



2015 Interim Report



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

*Management's Discussion and Analysis of Financial Condition and Results of Operations for the six month ended June 30, 2015
(Stated in U.S. dollars, except as otherwise noted)*

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of August 14, 2015. It should be read in conjunction with the condensed consolidated interim financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as "China Gold International", the "Company", "we" or "our" as the context may require) for the six months ended June 30, 2015 and the six months ended June 30, 2014, 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 Gold Mine and the Jiama Mine; China Gold International's financial condition; the regulatory environment as well as the general industry outlook; general economic trends in China; and statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, and other statements that are not historical facts.

By their nature, forward-looking information involves numerous assumptions, both general and specific, which may cause the actual results, performance or achievements of China Gold International and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of the key assumptions include, among others, the absence of any material change in China Gold International's operations or in foreign exchange rates, the prevailing price of gold, copper and other non-ferrous metal products; the absence of lower-than-anticipated mineral recovery or other production problems; effective income and other tax rates and other assumptions underlying China Gold International's financial performance as stated in the Company's technical reports for its CSH Gold 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 acquisition, exploration, development and exploitation of gold and base metal properties.

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

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

Performance Highlights

Three months ended June 30, 2015

- Revenue increased by 72% to US\$83.6 million from US\$48.5 million for the same period in 2014;
- Net profit after income taxes increased by 26% to US\$10.6 million from US\$8.4 million for the same period in 2014.
- Gold production from the CSH Mine increased by 103% to 49,783 ounces from 24,571 ounces for the same period in 2014.
- Copper production from the Jiama Mine increased by 13% to 4,923 tonnes (approximately 10.9 million pounds) from 4,376 tonnes (approximately 9.6 million pounds) for the same period in 2014.

Six months ended June 30, 2015

- Revenue increased by 89% to US\$161.0 million from US\$85.2 million for the same period in 2014;
- Net profit after income taxes increased by 72% to US\$16.8 million from US\$9.8 million for the same period in 2014.
- Gold production from the CSH Mine increased by 76% to 90,817 ounces from 51,689 ounces for the same period in 2014.
- Copper production from the Jiama Mine increased by 77% to 9,012 tonnes (approximately 19.9 million pounds) from 5,087 tonnes (approximately 11.2 million pounds) for the same period in 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outlook

- Expected production of 226,000 ounces of gold in 2015.
- Expected production of 53 million pounds, or 24,040 tonnes of copper in 2015.
- Jiama's Phase II expansion is progressing well and consistent with the Company's expansion plan. Stage one of the processing plant is basically ready for loaded testing which is expected to start in September 2015. The two open pits are ready for mining operations. Stage two of the processing plant expansion program is expected to be completed in the second half of 2016, along with the completion of the 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

QUARTER ENDED	2015		2014			2013		
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
(US\$ in thousands except per share)								
Revenues	83,647	77,387	103,326	89,257	48,541	36,659	68,507	75,733
Cost of sales	63,336	56,217	70,763	56,687	29,084	22,285	50,990	48,478
Mine operating earnings	20,311	21,170	32,562	32,570	19,457	14,374	17,517	27,255
General and administrative expenses	5,988	6,028	7,631	5,523	5,892	6,015	5,471	7,410
Exploration and evaluation expenses	62	38	319	129	53	45	83	45
Income from operations	14,261	15,104	24,613	26,918	13,512	8,314	11,962	19,801
Foreign exchange gain (loss)	1,482	(789)	5,631	(300)	182	752	(216)	894
Finance costs	6,570	8,524	8,913	7,826	3,781	3,398	2,916	2,665
Profit before income tax	13,742	10,813	24,485	21,221	11,147	5,863	8,861	19,162
Income tax expense	3,173	4,575	8,799	4,790	2,759	4,498	2,202	3,279
Net income	10,569	6,238	15,683	16,431	8,388	1,365	6,659	15,883
Basic earnings per share (cents)	2.54	1.49	3.78	4.02	1.93	0.29	1.60	3.84
Diluted earnings per share (cents)	2.54	1.49	3.78	4.02	1.93	0.29	1.60	3.84

Selected Quarterly Production Data and Analysis

CSH Mine	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Gold sales (US\$ million)	58.37	27.74	110.48	59.33
Realized average price ⁽¹⁾ (US\$) of gold per ounce	1,130	1,235	1,155	1,254
Gold produced (ounces)	49,783	24,571	90,817	51,689
Gold sold (ounces)	51,671	22,467	95,621	47,297
Total production cost ⁽²⁾ (US\$ per ounce)	841	733	844	759
Cash production cost ⁽²⁾ (US\$ per ounce)	642	446	647	519

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

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

Gold production at the CSH Mine increased by 103% from 24,571 ounces for the three months ended June 30, 2014 to 49,783 ounces for the three months ended June 30, 2015. 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, and total production cost of gold for the three months ended June 30, 2015 both increased compared with the same period in 2014. The major reason is higher waste rock removal costs and crushing processing costs during the current quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Copper sales ⁽¹⁾ (million US\$)	18.17	14.89	36.51	18.78
Realized average price ⁽²⁾ (US\$ per pound of copper) after smelting fee discount	2.27	2.40	2.26	2.55
Copper produced (tonne)	4,923	4,376	9,012	5,087
Copper produced (pound)	10,853,025	9,646,650	19,868,245	11,215,140
Copper sold (tonne)	3,894	2,794	7,892	3,356
Copper sold (pound)	8,585,738	6,158,932	17,398,376	7,397,630
Gold produced (ounce)	6,689	5,590	12,000	6,335
Gold sold (ounce)	5,549	3,762	10,853	4,458
Silver produced (ounce)	380,343	332,129	669,168	377,972
Silver sold (ounce)	296,233	204,533	597,538	242,129
Total copper production cost ⁽³⁾ (US\$ per pound)	2.87	2.87	2.80	3.33
Total copper production cost ⁽³⁾ (US\$ per pound after by-products credits ⁽⁴⁾)	1.99	1.78	1.93	2.21
Cash copper production cost ⁽⁴⁾ (US\$ per pound)	2.32	2.18	2.27	2.25
Cash copper production cost ⁽⁴⁾ (US\$ per pound after by-products credits ⁽⁴⁾)	1.43	1.09	1.40	1.12

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

(2) a discount factor of 15-25% 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

During the three months ended June 30, 2015, the Jiama Mine produced 4,923 tonnes (approximately 10.9 million pounds) of copper, an increase of 13% compared with the three months ended June 30, 2014 (4,376 tonnes, or 9.6 million pounds). The increase in production was mainly due to higher volume of ores mined and higher ore grades during the current period.

