Purchase and Sale of Copper Concentrate, (viii) the 2014 Contract for Purchase and Sale of Copper Concentrate, (ix) the 2015 Contract for Purchase and Sale of Dore, and (x) the Jiama Phase II Hornfels Stripping and Mining Agreement have each been entered into:

(a) in the ordinary and usual course of the Company's business;

(b) on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ISSUANCE OF BONDS

On July 10, 2014, the Company, its wholly-owned subsidiary, Skyland Mining (BVI) Limited (the "Issuer"), China National Gold and Standard Chartered Bank, Citigroup Global Markets Limited, Merrill Lynch International and CCB International Capital Limited (the "Joint Lead Managers") have entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Issuer has agreed to issue to the Joint Lead Managers, and the Joint Lead Managers have agreed, severally and not jointly, to subscribe for bonds in an aggregate principal amount of US$500 million (equivalent to approximately HK$3,900 million) at an issue price of 99.634% (the "Bonds") bearing interest at the rate of 3.5% with a maturity date of July 17, 2017, rated BBB- by Standard & Poor's. The bonds were unconditionally and irrevocably guaranteed by the Company. The net proceeds would be used for working capital, capital expenditures and general corporate purposes of the Company.

On July 17, 2014, all the conditions precedent to the issue of the Bonds as set out in the Subscription Agreement were satisfied and the issue of the Bonds was closed. The Bonds were listed on the Stock Exchange of Hong Kong Limited on July 18, 2014.

Details of the Subscription Agreement are stated in the Company's announcements dated July 11, 2014 and July 18, 2014.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the Company were entered into or existed during the Financial Year.

STOCK OPTION PLAN

2007 Stock Option Plan

The Company adopted an incentive stock option plan with approval from its shareholders and pursuant to the policies of the Toronto Stock Exchange dated May 9, 2007 (the "2007 Stock Option Plan"). The 2007 Stock Option Plan was adopted to provide the Company's directors, officers, employees and consultants with an opportunity to acquire a proprietary interest in the Company designed to enhance the long-term performance and profitability of the Company and to retain key directors, officers, employees and consultants. As of the end of the Financial Year, an aggregate of 400,000 common shares were issuable upon the exercise of outstanding stock options granted under the 2007 Stock Option Plan, representing approximately 0.091% of the Company's outstanding common shares.

The principal terms of the 2007 Stock Option Plan are as follows:

(a) the exercise price per share under the 2007 Stock Option Plan cannot be less than 100% of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant;

(b) the total number of shares which may be issued upon the exercise of the stock options granted under the 2007 Stock Option Plan is 10% of the issued shares of the Company;

(c) the stock options granted to former directors, senior management and employees expire (i) 12 months after the date of termination of such individual's employment with the Company or (ii) another date approved by the Board;

(d) the stock options granted are valid for five years commencing from the date of grant of such options or such greater or lesser duration as the Board may determine; and

(e) the stock options may be exercised as determined from time to time by the Board or (i) at any time during the first year from the grant date for up to 20% of the total number of shares reserved for issuance pursuant to the stock options, and (ii) at any time during each additional year an additional 20% of the total number of shares reserved for issuance pursuant to the stock options plus any shares not purchased in accordance with (i) until, the fifth year from the grant date, at which time 100% of the stock options will be exercisable.

The following table discloses movements in the Company's stock options for the Financial Year:

Name	Position	Options outstanding at beginning of the year	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding at end of the year
Ian He	Director	100,000	Nil	Nil	Nil	Nil	100,000 (1)
Yunfei Chen	Director	100,000	Nil	Nil	Nil	Nil	100,000 (1)
Gregory Hall	Director	100,000	Nil	Nil	Nil	Nil	100,000 (1)
John King Burns	Director	100,000	Nil	Nil	Nil	Nil	100,000 (1)
Total for directors and senior executives		400,000	Nil	Nil	Nil	Nil	400,000
Total for other option holders		Nil	Nil	Nil	Nil	Nil	0
TOTAL		400,000	Nil	Nil	Nil	Nil	400,000

Notes:

1. 100,000 stock options granted on June 1, 2010 pursuant to the 2007 Stock Option Plan and expiring on June 1, 2015 at an exercise price of CAD$4.35 from June 1, 2010 until June 1, 2011; CAD$4.78 from June 2, 2011 until June 1, 2012; CAD$5.21 from June 2, 2012 until June 1, 2013; CAD$5.64 from June 2, 2013 until June 1, 2014 and CAD$6.09 from June 2, 2014 until June 1, 2015 with 20% vesting immediately and an additional 20% vesting on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014 respectively.

2. Information relating to registered and indirect ownership of the Company's shares provided by China National Gold Group Corporation.

DIRECTORS' RIGHT TO PURCHASE SHARES

Save as disclosed in the paragraph headed "directors' and chief executive's interests in shares and stock options" in this report, at no time during the year ended December 31, 2014 or the period following December 31, 2014 up to the date of this report, was the Company or any of its subsidiaries or its holding companies or any of the subsidiaries of the Company's holding companies a party to any arrangement to enable the directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as of December 31, 2014, the Company's directors were not aware of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

Name	Nature of interest	Number of Shares held	Approximate percentage of outstanding shares
China National Gold Group Corporation [1]	Indirect	155,794,830 [1], [2]	39.3%
China National Gold Group Hong Kong Limited	Registered Owner	155,794,830 [2]	39.3%

Note:

1. China National Gold Group Corporation directly and wholly owns China National Gold Group Hong Kong Limited therefore the interest attributable to China National Gold Group Corporation represents its indirect interest in the Company's shares through its equity interest in China National Gold Group Hong Kong Limited.

2. Information relating to registered and indirect ownership of the Company's shares provided by China National Gold Group Corporation.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended December 31, 2014, neither the Company, nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities.

EMOLUMENT POLICY

The Company's executive emolument policy and compensation program is administered by the Compensation and Benefits Committee which consists solely of independent directors. The Compensation and Benefits Committee reviews levels of cash compensation as needed and at least annually, and makes recommendations to the Board to adjust cash compensation in light of merit, qualifications and competence. The Compensation and Benefits Committee also reviews the corporate goals and objectives relevant to the compensation of the senior executive officers as needed and at least annually and based on recommendations from the Chief Executive Officer and other members of the management team. The Compensation and Benefits Committee makes its determinations as to overall compensation levels on the basis of both available third party data regarding comparable compensation at similar size companies as well as their own industry experience and the Company's hiring and retention needs. Decisions relating to executive compensation are reported by the Compensation and Benefits Committee to the Board for approval.

The Company's director emolument policy is administered by the Compensation and Benefits Committee with regard to comparable market statistics. Decisions relating to the compensation of directors are reported by the Compensation and Benefits Committee to the Board for approval.

The emolument policy for the Company's employees is determined on a department by department basis with the Chief Executive Officer determining the emoluments for employees and managers based on merit, qualifications and the Company's hiring and retention needs.

The Company has also adopted stock option plans to provide an incentive to the directors, officers and eligible employees for future services to further the Company's objectives. The details of the Company's stock option plan are set out in Note 26(b) of the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles or under the laws of Canada which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Listing Rules require that at least 25% of the Company's outstanding shares be at all times held by the public to ensure the sufficiency of the Company's public float. As at December 31, 2014, the Company had 396,413,753 shares outstanding of which 240,420,123 shares were included in the public float, representing 60.65% of the Company's outstanding common shares.

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Company's transactions with its major suppliers and customers during the Financial Year are set out below:

CUSTOMERS

The largest customer accounted for 67% of the Company's sales.

The five largest customers accounted for 100% of the Company's sales.

The Company's principal shareholder, China National Gold, purchases gold dore bars from the CSH Gold Mine at prevailing market prices pursuant to a contracts for the purchase and sale of dore dated January 27, 2012 and May 7, 2014. An affiliate of China National Gold purchases copper concentrate from the Jiama Mine at prevailing prices pursuant to contracts for purchase and sale of copper concentrate dated January 27, 2012 and May 7, 2014. Please refer to the section of this report headed "Connected transactions and continuing connected transactions" above for further details. Mr. Song, Mr. Liu, Mr. Jiang and Mr. Sun are executive officers of China National Gold.

Save as disclosed above, at no time during the Financial Year did a director, an associate of a director or any other shareholder (which to the knowledge of the Company's directors owns more than 5% of the Company's issued share capital) hold an interest in the Company's five largest customers.

SUPPLIERS

The largest supplier accounted for 39% of the Company's purchases.

The five largest suppliers accounted for 67% of the Company's purchases.

At no time during the Financial Year did a director, an associate of a director or any other shareholder (which to the knowledge of the Company's directors owns more than 5% of the Company's issued share capital) hold an interest in the Company's five largest suppliers.

CHARITABLE DONATIONS

The Company made charitable donations during the Financial Year amounting to RMB1,598,664.04.

EVENTS AFTER REPORTING PERIOD

There are no significant events occurring after December 31, 2014 as set out in the Financial Statements.

INDEPENDENT AUDITORS

A resolution will be submitted at the Company's upcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu of Hong Kong as the Company's auditors.

On behalf of the Board,
Xin Song
Chairman of the Board
March 25, 2015

CORPORATE GOVERNANCE REPORT

The Board considers good corporate governance practices to be an important factor in the continued and long term success of the Company by helping to maximize shareholder value over time.

To further this philosophy and to ensure that the Company follows good governance practices the Board has taken the following steps:

- approved and adopted a mandate for the Board;
- appointed an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation and Benefits Committee consisting solely of independent directors;
- established a Health, Safety and Environmental Committee consisting solely of independent directors;
- approved charters for all of the Board committees to formalize the mandates of those committees;
- established a Disclosure Committee with a mandate to oversee the Company's disclosure practices including the establishment of a sub-committee charged with overseeing the Company's technical disclosure;
- adopted a formal Corporate Disclosure, Confidentiality and Securities Trading Policy and formalized the Company's disclosure controls and procedures;
- adopted a formal Code of Business Conduct and Ethics that governs the behavior of directors, officers and employees and which is also distributed to consultants;
- adopted formal written position descriptions for the Chief Executive Officer and Chief Financial Officer, clearly defining their roles and responsibilities;
- adopted a whistleblower policy administered by an independent third party;
- formalized a process for assessing the effectiveness of the Board as a whole, the Board committees and the contribution of individual directors on a regular basis;
- reviewing and approving the Company's incentive compensation plans; and
- providing continuing education opportunities for all directors.

COMPLIANCE WITH CORPORATE GOVERNANCE

The Company has, throughout the Financial Year, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listings standards, in particular, the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company's current practices are reviewed and updated regularly to ensure that the latest developments in corporate governance are followed and observed.

BOARD COMPOSITION

Corporate governance guidelines adopted by the Canadian Securities Administrators ("CSA") recommend that a majority of the directors of a corporation be independent directors. Under the CSA corporate governance guidelines, an "independent director" is a director who has no direct or indirect material relationship with the Company, including as a partner, shareholder or officer of an organization that has a relationship with the Company. A "material relationship" is one that would, or in the view of the Board could be reasonably expected to, interfere with the exercise of a director's independent judgment. As at December 31, 2014 and as at the date of this report, the Board has determined that it consists of four "independent directors" and five non-independent directors under the CSA corporate governance guidelines. The Board believes that its current size and composition and the composition of the Board committees consisting solely of independent directors, results in balanced representation.

As at the date of this report, the Board has determined that it consists of four independent directors and five non-independent directors as follows:

Independent Directors	Non-independent Directors
Ian He	Xin Song *(Chairman)* (1)
Yunfei Chen	Bing Liu *(Chief Executive Officer)* (2)
Gregory Hall	Liangyou Jiang *(Senior Executive Vice President)* (3)
John King Burns	Lianzhong Sun (4)
	Xiangdong Jiang *(Vice President of Production)* (5)

Notes:

1. Mr. Song is a non-Independent Director in his capacity as a Senior Officer of the Company and in his capacity as an Executive Officer of China National Gold which has a material relationship with the Company.
2. Mr. Liu is a non-Independent Director in his capacity as an Executive officer of China National Gold which has a material relationship with the Company.
3. Mr. Jiang is a non-Independent Director in his capacity as a Senior Officer of the Company.
4. Mr. Sun is a non-Independent Director in his capacity as an Executive Officer of China National Gold which has a material relationship with the Company
5. Mr. Jiang is a non-Independent Director in his capacity as a Senior Officer of the Company.

As at the date of this report, China National Gold holds approximately 39.31% of the Company's outstanding common shares.

The Board has determined that four of its nine directors being Mr. He, Mr. Chen, Mr. Hall and Mr. Burns are independent of China National Gold, which the Board believes fairly reflects the investment in the Company by shareholders other than the Company's principal shareholder. The Board has further determined that four of its nine directors do not have an interest in the Company or relationship with the Company's principal shareholder and satisfy all independence requirements under the applicable corporate governance rules and guidelines.

The directors are satisfied that the size and composition of the Board results in a balanced representation on the Board among management and non-management directors and the Company's principal shareholder. While the Board believes that it functions effectively given the Company's stage of development and the size and complexity of its business, the Company, through its Nominating and Corporate Governance Committee, may in the future seek to add qualified candidates to augment its experience and expertise and to enhance the Company's ability to develop its business interests.

Mr. Song currently serves as the Chairman of the Board and served as the Company's Chief Executive Officer from October 9, 2009 to February 2014. Mr. Liu currently serves as the Company's Chief Executive Officer since February 2014. At present, Mr. He, the Chairman of the Board committees, acts as the de facto lead independent director and liaises with management and the directors regarding relevant matters. The Board is of the view that appropriate structures and procedures are in place to allow the Board to function independently of management while continuing to provide the Company with the benefit of having a Chairman with extensive experience in the mining industry.

The Company has received from each of its independent directors, their confirmation of independence pursuant to listing rules in all applicable jurisdictions.

To the best knowledge of the Company none of the directors of the Company are related. Relationships include financial, business or family relationships. The Company's directors are free to exercise their independent judgment.

Directors, including the current non-Executive Director and the Independent Non-Executive directors of the Company, are elected at each Annual General Meeting and hold office until the next Annual General Meeting, unless a director's office is earlier vacated in accordance with the provisions of the Business Corporations Act and the Company's Articles.

DIRECTORS' PROFESSIONAL DEVELOPMENT

The Board, through the Chairman of the Nominating and Corporate Governance Committee, ensures that all new directors receive a comprehensive orientation so that each new director fully understands the role of the Board and its committees, as well as the contribution individual directors are expected to make and to understand the nature and operation of the Company's business.

The Board provides continuing education opportunities for all directors, so that each individual director may maintain or enhance his skills and abilities as a director, as well as to ensure his knowledge and understanding of the Company's business remains current.

The Company updates its directors on the latest developments regarding applicable regulatory requirements from time to time, to ensure compliance and to enhance their awareness of good corporate governance practices. All Directors have participated in continuous professional development and provided a record of training they received for the fiscal year 2014 to the Company:

The individual professional development record of each Director for fiscal 2014 is set out below:

	Briefings and updates on the business, operations and corporate governance matters	Attend or participate in seminars/workshops relevant to the business or directors' duties
Executive Directors		
Xin Song *(Chairman)*	✓	✓
Bing Liu	✓	✓
Liangyou Jiang	✓	✓
Xiangdong Jiang	✓	✓
Non-Executive Director		
Lianzhong Sun	✓	✓
Independent Non-Executive Directors		
Ian He	✓	✓
Yunfei Chen	✓	✓
Gregory Hall	✓	✓
John King Burns	✓	✓

MANDATE OF THE BOARD

Under the British Columbia Business Corporations Act (the "Business Corporations Act"), the directors of the Company are required to manage the Company's business and affairs, and in doing so, to act honestly and in good faith with a view to furthering the best interests of the Company. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Board is responsible for supervising the conduct of the Company's affairs and the management of its business. The Board's mandate includes setting long term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their implementation. Although the Board delegates the responsibility for managing the day-to-day affairs of the Company to senior management, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

The Board's mandate requires that the Board be satisfied that the Company's senior management will manage the affairs of the Company in the best interest of the shareholders, in accordance with the Company's principles, and that the arrangements made for the management of the Company's business and affairs are consistent with their duties described above. The Board is responsible for protecting shareholder interests and ensuring that the incentives of the shareholders and of management are aligned. The obligation of the Board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the Board may have to assume a more direct role in managing the affairs of the Company.

In discharging this responsibility, the Board's mandate provides that the Board oversees and monitors significant corporate plans and strategic initiatives. The Board's strategic planning process includes annual budget reviews and approvals and discussions with management relating to strategic and budgetary issues.

As part of its ongoing review of business operations, the Board periodically reviews the principal risks inherent in the Company's business, including financial risks, and assesses the systems established to manage those risks. Directly and through the Audit Committee, the Board also assesses the integrity of internal control over financial reporting and management information systems.

