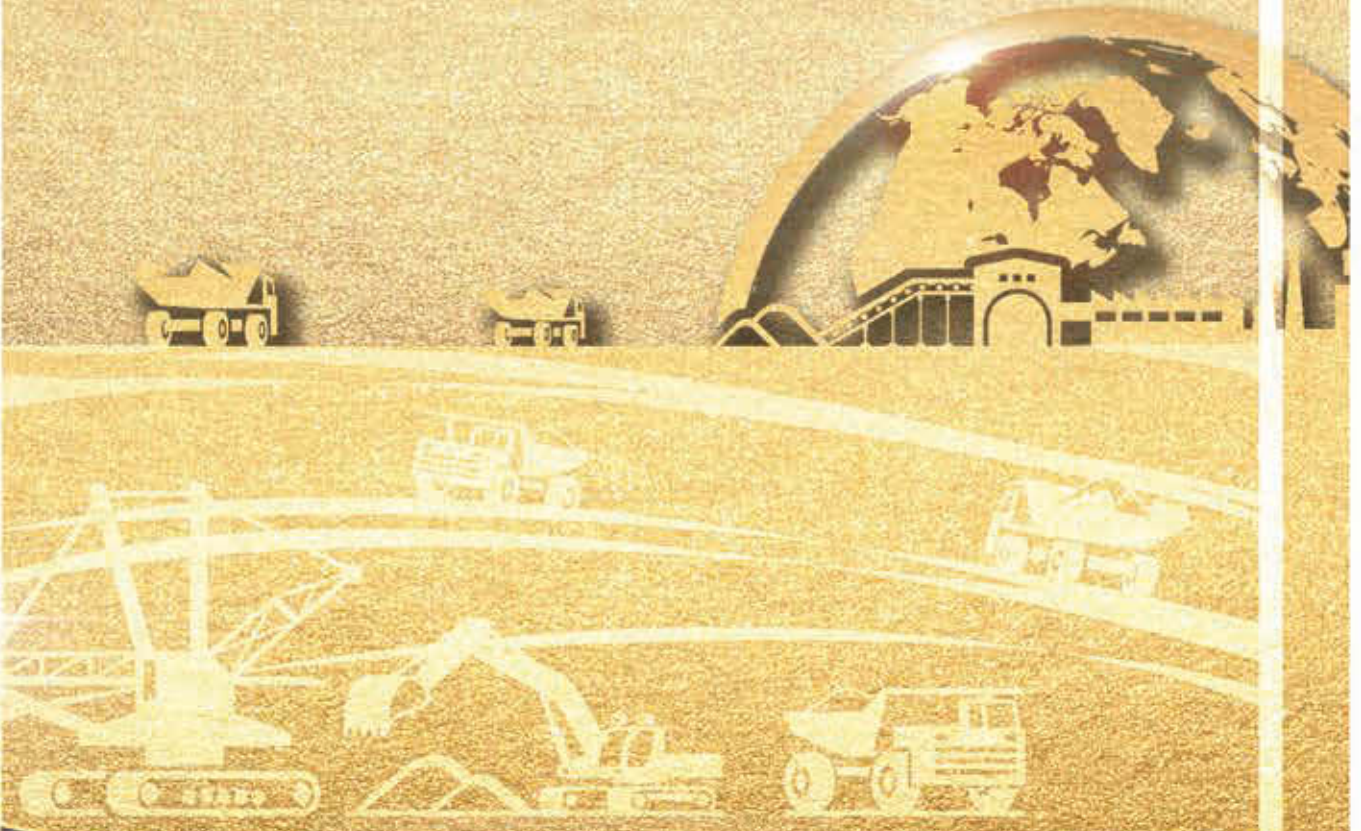




中國黃金國際資源有限公司
China Gold International Resources Corp. Ltd.