The cash production cost of copper per pound, and the total production cost of copper per pound both increased due to the higher mining costs during the current period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Quarterly Data

Three months ended June 30, 2015 compared to three months ended June 30, 2014

Revenue of US\$83.6 million for the second quarter of 2015 increased by US\$35.1 million, from US\$48.5 million for the same period in 2014.

Revenue from the CSH Mine was US\$58.4 million (2014: US\$28.1 million), an increase of US\$30.3 million, due to a 103% increase in gold sales volume. Gold sold by the CSH Mine was 51,671 ounces (gold produced: 49,783), compared to 22,467 ounces (gold produced: 24,571 ounces) for the same period in 2014. The increase is attributed to the increased processing capacity from 30,000 tpd to 60,000 tpd.

Revenue from the Jiama Mine was US\$25.3 million compared to US\$20.4 million for the same period in 2014. Total copper sold was 3,894 tonnes (8.6 million pounds) for the three months ended June 30, 2015, an increase of 39% from 2,794 tonnes (6.16 million pounds) for the same period in 2014 primarily due to higher volumes of ores mined and higher ore grades.

Cost of sales of US\$63.3 million for the quarter ended June 30, 2015, an increase of US\$34.2 million from US\$29.1 million for the same period in 2014. CSH contributed to 79% of the overall increase in cost of sales, due to a 108% increase in its revenue resulting from higher production volume and increased processing capacity. Jiama contributed to 21% of the increase in cost of sales. Cost of sales as a percentage of revenue for the Company increased to 76% from 60% for the three months ended June 30, 2015 compared to 2014.

Mine operating earnings of US\$20.3 million for the three months ended June 30, 2015 increased by 4%, or US\$0.8 million, from US\$19.5 million for the same period in 2014. Mine operating earnings as a percentage of revenue decreased to 24% from 40% for the three months ended June 30, 2015 compared to 2014. The decrease in mine operating earnings as a percentage of revenue can be attributed to a 6% decrease in the realized average price of copper per pound and a 9% decrease in the realized average price of gold per ounce for the three months ended June 30, 2014 and 2015, respectively.

General and administrative expenses increased by US\$0.1 million, from US\$5.9 million for the quarter ended June 30, 2014 to US\$6 million for the quarter ended June 30, 2015. The increase is consistent with the Company's overall growth strategy.

Income from operations for the second quarter of 2015 of US\$14.3 million increased by US\$0.8 million from US\$13.5 million for the same period in 2014.

Finance costs of US\$6.6 million for the three months ended June 30, 2015 increased by US\$2.8 million, from US\$3.8 million for the same period in 2014. The increase is due to interest expense incurred from the US\$500 million bonds issued in July 2014. During the three months ended June 30, 2015, interest payments of US\$6.9 million (2014: US\$3.7 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to a gain of US\$1.5 million for the three months ended June 30, 2015 from a gain of US\$0.18 million for the same 2014 period. The 2015 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\$4.6 million for the three months ended June 30, 2015 increased from US\$1.2 million for the three months ended June 30, 2014, due to interest income earned on term deposits and related party loans using the proceeds of the bonds issued in July 2014.

Income tax expense of US\$3.2 million for the second quarter of 2015 increased by 15%, from US\$2.7 million for the comparative 2014 period. During the current quarter, the Company had US\$0.2 million of deferred tax credit compared to US\$0.8 million of deferred tax expense in 2014.

Net income of the Company increased by US\$2.2 million from US\$8.4 million for the three months ended June 30, 2014 to US\$10.6 million for the three months ended June 30, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Six months ended June 30, 2015 compared to six months ended June 30, 2014

Revenue of US\$161 million for the first half of 2015 increased by US\$75.8 million, from US\$85.2 million for the same period in 2014.

Revenue from the CSH Mine was US\$110.5 million (2014: US\$59.7 million), an increase of US\$50.8 million, due to a 102% increase in gold sales volume. Gold produced by the CSH Mine was 90,817 ounces (gold sold: 95,621), compared to 51,689 ounces (gold sold: 47,297 ounces) for the same period in 2014. The increase is directly attributed to the commencement of commercial production of the new heap leaching and processing system in October 2014. The CSH mine processing capacity has increased from 30,000 tpd to 60,000 tpd.

Revenue from the Jiama Mine was US\$50.6 million compared to US\$25.5 million for the same period in 2014. Total copper sold was 7,892 tonnes (17.4 million pounds) for the six months ended June 30, 2015, an increase of 135% from 3,356 tonnes (7.4 million pounds) for the same period in 2014. The increase in revenue is primarily attributed to a significant decrease in copper production during the first quarter of 2014, due to a seasonal electricity shortage experienced by the Jiama Mine.

Cost of sales of US\$119.6 million for the six months ended June 30, 2015, increased by US\$68.2 million from US\$51.4 million for the same period in 2014. The increase in cost of sales is attributed to higher sales volumes of both gold and copper. CSH contributed US\$44.8 million to the overall increase of cost of sales due an 85% increase in its revenue, resulting from the commencement of commercial production in October 2014. Jiama contributed US\$23.4 million to the overall increase in cost of sales due to a 98% increase in its revenue. Cost of sales as a percentage of revenue for the Company increased to 76% from 60% for the six months ended June 30, 2015 compared to 2014.

Mine operating earnings of US\$41.5 million for the six months ended June 30, 2015 increased by 23%, or US\$7.7 million, from US\$33.8 million for the comparative 2014 period. Mine operating earnings as a percentage of revenue decreased from 40% to 26% for the six months ended June 30, 2015 compared to 2014. The decrease in mine operating earnings as a percentage of revenue can be attributed to an 11% decrease in the realized average price of copper per pound and an 8% decrease in the realized average price of gold per ounce for the six months ended June 30, 2014 and 2015, respectively.

General and administrative expenses increased by US\$0.1 million, from US\$11.9 million for the six months ended June 30, 2014 to US\$12 million for the comparative period in 2015.

Income from operations for the first half of 2015 of US\$29.4 million, increased by US\$7.6 million from US\$21.8 million for the same period in 2014.