In addition to those matters that must, by law, be approved by the Board, the Board is required under its mandate to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans and the appointment of senior executive officers. Management is authorized to act, without Board approval on all ordinary course matters relating to the Company's business.

The Board's mandate provides that the Board expects management to provide the directors, on a timely basis, with information concerning the business and affairs of the Company, including financial and operating information and information concerning industry developments as they occur, all with a view to enabling the Board to discharge its stewardship obligations effectively. The Board expects management to efficiently implement its strategic plans for the Company, to keep the Board fully apprised of its progress in doing so and to be fully accountable to the Board in respect to all matters for which it has been assigned responsibility.

The Board has instructed management to maintain procedures to monitor and promptly address shareholder concerns and has directed and will continue to direct management to apprise the Board of any major concerns expressed by shareholders.

Each Board committee is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outside advisor at the expense of the Company provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so. In conjunction with its review of operations, the Board considers risk issues when appropriate and approves corporate policies addressing the management of the risk of the Company's business.

The Board takes ultimate responsibility for the appointment and monitoring of the Company's senior management. The Board approves the appointment of senior management and reviews their performance on an ongoing basis.

The Company has a corporate disclosure policy addressing, among other things, how the Company interacts with analysts and the public, and contains measures for the Company to avoid selective disclosure. The Company has a Disclosure Committee responsible for overseeing the Company's disclosure practices. The Disclosure Committee consists of the Company's Executive Vice President and Corporate Secretary, Chief Executive Officer, Chief Financial Officer and the Company's senior communications and investor relations officers, or those individuals who act in equivalent positions for the Company, and receives advice from the Company's external legal counsels. The Disclosure Committee assesses materiality and determines when developments justify public disclosure. The Disclosure Committee reviews the corporate disclosure policy annually and as otherwise needed to ensure compliance with regulatory requirements and reviews all documents which are reviewed by the Board and Audit Committee. The Board reviews and approves the Company's material disclosure documents, including its annual report, annual information form and management proxy circular. The Company's annual and quarterly financial statements, management's discussion and analysis and other financial disclosure is reviewed by the Audit Committee and recommended to the Board for approval, prior to its release.

During the year, the Board adopted a diversity policy setting out the approach to diversity of members of the Board. The Company recognizes and embraces the benefits of diversity of Board members. It works hard to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including, but not limited to, (i) business experience; (ii) specialized skills and other experiences; (iii) race, ethnicity, international background, gender and age (iv) applicable regulatory requirements; and issues involving possible conflicts of interest. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

No measurable objectives for achieving diversity were specifically set by the Board during the year, other than the recruitment of the most suitable candidate for a position.

COMMITTEES OF THE BOARD

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that the Company has an effective internal control framework. This includes internal controls to manage both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Company's Audit Committee consists of Mr. He, Mr. Chen, Mr. Burns and Mr. Hall. Mr. He serves as Chairman of the Audit Committee.

The primary objective of the Audit Committee of the Company is to act as a liaison between the Board and the Company's independent auditors and to assist the Board in fulfilling its oversight responsibilities with respect to (a) the financial statements and other financial information provided by the Company to its shareholders, the public and others, (b) the Company's compliance with legal and regulatory requirements, (c) the qualification, independence and performance of the auditors and (d) the Company's risk management and internal financial and accounting controls, and management information systems.

Although the Audit Committee has the powers and responsibilities set forth in its charter, the role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards ("IFRS"). These are the responsibilities of management and the auditors.

All services to be performed by the auditors of the Company must be approved in advance by the Audit Committee.

The Audit Committee held four meetings during the Financial Year. In performing its duties in accordance with its charter, the Audit Committee has:

- overseen the Company's relationship with the auditors;
- reviewed the Company's interim and annual financial statements;
- reviewed and assessed the effectiveness of systems of risk management and internal controls; and
- reported to the Board on the proceedings and deliberations of the Audit Committee.

Nominating and Corporate Governance Committee

The Board has established a Nominating and Corporate Governance Committee, which operates under a charter approved by the Board. The primary objective of the Nominating and Corporate Governance Committee is to assist the Board in fulfilling its oversight responsibilities by (a) identifying individuals qualified to become Board and Board committee members and recommending that the Board select director nominees for appointment or election to the Board; and (b) developing and recommending to the Board corporate governance guidelines for the Company and making recommendations to the Board with respect to corporate governance practices. The Nominating and Corporate Governance Committee monitors the disclosure of conflicts of interest to the Board and ensures that no director will vote in respect of a matter in which such director has a material interest. The members of the Nominating and Corporate Governance Committee are Mr. He, Mr. Chen, Mr. Hall and Mr. Burns. Mr. He serves as Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee met during the Financial Year to review its charter, to review the articles of the Company, to assess the competencies and characteristics represented on the Board, to review the results of a Board effectiveness survey and self-assessments and to confirm compliance with regulatory, corporate governance and disclosure requirements. The Nominating and Corporate Governance Committee is also responsible for reviewing and monitoring the training and continuous professional development of directors and senior management as required under Code Provision D.3.1(b) of Appendix 14 to the Hong Kong Listing Rules.

Compensation and Benefits Committee

The Board has established a Compensation and Benefits Committee, which operates under a charter approved by the Board. The primary objective of the Compensation and Benefits Committee is to discharge the Board's responsibilities relating to the compensation and benefits for senior executives and directors of the Company. This role includes reviewing the adequacy and form of compensation for senior executives and the directors, determining the recipients of, the nature and size of share compensation awards granted from time to time and determining any bonuses to be awarded. The members of the Compensation and Benefits Committee are Mr. He, Mr. Chen, Mr. Hall and Mr. Burns. Mr. He is the Chairman of the Compensation and Benefits Committee. The Compensation and Benefits Committee met during the Financial Year to review its charter, to assess the performance and compensation of the Chief Executive Officer, to review the compensation and benefits for senior executives and directors of the Company and to complete self-assessments. The Compensation and Benefits Committee made recommendations to the Board for adjustments to compensation for the Company's senior executives on various occasions throughout the Financial Year.

Health, Safety and Environmental Committee

The Board has established a Health, Safety and Environmental Committee, which operates under a charter approved by the Board. The primary objective of the Health, Safety and Environmental Committee is to discharge the Board's responsibilities relating to compliance with applicable health, safety and environmental rules and regulations. This role includes assisting the Board in its oversight of the development, implementation and evaluation by management of the Company's health, safety and environmental objectives and for monitoring the Company's compliance with applicable health, safety and environmental laws and regulations. The members of the Health, Safety and Environmental Committee are Mr. He, Mr. Chen, Mr. Hall and Mr. Burns. Mr. He is the Chairman of the Health, Safety and Environmental Committee. The Health, Safety and Environmental Committee met during the Financial Year to receive reports from the Chief Safety Officers from the CSH and Jiama mines, to review the findings of an independent safety audit, and to complete self-assessments. The Health, Safety and Environmental Committee made recommendations to the mine sites for continuous improvements.

Ad Hoc and Special Committees

In appropriate circumstances, the Board will establish a special committee to review a matter in which several directors or management may have a conflict of interest.

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The Board holds regular quarterly meetings by means of telephone conferencing facilities and meets as required between quarterly meetings to update the directors on corporate developments. During regular quarterly meetings, the non-executive and independent non-executive directors have an opportunity to meet separate from management. Management also communicates informally with the Board on a regular basis, and solicits the advice of the Board members on matters falling within their special knowledge or experience. In addition, the independent directors meet regularly on a formal and informal basis to facilitate the exercise of their independent judgment.

During the Financial Year, four Board meetings, four Audit Committee meetings, one Nominating and Corporate Governance Committee meeting, one Compensation and Benefits Committee meeting, two Health, Safety and Environmental Committee meetings and three meetings of the Independent Directors was held. Attendance by the directors at the Board and Board committee meetings for the Financial Year was as follows:

Attendance record for the Board and Board Committee meetings during the Financial Year	Board meetings	Audit Committee meetings	Nominating and Corporate Governance Committee meetings	Compensation and Benefits Committee meetings	Health, Safety and Environmental Committee meetings	Meetings of the Independent Directors
	Number of Attendances/Number of Meetings					
Executive Directors						
Xin Song (Chairman)	3/4	N/A	N/A	N/A	N/A	N/A
Bing Liu	4/4	N/A	N/A	N/A	N/A	N/A
Liangyou Jiang[(1)]	1/4	N/A	N/A	N/A	N/A	N/A
Xiangdong Jiang	4/4	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors						
Lianzhong Sun	4/4	N/A	N/A	N/A	N/A	N/A
Independent Non-Executive Directors						
Ian He	4/4	4/4	2/2	1/1	4/4	4/4
Yunfei Chen	4/4	2/4	2/2	1/1	4/4	4/4
Gregory Hall	2/4	4/4	2/2	1/1	3/4	3/4
John King Burns	4/4	3/4	2/2	1/1	4/4	4/4

Notes:

(1) As of the Company's appointment of Liangyou Jiang as a director.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics applicable to all employees, consultants, executive officers and directors regardless of their position in the Company, at all times and everywhere the Company does business. The Code of Business Conduct and Ethics provides that the Company's employees, consultants, executive officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Company requires the highest standards of professional and ethical conduct from its employees, consultants, executive officers and directors.

The Company's employees, executive officers and directors are required to confirm, on an annual basis, that they have reviewed the Company's Code of Business Conduct and Ethics and if they are aware of any actual or potential conflicts of interest.

The Company's Nominating and Corporate Governance Committee monitors compliance with the Code of Business Conduct and Ethics and the disclosure of conflicts of interest by directors with a view to ensuring that no director votes on a matter in respect of which he has a material interest.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board determines, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities it should seek in new directors in order to add value to the Company. Based on this framework, the Nominating and Corporate Governance Committee developed a skills matrix outlining the Company's desired complement of competencies, skills and characteristics. The specific make-up of the matrix includes technical, geological and engineering knowledge, financial literacy, mining industry experience, public company experience and legal knowledge. The Nominating and Corporate Governance Committee assesses the competencies and characteristics represented on the Board annually and utilize the matrix to determine the Board's strengths and to identify areas for improvement. This analysis assists the Nominating and Governance Committee in discharging its responsibility for approaching and proposing new nominees to the Board and for assessing directors on an ongoing basis.

Unless a director dies, resigns or is removed from office in accordance with the Business Corporations Act, the term of office of each of the Company's director's ends at the conclusion of the next annual general meeting following his or her most recent election or appointment.

At every annual general meeting the shareholders entitled to vote at the annual general meeting for the election of directors are entitled to elect a board consisting of the number of directors for the time being set under the Company's articles and all the directors cease to hold office immediately before such election but are eligible for re-election. If the Company fails to hold an annual general meeting on or before the date by which the annual general meeting is required to be held under the Business Corporations Act or the shareholders fail, at the annual general meeting, to elect or appoint any directors then each director then in office continues to hold office until the earlier of the date on which his or her successor is elected or appointed, or the date on which he or she otherwise ceases to hold office under the Business Corporations Act or the Company's articles.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted policies in its Corporate Disclosure, Confidentiality and Securities Trading Policy that has terms which are no less exacting than those set out in Appendix 10 of the Hong Kong Listing Rules.

Furthermore, if a director (a) enters into a transaction involving a security of the Company or, for any other reason, the direct or indirect beneficial ownership of, or control or direction over, securities of the Company changes from that shown or required to be shown in the latest insider report filed by the director, or (b) the director enters into a transaction involving a related financial instrument, the director must, within the prescribed period, file an insider report in the required form on the System for Electronic Disclosure by Insiders website at www.sedi.ca.

A "related financial instrument" is defined as: (a) an instrument, agreement, security or exchange contract the value, market price or payment obligations of which are derived from, referenced to or based on the value, market price or payment obligations of a security, or (b) any other instrument, agreement or understanding that affects, directly or indirectly, a person's economic interest in respect of a security or an exchange contract.

REMUNERATION OF DIRECTORS

The Company's director emolument policy is administered by the Compensation and Benefits Committee with regard to comparable market statistics. Decisions relating to the compensation of directors are reported by the Compensation and Benefits Committee to the Board for approval.

The Company pays its independent directors a cash retainer of CAD$4,000 per month for acting as independent directors and for their roles on various Board committees. The Company pays the defacto lead independent director and Chairman of the Board committees a cash retainer of CAD$4,500 per month. On June 1, 2010, the Company granted 100,000 stock options to each of its independent directors pursuant to the 2007 Stock Option Plan, with such stock options having a five-year term and vesting as to 20% immediately with an additional 20% vesting on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014 at the following exercise prices: from June 1, 2010 until June 1, 2011, CAD$4.35 per share; from June 2, 2011 until June 1, 2012, CAD$4.78 per share; from June 2, 2012 until June 1, 2013, CAD$5.21 per share; from June 2, 2013 until June 1, 2014, CAD$5.64 per share; and from June 2, 2014 until June 1, 2015, CAD$6.09 per share.

Currently no other compensation is paid to the directors of the Company for acting as directors, although the directors have been granted and will continue to receive stock options from time to time. The directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors.

Details regarding the remuneration of directors of the Company are set out in Note 10 of the Financial Statements.

INTERNAL CONTROLS

The Board is responsible for overseeing the internal controls of the Company. Internal controls are used by the Board to facilitate the effectiveness and efficiency of operations, to safeguard the investment of shareholders and assets of the Company and to ensure compliance with relevant statutory and regulatory requirements. The Company's internal control policies are designed to provide reasonable, but not absolute, assurance against material misstatements and to help the Board identify and mitigate, but not eliminate, risk exposure.

The Audit Committee and the Board are of the view that the Company's current internal control system is effective in safeguarding the investment of shareholders and assets of the Company.

AUDITORS

The Company's auditor is Deloitte Touche Tohmatsu of Hong Kong. Deloitte Touche Tohmatsu were first appointed as auditor of China Gold International on April 1, 2010. The appointment of Deloitte Touche Tohmatsu was approved by ordinary resolution of the shareholders at the Company's annual and special meeting held on June 17, 2010. Deloitte Touche Tohmatsu will be nominated for re-appointment as auditors of the Company for the fiscal year 2013 at the Company's upcoming annual general meeting, at a remuneration to be fixed by the Board.

Deloitte Touche Tohmatsu is independent of the Company in accordance with Section 290 "Independence – Assurance Engagements" of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. The financial reporting responsibilities and audit report of Deloitte Touche Tohmatsu are set out on page 61 of the Financial Statements.

Deloitte & Touche LLP of Canada served as auditor of China Gold International until April 1, 2010. The Company continues to use the services of Deloitte & Touche LLP from time to time for tax compliance advice relating to transactions and proposed transactions of the Company and its subsidiaries.

The fees paid/payable to Deloitte Touche Tohmatsu and Deloitte & Touche LLP in respect of audit and non-audit services provided during the Financial Year were as follows:

Nature of services rendered	**Fees paid/payable** (US$)
Audit fees [(1)]	$714,000.00
Non-audit fees [(2)]	$3,116.19
Total	$717,116.19

Notes:

1. Fees for audit services consisted of fees paid to Deloitte Touche Tohmatsu (US$714,000) in connection with the audit of the Company's annual financial statements, review of the Company's interim financial statements and other services related to securities regulatory matters.
2. Fees for non-audit services consisted of fees paid to Deloitte Touche Tohmatsu (US$3,116.19) in connection with tax planning and advice relating to transactions and proposed transactions of the Company and its subsidiaries, corporate tax return and income tax matters and matters arising from the British Columbia Securities Commission enquiry.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility in overseeing the preparation of financial statements that provide a true and fair view of the financial affairs of the Company. With the assistance of the Company's management, the directors ensure that the financial statements are being prepared and published in a timely manner in accordance with the applicable accounting standards and statutory requirements.

CONSTITUTIONAL DOCUMENTS

For the year ended December 31, 2014, the Company has not made any changes to its memorandum and articles of association.

SHAREHOLDERS' RIGHTS

Right to convene a meeting of shareholders

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Every company having securities listed on the Toronto Stock Exchange must hold its annual meeting of shareholders within six months from the end of its fiscal year, or at such earlier time as is required by applicable legislation.

Pursuant to Section 167 British Columbia Business Corporations Act ("BCBCA"), shareholders who hold in the aggregate at least one-twentieth of the issued shares of the Company that carry a right to vote at general meetings may requisition a general meeting by delivering a signed written requisition to the Board or the Company Secretary at the Company's principal place of business at Suite 660, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4 for the purpose of transacting any business that may be transacted at a general meeting.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company at Suite 660, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4, or by email to info@chinagoldintl.com for the attention of the Company secretary.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at general meetings under the BCBCA. However, qualified shareholders (as defined in section 187 of the BCBCA) may put forward a proposal for the next general meeting pursuant to Part 5, Division 7 of the BCBCA.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Members of the Board meet and communicate with shareholders at the AGM of the Company. The Chairman proposes separate resolutions for each issue to be considered and puts each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on the day of the AGM.