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




2017
INTERIM REPORT



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended June 30, 2017 (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 11, 2017. It should be read in conjunction with the condensed consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as "China Gold International", the "Company", "we" or "our" as the context may require) for the three and six months ended June 30, 2017 and the three and six months ended June 30, 2016, 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 30, 2017 on SEDAR at www.sedar.com. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled "Forward-Looking Statements" and "Risk Factors" and to discussions elsewhere within this MD&A. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD-LOOKING STATEMENTS

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

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

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

THE COMPANY

Overview

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

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

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

Performance Highlights

Three months ended June 30, 2017

- Revenue increased by 40% to US\$97.9 million from US\$69.9 million for the same period in 2016.
- Mine operating earnings increased by 114% to US\$25 million from US\$11.7 million for the same period in 2016.
- Net profit after income taxes increased to US\$20.6 million from a net loss of US\$7.4 million for the same period in 2016.
- Gold production from the CSH Mine decreased by 6% to 45,798 ounces from 48,867 ounces for the same period in 2016.
- Copper production from the Jiama Mine increased by 38% to 6,918 tonnes (approximately 15.25 million pounds) from 5,014 tonnes (approximately 11.05 million pounds) for the same period in 2016. The increase in production was primarily due to the commissioning of phase II series I production.

Six months ended June 30, 2017

- Revenue increased by 33% to US\$180 million from US\$135.5 million for the same period in 2016.
- Mine operating earnings increased by 128% to US\$44.1 million from US\$19.3 million for the same period in 2016.
- Net profit after income taxes increased to US\$27.0 million from a net loss of US\$10.9 million for the same period in 2016.
- Gold production from the CSH Mine decreased by 6% to 80,338 ounces from 85,570 ounces for the same period in 2016.
- Copper production from the Jiama Mine increased by 59% to 14,500 tonnes (approximately 31.97 million pounds) from 9,120 tonnes (approximately 20.11 million pounds) for the same period in 2016. The increase in production is mainly due to the commissioning of phase II series I production.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outlook

- Projected gold production of 218,700 ounces in 2017.
- Projected copper production of approximately 79 million pounds in 2017.
- The Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tpd. The Phase II series I construction is now complete. The commissioning started in December 2016. It is expected that the output of series I will be ramped up to its full capacity in the second half of 2017. With Phase II series I put in production, the total nameplate capacity will be increased from the current 6,000 tpd to 28,000 tpd.
- The Company will continue to leverage the technical and operating experience of the Company's substantial 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	2017		2016			2015		
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
(US\$ in thousands except per share)								
Revenues	97,916	82,110	93,552	109,560	69,904	65,585	78,967	99,948
Cost of sales	72,923	62,986	80,517	85,861	58,162	58,039	74,798	82,752
Mine operating earnings	24,993	19,124	13,035	23,879	11,742	7,546	4,169	17,196
General and administrative expenses	5,660	5,776	5,127	5,902	5,361	5,049	6,483	5,330
Exploration and evaluation expenses	53	36	216	65	53	46	157	45
Income (loss) from operations	19,280	13,312	7,692	17,912	6,328	2,451	(2,471)	11,821
Foreign exchange gain (loss)	4,001	2,845	(9,154)	(2,493)	(5,980)	1,198	(5,624)	(8,606)
Finance costs	5,264	4,914	4,264	3,793	4,063	4,453	(868)	7,181
Profit (loss) before income tax	21,936	13,709	(2,703)	13,972	(8,198)	(2,986)	(13,640)	692
Income tax expense	1,332	7,332	6,431	6,276	5,531	500	4,836	5,850
Net profit (loss)	20,604	6,377	(9,134)	7,696	(7,401)	(3,846)	(18,476)	(5,158)
Basic earnings (loss) per share (cents)	5.09	1.60	(2.32)	1.82	(1.95)	(0.91)	(4.69)	(1.41)
Diluted earnings (loss) per share (cents)	N/A	N/A	N/A	1.82	(1.95)	(0.91)	(4.69)	(1.41)

Selected Quarterly Production Data and Analysis

CSH Mine	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Gold sales (US\$ million)	58.66	42.64	103.86	84.28
Realized average price ⁽¹⁾ (US\$) of gold per ounce	1,281	1,198	1,261	1,172
Gold produced (ounces)	45,798	48,867	80,338	85,570
Gold sold (ounces)	45,789	35,595	82,346	71,939
Total production cost ⁽²⁾ (US\$ per ounce)	1,075	1,042	1,098	1,038
Cash production cost ⁽²⁾ (US\$ per ounce)	659	695	696	748

(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 decreased by 6% from 48,867 ounces for the three months ended June 30, 2016 to 45,798 ounces for the three months ended June 30, 2017. The decrease in gold production is mainly due to the lower recovery rates during the current period.