Finance costs of US\$15.1 million for the six months ended June 30, 2015 increased by US\$7.9 million, from US\$7.2 million for the same period in 2014. The increase is primarily due to the interest expense of the US\$500 million bonds issued in July 2014. During the six months ended June 30, 2015, US\$12.3 million (2014: US\$7.2 million) of interest payments were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain decreased to a gain of US\$0.7 million for the six months ended June 30, 2015 from a gain of US\$0.9 million for the same 2014 period. The 2015 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\$9.6 million for the six months ended June 30, 2015 increased from US\$1.4 million for the six months ended June 30, 2014. The increase is due to interest income earned on term deposits and related party loans using the proceeds of the bonds issued in July 2014.

Income tax expense of US\$7.7 million for the first half of 2015 increased by 7%, from US\$7.3 million for the comparative 2014 period. During the current period, the Company had US\$1.5 million of deferred income tax expense compared to US\$3.8 million in 2014, the change is attributed to the depreciation of the RMB.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net income of the Company increased by US\$7.05 million or 72% from US\$9.7 million for the six months ended June 30, 2014 to US\$16.8 million for the six months ended June 30, 2015.

NON-IFRS MEASURES

The following table provides certain unit cost information on a cash cost of production per tonne (non-IFRS) basis for the CSH Gold Mine for the three and six months ended June 30, 2015 and 2014:

	CSH Mine			
	Three months ended June 30,		Six months ended June 30,	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Cost of mining per tonne of ore	1.47	1.37	1.43	1.37
Cost of mining waste per tonne of ore	3.45	1.70	2.55	1.47
Other mining costs per tonne of ore	0.30	0.34	0.30	0.38
Total mining costs per tonne of ore	5.22	3.41	4.28	3.22
Cost of reagents per tonne of ore	0.77	0.59	0.76	0.61
Other processing costs per tonne of ore	0.88	0.55	1.00	0.59
Total processing cost per tonne of ore	1.65	1.14	1.76	1.20

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

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

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

	CSH Mine (Gold)							
	Three months ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total production costs	43,454,546	841	16,472,437	733	80,737,923	844	35,921,442	759
Adjustments	(10,299,545)	(199)	(6,453,006)	(287)	(18,874,667)	(197)	(11,380,113)	(241)
Total cash production costs	33,155,001	642	10,019,431	446	61,863,256	647	24,541,329	518

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Jiama Mine (Copper)							
	Three months ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
	US\$	US\$ Per Pound	US\$	US\$ Per pound	US\$	US\$ Per Pound	US\$	US\$ Per pound
Total production costs	24,670,152	2.87	17,683,434	2.87	48,657,500	2.80	24,665,546	3.33
Adjustments	(4,766,992)	(0.56)	(4,243,415)	(0.69)	(9,206,637)	(0.53)	(8,015,042)	(1.08)
Total cash production costs	19,903,160	2.32	13,440,019	2.18	39,450,863	2.27	16,650,504	2.25
By-product credits	(7,583,514)	(0.88)	(6,704,343)	(1.09)	(15,099,769)	(0.87)	(8,332,636)	(1.13)
Total cash production costs after by-products credits	12,319,646	1.43	6,735,677	1.09	24,351,094	1.40	8,317,868	1.12

Production costs above include expenditures incurred on the mine sites for activities related to production. The adjustments above include depreciation and depletion, amortization of intangible assets, and selling expenses included in total production costs.

MINERAL PROPERTIES

The CSH Mine

The CSH Mine is located in 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. Ltd, a Joint Venture in which China Gold International holds a 96.5% interest and Ningxia Nuclear Industry Geological Exploration Institution (formerly known as Brigade 217) holds the remaining 3.5%.

The CSH mine has two open-pit mining operations and was operating at a 30,000 tpd capacity during Phase I. The Company completed Phase II expansion construction and entered into commercial production in the fourth quarter of 2014. Since the commencement of Phase II commercial production, CSH has increased its processing capacity to 60,000 tpd.

The capital expenditure incurred in the CSH Mine for the six months ended June 30, 2015 was US\$34.0 million.

There were no major new contracts entered into during the six months ended June 30, 2015

Production Update

	CSH Mine			
	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Ore placed on pad (tonnes)	6,210,489	5,986,675	10,946,169	11,005,818
Average grade of ore (g/t)	0.56	0.57	0.55	0.54
Recoverable gold (ounces)	67,134	64,055	113,588	112,951
Ending ore inventory (ounces)	185,225	127,041	185,225	127,041
Waste rock mined (tonnes)	26,796,853	22,723,797	43,707,876	36,308,720

For the three months ended June 30, 2015, the total amount of ore put on the leach pad was 6.2 million tonnes, with total contained gold of 67,134 ounces. The accumulative project-to-date gold recovery rate has decreased from approximately 51.02% at the end of March 2015 to 50.64% at the end of June 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Exploration

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 final open pit shell, especially the west end of the Northeast Pit, where a 2012 deep drill hole intersected over 306 meters (from 391.42 m to 697.66 m) of continuous gold mineralization averaging 0.54 g/t Au, which may further increase the open-pittable resource for the Northeast Pit and lead to possible joining up the Northeast Pit and Southwest Pit. Over 4000 meters of deep drilling has been planned for 2015 in this area. Currently, the drilling is progressing well with assay results pending.

Mineral Resource Update

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

Type	Quantity Mt	Au g/t	Contained Gold	
			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

Mineral Reserves Update

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

Type	Quantity Mt	Au g/t	Contained Gold	
			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. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Two source pits ready to provide ore feed. Stage one of the processing plant is also ready for loaded test run, which is expected to start September, 2015. Stage two of the expansion has been started and construction is expected to be completed in the second half of 2016, along with the completion of the underground development system.

Capital expenditures incurred at the Jiama Mine for the six months ended June 30, 2015 was US\$114.6 million.