Our corporate website which contains corporate information, corporate governance practice, interim and annual reports, news releases, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company.

GENERAL MEETINGS

During the year ended December 31, 2014, the Company has convened and held one general meeting. Attendance records of the Directors at the general meeting are set out as follows:

Name of the Directors	Number of meetings attended/convened
Xin Song	1/1
Bing Liu	0/1
Liangyou Jiang[(1)]	0/1
Xiangdong Jiang	1/1
Lianzhong Sun	0/1
Ian He	1/1
Yunfei Chen	0/1
Gregory Hall	0/1
John King Burns	1/1

According to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and developed a balanced understanding of the views of the shareholders.

The non-executive Director and two independent non-executive Directors were unable to attend the annual general meeting of the Company held on June 18, 2014 due to other business commitments.

The 2015 annual general meeting of the Company will be held on June 18, 2015. The notice of the annual general meeting will be sent to shareholders at least 20 clear business days before the annual general meeting.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Xin Song *(Chairman)*
Bing Liu
Liangyou Jiang
Xiangdong Jiang

Non-Executive Directors

Lianzhong Sun

Independent Non-Executive Directors

Ian He
Yunfei Chen
Gregory Hall
John King Burns

AUDIT COMMITTEE

Ian He *(Chairman)*
Yunfei Chen
Gregory Hall
John King Burns

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Ian He *(Chairman)*
Yunfei Chen
Gregory Hall
John King Burns

COMPENSATION AND BENEFITS COMMITTEE

Ian He *(Chairman)*
Yunfei Chen
Gregory Hall
John King Burns

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

Ian He *(Chairman)*
Yunfei Chen
Gregory Hall
John King Burns

CORPORATE SECRETARY (CANADA)

Jerry Xie

COMPANY SECRETARY (HONG KONG)

Ngai Wai Fung

REGISTERED OFFICE

One Bentall Centre
Suite 660, 505 Burrard Street
Vancouver, British Columbia
Canada V7X 1M4

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3907-08, 39/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANK (CANADA)

BMO Bank of Montreal

PRINCIPAL BANKS (HONG KONG)

Bank of China
Agricultural Bank of China
Industrial and Commercial Bank of China (Asia)

PRINCIPAL SHARE REGISTER

Canadian Stock Transfer Company Inc.
Suite 1600-1066 West Hastings Street
Vancouver, British Columbia
Canada V6E 3X1

HONG KONG SHARE REGISTER

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INDEPENDENT AUDITOR

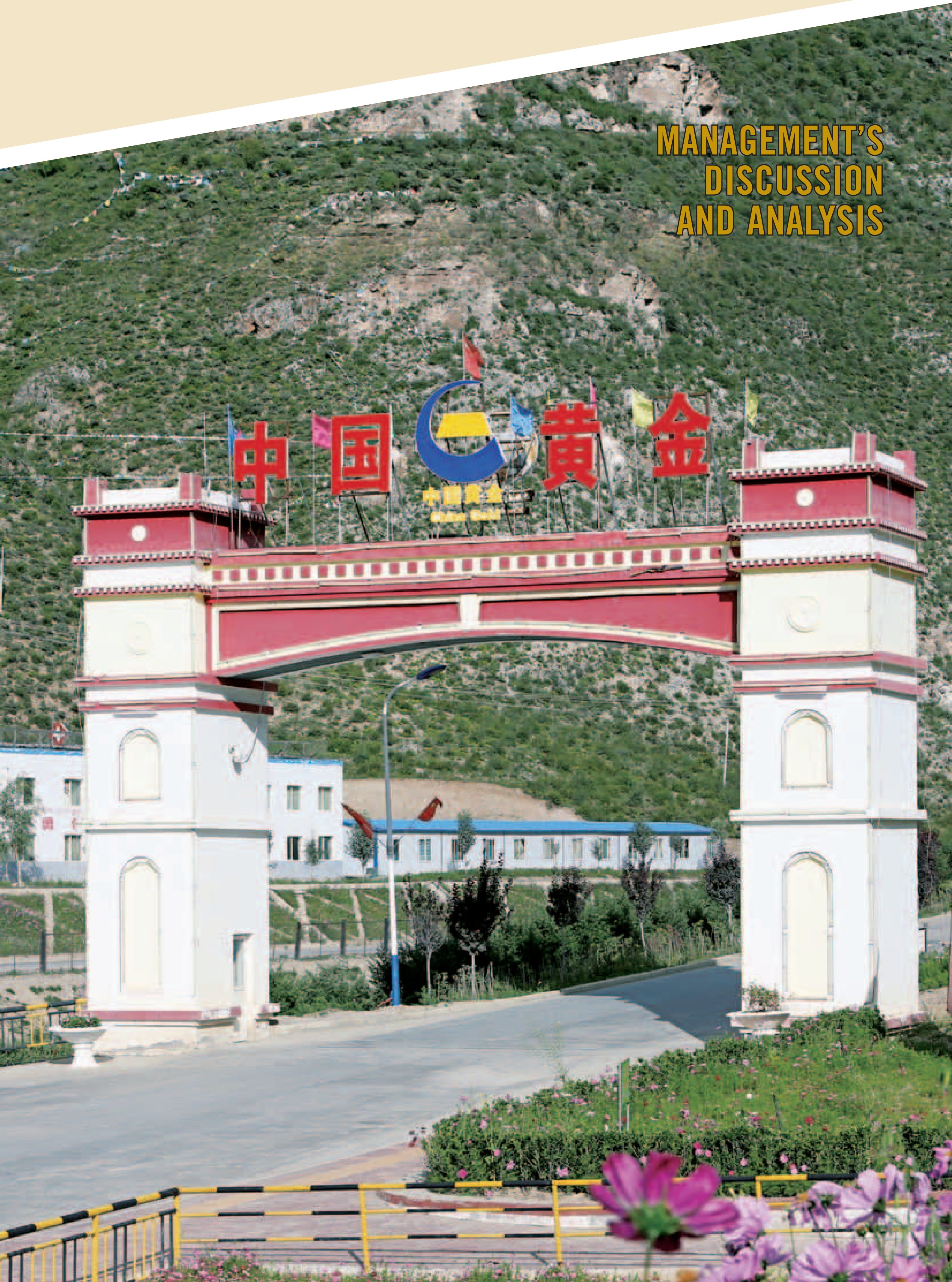
Deloitte Touche Tohmatsu
Certified Public Accountants
One Pacific Place
35th Floor, 88 Queensway
Hong Kong

WEBSITE ADDRESS

www.chinagoldintl.com

Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2014 (Stated in U.S. dollars, except as otherwise noted)

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of March 25, 2015. It should be read in conjunction with the consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as "China Gold International", the "Company", "we" or "our" as the context may require) for the year ended December 31, 2014 and the year ended December 31, 2013, 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, 2015 on SEDAR at www.sedar.com. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled "Forward-Looking Statements" and "Risk Factors" and to discussions elsewhere within this MD&A. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD-LOOKING STATEMENTS

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

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

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

THE COMPANY

Overview

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

The Company's principal mining operations are the Chang Shan Hao Gold Mine ("CSH Mine" or "CSH"), located in Inner Mongolia, China and the Jiama Copper-Gold Polymetallic Mine ("Jiama Mine" or "Jiama"), located in Tibet, China. China Gold International holds a 96.5% interest in the CSH Mine, while its Chinese joint venture ("CJV") partner holds the remaining 3.5% interest. The CSH Mine commenced commercial production on July 1, 2008. The Company owns a 100% interest in the Jiama Mine, which hosts a large scale copper-gold polymetallic deposit containing copper, gold, molybdenum, silver, lead and zinc metals. 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 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 December 31, 2014

- Revenue increased by 51% to US$103.3 million from US$68.5 million for the same period in 2013.
- Net profit after income taxes increased by 136% to US$15.7 million from US$6.7 million for the same period in 2013.
- Gold production from the CSH Mine increased by 101% to 63,631 ounces from 31,608 ounces for the same period in 2013.
- Copper production from the Jiama Mine increased by 89% to 4,650 tonnes (approximately 10.3 million pounds from 2,462 tonnes (approximately 5.4 million pounds) for the same period in 2013.

Year ended December 31, 2014

- Revenue decreased by 8% to US$277.8 million from US$302.6 million for the same period in 2013.
- Net profit after income taxes decreased by 27% to US$41.9 million from US$57.2 million for the same period in 2013.
- Gold production from the CSH Mine increased by 24% to 163,443 ounces from 131,418 ounces for the same period in 2013.
- Copper production from the Jiama Mine increased by 9% to 13,992 tonnes (approximately 30.8 million pounds) from 12,847 tonnes (approximately 28.3 million pounds) for the same period in 2013.

Selected Annual Information

	Year ended December 31				
	2014	2013	2012	2011	2010
US$ Millions except for per share					
Total revenue	**278**	303	332	311	133
Profit from continuing operations	**73**	76	99	110	58
Net profit	**42**	57	74	82	27
Basic earnings per share (cents)	**10.02**	13.88	17.90	20.04	13.82
Diluted earnings per share (cents)	**10.02**	13.88	17.90	20.04	13.76
Total assets	**3,013**	2,219	1,806	1,745	1,656
Total non-current liabilities	**850**	431	279	321	322
Distribution or cash dividends declared per share	**–**	–	–	–	–

OUTLOOK

- Expected production of 226,000 ounces of gold in 2015.
- Expected production of 53 million pounds of copper in 2015.
- Jiama's Phase II expansion is on schedule. Stage one of the processing plant has undergone a load-free test run at the end of 2014. After some troubleshooting efforts, the plant is basically ready for loaded test run and plans to carry on a loaded test run in the second quarter of 2015. Now the two open pits are well prepared for mining. The Stage two of the processing plant will be completed in 2016, along with the completion of underground development system.
- 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 acquisition 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 2014				Quarter ended 2013			
(US$ in thousands except per share)	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenues	**103,326**	89,257	48,541	36,659	68,507	75,733	81,622	76,746
Cost of sales	**70,763**	56,687	29,084	22,285	50,990	48,478	53,809	47,456
Mine operating earnings	**32,563**	32,570	19,457	14,374	17,517	27,255	27,813	29,290
General and administrative expenses	**7,631**	5,523	5,892	6,015	5,471	7,410	5,665	7,157
Exploration and evaluation expenses	**319**	129	53	45	83	45	50	69
Income from operations	**24,613**	26,918	13,512	8,314	11,962	19,800	22,098	22,064
Foreign exchange gain (loss)	**5,631**	(300)	182	752	(216)	894	684	152
Finance costs	**8,913**	7,826	3,781	3,398	2,916	2,665	2,500	2,573
Profit before income tax	**24,485**	21,221	11,147	5,863	8,861	19,162	24,769	20,755
Income tax expense	**8,802**	4,790	2,759	4,498	2,202	3,279	5,208	5,676
Net income	**15,683**	16,431	8,388	1,365	6,659	15,883	19,561	15,079
Basic earnings per share (cents)	**3.78**	4.02	1.93	0.29	1.60	3.84	4.78	3.66
Diluted earnings per share (cents)	**3.78**	4.02	1.93	0.29	1.60	3.84	4.78	3.66

Selected Quarterly and Annual Production Data and Analysis

CSH Mine	Three months ended December 31, 2014	2013	Year ended December 31, 2014	2013
Gold sales (US$ million)	**72.34**	41.41	**185.91**	178.14
Realized average price[1] (US$) of gold per ounce	**1,155**	1,242	**1,209**	1,362
Gold produced (ounces)	**63,631**	31,608	**163,443**	131,418
Gold sold (ounces)	**62,641**	33,340	**153,736**	130,772
Total production cost[2](US$) of gold per ounce	**799**	854	**768**	866
Cash production cost[2] (US$) of gold per ounce	**665**	664	**590**	707

1 Net of resource compensation fees that is based on revenue and paid to the PRC government

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

Gold production at the CSH Mine increased by 101% from 31,608 ounces for the three months ended December 31, 2013 to 63,631 ounces for the three months ended December 31, 2014. The significant increase in gold production is mainly due to the successful commissioning of the mine expansion program doubling the mine capacity from 30,000 tpd to 60,000 tpd, in October 2014.

The cash production cost of gold per ounce for the three months ended December 31, 2014 remains unchanged compared with the same period in 2013. The total production cost of gold per ounce for the three months ended December 31, 2014 decreased compared with the same period in 2013, mainly due to the economies of scale and high efficiency achieved through the commercial production of the additional 30,000 tpd heap leaching and processing system.

Jiama Mine	**Three months ended December 31,**		**Year ended December 31,**	
	2014	2013	**2014**	2013
Copper sales[1] (US$ in millions)	**22.90**	19.32	**68.64**	85.12
Realized average price[2](US$) of copper per pound after smelting fee discount	**2.40**	2.54	**2.51**	2.75
Copper produced (tonnes)	**4,650**	2,462	**13,992**	12,847
Copper produced (pounds)	**10,251,814**	5,427,554	**30,847,753**	28,323,626
Copper sold (tonnes)	**4,089**	3,452	**12,362**	14,035
Copper sold (pounds)	**9,014,784**	7,610,436	**27,254,214**	30,941,765
Gold produced (ounces)	**6,015**	3,893	**17,231**	16,908
Gold sold (ounces)	**4,622**	4,494	**14,557**	17,600
Silver produced (ounces)	**387,783**	197,231	**1,072,218**	1,010,966
Silver sold (ounces)	**328,871**	302,868	**901,335**	1,118,311
Total production cost[3] (US$) of copper per pound	**2.99**	3.36	**2.97**	3.55
Total production cost[3] (US$) of copper per pound after by-products credits[5]	**2.02**	2.37	**2.01**	2.30
Cash production cost[4](US$) per pound of copper	**2.39**	2.74	**2.33**	2.90
Cash production cost[4] (US$) of copper per pound after by-products credits[5]	**1.42**	1.75	**1.37**	1.65

1 Net of resource compensation fees that is based on revenue and paid to PRC government agency

2 a discount factor of 15-17% is applied to the copper bench mark price to compensate the refinery costs incurred by the buyers

3 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.

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

5 By-products credit refers to the sales of gold and silver during the corresponding period.

During the three months ended December 31, 2014, the Jiama Mine produced 4,650 tonnes (approximately 10.3 million pounds) of copper in concentrate, an increase by 89% compared with the three months ended December 31, 2013 (2,462 tonnes, or 5.4 million pounds). The increase in production was mainly due to the stable power supply in December 2014 compared with the power shortage in December 2013 and higher grade of ores mined during the period.

Both cash production cost and total production cost of copper per pound were decreased, mainly because of the higher ore grade mined and processed, the higher equipment utilization rates, and stable power supply during the period.

Review of Quarterly and Annual Data

Three months ended December 31, 2014 compared to three months ended December 31, 2013

Revenue of US$103.3 million for the fourth quarter of 2014 increased by US$34.8 million or 51%, from US$68.5 million for the same period in 2013.

Revenue from the CSH Mine was US$72.3 million (2013: US$41.4 million), an increase of US$30.9 million compared to the same period in 2013, due to a 101% increase in gold sales volume. Gold produced by the CSH Mine was 63,630 ounces (gold sold: 62,640), compared to 31,608 ounces (gold sold: 33,340 ounces) for the same period in 2013. The significant increase is directly attributed to the commencement of commercial production of the new heap leaching and processing system in October 2014. The completion of CSH's phase II expansion has increased its processing capacity from 30,000 tpd to 60,000 tpd.

Revenue from the Jiama Mine was US$31 million compared to US$27.1 million for the same period in 2013. Total copper sold was 4,089 tonnes (9 million pounds) for the three months ended December 31, 2014, an increase of 18% from 3,452 tonnes (7.6 million pounds) for the same period in 2013, primarily due to higher grades of ore mined and restored access to the power supply which was temporarily limited during December 2013.

Cost of sales of US$70.8 million for the quarter ended December 31, 2014, an increase of US$19.8 million or 39% from US$51 million for the same period in 2013. The increase in cost of sales was primarily due to the substantial increase in CSH's sales volume. Cost of sales as a percentage of revenue for the Company decreased from 74% to 68% for the three months ended December 31, 2013 and 2014, respectively.

Mine operating earnings of US$32.6 million for the three months ended December 31, 2014 an increase of 86%, or US$15.1 million, from US$17.5 million for the same period in 2013. Mine operating earnings as a percentage of revenue increased from 26% to 32% for the three months ended December 31, 2013 and 2014, respectively.

General and administrative expenses increased by US$2.1 million, from US$5.5 million for the quarter ended December 31, 2013 to US$7.6 million for the quarter ended December 31, 2014. The increase is consistent with the growth during the quarter.

Income from operations for the fourth quarter of 2014 of US$24.6 million, an increase of US$12.6 million from US$12 million for the same period in 2013.