The total production cost of gold for the three months ended June 30, 2017 increased compared with the same period in 2016, due to higher depletion and depreciation costs. The cash production cost of gold for the three months ended June 30, 2017 decreased by approximately 5% from US\$695 per ounce for the three months ended June 30, 2016 to US\$659 for the three months ended June 30, 2017 due to lower waste removal costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Copper sales ¹ (US\$ in millions)	24.47	16.85	49.22	32.36
Realized average price ² (US\$) of copper per pound after smelting fee discount	2.06	1.42	2.06	1.49
Copper produced (tonnes)	6,918	5,014	14,500	9,120
Copper produced (pounds)	15,250,084	11,053,590	31,966,331	20,106,840
Copper sold (tonnes)	5,416	4,829	10,908	9,296
Copper sold (pounds)	11,938,767	10,646,573	24,047,620	20,494,125
Gold produced (ounces)	9,458	7,847	17,618	12,971
Gold sold (ounces)	9,853	7,240	17,817	13,223
Silver produced (ounces)	348,898	333,379	701,657	647,896
Silver sold (ounces)	372,947	299,949	711,659	646,185
Total production cost ³ (US\$) of copper per pound	2.31	2.36	2.23	2.43
Total production cost ³ (US\$) of copper per pound after by-products credits ⁵	1.08	1.36	1.12	1.47
Cash production cost ⁴ (US\$) per pound of copper	1.97	1.94	1.88	2.02
Cash production cost ⁴ (US\$) of copper per pound after by-products credits ⁵	0.73	0.94	0.77	1.06

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

2 A discount factor of 22.4% to 27% is applied to the copper bench mark price to compensate the refinery costs incurred by the buyers

3 Production costs include expenditures incurred at the mine sites for the activities related to production including mining, processing, mine site G&A and royalties etc.

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

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

During the three months ended June 30, 2017, the Jiama Mine produced 6,918 tonnes (approximately 15.25 million pounds) of copper, an increase of 38% compared with the three months ended June 30, 2016 (5,014 tonnes, or 11.05 million pounds). The increase in production is due to the commissioning of phase II series I production.

During the three months ended June 30, 2017, both cash production cost and total production cost of copper per pound after by products decreased, mainly because of the higher ore grade mined during the period.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Quarterly Data

Three months ended June 30, 2017 compared to three months ended June 30, 2016

Revenue of US\$97.9 million for the second quarter of 2017 increased by US\$28.0 million or 40%, from US\$69.9 million for the same period in 2016.

Revenue from the CSH Mine was US\$58.7 million, an increase of US\$16.1 million, compared to US\$42.6 million for the same period in 2016. Gold sold by the CSH Mine was 45,789 ounces (gold produced: 45,798 ounces), compared to 35,595 ounces (gold produced: 48,867 ounces) for the same period in 2016.

Revenue from the Jiama Mine was US\$39.2 million, an increase of US\$11.9 million, compared to US\$27.3 million for the same period in 2016. Total copper sold was 5,416 tonnes (11.9 million pounds) for the three months ended June 30, 2017, an increase of 12% from 4,829 tonnes (10.6 million pounds) for the same period in 2016.

Cost of sales of US\$72.9 million for the quarter ended June 30, 2017, an increase of US\$14.7 million or 25% from US\$58.2 million for the same period in 2016. The overall increase is primarily attributed to an increase of 33% at CSH. Cost of sales as a percentage of revenue for the Company decreased from 83% to 74% for the three months ended June 30, 2016 and 2017, respectively.