The major new contracts entered into during the six months ended June 30, 2015:

Item No.	Contact Name	Counterpart	Subject amount (US\$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Forest Land Compensation Agreement	Forest Bureau of Maizhokunggar County	3.97	Valid for the life of mine of Jiama	January 14, 2015
2	Amendment Agreement to the Product and Service Framework Agreement	China National Gold Group Corporation	589.83	December 31, 2017	May 29, 2015

Production Update

	Jiama Mine			
	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Ore mined (tonnes)	659,394	417,236	1,125,741	654,716
Waste mined (tonnes)	–	–	–	–
Average copper grade of ore (%)	0.83	0.79	0.82	0.82
Copper recovery rate (%)	92	90	92	92
Average gold grade of ore (g/t)	0.48	0.42	0.45	0.43
Gold recovery rate (%)	67	67	67	66
Average silver grade of ore (g/t)	25.00	23.09	23.51	27.69
Silver recovery rate (%)	67	66	67	65

MANAGEMENT'S DISCUSSION AND ANALYSIS

Exploration

The Company has not carried out any additional exploration at the Jiama Mine in the three months ended June 30, 2015 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 the Table 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	Mo	Pb	Zn	Au	Ag
								Metal (kt)	Metal (kt)	Metal (kt)	Metal (kt)	(Moz)	(Moz)
Measured	99.00	0.41	0.04	0.04	0.02	0.11	6.53	405	35	43	23	0.306	19.526
Indicated	1385.00	0.41	0.03	0.05	0.03	0.11	6.11	5716	468	751	471	4.985	272.349
M+I	1484.10	0.41	0.03	0.05	0.03	0.11	6.14	6121	503	794	494	5.334	293.389
Inferred	406.10	0.31	0.03	0.08	0.04	0.10	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	Mo	Pb	Zn	Au	Ag
								Metal (kt)	Metal (kt)	Metal (kt)	Metal (kt)	(Moz)	(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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Stopping;
- b) Stope recovery is 87% for Sub-Level Open Stopping;
- 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 working capital to finance the expansion of its mining and processing operations, exploration activities and acquisition of exploration and mining rights. The Company's principal sources of funds have been proceeds from borrowing from commercial banks in China, equity financings, and cash generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

At June 30, 2015, the Company had an accumulated surplus of US\$210 million, working capital deficit of US\$127 million and bank borrowings of US\$909 million. The Company's cash balance at June 30, 2015 was US\$119.1 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.

Inner Mongolia Pacific, Huatailong and China Gold Finance entered into a Financial Services Agreement on May 29, 2015 pursuant to which China Gold Finance will satisfy the financial services needs of Inner Mongolia Pacific and Huatailong by providing the certain functions performed by financial institutions offering flexibility and favourable terms for three years with an effect from the date of satisfaction of (i) China Gold Finance successfully obtaining all necessary licenses and permits required to carry out the financial services contemplated under the Financial Services Agreement, and (ii) the approval of the Financial Services Agreement by the Shareholders at the Meeting. The daily maximum deposit balance (including accumulative settlement interest) shall not exceed RMB3 billion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 June 30, 2015 and June 30, 2014.

	Three months ended June 30,		Six months ended June 30,	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Net cash used in operating activities	(15,257)	(11,372)	(14,616)	(9,814)
Net cash used in investing activities	(67,327)	(54,551)	(155,381)	(139,658)
Net cash from financing activities	(255,484)	52,377	(276,482)	152,393
Net increase (decrease) in cash and cash equivalents	(338,068)	(13,546)	(446,479)	2,921
Effect of foreign exchange rate changes on cash and cash equivalents	(14)	(1,021)	54	(2,393)
Cash and cash equivalents, beginning of period	457,235	120,982	565,578	105,887
Cash and cash equivalents, end of period	119,153	106,415	119,153	106,415

Operating cash flow

For the three months ended June 30, 2015, the net cash outflow from operating activities was US\$15.2 million which is primarily attributable to (i) increase in inventory of US\$27.9 million, (ii) interest paid of US\$12.8 million and (iii) increase in accounts receivable of US\$12.4 million, partially offset by (i) depreciation and depletion of US\$18.5 million, (ii) profit before income tax of US\$13.7 million and (iii) finance cost of US\$6.6 million.

For the six months ended June 30, 2015, the net cash outflow from operating activities was US\$14.6 million which is primarily attributable to (i) increase in accounts receivable of US\$32.1 million, (ii) increase in inventory of US\$31.1 million, and (ii) increase in accounts receivable of US\$46.2 million (iii) interest paid of US\$26.1 million, partially offset by (i) depreciation and depletion of US\$34.8 million, (ii) profit before income tax of US\$24.6 million and (iii) finance cost of US\$15.1 million.

Investing cash flow

For the three months ended June 30, 2015, the net cash outflow from investing activities was US\$67.3 million, which is primarily attributable to payment for the acquisition of property, plant and equipment of US\$53.3 million.

For the six months ended June 30, 2015, the net cash outflow from investing activities was US\$155.4 million, which is primarily attributable to payment for the acquisition of property, plant and equipment of US\$140.7 million.

Financing cash flow

For the three months ended June 30, 2015, the net cash outflow from financing activities was US\$255.5 million, which is primarily attributable to repayments of borrowings of US\$255.5 million.

For the six months ended June 30, 2015, the net cash outflow from financing activities was US\$276.5 million, which is primarily attributable to repayments of borrowings of US\$434.3 million, partially offset by proceeds bank loans of US\$158.9 million.

Expenditures Incurred

For the six months ended June 30, 2015, the Company incurred mining costs of US\$36.3 million, processing costs of US\$14.9 million, transportation costs of US\$3.5 million and resource compensation fee, which was paid to the PRC government, of US\$4.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at June 30, 2015, the Company's total debt was US\$1,267 million and the total equity was US\$1,482 million. The Company's gearing ratio was 0.85 therefore as at June 30, 2015 and 0.45 as at June 30, 2014.

Restrictive covenants

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

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

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

There were no significant changes in capital commitments and operating lease commitments between June 30, 2015 and March 31, 2015. The following table outlines principal payments on bank loans 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	405,658	320,978	84,680	–
Repayment of bonds	504,120	17,301	486,819	–
Total	909,778	338,279	571,499	–

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 June 30, 2015 and June 30, 2014.

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 gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. On January 27, 2012, the 2008 Contract was renewed for another three years ending December 31, 2014 and subsequently on June 30, 2014 for the period of January 1, 2015 to December 31, 2017.

Revenue from sales of gold doré bars to CNG increased from US\$59.6 million for the six months ended June 30, 2014 to US\$110.5 million for the six months ended June 30, 2015.

On May 29, 2015, the Company entered into a revised continuing connected transaction and major transaction amending the existing Product and Service Framework Agreement with CNG. According to the amendments, CNG purchases the copper concentrates produced at the Jiama Mine. The quantity of copper concentrates, pricing terms and payment terms be established from time to time by the parties with reference to the pricing principles for connected transactions set out under the existing Product and Service Framework Agreement. For the six month ended June 30, 2015, revenue from sales of copper concentrate and other products to CNG was nil, compared with US\$5.1 million in the same period in 2014.