Finance costs of US$8.9 million for the three months ended December 31, 2014, an increase of US$6 million, from US$2.9 million for the same period in 2013. The increase is due to interest expense incurred from short-term loans obtained by CSH in addition to the interest expense of the US$500 million bonds issued in July 2014. During the three months ended December 31, 2014, interest payments of US$4.8 million (2013: US$2.4 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US$5.6 million for the three months ended December 31, 2014 from US$0.2 million loss for the same period in 2013. The 2014 gain is related to the revaluation of monetary items held in Chinese RMB and Hong Kong Dollars, which was based on changes in the RMB/HKD/USD exchange rates.

Interest and other income of US$3.1 million for the three months ended December 31, 2014 increased from US$31,000 for the three months ended December 31, 2013, due to an increase in interest income earned on term deposits.

Income tax expense of US$8.8 million for the fourth quarter of 2014, an increase of US$6.6 million from US$2.2 million for the comparative 2013 period, primarily due to increased profit from the CSH mine. During the current quarter, the Company had US$2.5 million of deferred tax expense compared to US$5.9 million in 2013.

Net income of the Company increased by US$9.0 million from US$6.7 million for the three months ended December 31, 2013 to US$15.7 million for the three months ended December 31, 2014.

Year ended December 31, 2014 compared to Year ended December 31, 2013

Revenue of US$277.8 million for the year ended December 31, 2014 decreased by US$24.8 million or 8%, from US$302.6 million for the same period in 2013.

Revenue from the CSH Mine was US$185.9 million (2013: US$178.1 million), an increase of US$7.8 million, due to an 18% increase in gold sales volume. Gold produced by the CSH Mine was 163,443 ounces (gold sold: 153,736), compared to 131,418 ounces (gold sold: 130,772 ounces) for the same period in 2013. Increased production and sales volumes during 2014 are attributed to the completion of the phase II expansion which has doubled CSH's processing capacity as of October, in addition to higher grades of ore mined during the year.

Revenue from the Jiama Mine was US$91.9 million compared to US$124.5 million for the same period in 2013. Total copper sold was 12,362 tonnes (27.3 million pounds) for the year ended December 31, 2014, a decrease of 12% from 14,035 tonnes (30.9 million pounds) for the same period in 2013. The decrease in revenue is attributed to interruption decrease in copper production during the first quarter of 2014 caused by a seasonal power shortage which has since been restored, in addition to lower copper prices.

Cost of sales of US$178.8 million for the year ended December 31, 2014, decreased by US$21.9 million or 11% from US$200.7 million for the same period in 2013. The decrease in cost of sales is attributable to Jiama's higher ore grades mined combined with higher equipment utilization rates. Cost of sales as a percentage of revenue for the Company decreased to 64% from 66% for the year ended December 31, 2014 compared to 2013.

Mine operating earnings of US$99 million for the year ended December 31, 2014 decreased by 3%, or US$2.9 million, from US$101.9 million for the comparative 2013 period. Mine operating earnings as a percentage of revenue increased to 36% from 34% for the year ended December 31, 2014 compared to 2013.

General and administrative expenses decreased by US$0.6 million, from US$25.7 million for the year ended December 31, 2013 to US$25.1 million for the comparative period in 2014. The decrease is due to the Company's implementation of an overall cost reduction program.

Income from operations for the year ended December 31, 2014 of US$73.4 million, decreased by US$2.5 million from US$75.9 million for the same period in 2013.

Finance costs of US$23.9 million for the year ended December 31, 2014 increased by US$13.3 million, from US$10.6 million for the same period in 2013. The increase is due to interest expense incurred from short-term loans obtained by CSH in addition to the interest expense of the US$500 million bonds issued in July 2014. During the year ended December 31, 2014, US$16.4 million (2013: US$6.1 million) of interest payments were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US$6.3 million for the year ended December 31, 2014 from US$1.5 million for the same 2013 period. The 2014 gain is related to the revaluation of monetary items held in Chinese RMB and Hong Kong Dollars, which was based on changes in the RMB/HKD/USD exchange rates.

Interest and other income of US$7 million for the year ended December 31, 2014 increased from US$6.8 million for the year ended December 31, 2013, due to increased interest income earned on term deposits.

Income tax expense of US$20.8 million for the year ended December 31, 2014 increased by 27%, from US$16.4 million for the comparative 2013 period, primarily due to CSH's increased sales and income tax. During the current period, the Company had US$4.8 million of deferred income tax expense compared to US$11.4 million deferred income tax credit in 2013, the change is attributed to the depreciation of the RMB.

Net income of the Company decreased by US$15.2 million from US$57.1 million for the year ended December 31, 2013 to US$41.9 million for the year ended December 31, 2014.

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 Mine for the three months and the year ended December 31, 2014 and 2013:

	CSH Mine			
	Three months ended December 31,		Year ended December 31	
	2014 US$	2013 US$	2014 US$	2013 US$
Cost of mining per tonne of ore	1.38	1.39	1.44	1.43
Cost of mining waste per tonne of ore	4.48	1.80	2.38	2.01
Other mining costs per tonne of ore	0.43	0.15	0.36	0.38
Total mining costs per tonne of ore	6.29	3.34	4.18	3.82
Cost of reagents per tonne of ore	1.21	1.01	0.89	1.25
Other processing costs per tonne of ore	0.87	1.01	1.06	1.07
Total processing cost per tonne of ore	2.08	2.02	1.95	2.32

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

The Company has included cash production cost per ounce gold data to supplement its consolidated financial statements, which are presented in accordance with IFRS. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance, operating results or financial condition prepared in accordance with IFRS. The Company has included cash production cost per ounce data and non-IFRS measures 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 pound for the Jiama Mine:

	CSH Mine (Gold)							
	Three months ended December 31,				Year ended December 31,			
	2014		2013		2014		2013	
	US$	US$ Per ounce	US$	US$ Per ounce	US$	US$ Per ounce	US$	US$ Per ounce
Total production costs	50,064,541	799	28,470,677	854	118,131,730	768	113,216,814	866
Adjustments	(8,426,071)	(135)	(6,329,451)	(190)	(27,391,303)	(178)	(20,806,070)	(159)
Total cash production costs	41,638,470	665	22,141,226	664	90,740,427	590	92,410,743	707

	Jiama Mine (Copper with by-products)							
	Three months ended December 31,				Year ended December 31,			
	2014		2013		2014		2013	
	US$	US$ Per Pound	US$	US$ Per pound	US$	US$ Per pound	US$	US$ Per pound
Total production costs	26,979,486	2.99	25,541,823	3.36	80,998,195	2.97	109,716,739	3.55
Adjustments	(5,421,694)	(0.60)	(4,722,802)	(0.62)	(17,392,981)	(0.64)	(20,020,753)	(0.65)
Total cash productions costs	21,557,792	2.39	20,819,020	2.74	63,605,214	2.33	89,695,986	2.90
By-products credits	(8,788,445)	(0.97)	(7,471,099)	(0.98)	(26,175,464)	(0.96)	(38,602,653)	(1.25)
Total cash production costs after by-products credits	12,769,347	1.42	13,347,922	1.75	37,429,750	1.37	51,093,334	1.65

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 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 was 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 ("CSH Technical Report") was completed by a group of Qualified Persons ("QP"), which supported an expansion plan to increase the mining and processing capacity from 30,000 tpd to 60,000 tpd with a mine life of 11 years. The CSH Technical Report delineates the ore reserves at the CSH Mine at over 213 million tonnes containing about 4.08 million ounces gold. The expansion program consists of a 30,000 tpd three stage closed circuit crushing system, a heap leach pad, an ADR (Adsorption, Desorption and Refining) plant, and a 80 kilometer long 110 kilovolt ("KV") power line. The report estimated capital expenditures of US$212.9 million, After-Tax Net Present Value (NPV) of US$642 million using a discount rate of 9% and an assumed gold price of $1,380/oz. Based on the report, the expansion plan expects gold production to increase from the current 163,000 ounces per annum to about 260,000 ounces per annum by 2016.

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

The Company completed expansion construction and entered into commercial production in the fourth quarter of 2014. Since the commencement of commercial production, CSH has increased its processing capacity to 60,000 tpd, and produced 63,631 ounces of gold dore bars in the fourth quarter of 2014.

The capital expenditure incurred in the CSH Mine for the year ended December 31, 2014 was US$25.05 million.

Major new contracts entered into during the year ended December 31, 2014 are as follows:

Item No.	Contact Name	Counterpart	Subject Amount (US$ millions)	Contract Period (effective and expiration date)	Contract Date
1	Geomembrane Laying Contract of Remaining Heap Leaching of 2B, 2A	Beijing LAN Environment Engineering Co., LTD	3.6	3/11/2014 – 3/10/2015	3/20/2014
2	Sodium Cyanide Purchase and Sales Contract	Hebei Integrity Co., LTD	15.6	3/1/2014 – 12/30/2014	3/1/2014
3	Carriage Contract of Crushing Finished Products from Crushing Plants to Heap Leaching	Baotou TED Earthwork Engineering Co., LTD	16.5	1/16/2014 – 1/15/2017	2/27/2014
4	Earthwork Engineering Contract of Remaining Heap Leaching of 2B, 2A	Changchun Xinxingyu Building Installation co., LTD	3.1	2/16/2014 – 2/16/2015	2/25/2014

Production Update

CSH Mine	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Ore mined and placed on pad (tonnes)	**5,440,309**	4,893,016	**22,941,216**	15,002,686
Average ore grade (g/t)	**0.57**	0.50	**0.56**	0.47
Recoverable gold (ounces)	**77,112**	46,142	**259,607**	155,219
Ending ore inventory (ounces)	**167,258**	61,386	**167,258**	61,386
Waste rock mined (tonnes)	**30,285,304**	14,592,377	**91,387,853**	74,203,141

For the three months ended December 31, 2014, the total amount of ore placed on the leach pad was 5.5 million tonnes, with total contained gold of 77,112 ounces (2,398 kilograms). The accumulative project-to-date gold recovery rate has slightly increased from approximately 50.05% at the end of September 2014 to 50.82% at the end of December 2014.

Exploration

The Company conducted a three-hole diamond drilling program to test the western extension of mineralization at CSH in 2014. Abundant pyritic slate, phyllite and schist were intersected, however, no significant mineralization were found. The best intersection returned 2.17 grams per tonne gold over 2.64 meters. The Company continues to conduct surface reconnaissance and exploration for expansion opportunities around the CSH Mine, with specific focus for 2015 on the mineralization below the current open pit to explore for possible future large scale underground natural block cave mining when the open pit is finished by the end of 2022.

Mineral Reserves Update

A mine expansion plan for CSH to expand from its current 30,000 tpd to 60,000 tpd annual capacity has been prepared by the Changchun Gold Design Institute ("CGDI"). In support of this study a new mine development plan has been completed using the current resource model and a long term gold price estimate of US$1,380/ounce. Pit optimization and design was undertaken by CGDI using Micromine software. The pit limits and reserves were validated by Nilsson Mine Services Ltd. ("NMS"). Mining is carried out by the contractor China Railway 19th Bureau.

The ore reserves reported using the 2011-year end topographic surface and a cutoff grade of 0.28 g/t are increased to 213.5 million tonnes with an average diluted grade of 0.59 g/t Au. The stripping ratio is 3.31 with a total 707.4 million tonnes of waste stripped. Total material moved from the pit will be 920.9 million tonnes.

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2014 under NI 43-101:

			Contained Gold	
Type	**Quantity Mt**	**Au g/t**	**tonne**	**Moz**
Measured	50.67	0.65	32.90	1.06
Indicated	152.10	0.60	90.65	2.91
M+I	202.77	0.61	123.55	3.97
Inferred	85.40	0.51	43.38	1.39

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2014 under NI 43-101:

			Contained Gold	
Type	**Quantity Mt**	**Au g/t**	**tonne**	**Moz**
Proven	49.83	0.65	32.55	1.05
Probable	108.82	0.61	66.64	2.14
Total	158.65	0.63	99.19	3.19

The Jiama Mine

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

The Jiama Mine has both underground mining and open-pit mining operations. The open–pit mining operation consists of the smaller Tongqianshan Pit and the larger Niumatang Pit. The underground mining operation consists of two shafts which will extend from an initial depth of 355 metres to a final depth of 600 metres.

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 Jiama Expansion Program

The Company retained Mining One Pty Ltd, an engineering firm, in conjunction with independent consulting engineers and management to conduct a feasibility study on the Jiama Mine expansion program. On December 20, 2013, Mining One Pty Ltd produced an NI 43-101 Technical report – Phase II Expansion Project ("Jiama Technical Report") based on the "Feasibility Study for the Phase II Expansion Project" as prepared by the Changchun Gold Design Institute. The Jiama Technical Report was filed on sedar.com and hkexnews.hk on February 4, 2014. The Jiama Technical Report proposes to expand the Jiama Mine from its initial mining and processing capacity of 6,000 tpd to 50,000 tpd of ore. The expansion program includes the development of four open pit mines and one underground mine, and construction of a new flotation plant with a processing capacity of 44,000 tpd. The annual mill processing capacity will be increased from the current 1.8 million tonnes of ore per year to 16.5 million tonnes of ore per year, producing approximately 67,000 tonnes (148 million pounds) of copper, 2,400 tonnes (5.3 million pounds) of molybdenum, 42,000 ounces of gold, 2.8 million ounces of silver, 10,400 tonnes of lead and 4,000 tonnes of zinc annually over a 35 year mine life. The estimated capital expenditure is US$716.2 million. The project has after-tax Net Present Value (NPV) of US$1.3 billion at a discount rate of 9% at metal price assumptions of US$2.90/lb copper, US$15.5/lb molybdenum, US$1,300/oz gold, and US$20/oz silver. The project has after-tax Internal Rate of Return (IRR) of 24% and payback period of 6.7 years.

The expansion program is implemented in two stages, adding 22,000 tpd mineral processing capacity in each stage. Stage one of the expansion has undergone a wholistic load-free test run at the end of 2014, with its two source pits ready to provide ore feed. After some troubleshooting efforts, stage one is also ready for loaded test run, which is scheduled in the second quarter of 2015. Stage two of the expansion has been started and the construction is expected to be completed in 2016, along with the completion of underground development system.

The capital expenditure incurred for the Jiama Mine expansion for the year ended December 31, 2014 was US$196.48 million.

Major new contracts entered into during the year ended December 31, 2014 are as follows:

Item No.	**Contact Name**	**Counterpart**	**Subject amount** (US $ millions)	**Contract period** (effective and expiration date)	**Contract Date**
1	High Chromium Ball Purchase and Sales Contract	Anhui Province Fengxing Wear-resisting Material co., LTD	2.6	2014.2.26 to 2014.12.31.	2/16/2014
2	South Pit Outdoor Campaign Stripping Engineering Contract (China Railway 17th Bureau)	China Railway 17th Bureau Group Second Engineering Co., Ltd.	38.4	2014.8.1 to 2015.12.31	6/2/2014
3	Second Phase of Underground Mining Engineering bid (4400 m the second bid section)	China Nonferrous Metals Industry 14th Metallurgical Construction Company	198.4	2014.9.1 to 2024.8.31	4/28/2014

Production Update

	Jiama Mine			
	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Ore mined (tonnes)	**615,763**	388,459	**1,674,612**	2,104,167
Waste mined (tonnes)	**–**	–	**–**	958,453
Average copper ore grade (%)	**0.88**	0.80	**0.82**	0.70
Copper recovery rate (%)	**91**	91	**91**	90
Average gold ore grade (g/t)	**0.40**	0.48	**0.40**	0.39
Gold recovery rate (%)	**69**	67	**67**	66
Average silver ore grade (g/t)	**25.62**	22.33	**25.37**	21.30
Silver recovery rate (%)	**70**	65	**67**	64

Power Shortage

During the entire first quarter of 2014, the Jiama Mine experienced reduced power supply that affected the central Tibet region during the winter months. Copper production in the first quarter of 2014 decreased by 77% due to the power shortage.

Jiama's mineral processing plant was shut down for most of the first quarter. However, the stripping work for the Phase II expansion was not affected.

On March 31, 2014, full power supply was re-established, and production reached the designed 6,000 tpd capacity level in April 2014. The Company achieved record copper production in April 2014 and sustained the production level throughout the remainder of the year. There have been no addition power shortage occurrences since the first quarter of 2014.

In November 2014, a large hydro power plant in Tibet was put into production, and has significantly improved the power supply throughout the region. Several additional hydro power plants in Tibet are also currently under construction and will contribute more power supply in the region, meeting the local demand and neighboring regions.

Exploration

The Company has not carried out any additional exploration at the Jiama Mine in 2014 as it has been focusing on the phase II expansion program.