Mine operating earnings of US\$25.0 million for the three months ended June 30, 2017 an increase of 114%, or US\$13.3 million, from US\$11.7 million for the same period in 2016. Mine operating earnings as a percentage of revenue increased from 17% to 26% for the three months ended June 30, 2016 and 2017, respectively. The increase in mine operating earnings as a percentage of revenue can be attributed to a 45% increase in the realized average price of copper per pound and a 7% increase in the realized average price of gold per ounce for the three months ended June 30, 2017.

General and administrative expenses increased by US\$0.3 million, from US\$5.4 million for the quarter ended June 30, 2016 to US\$5.7 million for the quarter ended June 30, 2017.

Income from operations of US\$19.3 million for the second quarter of 2017, increased by US\$13.0 million, compared to US\$6.3 million for the same period in 2016.

Finance costs of US\$5.3 million for the three months ended June 30, 2017, increased by US\$1.2 million compared to the same period in 2016. During the three months ended June 30, 2017, interest payments of US\$6.2 million (2016: US\$7.1 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US\$4.0 million for the three months ended June 30, 2017 from a loss of US\$6.0 million for the same period in 2016. The increase is related to the revaluation of monetary items held in Chinese RMB, which was based on changes in the RMB/USD exchange rates.

Interest and other income of US\$3.9 million for the three months ended June 30, 2017 increased from US\$1.8 million for the same period in 2016, due to higher income earned on term deposits and related party loans.

Income tax expense of US\$1.3 million for the quarter ended June 30, 2017 decreased by US\$4.2 million from US\$5.5 million for the comparative period in 2016. During the current quarter, the Company had US\$2.5 million of deferred tax credit compared to US\$2.9 million of deferred tax expense for the same period in 2016.

Net income of the Company increased by US\$28.0 million from a loss of US\$7.4 million for the three months ended June 30, 2016 to a gain of US\$20.6 million for the three months ended June 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Six months ended June 30, 2017 compared to six months ended June 30, 2016

Revenue of US\$180.0 million for the six months ended June 30, 2017 increased by US\$44.5 million or 33%, from US\$135.5 million for the same period in 2016.

Revenue from the CSH Mine was US\$103.9 million, an increase of US\$19.6 million, compared to US\$84.3 million for the same period in 2016. Gold sold by the CSH Mine was 82,346 ounces (gold produced: 80,338 ounces), compared to 71,939 ounces (gold produced: 85,570 ounces) for the same period in 2016.

Revenue from the Jiama Mine was US\$76.2 million, an increase of US\$25.0 million, compared to US\$51.2 million for the same period in 2016. Total copper sold was 10,908 tonnes (24.0 million pounds) for the six months ended June 30, 2017, an increase of 17% from 9,296 tonnes (20.5 million pounds) for the same period in 2016.

Cost of sales of US\$135.9 million for the six months ended June 30, 2017, an increase of US\$19.7 million or 17% from US\$116.2 million for the same period in 2016. The overall increase is primarily attributed to an increase of 21% at CSH. Cost of sales as a percentage of revenue for the Company decreased from 86% to 75% for the six months ended June 30, 2016 and 2017, respectively.

Mine operating earnings of US\$44.1 million for the six months ended June 30, 2017 an increase of 128%, or US\$24.8 million, from US\$19.3 million for the same period in 2016. Mine operating earnings as a percentage of revenue increased from 14% to 25% for the six months ended June 30, 2016 and 2017, respectively. The increase in mine operating earnings as a percentage of revenue can be attributed to a 38% increase in the realized average price of copper per pound and an 8% increase in the realized average price of gold per ounce for the six months ended June 30, 2017.

General and administrative expenses increased by US\$1.0 million, from US\$10.4 million for the six months ended June 30, 2016 to US\$11.4 million for the six months ended June 30, 2017.

Income from operations of US\$32.6 million for the six months ended June 30, 2017, increased by US\$23.8 million, compared to US\$8.8 million for the same period in 2016.