For the six months ended June 30, 2015, construction services of US\$44.0 million were provided to the Company by subsidiaries of CNG (US\$69.3 million for the six months ended June 30, 2014).

In addition to the two aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business, including a Financial Services Agreement entered on May 29, 2015 among Inner Mongolia Pacific, Huatailong and China Gold Finance.

PROPOSED TRANSACTIONS

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Group did not have any material acquisition and disposal of subsidiaries and associated companies in the three months ended June 30, 2015.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 derivatives as at June 30, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2015, 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 Toronto Stock Exchange and Hong Kong Stock Exchange, 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 June 30, 2015 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 June 30, 2015 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of June 30, 2015, 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 2013 to evaluate the Company's ICFR as of June 30, 2015 and have concluded that these controls and procedures were effective as of June 30, 2015 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 six months ended June 30, 2015, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

ADDITIONAL INFORMATION

Additional information as required by the Hong Kong Stock Exchange in the half-year interim report and not shown elsewhere in this report is as follows:

A1. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2015.

A2. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as of June 30, 2015, the Company's directors were not aware of any other person (other than a director or chief executive of the Company) who had or were deemed or taken to have an interest and/or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO"), or who has, directly or indirectly, interests in 5% or more of the issued shares of the Company:

Name	Nature of interest	Number of Shares held	Approximate percentage of outstanding shares
China National Gold Group Corporation ⁽¹⁾	Indirect	155,794,830 ^{(1) and (2)}	39.3%
China National Gold Group Hong Kong Limited	Registered Owner	155,794,830 ^{(1) and (2)}	39.3%

Note:

1. China National Gold Group Corporation directly and wholly owns the entire issued share capital of 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 are provided by China National Gold Group Corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A3. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND STOCK OPTIONS

As of June 30, 2015, the interests and short positions of the directors and chief executive of the Company in the share, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the 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") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules"), 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	Personal	0.040%
Xiangdong Jiang	Director and Vice President of Production	China Gold International Resources Corp. Ltd.	38,800	Personal	0.0098%

Other than as disclosed 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 of June 30, 2015.

A4. 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.

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

- 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;
- 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;
- 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;
- 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- (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.

No further stock options may be granted under the 2007 Stock Option Plan after the listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange on December 1, 2010. All of the stock options granted under the 2007 Stock Option Plan expired on June 1, 2015. Therefore, no shares were available for issue under the 2007 Stock Option Plan as at the date of this report.

As at June 30, 2015, there are no outstanding stock options granted under the 2007 Stock Option Plan and therefore no common shares were issuable upon the exercise of outstanding stock options granted under the 2007 Stock Option Plan.

A5. MOVEMENTS IN STOCK OPTIONS

The following table discloses movements in the Company's stock options during the six months ended June 30, 2015:

Name	Position	Number of	Number of	Number of	Number of	Number of	Number of
		stock options outstanding as at 1/1/2015	stock options granted during the six month period	stock options exercised during the six month period	stock options forfeited during the six month period	stock options expired during the six month period ⁽¹⁾	stock options outstanding as at 30/6/2015
Ian He	Director	100,000	Nil	Nil	Nil	100,000	Nil
Yunfei Chen	Director	100,000	Nil	Nil	Nil	100,000	Nil
Gregory Hall	Director	100,000	Nil	Nil	Nil	100,000	Nil
John King Burns	Director	100,000	Nil	Nil	Nil	100,000	Nil
Total for directors and senior executives		400,000	Nil	Nil	Nil	400,000	Nil
Total for other stock option holders		Nil	Nil	Nil	Nil	Nil	Nil
TOTAL		400,000	Nil	Nil	Nil	400,000	Nil

Notes:

- All of the stock options granted under the 2007 Stock Option Plan expired on June 1, 2015.

A6. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

As of June 30, 2015 the Company had 1,666 employees working at various locations. 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 incentivize its directors, officers and eligible employees. The details of the stock options which remain outstanding under the Company's 2007 Stock Option Plan are set out in the sections titled "Stock Option Plan" and "Movements in Stock Options". All stock options expired on June 1, 2015.

A7. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended June 30, 2015, 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 Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules.

A8. COMPLIANCE WITH MODEL CODE ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted policies regarding directors' securities transactions in its Corporate Disclosure, Confidentiality and Securities Trading Policy that has terms which are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules.

After specific enquiry with all members of the Board, the Board confirms that all of the directors of the Company have complied with the required policies in the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the six months ended June 30, 2015.

A9. INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend in respect of the six months ended June 30, 2015.

A10. AUDIT COMMITTEE

Pursuant to the requirements under the Hong Kong Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all the existing Independent Non-executive Directors, namely Ian He (chairman of the Audit Committee), Yunfei Chen, Gregory Hall and John King Burns. The Audit Committee has reviewed and discussed with the Company's auditors the unaudited interim results of the Group for the six months ended June 30, 2015.

August 14, 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended June 30, 2015

	NOTES	Three months ended June 30,		Six months ended June 30,	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Revenues	15	83,647	48,541	161,034	85,200
Cost of sales		(63,336)	(29,084)	(119,553)	(51,369)
Mine operating earnings		20,311	19,457	41,481	33,831
Expenses					
General and administrative expenses	3	(5,988)	(5,892)	(12,016)	(11,907)
Exploration and evaluation expenditure		(62)	(53)	(100)	(98)
		(6,050)	(5,945)	(12,116)	(12,005)
Income from operations		14,261	13,512	29,365	21,826
Other income (expense)					
Foreign exchange gain, net		1,482	182	693	933
Interest and other income		4,569	1,234	9,591	1,430
Finance costs	4	(6,570)	(3,781)	(15,094)	(7,179)
		(519)	(2,365)	(4,810)	(4,816)
Profit before income tax		13,742	11,147	24,555	17,010
Income tax expense	5	(3,173)	(2,759)	(7,748)	(7,257)
Profit for the period		10,569	8,388	16,807	9,753
Other comprehensive income (expense) for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation of foreign operations		(823)	533	244	(6,918)
Fair value gain (loss) on available-for-sale investment		1,552	652	368	(1,993)
Total comprehensive income for the period, net of income tax		11,298	9,573	17,419	842