Mineral Resources Estimate

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

Mining One Pty Ltd. noted that gold and silver mineralization within the ore body had a significantly higher spatial variability than the other elements, and as a result, classified the Au and Ag resource presented in Table 2 separately. This classification takes into account the proposed large scale mining techniques where Au and Ag will only be credits to the overall products from the operations. Mining One Pty Ltd has assumed that Au and Ag will not be assigned a single cut-off grade for a selected mining block and will be mined in conjunction with the other elements.

Jiama Project – Cu, Mo, Pb, Zn, Au, and Ag Mineral Resources under NI 43-101
Reported at a 0.3% Cu Equivalent Cut off grade*, as of December 31, 2014

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Measured	99.0	0.41	0.04	0.04	0.02	0.11	6.53	405	35	43	23	0.306	19.526
Indicated	1385.0	0.41	0.03	0.05	0.03	0.11	6.11	5716	468	751	471	4.985	272.349
M+I	1484.1	0.41	0.03	0.05	0.03	0.11	6.14	6121	503	794	494	5.334	293.389
Inferred	406.1	0.31	0.03	0.08	0.04	0.1	5.13	1247	123	311	175	1.317	66.926

Note: Figures reported are rounded which may result in small tabulation errors.

The Copper Equivalent basis for the reporting of resources has been compiled on the following basis:

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

Mineral Reserves Estimate

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

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2014

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Proven	23.76	0.63	0.04	0.05	0.03	0.24	10.72	150	10	11	8	0.185	8.192
Probable	415.07	0.61	0.03	0.13	0.08	0.19	11.50	2541	133	551	319	2.490	153.495
P+P	438.83	0.61	0.03	0.13	0.07	0.19	11.46	2692	143	562	326	2.674	161.686

Notes:

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

   Open Pits:

   a) 5% dilution factor and 95% recovery were applied to the mining method;

   b) overall slope angles of 43 degrees;

   c) a copper price of US$2.9/lbs;

   d) an overall processing recovery of 88 – 90% for copper

   Underground:

   a) 10% dilution added to all Sub-Level Open Stoping;

   b) Stope recovery is 87% for Sub-Level Open Stoping;

   c) An overall processing recovery of 88 – 90% for copper.
3. The cut-off grade for Mineral Reserves has been estimated at copper equivalent grades of 0.3% Cu (NSR) for the open pits and 0.45%Cu (NSR) for the underground mine.

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in a capital intensive industry. The Company's liquidity requirements arise principally from the need for financing the expansion of its mining and 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 December 31, 2014, the Company had an accumulated surplus of US$195 million, working capital of US$57.7 million and borrowings of US$1,186 million. The Company's cash balance at December 31, 2014 was US$566 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US$498.5 million of 3.5% unsecured bonds maturing on July 17, 2017 and US$497.1 million of short term debt facilities with interests rates ranging from 3.62% to 6.00% per annum arranged through various banks in China. The Company has utilized short term debt facilities to fund part of its expansions for its CSH Mine and Jiama Mine. The Company believes that it has been able to achieve more favourable rates and terms through this strategy, and has not encountered any difficulty in rolling over such debt facilities through its lenders in China. The Company believes that the availability of debt financing in China at favourable rates will continue for the foreseeable future.

CASH FLOWS

The following table sets out selected cash flow data from the Company's condensed consolidated interim cash flow statements for the periods ended December 31, 2014 and December 31, 2013.

	Year ended December 31,	
	2014	2013
	US$'000	US$'000
Net cash from operating activities	**2,972**	93,793
Net cash used in investing activities	**(266,203)**	(453,776)
Net cash from (used in) financing activities	**724,212**	286,077
Net increase (decrease) in cash and cash equivalents	**460,981**	(73,906)
Effect of foreign exchange rate changes on cash and cash equivalents	**(1,290)**	(1,947)
Cash and cash equivalents, beginning of period	**105,887**	181,740
Cash and cash equivalents, end of period	**565,578**	105,887

Operating cash flow

For the year ended December 31, 2014, the net cash inflow from operating activities was US$3.0 million which is primarily attributable to (i) profit before income tax of US$62.7 million, (ii) depreciation and depletion of US$53.6 million, and (iii) increase in accounts payable and accrued liabilities of US$ 23.0 million, partially offset by (i) increase in inventory of US$ 96.5million, (ii) interest paid of US $37.7million and (iii) income tax paid of US$ 14.5 million.

Investing cash flow

For the year ended December 31, 2014, the net cash outflow from investing activities was US$266.2 million, which is primarily attributable to payment for the acquisition of property, plant and equipment of US$263.8 million and deposits paid for acquisition of property, plant and equipment of US$1.7 million, partially offset by receipt of government grants of US$0.42 million.

Financing cash flow

For the year ended December 31, 2014, the net cash inflow from financing activities was US$724.2 million, which is primarily attributable to proceeds from borrowings of US$922.5 million, partially offset by repayments of borrowings of US$230.3 million.

Expenditures Incurred

For the year ended December 31, 2014, the Company incurred mining costs of US$79.6 million, processing costs of US$40.4 million, transportation costs of US$8.3 million and resource compensation fee, which was paid to the PRC government, of US$8.6 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at December 31, 2014, the Company's total debt was US$1,548 million and the total equity was US$1,465 million. The Company's gearing ratio was therefore 1.06 as at December 31, 2014 and 0.35 as at December 31, 2013.

Restrictive covenants

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

Under the loan agreement between Jiama and 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 Syndicate loan facility is 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 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.

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

	Total	Within One year	Within Two to five years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Principal repayment of bank loans	682,444	498,783	183,661	–
Repayment of bonds	503,331	28,056	475,275	–
Operating lease commitments (a)	2,282	1,329	661	292
Capital commitments (b)	211,217	211,217	–	–
Total	1,399,274	739,385	659,597	292

(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.

RELATED PARTY TRANSACTIONS

CNG owned 39.3 percent of the outstanding common shares of the Company as at December 31, 2014 and December 31, 2013.

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 occasionally sold gold doré bars to CNG through to December 31, 2011. The pricing was based on 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 with CNG in order to regulate the sale and purchase of gold doré that was to be carried out between them for the three years ending December 31, 2012, 2013 and 2014, for the purpose of keeping the same pricing terms as the 2008 Contract. Revenue from sales of gold doré bars to CNG increased from US$174 million for the year ended December 31, 2013 to US$186 million for the year ended December 31, 2014.

On April 26, 2013, Huatailong, an indirectly wholly-owned subsidiary of the Company, entered into the Contract for Purchase and Sale of Copper Concentrate with China National Gold Group International Trading Co. Ltd, which is ultimately controlled by CNG, for the purpose of governing the sale and purchase of copper concentrates produced at the Jiama Mine for the two years ending December 31, 2013 and 2014, with pricing referenced to the prescribed figures disclosed in the contract, based on the monthly average bench mark prices of copper, gold and silver. The first sales transaction under the contract occurred in July 2013. Revenue from sales of copper and other products to CNG was US$5.8 million for the year ended December 31, 2014, compared with US$55.8 million in the same period in 2013.

For the year ended December 31, 2014, construction and engineering services of US$119.3 million were provided to the Company by subsidiaries of CNG (US$237.8 million for the year ended December 31, 2013).

In addition to the three aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business. Further detailed information regarding such services is disclosed in the Company's annual directors' report.

PROPOSED TRANSACTIONS

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Group did not have any material acquisition and disposal of subsidiaries and associated companies in the year ended December 31, 2014.

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, 2014.

CHANGE IN ACCOUNTING POLICIES

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the audited annual consolidated financial statements as at December 31, 2014.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds a number of financial instruments, the most significant of which are available-for-sale investments, accounts receivable, accounts payable, cash and loans. The financial instruments are recorded at either fair values or amortized amount on the balance sheet.

The Company did not have any financial derivatives or outstanding hedging contracts as at December 31, 2014.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2014, the Company had not entered into any off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

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

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

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

OUTSTANDING SHARES

As of December 31, 2014 the Company had 396,413,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the Company's DC&P and ICFR as of December 31, 2014 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 December 31, 2014, 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 of Year 2013 to evaluate the Company's ICFR as of December 31, 2014 and have concluded that these controls and procedures were effective as of December 31, 2014 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 year ended December 31, 2014, 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 was prepared by or under the supervision of Mr. Songlin Zhang, 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 for the Mineral Resources, Mineral Reserves and Phase II Expansion was prepared by or under the supervision of Mr. Bin Guo and Anthony R Cameron, both qualified person for the purposes of NI 43-101; all remaining information in regards to the Jiama project contained in this MD&A was prepared by or under the supervision of Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

March 25, 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(incorporated in British Columbia, Canada with limited liability)

We have audited the consolidated financial statements of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 124, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TO THE MEMBERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD. – continued

(incorporated in British Columbia, Canada with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at December 31, 2014, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 25, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

	NOTES	2014 US$'000	2013 US$'000
Revenues	28	**277,783**	302,608
Cost of sales		**(178,819)**	(200,733)
Mine operating earnings		**98,964**	101,875
Expenses			
General and administrative expenses	5	**(25,061)**	(25,703)
Exploration and evaluation expenditure	6	**(546)**	(247)
		(25,607)	(25,950)
Income from operations		**73,357**	75,925
Other income (expenses)			
Foreign exchange gain, net		**6,265**	1,514
Interest and other income		**7,012**	6,762
Finance costs	7	**(23,918)**	(10,654)
		(10,641)	(2,378)
Profit before income tax		**62,716**	73,547
Income tax expense	8	**(20,849)**	(16,365)
Profit for the year	9	**41,867**	57,182
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(7,127)**	6,882
Fair value loss on available-for-sale investments	18	**(909)**	(372)
Total comprehensive income for the year		**33,831**	63,692

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

	NOTES	2014 US$'000	2013 US$'000
Profit for the year attributable to:			
Non-controlling interests		**2,138**	2,150
Owners of the Company		**39,729**	55,032
		41,867	57,182
Total comprehensive income for the year attributable to:			
Non-controlling interests		**2,279**	2,167
Owners of the Company		**31,552**	61,525
		33,831	63,692
Basic earnings per share	12	**10.02 cents**	13.88 cents
Diluted earnings per share	12	**10.02 cents**	13.88 cents
Basic weighted average number of common shares outstanding	12	**396,413,753**	396,384,055
Diluted weighted average number of common shares outstanding	12	**396,413,753**	396,400,505

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014

	NOTES	2014 US$'000	2013 US$'000
Current assets			
Cash and cash equivalents	13	**565,578**	105,887
Accounts receivable and other receivables	14	**13,058**	9,714
Prepaid expenses and deposits	15	**17,719**	6,987
Prepaid lease payments	16	**232**	235
Inventory	17	**159,580**	61,245
		756,167	184,068
Non-current assets			
Prepaid expense and deposits	15	**6,466**	16,706
Prepaid lease payments	16	**8,140**	8,425
Inventory	17	**–**	2,001
Deferred tax assets	8	**9,037**	14,501
Available-for-sale investments	18	**21,544**	21,850
Property, plant and equipment	19	**1,274,334**	1,027,393
Mining rights	20	**937,806**	943,557
		2,257,327	2,034,433
Total assets		**3,013,494**	2,218,501
Current liabilities			
Accounts payable and accrued expenses	21	**162,669**	115,952
Borrowings	22	**526,839**	232,432
Tax liabilities		**8,912**	7,487
		698,420	355,871
Net current assets (liabilities)		**57,747**	(171,803)
Total assets less current liabilities		**2,315,074**	1,862,630

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014

	NOTES	2014 US$'000	2013 US$'000
Non-current liabilities			
Entrusted loan payable	23	**32,221**	–
Deferred tax liabilities	8	**126,036**	126,687
Deferred income	24	**1,791**	2,518
Borrowings	22	**658,936**	272,074
Environmental rehabilitation	25	**30,932**	29,826
		849,916	431,105
Total liabilities		**1,548,336**	786,976
Owners' equity			
Share capital	26	**1,229,061**	1,229,061
Reserves		**29,427**	36,304
Retained profits		**194,505**	156,066
		1,452,993	1,421,431
Non-controlling interests		**12,165**	10,094
Total owners' equity		**1,465,158**	1,431,525
Total liabilities and owners' equity		**3,013,494**	2,218,501

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2015 and are signed on its behalf by:

(Signed by) Xin Song

Xin Song
Director

(Signed by) Bing Liu

Bing Liu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

	Notes	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, 2013		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 year		–	–	–	–	–	–	55,032	55,032	2,150	57,182
Fair value loss on available-for-sale investments		–	–	–	(372)	–	–	–	(372)	–	(372)
Exchange difference arising on translation		–	–	–	–	6,865	–	–	6,865	17	6,882
Total comprehensive income for the year		–	–	–	(372)	6,865	–	55,032	61,525	2,167	63,692
Exercise of stock options (note a)	26(b)	95,000	330	(124)	–	–	–	–	206	–	206
Share-based compensation (note a)		–	–	42	–	–	–	–	42	–	42
Transfer to statutory reserve		–	–	–	–	–	6,132	(6,132)	–	–	–
Dividend paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	(209)	(209)
At December 31, 2013		396,413,753	1,229,061	11,169	187	14,883	10,065	156,066	1,421,431	10,094	1,431,525
Profit for the year		–	–	–	–	–	–	39,729	39,729	2,138	41,867
Fair value loss on available-for-sale investments		–	–	–	(909)	–	–	–	(909)	–	(909)
Exchange difference arising on translation		–	–	–	–	(7,268)	–	–	(7,268)	141	(7,127)
Total comprehensive income for the year		–	–	–	(909)	(7,268)	–	39,729	31,552	2,279	33,831
Share-based compensation (note a)		–	–	10	–	–	–	–	10	–	10
Transfer to statutory reserve		–	–	–	–	–	1,290	(1,290)	–	–	–
Dividend paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	(208)	(208)
At December 31, 2014		396,413,753	1,229,061	11,179	(722)	7,615	11,355	194,505	1,452,993	12,165	1,465,158

Notes:

(a) Amounts represent equity reserve arising from share-based compensation provided to employees under the stock option plan of the Company 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 the 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 a minimum of 10% of their profits after taxation each year to a statutory reserve until the reserve reaches 50% of the registered capital of the respective subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

AT DECEMBER 31, 2014

	2014 US$'000	2013 US$'000
Operating activities		
Profit before income tax	62,716	73,547
Items not requiring use of cash and cash equivalents:		
Amortization of mining rights	4,535	6,077
Depreciation	53,562	33,845
Finance costs	23,918	10,654
Loss on disposal of property, plant and equipment	269	324
Interest income from entrusted loan	–	(455)
Release of prepaid lease payment	194	195
Release of deferred lease inducement	(23)	(33)
Release of deferred income	(322)	(1,155)
Share-based compensation	10	42
Change in non-cash operating working capital items:		
Accounts receivable and other receivables	(3,576)	(6,251)
Prepaid expenses and deposits	(10,846)	5,161
Inventory	(96,514)	(14,461)
Accounts payable and accrued expenses	22,950	34,811
Environmental rehabilitation expenses paid	(1,746)	–
Cash generated from operations	55,127	142,301
Interest paid	(37,673)	(15,994)
Income taxes paid	(14,482)	(32,514)
Net cash from operating activities	2,972	93,793
Investing activities		
Acquisition of available-for-sale investments	(644)	(849)
Deposit paid for acquisition of property, plant and equipment	(1,651)	(11,728)
Payment for acquisition of property, plant and equipment	(263,845)	(458,739)
Payment for acquisition of land use rights	(105)	(1,821)
Proceeds from disposal of property, plant and equipment	–	4
Receipt of asset-related government grants	42	2,850
Repayment of entrusted loan to a substantial shareholder	–	16,507
Net cash used in investing activities	(266,203)	(453,776)

AT DECEMBER 31, 2014

	2014 US$'000	2013 US$'000
Financing activities		
Dividend paid to a non-controlling shareholder	(208)	(209)
Issuance of common shares upon exercise of share options	–	206
Proceeds from borrowings	922,480	317,449
Proceeds from entrusted loan advanced by a substantial shareholder	32,221	–
Repayments of borrowings	(230,281)	(31,369)
Net cash from financing activities	724,212	286,077
Effect of foreign exchange rate changes on cash and cash equivalents	(1,290)	(1,947)
Net increase (decrease) in cash and cash equivalents	459,691	(75,853)
Cash and cash equivalents, beginning of year	105,887	181,740
Cash and cash equivalents, end of year	565,578	105,887
Cash and cash equivalents are comprised of		
Cash and bank deposits in bank	565,578	105,887

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 PRC. Particulars of the subsidiaries of the Company are set out in Note 35. The Group considers that China National Gold Group Corporation ("CNG"), a state owned company registered in Beijing, PRC which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC, is able to exercise significant influence over the Company.

The head office, principal address and registered and records office of the Company are located at Suite 660, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M5.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new or amended IFRSs, international accounting standards ("IASs") or interpretation ("IFRIC-Int") issued by IFRS interpretations committee ("IFRIC") which are mandatorily effective for the financial year beginning January 1, 2014:

Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC – Int 21	Levies

The application of the new or amended IFRSs, IASs or interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has not early applied the following new or amended IFRSs or interpretation that has been issued but is not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after January 1, 2018

2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016

3 Effective for annual periods beginning on or after January 1, 2017

4 Effective for annual periods beginning on or after July 1, 2014

5 Effective for annual periods beginning on or after January 1, 2016

6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

Other than IFRS 15, the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognized at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period which cannot exceed one year from the acquisition date, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Interests in subsidiaries

Investments in subsidiaries recorded at the Company level are stated at cost (including deemed capital contribution) less subsequent accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in foreign currencies are initially recorded in the entity's functional currency at the exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

Share-based payments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable income for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to state-managed retirement benefit scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Cash and cash equivalents

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

Prepaid lease payments

Prepaid lease payments representing land use rights in the PRC are stated at cost and amortized on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortized in the next twelve months or less are classified as current assets.

Inventory

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Gold in process inventory consists of gold contained in the ore on leach pads and in-circuit material within processing operations. Gold doré bar is gold awaiting refinement and gold refined and ready for sales.

Gold in process inventory

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventory (Cont'd)

Gold doré bars inventory

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

Copper inventory is copper concentrate after metallurgical processing and ready for sales.

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

Property, plant and equipment

General

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

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

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

Exploration and evaluation expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Exploration and evaluation expenditure (Cont'd)

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

- Geology – whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. A history of conversion of resources to reserves at operating mines to support the likelihood of conversion.
- Scoping – there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.
- Accessible facilities – mining property can be processed economically at accessible mining and processing facilities where applicable.
- Life of mine plans – an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing orebody.
- Authorizations – operating permits and feasible environmental programs exist or are obtainable.

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

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

Development expenditure

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

Production expenditure

Capitalization of costs incurred ceases when the related mining property has reached the condition necessary for it to be capable of operating in the manner intended by management, therefore, such costs incurred are capitalized as part of the mineral assets and the proceeds from sales prior to commissioning are offset against costs capitalized.

Mine development costs incurred to maintain current production are included in profit or loss. For those areas being developed which will be mined in future periods, the costs incurred are capitalized and depleted when the related mining area is mined.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Depreciation

Mineral assets are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mine when the production level achieved designed production volume intended by Management.

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

Assets under construction are not depreciated until they are substantially complete and available for their intended use.

Leasehold improvements are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

Mining rights

Mining rights are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mine.

Mining rights acquired in a business combination

Mining rights acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, mining rights with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

Impairment of tangible assets and mining rights

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and mining rights to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Mining rights (Cont'd)

Impairment of tangible assets and mining rights (Cont'd)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years.

Financial instruments

The Group's financial assets and liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months or those that are expected to be settled after twelve months from the end of the reporting period, which are classified as non-current assets. Assets in this category include "accounts receivable", "cash and cash equivalents", "amounts due from related companies" and "amount due from a non-controlling shareholder" (included in prepaid expenses).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Available-for-sale financial assets (Cont'd)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include the following:

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

Trade receivables (included in accounts receivable) assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

Any impairment on financial assets that are measured at amortized costs, excluding trade receivables, is deducted directly to their carrying amounts. Any impairment on trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in investment revaluation reserve.

Derecognition of financial assets

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

Financial liabilities and equity instruments

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

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

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments

Financial liabilities

Financial liabilities, including borrowings, entrusted loan payable, accounts payable and accrued expenses excluding advance from customers, tax payables other than income tax payables and accruals, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

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

Environmental rehabilitation

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

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

Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, the Group has identified the following key sources of estimation uncertainty that have significant effect on the amounts recognized in the consolidated financial statements.

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

(a) Inventories

The Group records the cost of gold mining ore placed on its leach pads and in process at its mine as gold in process inventory, and values gold in process inventory at the lower of cost and estimated net realizable value. The assumptions used in the valuation of gold in process inventories include estimates of gold contained in the ore placed on leach pads, assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads, and the amount of gold in the process plant and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove inaccurate, the Group could be required to write down the recorded value of its gold in process inventories. During the year, there is no change in the relevant estimation.

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

The management of the Group (the "Management") periodically reassesses the assumptions used in the valuation of gold in process and the costing of production of gold doré bars, particularly the assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads (the "Estimated Recovery Rate"). As a result of such reassessments, an increase/decrease in the Estimated Recovery Rate led to a decrease/increase in the average production cost of gold doré bars. During the year, there is no change in the relevant estimation.

The carrying amount of gold in process and gold doré bars as at December 31, 2014 is disclosed in Note 17.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(b) Mineral assets

The Group's mineral assets included in property, plant and equipment is depreciated and amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of depreciation of mineral assets is based on the amount of reserves expected to be recovered from the mine, as included in the technical report prepared by an independent valuer and the assumption that the Group is able to be renew the mining rights without significant cost until the end of the mine's life. If these estimates of reserves prove to be inaccurate, or if the Group revises its mining plan, due to reductions in the metal price forecasts or otherwise, to reduce the amount of reserves expected to be recovered, the Group could be required to write down the recorded value of its property, plant and equipment, or to increase the amount of future depreciation and depletion expense.

The Group believes that it is able to renew the mining rights without significant cost until the end of the life of the mine. If the renewal of mining rights is unsuccessful, the Group could be required to write down the recorded value of its property, plant and equipment.

The carrying amount of mineral assets as at December 31, 2014 is disclosed in Note 19.

(c) Mining rights

The Group's mining rights in the Jiama polymetallic mineral property ("Jiama Mine"), are amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of amortization of mining rights is based on the amount of reserves expected to be recovered from the Jiama Mine as included in the technical report prepared by an independent valuer and the assumption is that the mining rights are renewable by the Group without significant cost until the end of the mine's life. If these estimates of reserves prove to be inaccurate, or if the Group revises its mining plan, due to reductions in the future prices of copper, lead and silver, or otherwise, to reduce the amount of reserves expected to be recovered or any material delay in construction periods or commencement of commercial production in Phase II of the Jiama Mine, the Group could be required to write down the recorded value of its mining rights, or to increase the amount of future amortization expense.

The Group believes that it is able to renew the mining rights without significant cost until the end of the life of the mine. If the renewal of mining rights is unsuccessful, the Group could be required to write down the recorded value of its mining rights.

The carrying amount of mining rights as at December 31, 2014 is disclosed in Note 20.

(d) Environmental rehabilitation

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

During the year ended December 31, 2013, estimated environmental rehabilitation costs were increased by US$21,700,000 due to phase two expansion in both Jiama and CSH mine sites.

The carrying amount of environmental rehabilitation costs as at December 31, 2014 is disclosed in Note 25.

5. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
	US$'000	US$'000
Administration and office	**6,925**	8,641
Professional fees	**2,464**	4,041
Salaries and benefits [1]	**10,812**	10,259
Depreciation of property, plant and equipment	**3,182**	1,301
Others	**1,678**	1,461
Total general and administrative expenses	**25,061**	25,703

(1) Share-based compensation (a non-cash item) of approximately US$10,000 has been included in salaries and benefits for the year ended December 31, 2014 (2013: US$42,000).

6. EXPLORATION AND EVALUATION EXPENDITURE

	2014	2013
	US$'000	US$'000
CSH Gold Mine (Note 19(a))	**471**	243
Generative exploration	**75**	4
Total exploration and evaluation expenditure	**546**	247

7. FINANCE COSTS

	2014 US$'000	2013 US$'000
Effective interests on borrowings:		
– wholly repayable within 5 years	37,673	15,995
Accretion on environmental rehabilitation (Note 25)	2,657	763
	40,330	16,758
Less: Amounts capitalised to property, plant and equipment	(16,412)	(6,104)
Total finance costs	23,918	10,654

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

	2014 %	2013 %
Capitalization rate	4.35	4.32

8. INCOME TAX EXPENSE

The Company was incorporated in Canada and is subject to Canadian federal and provincial tax requirements which are calculated at 26% (2013: 25.75%) of the estimated assessable profit for the year ended December 31, 2014. Since its incorporation, the Company had no assessable profit subject to Canadian federal and provincial tax requirements.

PRC Enterprise Income Tax ("EIT") is calculated at the prevailing tax rate of 25% on the estimated taxable profit of the group entities located in the PRC for the years ended December 31, 2014 (2013: 25%) except as described below.

Tibet Huatailong Mining Development Co. Ltd. ("Huatailong") and Metrorkongka County Jiama Industry and Trade Co. ("Jiama Industry and Trade"), subsidiaries acquired in December 2010, were established in the westward development area of the PRC and subject to preferential tax rate of 15% of taxable profit.

Under relevant PRC Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated distributable profits of the PRC subsidiaries amounting to approximately US$323,681,000 and US$272,754,000 at December 31, 2014 and 2013, respectively, as the Company is able to control the timing of the reversal of temporary differences and it is probable the temporary differences will not reverse in the foreseeable future.

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

8. INCOME TAX EXPENSE (Cont'd)

Tax expense comprises:

	2014 US$'000	2013 US$'000
Current tax expense – PRC EIT	16,036	27,738
Deferred tax expense (credit)	4,813	(11,373)
	20,849	16,365

Per the consolidated statement of profit or loss and other comprehensive income, the tax expense for the Group can be reconciled to the profit before income tax for the year as follows:

	2014 US$'000	2013 US$'000
Profit before income tax	62,716	73,547
PRC EIT tax rates	25%	25%
Tax at the PRC EIT tax rates	15,679	18,387
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	153	(37)
Tax effect of concessionary tax rate	(634)	(2,066)
Tax effect of tax losses not recognized	446	1,929
Tax effect of non-deductible expenses	3,227	1,769
Utilization of deductible temporary differences previously not recognized	–	(3,617)
Tax effect of non-taxable income	(48)	–
Tax effect of deductible temporary differences not recognized	2,026	–
	20,849	16,365

8. INCOME TAX EXPENSE (Cont'd)

The following are the major deferred tax (assets) liabilities recognized and movements thereon during the current and prior years:

	Property, Plant and equipment US$'000	Environmental rehabilitation US$'000	Mining Rights [1] US$'000	Inventory US$'000	Prepaid lease payment US$'000	Others US$'000	Total US$'000
At January 1, 2013	(8,408)	(1,450)	135,356	(1,425)	99	(613)	123,559
(Credit) charge to profit or loss	123	(3,947)	(4,698)	(2,881)	(99)	129	(11,373)
At December 31, 2013	(8,285)	(5,397)	130,658	(4,306)	–	(484)	112,186
Charge (credit) to profit or loss	(1,383)	(471)	(3,971)	8,504	–	2,134	4,813
At December 31, 2014	(9,668)	(5,868)	126,687	4,198	–	1,650	116,999

[1] Amount represents deferred tax liability arising from the fair value adjustment on mining rights during the business acquisition of Skyland in December 2010.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 US$'000	2013 US$'000
Deferred tax assets	**9,037**	14,501
Deferred tax liabilities	**(126,036)**	(126,687)
	(116,999)	(112,186)

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

	2014 US$'000	2013 US$'000
Deferred income tax assets		
Tax loss carry forwards	**14,797**	14,351
Other deductible temporary differences	**614**	283
Total unrecognized deferred income tax assets	**15,411**	14,634

Deferred tax asset of US$14,797,000 (December 31, 2013: US$14,351,000) has not been recognized in respect of unused tax loss due to the unpredictability of future profit streams. Under Canadian tax laws, unused tax loss arising in a tax year ended between March 22, 2004 and December 31, 2005 can be carried forward for 10 years while the unused tax loss can be carried forward for 20 years if the loss is arising in tax years ended after December 31, 2005.

Other deductible temporary differences primarily comprise of share issue costs and cumulative eligible capital expenditures that were incurred by the Company which are tax deductible according to the relevant tax law in Canada. No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable and not probable.

9. PROFIT FOR THE YEAR

	2014 US$'000	2013 US$'000
Auditor's remuneration	683	714
Depreciation included in cost of sales and inventory	50,380	32,544
Depreciation included in administrative expenses (Note 5)	3,182	1,301
Total depreciation	53,562	33,845
Release of prepaid lease payment (included in cost of sales)	194	195
Amortization of mining rights (included in cost of sales)	4,535	6,077
Loss on disposal of property, plant and equipment	13	324
Staff costs		
Directors' and chief executive's emoluments (Note 10)	475	505
Retirement benefit contributions	720	1,127
Staff salaries and benefits	9,617	8,627
Total salaries and benefits included in administrative expenses (Note 5)	10,812	10,259
Staff salaries and benefits	4,064	2,800
Total salaries and benefits capitalised in construction in progress	4,064	2,800
Staff costs included in cost of sales and inventory	12,943	12,170
Total staff costs	27,819	25,229
Operating lease payment	1,224	1,376
Bank interest income	(3,775)	(1,688)
Government subsidies[1]	(322)	(5,074)

(1) Government subsidies of US$3,604,000 had been received from the local Finance Bureau of Tibet in 2013 as a reward for the Group's contribution to community development and environmental preservation in the local Tibet region. There was no condition attached to the subsidies and the entire amount is recognized as other income in 2013.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of the nine (2013: nine) directors and the Chief Executive were as follows:

For the year ended December 31, 2014

	Fees US$'000	Salaries and other benefits US$'000	Retirement benefit contributions US$'000	Share-based compensation US$'000	Total US$'000
Directors					
Xin Song****	–	–	–	–	–
Bing Liu*	–	–	–	–	–
Xiangdong Jiang*	–	181	2	–	183
Zhanming Wu**	–	77	4	–	81
Liangyou Jiang**	–	18	2	–	20
Lianzhong Sun***	–	–	–	–	–
Yunfei Chen	44	–	–	2	46
Ian He	49	–	2	2	53
Gregory Hall	44	–	–	2	46
John King Burns	44	–	–	2	46
	181	276	10	8	475

For the year ended December 31, 2013

	Fees US$'000	Salaries and other benefits US$'000	Retirement benefit contributions US$'000	Stock-based compensation US$'000	Total US$'000
Directors					
Zhaoxue Sun****	–	–	–	–	–
Xin Song*	–	–	–	–	–
Bing Liu*	–	–	–	–	–
Xiangdong Jiang*	–	181	2	–	183
Zhanming Wu*	–	134	–	–	134
Yunfei Chen	35	–	–	10	45
Ian He	40	–	2	10	52
Gregory Hall	35	–	–	11	46
John King Burns	34	–	–	11	45
	144	315	4	42	505

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' and Chief Executive's emoluments (Cont'd)

* Executive Director

** Executive Director, Liangyou Jiang was appointed immediately following the resignation of Zhanming Wu during the year ended December 31, 2014

*** Non-Executive director, Lianzhong Sun was appointed during the year ended December 31, 2014

**** Chairman of the Board, Xin Song was appointed immediately following the resignation of Zhaoxue Sun during the year ended December 31, 2014

Mr. Bing Liu is a director and Chief Executive of the Company. The emoluments disclosed above are inclusive of services rendered by him as the Chief Executive.

Mr. Xin Song, Mr. Bing Liu and Mr. Lianzhong Sun have also been employed by CNG and the payment of their contributions to retirement benefits scheme was centralised and made by CNG for both years, in which the amounts are considered as insignificant.

For the years ended December 31, 2014 and 2013, none of the directors of the Company have waived or agreed to waive any emoluments.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Employees' emoluments

The five highest paid individuals included one (2013: one) director for the year ended December 31, 2014. The emoluments of the remaining four (2013: four) individuals for the year ended December 31, 2014, are as follows:

	2014 US$'000	2013 US$'000
Employees		
Salaries and other benefits	654	654
Retirement benefit contributions	4	4
	658	658

Their emoluments were within the following bands:

	No. of individuals 2014	2013
HK$nil to HK$1,000,000 (equivalent to approximately US$nil to US$129,000)	1	–
HK$1,000,001 to HK$1,500,000 (equivalent to approximately US$129,001 to US$193,000)	2	4
HK$1,500,001 to HK$2,000,000 (equivalent to approximately US$193,001 to US$258,000)	1	–

During the years ended December 31, 2014 and 2013, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDEND

No dividends were paid or proposed during 2014 and 2013, nor has any dividend been proposed since the end of reporting period.