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended June 30, 2015

	NOTES	Three months ended June 30,		Six months ended June 30,	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Profit for the period attributable to					
Non-controlling interests		484	727	817	935
Owners of the Company		<u>10,085</u>	<u>7,661</u>	<u>15,990</u>	<u>8,818</u>
		<u>10,569</u>	<u>8,388</u>	<u>16,807</u>	<u>9,753</u>
Total comprehensive income (expense) for the					
period attributable to					
Non-controlling interests		422	625	659	916
Owners of the Company		<u>10,876</u>	<u>8,948</u>	<u>16,760</u>	<u>(74)</u>
		<u>11,298</u>	<u>9,573</u>	<u>17,419</u>	<u>842</u>
Earnings per share					
– Basic and diluted (US)	6	<u>2.54 cents</u>	<u>1.93 cents</u>	<u>4.03 cents</u>	<u>2.22 cents</u>
Weighted average number of common					
shares outstanding					
– Basic and diluted	6	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2015

	NOTES	June 30, 2015 US\$'000	December 31, 2014 US\$'000 (audited)
Current assets			
Cash and cash equivalents		119,153	565,578
Trade and other receivables	7	59,255	13,058
Prepaid expenses and deposits		7,418	17,719
Prepaid lease payments		233	232
Inventory	8	190,679	159,580
		<u>376,738</u>	<u>756,167</u>
Non-current assets			
Prepaid expense and deposits		10,936	6,466
Prepaid lease payments		8,052	8,140
Deferred tax asset		6,999	9,037
Available-for-sale investment	16	21,915	21,544
Property, plant and equipment	9	1,389,462	1,274,334
Mining rights		935,327	937,806
		<u>2,372,691</u>	<u>2,257,327</u>
Total assets		<u>2,749,429</u>	<u>3,013,494</u>
Current liabilities			
Accounts payable and accrued expenses	10	156,989	162,669
Borrowings	11	338,279	526,839
Tax liabilities		8,605	8,912
		<u>503,873</u>	<u>698,420</u>
Net current (liabilities) assets		<u>(127,135)</u>	<u>57,747</u>
Total assets less current liabilities		<u>2,245,556</u>	<u>2,315,074</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2015

	NOTES	June 30, 2015 US\$'000	December 31, 2014 US\$'000 (audited)
Non-current liabilities			
Borrowings	11	571,499	658,936
Deferred tax liabilities		125,486	126,036
Deferred income		1,748	1,791
Entrusted loan payable	12	32,259	32,221
Environmental rehabilitation		32,288	30,932
		<u>763,280</u>	<u>849,916</u>
Total liabilities		<u>1,267,153</u>	<u>1,548,336</u>
Owners' equity			
Share capital	13	1,229,061	1,229,061
Reserves		30,197	29,427
Retained profits		210,495	194,505
		<u>1,469,753</u>	<u>1,452,993</u>
Non-controlling interests		12,523	12,165
Total owners' equity		<u>1,482,276</u>	<u>1,465,158</u>
Total liabilities and owners' equity		<u>2,749,429</u>	<u>3,013,494</u>

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on August 14, 2015 and are signed on its behalf by:

(Signed by) Xin Song

Xin Song
Director

(Signed by) Bing Liu

Bing Liu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended June 30, 2015

	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, 2014 (audited)	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 period	-	-	-	-	-	-	8,818	8,818	935	9,753
Fair value loss on available-for-sale investment	-	-	-	(1,993)	-	-	-	(1,993)	-	(1,993)
Exchange difference arising on translation	-	-	-	-	(6,899)	-	-	(6,899)	(19)	(6,918)
Total comprehensive income for the period	-	-	-	(1,993)	(6,899)	-	8,818	(74)	916	842
Share based compensation	-	-	10	-	-	-	-	10	-	10
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(208)	(208)
At June 30, 2014 (unaudited)	396,413,753	1,229,061	11,179	(1,806)	7,984	10,065	164,884	1,421,367	10,802	1,432,169
At January 1, 2015 (audited)	396,413,753	1,229,061	11,179	(722)	7,615	11,355	194,505	1,452,993	12,165	1,465,158
Profit for the period	-	-	-	-	-	-	15,990	15,990	817	16,807
Fair value gains on available-for-sale investment	-	-	-	368	-	-	-	368	-	368
Exchange difference arising on translation	-	-	-	-	402	-	-	402	(158)	244
Total comprehensive income for the period	-	-	-	368	402	-	15,990	16,760	659	17,419
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(301)	(301)
At June 30, 2015 (unaudited)	396,413,753	1,229,061	11,179	(354)	8,017	11,355	210,495	1,469,753	12,523	1,482,276

Notes:

- 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.
- Statutory reserve which consists of appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC"), forms part of the equity of PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount equal to 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended June 30, 2015

	Three months ended June 30,		Six months ended June 30,	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Net cash used in operating activities	<u>(15,257)</u>	<u>(11,372)</u>	<u>(14,616)</u>	<u>(9,814)</u>
Investing Activities				
Payment for acquisition of property, plant and equipment	(53,307)	(53,589)	(140,708)	(136,787)
Deposit paid for acquisition of property, plant and equipment	–	(962)	(653)	(2,871)
Loan to a related company	<u>(14,020)</u>	<u>–</u>	<u>(14,020)</u>	<u>–</u>
Net cash used in investing activities	<u>(67,327)</u>	<u>(54,551)</u>	<u>(155,381)</u>	<u>(139,658)</u>
Financing Activities				
Proceeds from borrowings	–	96,709	158,070	204,487
Proceeds from entrusted loan	–	–	–	32,172
Dividends paid to a non-controlling shareholder	–	(92)	(301)	(208)
Repayment of borrowings	<u>(255,484)</u>	<u>(44,240)</u>	<u>(434,251)</u>	<u>(84,058)</u>
Net cash (used in) from financing activities	<u>(255,484)</u>	<u>52,377</u>	<u>(276,482)</u>	<u>152,393</u>
Net (decrease) increase in cash and cash equivalents	<u>(338,068)</u>	<u>(13,546)</u>	<u>(446,479)</u>	<u>2,921</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(14)	(1,021)	54	(2,393)
Cash and cash equivalents, beginning of period	<u>457,235</u>	<u>120,982</u>	<u>565,578</u>	<u>105,887</u>
Cash and cash equivalents, end of period	<u>119,153</u>	<u>106,415</u>	<u>119,153</u>	<u>106,415</u>
Cash and cash equivalents are comprised of Cash and saving deposits in banks	<u>119,153</u>	<u>106,415</u>	<u>119,153</u>	<u>106,415</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

1. BASIS OF PREPARATION

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

At June 30, 2015, the Group's current liabilities exceeded its current assets by approximately US\$127 million. In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group's cash flow projection, including the Group's unutilized bank facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2014.