12. EARNINGS PER SHARE

Earnings used in determining earnings per share are presented below:

	2014 US$'000	2013 US$'000
Profits attributable to owners of the Company for the purposes of basic and diluted earnings per share	39,729	55,032
Weighted average number of shares, basic	396,413,753	396,384,055
Dilutive securities		
– Stock options	–	16,450
Weighted average number of shares, diluted	396,413,753	396,400,505
Basic earnings per share	10.02 cents	13.88 cents
Diluted earnings per share	10.02 cents	13.88 cents

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for 2014.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group are comprised of bank balances and bank deposits with an original maturity of three months or less. The Group's bank balances and cash equivalents are denominated in the foreign currencies other than the respective group entities' functional currencies are presented below:

	2014 US$'000	2013 US$'000
Denominated in:		
Canadian dollars ("CAD")	910	3,008
Renminbi ("RMB")	30,367	43,072
US$	14	20
Hong Kong dollars ("HK$")	272	273
Total cash and cash equivalents	31,563	46,373

The bank balances and bank deposits carry interest rates ranging from 0.35% to 1.92% (2013: 0.35% to 3.5%) per annum for the year ended December 31, 2014.

14. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The Group's accounts receivable arise from the following sources: trade receivables and amounts due from related companies. These are broken down as follows:

	2014 US$'000	2013 US$'000
Trade receivables	8,303	740
Less: allowance for doubtful debts	(167)	(145)
	8,136	595
Amounts due from related companies (Note 27(a)) [1]	4,591	3,354
Other receivables	331	5,765
Total accounts receivable and other receivables	13,058	9,714

[1] The outstanding balances represent service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the years ended December 31, 2014 and December 31, 2013. The amounts are unsecured, interest free and repayable on demand.

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

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

	2014 US$'000	2013 US$'000
Less than 30 days	7,852	40
31 to 90 days	202	480
91 to 180 days	21	45
Over 180 days	61	30
	8,136	595

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The customers with balances that are neither past due nor impaired have good repayment history and thus no impairment is considered necessary.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$61,000 and US$30,000 at December 31, 2014 and 2013, respectively, which are past due over six months 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.

14. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES (Cont'd)

Movement in the allowance for doubtful debts:

	2014 US$'000	2013 US$'000
At January 1	**145**	50
Addition	**26**	93
Exchange realignment	**(4)**	2
At December 31	**167**	145

The Group holds no collateral for any receivable amounts outstanding as at December 31, 2014 and 2013.

15. PREPAID EXPENSES AND DEPOSITS

	2014 US$'000	2013 US$'000
Deposits for mine supplies and services (note a)	9,969	2,288
Deposits for spare parts	4,681	1,306
Deposits for environmental protection (note b)	4,043	4,212
Deposit for acquisition of property, plant and equipment (note c)	1,651	11,728
Prepaid property and machinery insurance	279	820
Amount due from a non-controlling shareholder (note d)	449	435
Other prepayment and deposits	3,113	2,904
Total prepaid expenses, deposits and other receivables	24,185	23,693
Less: Amounts that will be settled or utilized within one year shown under current assets	(17,719)	(6,987)
Amounts that will be settled or utilized for more than one year shown under non-current assets	6,466	16,706

Notes:

a. The amount represents deposits paid to third party vendors and related companies (Note 27) for purchasing of raw materials and inventory consumable.

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 and is expected to be repaid after one year and therefore it is shown as a non-current asset at both 2014 and 2013 year end.

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 represented the amount due from Metrorkonga Jiama Cooperatives ("Jiama Cooperatives"), a non-controlling shareholder of Jiama Industry and Trade, a 51% owned subsidiary of Huatailong. Huatailong, a wholly owned subsidiary of the Company, paid RMB2,450,000 (equivalent to approximately US$449,000) on behalf of Jiama Cooperatives as the 49% capital contribution to Jiama Industry and Trade.

   The amount is unsecured, interest-free and repayable on demand. As agreed between Huatailong and Jiama Cooperatives, Jiama Cooperatives can use future distribution of dividend by Jiama Industry and Trade to settle the amount. The Group considers that the amount due from Jiama Cooperatives will not be repayable within one year; therefore, it is classified as non-current asset.

16. PREPAID LEASE PAYMENTS

	US$'000
At January 1, 2013	6,820
Additions	1,821
Release to profit or loss	(195)
Exchange realignment	214
At December 31, 2013 and January 1, 2014	8,660
Additions	105
Release to profit or loss	(194)
Exchange realignment	(199)
At December 31, 2014	8,372

	2014	2013
	US$'000	US$'000
Analyzed for reporting purpose:		
Current portion	**232**	235
Non-current portion	**8,140**	8,425
	8,372	8,660

Prepaid lease payments represent payments for medium-term leasehold land located in the PRC. The prepaid lease payments are released to profit or loss over the remaining lease terms.

17. INVENTORY

	2014 US$'000	2013 US$'000
Gold in process	124,850	44,628
Gold doré bars	11,861	4,182
Consumables	5,674	5,959
Copper	7,327	122
Spare parts	9,868	8,355
Total inventory	159,580	63,246
Less: Amounts expected to be recovered after 12 months (note) (shown under non-current assets)	–	(2,001)
Amounts shown under current assets	159,580	61,245

Note:

At December 31 2013, management had taken into consideration the long-term process involved in recovering gold from the heap leaching system and had classified inventory, specifically, the gold in process, that was expected to be recovered more than twelve months after the end of the reporting period into non-current assets.

Inventory totalling US$174,530,000 (2013: US$200,355,000) for the year ended December 31, 2014 was recognized in cost of sales.

18. AVAILABLE-FOR-SALE INVESTMENTS

	December 31, 2014 US$'000	December 31, 2013 US$'000
Listed investment:		
– Equity securities listed in Hong Kong [1]	19,289	20,198
Unlisted investment:		
– Equity securities [2] [3]	2,255	1,652
	21,544	21,850

[1] On June 29, 2012, the Group acquired 70,545,000 shares of China Nonferrous Mining Corporation Limited ("CNMC"), a listed company in Hong Kong at HK$2.20 per share for a total consideration of US$20,011,000 which represents 2.03% equity interest in CNMC.

On December 31, 2014, the investment was stated at fair value on quoted bid prices on December 31, 2014 and a fair value loss of US$909,000 (2013: loss of US$372,000) has been recognized in other comprehensive income.

[2] As of December 31, 2014, the Group has invested RMB10,000,000 (approximately US$1,611,000, 2013: US$1,652,000) representing a 10% share interest in Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd. ("Yong'an Chemicals"). Yong'an Chemicals is incorporated in the PRC and principally engaged in the development and manufacturing of chemicals.

[3] As of December 31, 2014, the Group has invested RMB4,000,000 (approximately US$644,000, 2013: nil) representing a 10% share interest in Mozu Gongka Jiulian Industrial Explosives Material Co. Ltd. ("Mozu Explosives"). Mozu Explosives is incorporated in the PRC and principally engaged in the development and manufacturing of explosives.

Both Yong'an Chemicals and Mozu Explosives are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the fair values cannot be measured reliably.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Crusher	Furniture and office equipment	Machinery and equipment	Motor vehicles	Leasehold improvements	Mineral assets	Construction in progress ("CIP")	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST									
At January 1, 2013	162,558	72,283	1,794	88,140	5,890	100	124,805	128,863	584,433
Additions	3,037	–	654	4,828	1,986	–	72,510	423,939	506,954
Disposals	–	–	–	(418)	(49)	–	–	–	(467)
Transfer from CIP	30,678	–	–	–	–	–	–	(30,678)	–
Environmental rehabilitation adjustment (Note 25)	–	–	–	–	–	–	21,700	–	21,700
Exchange realignment	4,685	–	186	1,601	145	–	2,737	7,534	16,888
At December 31, 2013	200,958	72,283	2,634	94,151	7,972	100	221,752	529,658	1,129,508
Additions	9,378	4,498	731	4,494	664	185	84,144	214,975	319,069
Disposals	–	–	–	(373)	–	–	–	–	(373)
Transfer from CIP	8,132	139,098	5	595	–	–	–	(147,830)	–
Environmental rehabilitation adjustment (Note 25)	–	–	–	–	–	–	947	–	947
Exchange realignment	(4,518)	–	(29)	(1,400)	(152)	–	(2,735)	(11,543)	(20,377)
At December 31, 2014	213,950	215,879	3,341	97,467	8,484	285	304,108	585,260	1,428,774
ACCUMULATED DEPRECIATION									
As at January 1, 2013	(11,941)	(15,210)	(1,116)	(21,171)	(2,012)	(56)	(15,812)	–	(67,318)
Provided for the year	(7,917)	(6,222)	(176)	(7,430)	(922)	(20)	(11,158)	–	(33,845)
Eliminated on disposals	–	–	–	94	45	–	–	–	139
Exchange realignment	(395)	–	(100)	(359)	(52)	–	(185)	–	(1,091)
At December 31, 2013	(20,253)	(21,432)	(1,392)	(28,866)	(2,941)	(76)	(27,155)	–	(102,115)
Provided for the year	(9,205)	(8,092)	(482)	(8,198)	(1,053)	(28)	(26,504)	–	(53,562)
Eliminated on disposals	–	–	–	104	–	–	–	–	104
Exchange realignment	474	–	14	396	58	–	191	–	1,133
At December 31, 2014	(28,984)	(29,524)	(1,860)	(36,564)	(3,936)	(104)	(53,468)	–	(154,440)
CARRYING VALUE									
At December 31, 2014	184,966	186,355	1,481	60,903	4,548	181	250,640	585,260	1,274,334
At December 31, 2013	180,705	50,851	1,242	65,285	5,031	24	194,597	529,658	1,027,393

19. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment, except for mineral assets, are depreciated using the straight-line method over the estimated useful lives of the related assets 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	Over the shorter of the term of lease, or 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 contains proven and probable reserves and 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 Assets

(a) CSH Gold Mine

CSH Gold Mine, in which our Group holds a 96.5% interest, consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. The site is centrally positioned within the east-west-trending Tian Shan Gold Belt and is approximately 650 kilometers ("km") northwest of Beijing. The carrying value of the CSH Gold Mine in relation to mineral assets is US$181,120,000 as at December 31, 2014 (December 31, 2013: US$122,216,000).

(b) Jiama Mine

The Jiama Mine, a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet, in which the Group holds 100% interest through its wholly-owned subsidiary, Skyland. The Group acquired Skyland on December 1, 2010. The Jiama Mine holds two mining 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$69,520,000 as at December 31, 2014 (December 31, 2013: US$72,381,000).

20. MINING RIGHTS

Mining rights

	US$'000
COST	
At January 1, 2013	979,425
Exchange realignment	1,452
At December 31, 2013 and January 1, 2014	980,877
Exchange realignment	(1,270)
At December 31, 2014	979,607
ACCUMULATED AMORTIZATION	
At January 1, 2013	(31,193)
Additions	(6,077)
Exchange realignment	(50)
At December 31, 2013 and January 1, 2014	(37,320)
Additions	(4,535)
Exchange realignment	54
At December 31, 2014	(41,801)
CARRYING VALUE	
At December 31, 2014	937,806
At December 31, 2013	943,557

Mining rights represent two mining rights in the Jiama Mine, in relation to the copper concentrate and other by-products production, acquired through the acquisition of the Skyland Group. The mining rights will expire in 2015, the Group considers that it will be able to renew the mining rights with the relevant government authority continuously at an insignificant cost based on historical experience.

Amortization on mining rights acquired 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.

21. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accounts payable and accrued expenses comprise the following:

	2014 US$'000	2013 US$'000
Accounts payable	54,374	33,053
Construction cost payables	84,095	57,010
Advances from customers	14	513
Mining cost accrual	6,895	2,872
Other accruals	5,976	4,253
Payroll and benefit accruals	4,249	4,551
Other tax payables	4,847	4,526
Other payables	2,219	9,174
	162,669	115,952

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

	2014 US$'000	2013 US$'000
Less than 30 days	44,446	28,533
31 to 90 days	2,521	214
91 to 180 days	1,584	141
Over 180 days	5,823	4,165
Total accounts payable	54,374	33,053

22. BORROWINGS

The borrowings are repayable as follows:

	December 31, 2014 US$'000	December 31, 2013 US$'000
Carrying amount repayable within one year (Note 1)	526,839	232,432
Carrying amount repayable within one to two years	183,661	181,217
Carrying amount repayable within two to five years (Note 2)	475,275	90,857
	1,185,775	504,506
Less: Amounts due within one year (shown under current liabilities)	(526,839)	(232,432)
Amounts shown under non-current liabilities	658,936	272,074

Note:

1. As at December 31, 2014, loans of principal amount of RMB397 million (equivalent to approximately US$64 million) and RMB230 million (equivalent to approximately US$37 million) with original repayment terms due in 2015 did not meet the loan covenant primarily related to the asset/debt ratio of a PRC subsidiary of the Company. The lender did not request accelerated repayment of these loans.
2. On July 17, 2014, the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, completed the issuance of bonds in an aggregate principal amount of US$500 million, listed on The Stock Exchange of Hong Kong Limited. The bonds were issued at a price of 99.634%, bearing interest rate of 3.5% with a maturity date of July 17, 2017. Interest is payable in equal semi-annual instalments on January 17 and July 17 in each year. The bonds are unconditionally and irrevocably guaranteed by the Company.

Analysed as:

	December 31, 2014 US$'000	December 31, 2013 US$'000
Secured	80,553	188,734
Unsecured	1,105,222	315,772
	1,185,775	504,506

Borrowings carry interest at effective interest rates ranging from 3.5% to 6.00% (December 31, 2013: 2.85% to 6.08%) per annum.

Fixed rate loans amounted to approximately US$690,213,000 (December 31, 2013: US$110,511,000) carrying weighted average effective interest rate of 4.28% (December 31, 2013: 4.75%) per annum.

22. BORROWINGS (Cont'd)

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

	December 31, 2014 US$'000	December 31, 2013 US$'000
Property, plant and equipment	**197,605**	204,265
Mining rights	**937,806**	943,557
	1,135,411	1,147,822

23. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three-year entrusted loan agreement with China National Gold Group Corporation ("CNG"), a substantial shareholder (Note 27) and China Construction Bank ("CCB") in which CNG provided a loan of RMB200 million (equivalent to approximately US$32,221,000) to the Group through CCB as the entrusted bank. The entrusted loan is unsecured and carries interest at a fixed rate of 3% per annum. The principal amount is to be repaid on January 17, 2017.

24. DEFERRED INCOME

	2014 US$'000	2013 US$'000
Deferred income – government grants	**1,772**	2,476
Deferred lease inducement	**19**	42
Total deferred income	**1,791**	2,518

Pursuant to the approval notices issued by the Environmental Protection Department of Tibet Autonomous Region in August 2012, Jiama received government grants in relation to the contamination control of heavy metal ion acidulated water project amounting to RMB9,840,000 (equivalent to approximately US$1,600,000) during the year ended December 31, 2013. 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.

Movement in the deferred income – government grants:

	2014 US$'000	2013 US$'000
At January 1	**2,476**	728
Addition	**42**	2,972
Charged to other income	**(322)**	(1,276)
Exchange realignment	**(424)**	52
At December 31	**1,772**	2,476

25. ENVIRONMENTAL REHABILITATION

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine and Jiama Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total US$84,249,000 (2013: US$87,368,000), discounted at 8.3% (2013: 9.3%) per annum at December 31, 2014.

The following is an analysis of the environmental rehabilitation:

	2014 US$'000	2013 US$'000
At January 1	29,826	6,813
Additions to site reclamation	–	18,823
Expenses incurred during the year	(1,746)	–
Additions resulted from change in discount rate during the year	947	2,877
Accretion incurred in the current year	2,657	763
Exchange realignment	(752)	550
At December 31	30,932	29,826

26. SHARE CAPITAL AND OPTIONS

(a) Common shares

(i) Authorized – Unlimited common shares without par value

(ii) Issued and outstanding

	Number of shares	Amount US$'000
Issued & fully paid:		
At January 1, 2013	396,318,753	1,228,731
Exercise of stock option	95,000	330
At December 31, 2013 January 1, 2014 and December 31, 2014	396,413,753	1,229,061

26. SHARE CAPITAL AND OPTIONS (Cont'd)

(b) Stock options

The Group has a stock option plan which permits the board of directors of the Company to grant options to directors and employees to acquire common shares of the Company at the price 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 the grant date. The fair market value of the exercise price is the volume weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the board of directors.

The following is a summary of option transactions under the Group's stock option plan during the year:

	2014		2013	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance at January 1	400,000	5.56	540,000	4.62
Options exercised	–	–	(95,000)	2.20
Options expired	–	–	(45,000)	2.20
Balance at December 31	400,000	5.56	400,000	5.56

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 shares vested immediately, on June 2, 2011 and June 2, 2012, an additional 20% of the options vested on June 2, 2013 and on June 2, 2014, respectively. The fair value of these options at date of grant was approximately US$860,000, of which approximately US$10,000 and US$42,000 were charged to the profit or loss for the year ended December 31, 2014 and 2013 respectively. No stock options were granted during the year ended December 31, 2014 and 2013.