In the current interim period, the Group has applied the following amendments to IFRSs which are mandatorily effective for the current interim period:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

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

3. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Administration and office	2,228	1,804	4,299	4,103
Depreciation of property, plant and equipment	633	635	1,307	1,269
Professional fees	562	632	929	1,645
Salaries and benefits	2,364	2,508	5,057	4,239
Others	201	313	424	651
Total general and administrative expenses	5,988	5,892	12,016	11,907

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

4. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Effective interests on borrowings	12,855	6,861	26,108	13,082
Accretion on environmental rehabilitation	659	654	1,315	1,323
	<u>13,514</u>	<u>7,515</u>	<u>27,423</u>	<u>14,405</u>
Less: Amount capitalised to property, plant and equipment	(6,944)	(3,734)	(12,329)	(7,226)
	<u>6,570</u>	<u>3,781</u>	<u>15,094</u>	<u>7,179</u>

5. INCOME TAX EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
PRC Enterprise Income Tax	3,360	1,965	6,260	3,491
Deferred tax (credit) expense	(187)	794	1,488	3,766
	<u>3,173</u>	<u>2,759</u>	<u>7,748</u>	<u>7,257</u>

6. EARNINGS PER SHARE

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Profit for the period attributable to owners of the Company for the purposes of basic and diluted EPS (US\$'000)	<u>10,085</u>	<u>7,661</u>	<u>15,990</u>	<u>8,818</u>
Weighted average number of shares, basic and diluted	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>
Basic and diluted EPS (US)	<u>2.54 cents</u>	<u>1.93 cents</u>	<u>4.03 cents</u>	<u>2.22 cents</u>

The computation of diluted EPS for the three and six months ended June 30, 2015 and 2014 does not assume the exercise of the Company's stock options because the exercise price of these options was higher than the average market price for shares for the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

7. TRADE AND OTHER RECEIVABLES

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Trade receivables	33,905	8,303
Less: allowance for doubtful debts	(233)	(167)
	<u>33,672</u>	<u>8,136</u>
Amounts due from related companies (note 14(a))	2,995	4,591
Loan receivable (note 14(a))	14,020	–
Other receivables (Note)	8,568	331
	<u>59,255</u>	<u>13,058</u>

Note: Included in the balance is an amount of approximately US\$8.4 million value-added tax recoverable which is expected to be recovered within twelve months after the end of the reporting period.

The Group allows an average credit period ranging from 30 days to 180 days to its trade customers for gold doré bars sales and copper sales, respectively.

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

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Less than 30 days	22,162	7,852
31 to 90 days	11,004	202
91 to 180 days	12	21
Over 180 days	494	61
	<u>33,672</u>	<u>8,136</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

8. INVENTORY

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Gold in process	150,277	124,850
Gold doré bars	8,365	11,861
Consumables	9,255	5,674
Copper Concentrate	12,430	7,327
Spare parts	10,352	9,868
	<u>190,679</u>	<u>159,580</u>

Inventory totalling US\$62 million and US\$117 million for the three and six months ended June 30, 2015 (three and six months ended June 30, 2014: US\$28.6 million and US\$49.6 million) was recognised in cost of sales.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2015, the Group incurred approximately US\$111.6 million on construction in progress (six months ended June 30, 2014: approximately US\$98.8 million) and approximately US\$33.9 million on mineral assets (six months ended June 30, 2014: approximately US\$46.3 million).

Depreciation of property, plant and equipment was US\$18.6 million and US\$34.8 million (for the three and six months ended June 30, 2014: US\$12.8 million and US\$23.2 million, respectively) for the three and six months ended June 30, 2015. The depreciation amounts were partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payables and accrued expenses comprise the following:

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Accounts payable	28,916	54,374
Construction cost payables	77,846	84,095
Advances from customers	14	14
Mining cost accrual	35,964	6,895
Payroll and benefit payables	3,661	4,249
Other accruals	3,742	5,976
Other tax payable	2,541	4,847
Other payables	4,305	2,219
	<u>156,989</u>	<u>162,669</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES (Cont'd)

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

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Less than 30 days	15,186	44,446
31 to 90 days	5,628	2,521
91 to 180 days	4,757	1,584
Over 180 days	3,345	5,823
	<u>28,916</u>	<u>54,374</u>

11. BORROWINGS

The borrowings are repayable as follows:

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Carrying amount repayable within one year (Note)	338,279	526,839
Carrying amount repayable within one to two years	69,073	183,661
Carrying amount repayable within two to five years	502,426	475,275
	<u>909,778</u>	<u>1,185,775</u>
Less: Amounts due within one year (shown under current liabilities)	<u>(338,279)</u>	<u>(526,839)</u>
Amounts shown under non-current liabilities	<u>571,499</u>	<u>658,936</u>

Note: As at June 30, 2015, a loan with principal amounts of RMB136 million, equivalent to approximately US\$22 million (December 31, 2014: RMB397 million, equivalent to US\$64 million) with original repayment terms due in November 2015, did not meet the loan covenants primarily related to the current ratio of a PRC subsidiary of the Company. The lender did not request accelerated repayment of the loan.

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Analysed as:		
Secured	—	80,553
Unsecured	909,778	1,105,222
	<u>909,778</u>	<u>1,185,775</u>

Borrowings carry interest at effective interest rates ranging from 3.5% to 6.0% (December 31, 2014: 3.5% to 6.0%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

12. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three-year entrusted loan agreement with China National Gold Corporation (“CNG”), a substantial shareholder of the Company (see note 14) and China Construction Bank (“CCB”) in which CNG provided a loan of RMB200 million (equivalent to approximately US\$32,259,000) to the Group through CCB as entrusted bank. The entrusted loan is unsecured and carries interest at fixed rate of 3% per annum and repayable quarterly until the maturity date. The principal amount is to be repaid on January 17, 2017.

13. SHARE CAPITAL AND OPTIONS

(a) Common shares

Authorised – Unlimited common shares without par value

Issued and outstanding – 396,413,753 (December 31, 2014: 396,413,753) common shares at June 30, 2015.

(b) Stock options

The Group had a stock option plan which permitted the board of directors of the Company to grant options to directors and employees to acquire common shares of the Company at the price approved by the board of directors. A portion of the stock options vested immediately on the grant date and the balance vested over a period of up to five years from the grant date.

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

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

	January 1, 2015 to June 30, 2015		January 1, 2014 to December 31, 2014	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance, beginning of period	400,000	5.56	400,000	5.56
Options expired	(400,000)	5.56	–	–
Balance, end of period	–	–	400,000	5.56

No stock options were granted during the six months ended June 30, 2015 and the year ended December 31, 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

13. SHARE CAPITAL AND OPTIONS (Cont'd)

(b) Stock options (Cont'd)

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

Expiring in	Number outstanding	Options outstanding		Options exercisable	
		Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable	Weighted average exercise price CAD
June 2015	<u>400,000</u>	0.42	<u>5.56</u>	<u>400,000</u>	<u>5.56</u>

14. RELATED PARTY TRANSACTIONS

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

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

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

	June 30, 2015 %	December 31, 2014 %
CNG	<u>39.3</u>	<u>39.3</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

14. RELATED PARTY TRANSACTIONS (Cont'd)

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

(i) Transactions/balances with CNG and its subsidiaries

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

	Three months ended June 30,		Six months ended June 30,	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Gold doré sales by the Group	58,367	28,068	110,477	59,661
Copper and other product sales by the Group	—	—	—	5,066
Provision of transportation by the Group	137	—	1,207	1,187
Construction service provided to the Group	11,651	16,096	44,060	69,303
New Entrusted loan provided to the Group	—	—	—	32,240
Loan advanced by the Group	14,020	—	14,020	—

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

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Assets		
Amounts due from related companies	2,995	4,591
Deposit	955	926
Loan receivable from related company	14,020	—
Trade receivable from CNG	12,233	—
Total amounts due from CNG and its subsidiaries	30,203	5,517

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

14. RELATED PARTY TRANSACTIONS (Cont'd)

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

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

Trade receivables from CNG is non-interest bearing, unsecured and repayable within 30 days from the invoice date, loan receivable from a related company carry's a fixed interest rate of 5% per annum and is unsecured and repayable in one year of the reception date. The remaining amounts due from CNG and its subsidiaries, which are included in accounts and other receivables and deposits, are non-interest bearing, unsecured and repayable on demand.

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Liabilities		
Construction costs payable to CNG's subsidiaries	4,755	9,597
Customer advanced paid by CNG's subsidiaries	–	37
Entrusted loan payable (Note 12)	32,259	32,221
Other payable to CNG's subsidiaries	1,662	1,687
	<u>38,676</u>	<u>43,542</u>
Total amounts due to CNG's subsidiaries		

Except for the entrusted loan payable to CNG, the amounts due to CNG and its subsidiaries which are included in accounts payable and accrued expenses, are non-interest bearing, unsecured and have no fixed terms of repayments.

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

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

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

The Group has the following significant balance with a related party at the end of each reporting period:

	June 30, 2015 US\$'000	December 31, 2014 US\$'000
Asset		
Amount due from a non-controlling shareholder of a subsidiary (included in prepaid expenses)	403	449

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

14. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Transactions/balances with other non-government related parties/entity (Cont'd)

The Group has the following compensation to key management personnel including directors of the Company during the period:

	Three months ended June 30,		Six months ended June 30,	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Salaries and other benefits	224	211	408	417
Post employment benefits	7	4	13	11
	<u>231</u>	<u>215</u>	<u>421</u>	<u>428</u>

15. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker ("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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

15. SEGMENT INFORMATION (Cont'd)

(a) Segment revenues and results

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

For the six months ended June 30, 2015

	Mine-produced gold US\$'000	Mine-Produced copper US\$'000	Segment Total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenues – External	110,477	50,557	161,034	–	161,034
Cost of sales	(80,738)	(38,815)	(119,553)	–	(119,553)
Mining operating earnings	29,739	11,742	41,481	–	41,481
Income (loss) from operations	29,639	3,281	32,920	(3,555)	29,365
Foreign exchange (loss) gain, net	(630)	1,328	698	(5)	693
Interest and other (expense) income	(893)	2,827	1,934	7,657	9,591
Finance costs	(2,925)	(2,630)	(5,555)	(9,539)	(15,094)
Profit (loss) before income tax	25,191	4,806	29,997	(5,442)	24,555

For the six months ended June 30, 2014

	Mine-produced gold US\$'000	Mine-Produced copper US\$'000	Segment Total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenues – External	59,661	25,539	85,200	–	85,200
Cost of sales	(35,921)	(15,448)	(51,369)	–	(51,369)
Mining operating earnings	23,740	10,091	33,831	–	33,831
Income (loss) from operations	23,642	2,315	25,957	(4,131)	21,826
Foreign exchange gain (loss), net	1,058	(183)	875	58	933
Interest and other (expense) income	399	(616)	(217)	1,647	1,430
Finance costs	(2,753)	(4,426)	(7,179)	–	(7,179)
Profit (loss) before income tax	22,346	(2,910)	19,436	(2,426)	17,010

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

There were no inter-segment sales for the six months ended June 30, 2015 and 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2015

15. SEGMENT INFORMATION (Cont'd)

(b) Segment assets and liabilities

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

	Mine-produced gold US\$'000	Mine-Produced copper US\$'000	Segment Total US\$'000	Unallocated US\$'000	Consolidated US\$'000
As of June 30, 2015					
Total assets	624,412	2,007,145	2,631,557	117,872	2,749,429
Total liabilities	159,128	602,518	761,646	505,507	1,267,153
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

16. FINANCIAL INSTRUMENTS

As at June 30, 2015 and December 31, 2014, the Group's available-for-sale investments include investment in equity securities listed in Hong Kong and investment in an unlisted company established in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") is measured based on the quoted price (unadjusted) available on the Stock Exchange (Level 1 fair value measurement). As at June 30, 2015, US\$19,657,000 (December 31, 2014: US\$19,289,000) investment in equity securities is measured at fair value on a recurring basis. For the six months ended June 30, 2015, the fair value increase of US\$368,000 was recorded in other comprehensive income. The Group's investment in listed equity securities represent investment in a company engaged in mining, processing and trading of nonferrous metals in the PRC.

As at June 30, 2015, US\$2,258,000 (December 31, 2014: US\$2,255,000) investment in an unlisted company incorporated in the PRC is measured at cost since the investment in unlisted equity instrument does not have a quoted market price and the fair value cannot be measured reliably.

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended December 31, 2014. There was no transfer between Level 1 and 2 in the current and prior periods.

17. CONTINGENT LIABILITIES

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

18. EVENT AFTER THE REPORTING PERIOD

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



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