26. SHARE CAPITAL AND OPTIONS (Cont'd)

(b) Stock options (Cont'd)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2014:

Expiring in	Options outstanding: Number of stock options	Options outstanding: Remaining contractual life (years)	Options outstanding: Exercise price CAD	Options exercisable: Number of stock options	Options exercisable: Exercise price CAD
2015	**400,000**	**0.42**	**6.09**	**400,000**	**6.09**

The following table summarizes information about stock options outstanding and exercisable at December 31, 2013:

Expiring in	Options outstanding: Number of stock options	Options outstanding: Remaining contractual life (years)	Options outstanding: Weighted average exercise price CAD	Options exercisable: Number of stock options	Options exercisable: Weighted average exercise price CAD
2015	400,000	1.42	5.56	320,000	5.43

The fair value of options granted was determined using the Black-Scholes option pricing model at the grant date.

27. 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 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 years are as follows:

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

	December 31, 2014 %	December 31, 2013 %
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 transactions with CNG and CNG's subsidiaries:

	December 31, 2014 US$'000	December 31, 2013 US$'000
Gold doré bars sales by the Group	**185,914**	173,985
Copper and other product sales by the Group	**5,771**	55,819
Provision of transportation services by the Group	**4,214**	2,724
Construction services provided to the Group	**119,348**	237,794

27. RELATED PARTY TRANSACTIONS (Cont'd)

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

(i) Transactions/balance with CNG and its subsidiaries (Cont'd)

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

	December 31, 2014 US$'000	December 31, 2013 US$'000
Assets		
Amounts due from related companies (Note 14)	4,591	3,354
Deposits (Note 15)	926	931
Total amounts due from CNG and its subsidiaries	5,517	4,285

The amounts due from CNG and its subsidiaries which are included in other receivables is non-interest bearing, unsecured and repayable on demand.

	December 31, 2014 US$'000	December 31, 2013 US$'000
Liabilities		
Entrusted loan payable (Note 23)	32,221	–
Other payable to CNG's subsidiaries	1,687	2,185
Customer advance paid by CNG's subsidiary	37	6,595
Construction payable to CNG's subsidiaries	9,597	–
Total amounts due to CNG and its subsidiaries	43,542	8,780

The amount due to CNG and its subsidiaries which are included in other 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 has also entered into transactions of bank deposits, borrowings and other general banking facilities with other government-related entities in its ordinary course of business. Over 70% (2013: over 85%) of the Group's bank deposits and borrowings are with government-related entities.

27. RELATED PARTY TRANSACTIONS (Cont'd)

(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:

	2014 US$'000	2013 US$'000
Asset		
Amount due from a non-controlling shareholder of a subsidiary (included in prepaid expenses)	**449**	435
Total amount due from a related party	**449**	435

The amount due from the related party is non-interest bearing, unsecured and repayable on demand.

Other than the directors' emoluments disclosed in Note 10(a), the Group had the following compensation to other key management personnel during the years:

	2014 US$'000	2013 US$'000
Salaries and other benefits	**904**	939
Post-employment benefits	**28**	18
	932	957

28. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker ("CODM") 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. The chief operating decision-maker has identified two operating segments as follows:

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

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

28. SEGMENT INFORMATION (Cont'd)

Information regarding the above segments is reported below.

(a) Segment revenues and results

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

For the year ended December 31, 2014

	Mine – produced gold US$'000	Mine – Produced copper US$'000	Segment Total US$'000	Unallocated US$'000	Consolidated US$'000
Revenue – external	185,914	91,869	277,783	–	277,783
Cost of sales	(118,131)	(60,688)	(178,819)	–	(178,819)
Mining operating earnings	67,783	31,181	98,964	–	98,964
Income (expenses) from operations	67,238	14,147	81,385	(8,028)	73,357
Foreign exchange gain (loss), net	6,492	(59)	6,433	(168)	6,265
Interest and other income	921	292	1,213	5,799	7,012
Finance costs	(7,080)	(8,037)	(15,117)	(8,801)	(23,918)
Profit (loss) before income tax	67,571	6,343	73,914	(11,198)	62,716

For the year ended December 31, 2013

	Mine – produced gold US$'000	Mine – Produced copper US$'000	Segment Total US$'000	Unallocated US$'000	Consolidated US$'000
Revenue – external	178,143	124,465	302,608	–	302,608
Cost of sales	(113,217)	(87,516)	(200,733)	–	(200,733)
Mining operating earnings	64,926	36,949	101,875	–	101,875
Income (expenses) from operations	64,683	21,338	86,021	(10,096)	75,925
Foreign exchange gain (loss), net	(411)	979	568	946	1,514
Interest and other income	2,127	1,177	3,304	3,458	6,762
Finance costs	(2,667)	(7,987)	(10,654)	–	(10,654)
Profit (loss) before income tax	63,732	15,507	79,239	(5,692)	73,547

28. SEGMENT INFORMATION (Cont'd)

(a) Segment revenues and results (Cont'd)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents profit (loss) before income tax attributable to the respective segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There are no inter-segment sales for the year ended December 31, 2014 and 2013.

(b) Segment assets and liabilities

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

	Mine – produced gold US$'000	Mine – produced copper US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
As of December 31, 2014					
Total assets	590,157	1,898,623	2,488,780	524,714	3,013,494
Total liabilities	199,809	848,552	1,048,361	499,975	1,548,336
As of December 31, 2013					
Total assets	430,543	1,724,209	2,154,752	63,749	2,218,501
Total liabilities	111,499	673,841	785,340	1,636	786,976

(c) Other segment information (included in the measure of segment profit or loss regularly provided to the chief operating decision maker)

	Mine – produced gold US$'000	Mine – Produced copper US$'000	Segment Total US$'000	Unallocated US$'000	Consolidated US$'000
For the year ended December 31, 2014					
Additions of property, plant and equipment	122,149	196,920	319,069	–	319,069
Depreciation of property, plant and equipment	(40,745)	(12,817)	(53,562)	–	(53,562)
Amortization of mining rights	–	(4,535)	(4,535)	–	(4,535)
For the year ended December 31, 2013					
Additions of property, plant and equipment	155,397	351,557	506,954	–	506,954
Depreciation of property, plant and equipment	(20,379)	(13,466)	(33,845)	–	(33,845)
Amortization of mining rights	–	(6,077)	(6,077)	–	(6,077)

28. SEGMENT INFORMATION (Cont'd)

(d) Geographical information

The Group operated in two geographical areas, Canada and the PRC. The Group's corporate division located in Canada only earns revenue that is 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 year ended December 31, 2014 and 2013, the Group's revenue was generated from gold sales and copper multi products to customers in the PRC. Over 90% (2013: 90%) of non-current assets of the Group are located in the PRC.

(e) Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's total revenue are sales of gold doré bars and copper and other products to CNG and its subsidiaries as disclosed in Note 27 (a) (i).

29. SUPPLEMENTAL CASH FLOW INFORMATION

The Group incurred the following non-cash transactions:

	2014	2013
	US$'000	US$'000
Transfer of share option reserve upon exercise of options	**–**	124

30. CAPITAL RISK MANAGEMENT

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

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

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

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

31. FINANCIAL INSTRUMENTS

	Financial instrument classification	2014 US$'000	2013 US$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	**565,578**	105,887
Accounts receivable and other receivables	Loans and receivables	**13,058**	9,714
Amount due from a non-controlling shareholder (included in prepaid expenses)	Loans and receivables	**449**	435
Available-for-sale investments	Available-for-sale	**21,544**	21,850
Financial liabilities			
Accounts payable and accrued expenses*	Other financial liabilities	**140,688**	99,237
Borrowings			
– Loans, other than syndicated loan	Other financial liabilities	**1,105,222**	397,130
– Syndicated loan	Other financial liabilities	**80,553**	107,376
Entrusted loan payable	Other financial liabilities	**32,221**	–

* Excluded advances from customers, other tax payables and accruals.

The fair values of the Group's cash and cash equivalents, accounts receivable, accounts payable and current portion of long-term loan and syndicated loan approximate their carrying values due to their short-term nature or carried at amortized costs using effective interest method.

The Group's financial instruments are exposed to certain financial risks including market risk (e.g. currency risk and interest rate risk), credit risk and liquidity risk.

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. Certain subsidiaries of the Company operate in the PRC and Canada with functional currency of US$. A significant change in the currency exchange rates between RMB relative to US$ could have a significant effect on the Group's results of operations, financial position or cash flows. The Group has not hedged its exposure to currency fluctuations. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

31. FINANCIAL INSTRUMENTS (Cont'd)

(a) Currency risk (Cont'd)

RMB monetary assets and liabilities

	2014 US$'000	2013 US$'000
Cash and cash equivalents	**30,367**	43,072
Accounts receivable	**332**	348
Available-for-sale Investments	**1,611**	1,652
Accounts payable and accrued expenses	**(62,056)**	(30,687)
Borrowings	**(109,552)**	(62,774)
	(139,298)	(48,389)

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2013: 5%) depreciation/appreciation of the RMB against the US$ would result in an increase/decrease in the Group's profit for the year of approximately US$5,224,000 for the year ended December 31, 2014 and a decrease/increase in the Group's profit for the year of approximately US$2,004,000 for the year ended December 31, 2013.

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(b) Interest rate risk

Interest rate risk is the risk that the fair value in relation to borrowings and entrusted loan payable of US$722,434,000 (2013: US$111,511,000) bearing fixed interest rate or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate bank balances and variable-rate bank borrowings (see note 22 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The following analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant. A 25 basis point (2013: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

31. FINANCIAL INSTRUMENTS (Cont'd)

(b) Interest rate risk (Cont'd)

Sensitivity analysis (Cont'd)

For bank balances, the analysis below reflects the sensitivity that the interest rate may drop by 25 basis points (2013: 25 basis points) or limit to 0%.

	2014 US$'000	2013 US$'000
25 basis points (2013: 25 basis points) higher		
– increase (decrease) in profit for the year	**659**	(206)
– addition in finance costs capitalized	**1,171**	722
25 basis points (2013: 25 basis points) lower		
– (decrease) increase in profit for the year	**(659)**	206
– reduction in finance costs capitalized	**(1,171)**	(722)

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

(c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sold approximately 100% (2013: 97.7%) of its gold to one creditworthy customer, CNG, and approximately 6% (2013: 44.8%) of its copper concentrate and other by-product to a CNG's subsidiary for the year ended December 31, 2014 and exposes the Group to concentration of credit risk. The failure of these customers to make required payments could have a negative impact on the Group's results. The Group manages this risk by demanding upfront payment from CNG and has set up monitoring procedures to ensure that follow-up action is taken for timely settlement of receivables from the CNG's subsidiary.

The Group's cash and short-term bank deposits are held in large PRC, Hong Kong and Canadian banks. These investments mature at various dates within three months from inception date. The exchange rate of RMB is determined by the Government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The Group had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in the PRC or Canada for the years ended December 31, 2014 and 2013.

Other than the concentration of the credit risk on bank balances and accounts receivable, the Group does not have any other significant concentration of credit risk.

31. FINANCIAL INSTRUMENTS (Cont'd)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 30.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities (see Note 33 for other commitments). The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to satisfy the liabilities.

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period:

	On demand Or within 1 year US$'000	1-2 years US$'000	2-5 years US$'000	Total undiscounted cashflow US$'000	Carrying Amount US$'000
At December 31, 2014					
Trade and other payables	140,688	–	–	140,688	140,688
Borrowings	501,513	185,472	454,116	1,141,101	1,185,775
Interest payable on borrowings	40,618	29,245	1,993	71,856	–
Entrusted loan payable	–	–	32,221	32,221	32,221
Interest payable on entrusted loan	974	974	43	1,991	–
	683,793	215,691	488,373	1,387,857	1,358,684

	Within 1 year US$'000	1-2 years US$'000	2-5 years US$'000	Total undiscounted cashflow US$'000	Carrying Total US$'000
At December 31, 2013					
Trade and other payables	99,237	–	–	99,237	99,237
Borrowings	232,432	181,217	90,857	504,506	504,506
Interest payable on borrowings	19,946	10,323	1,489	31,758	–
	351,615	191,540	92,346	635,501	603,743

31. FINANCIAL INSTRUMENTS (Cont'd)

(e) Fair value

Expect for the available-for sale investment – listed equity securities, the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognized in the consolidated statement of financial position

Subsequent to initial recognition at fair value, the available-for-sale investments – listed equity securities are measured from quoted prices (unadjusted) in active market (Level 1 fair value measurements). There was no transfer between Level 1 and 2 in the current year and prior years.

32. 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, Management considers the arbitration to be in a preliminary stage and the potential loss cannot be measured reliably.

33. 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:

	December 31, 2014 US$'000	December, 31, 2013 US$'000
Within one year	**1,329**	1,255
In the second to fifth year inclusive	**661**	162
Over five years	**292**	299
	2,282	1,716

Operating lease payments represent rentals payable by the Group for its premises. Leases are negotiated for a term of 1 to 14 years.

33. COMMITMENTS AND CONTINGENCIES (Cont'd)

Capital commitments

	December 31, 2014 US$'000	December, 31, 2013 US$'000
Capital expenditure in respect of acquisition of property, plant and equipment in the consolidated financial statements – contracted but not provided for	211,217	202,860
Capital expenditure in respect of capital injection to an investee	4,028	4,130

Other commitments and contingencies existed at the end of each reporting period

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

34. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income, as a cost of inventory, of approximately US$1,466,000 and US$1,127,000 for the years ended December 31, 2014 and 2013, respectively, represent contributions payable to the scheme by the Group.

35. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at December 31, 2014 and 2013 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at December 31,		Principal activities
			2014	2013	
Pacific PGM Inc.	British Virgin Islands ("BVI") May 17, 2001	US$100	**100%**	100%	Investment holding
Pacific PGM (Barbados) Inc.	Barbados September 6, 2007	US$130,000	**100%**	100%	Investment holding
IMP	PRC April 29, 2002	US$45,000,000	**96.5%**	96.5%	Engaged in exploration and development of mining properties in China
Inner Mongolia Xinhan Exploration Technology Co. Ltd [(1)]	PRC January 14, 2014	RMB8,500,000	**88.24%**	nil	Inactive
Skyland	Barbados October 6, 2004	US$233,380,700 plus MB1,510,549,032	**100%**	100%	Investment holding
Tibet Jia Ertong Minerals Exploration Ltd.[(1)]	PRC October 31, 2003	US$273,920,000	**100%**	100%	Exploration, development and mining of mineral properties and investment holding
Huatailong[(1)]	PRC January 11, 2007	RMB1,760,000,000	**100%**	100%	Exploration, development and mining of mineral properties
Jiama Industry and Trade[(1)]	PRC December 1, 2011	RMB5,000,000	**51%**	51%	Mining logistics and transport business
Skyland Mining (BVI) Limited	BVI October 26, 2012	US$1	**100%**	100%	Investment holding

(1) Domestic limited liability company

36. FINANCIAL SUMMARY OF THE COMPANY

	2014 US$'000	2013 US$'000
Current assets		
Cash and cash equivalents	497,823	42,934
Other receivables	59	110
Prepaid expenses, deposits and other receivables	1,272	326
	499,154	43,370
Non-current assets		
Property, plant and equipment	311	153
Loan receivables from subsidiaries	81,546	53,798
Available-for-sale investments	19,289	20,198
Investment in subsidiaries	987,016	987,016
Amounts due from subsidiaries	29,779	26,250
	1,117,941	1,087,415
Total assets	1,617,095	1,130,785
Current liability		
Accounts payable and accrued expenses	1,195	1,583
Advance from a subsidiary	490,000	–
	491,195	1,583
Non-current liability		
Deferred income	19	41
Total liabilities	491,214	1,624
Net current assets	7,959	41,787
Total assets less current liabilities	1,125,900	1,129,202
Owners' equity		
Share capital (Note 26)	1,229,061	1,229,061
Reserves (Note 37)	2,073	2,972
Deficits (Note 37)	(105,253)	(102,872)
Total owners' equity	1,125,881	1,129,161
Total liabilities and owners' equity	1,617,095	1,130,785

37. RESERVES AND DEFICITS OF THE COMPANY

	Reserve US$'000	Accumulated losses US$'000	Total US$'000
At January 1, 2013	3,426	(97,206)	(93,780)
Loss for the year	–	(5,666)	(5,666)
Fair value loss on available-for-sale investments	(372)	–	(372)
Total comprehensive loss for the year	(372)	(5,666)	(6,038)
Exercise of stock option	(124)	–	(124)
Share-based compensation	42	–	42
At December 31, 2013 and January 1, 2014	2,972	(102,872)	(99,900)
Loss for the year	–	(2,381)	(2,381)
Fair value loss on available-for-sale investments	(909)	–	(909)
Total comprehensive loss for the year	(909)	(2,381)	(3,290)
Share-based compensation	10	–	10
At December 31, 2014	2,073	(105,253)	(103,180)

中國黃金國際資源有限公司
China Gold International Resources Corp. Ltd.