Finance costs of US\$10.2 million for the six months ended June 30, 2017, increased by US\$1.7 million compared to the same period in 2016. During the six months ended June 30, 2017, interest payments of US\$12.5 million (2016: US\$12.2 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US\$6.8 million for the six months ended June 30, 2017, from a loss of US\$4.8 million for the same period in 2016. The increase is related to the revaluation of monetary items held in Chinese RMB, which was based on changes in the RMB/USD exchange rates.

Interest and other income of US\$6.4 million for the six months ended June 30, 2017 increased from US\$3.5 million for the same period in 2016, due to higher income earned on term deposits and related party loans.

Income tax expense of US\$8.7 million for the six months ended June 30, 2017 increased by US\$2.7 million from US\$6.0 million for the comparative period in 2016. The increase is mainly due to US\$4.9 million withholding tax paid in China. During the current period, the Company had US\$0.8 million of deferred tax credit compared to US\$0.7 million of deferred tax expense for same period in 2016.

Net income of the Company increased by US\$37.9 million from a loss of US\$10.9 million for the six months ended June 30, 2016 to a gain of US\$27.0 million for the six months ended June 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NON-IFRS MEASURES

The following table provides certain unit cost information on a cost of production per tonne of ore processed (non-IFRS) basis for the CSH Mine for the three and six months ended June 30, 2017 and 2016:

CSH Mine	Three months ended June 30,		Six months ended June 30,	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Cost of mining per tonne of ore	1.32	1.14	1.32	1.20
Cost of mining waste per tonne of ore	1.58	2.49	1.81	2.67
Other mining costs per tonne of ore	0.11	0.21	0.18	0.24
Total mining costs per tonne of ore	3.01	3.84	3.31	4.11
Cost of reagents per tonne of ore	0.77	0.48	0.89	0.66
Other processing costs per tonne of ore	0.85	0.58	0.94	0.72
Total processing cost per tonne of ore	1.62	1.06	1.83	1.38

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 pound for the Jiama Mine:

CSH Mine (Gold)	Three months ended June 30,				Six months ended June 30,			
	2017		2016		2017		2016	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total production costs	49,220,910	1,075	37,082,934	1,042	90,409,628	1,098	74,675,405	1,038
Adjustments	(19,029,245)	(416)	(12,353,409)	(347)	(33,124,116)	(402)	(20,849,174)	(290)
Total cash production costs	30,191,665	659	24,729,525	695	57,285,512	696	53,826,231	748

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jiama Mine

(Copper with by-products credits)

	Three months ended June 30,				Six months ended June 30,			
	2017		2016		2017		2016	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total production costs	27,622,281	2.31	25,133,015	2.36	53,560,734	2.23	49,704,454	2.43
Adjustments	(4,133,979)	(0.35)	(4,437,141)	(0.42)	(8,412,137)	(0.35)	(8,400,406)	(0.41)
Total cash production costs	23,488,302	1.96	20,695,874	1.94	45,148,597	1.88	41,304,048	2.02
By-products credits	(14,736,564)	(1.23)	(10,675,017)	(1.00)	(26,713,505)	(1.11)	(19,532,529)	(0.95)
Total cash production costs after by-products credits	8,751,738	0.73	10,020,857	0.94	18,435,092	0.77	21,771,519	1.07

The adjustments above include depreciation and depletion, amortization of intangible assets, and selling expenses included in total production costs.

MINERAL PROPERTIES

The CSH Mine

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

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

The CSH Mine has two open-pit mining operations and has a mining and processing capacity of 60,000 tpd.

The major new contracts entered into during the six months ended June 30, 2017:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions) Unit price	Contract period (effective day and expiration date)	Date of Contract
1	Liquid Sodium Cyanide Purchase contract	Inner Mongolia Chengxin Yongan Chemical Co., Ltd.	Estimated: 31.4	2017.1.1-2017.12.31	2017.2.20
2	Mixed Explosive Purchase contract	Bayannuur Sheng An Chemical Co., Ltd.	Estimated: 16.7	2017.1.1-2017.12.31	2017.2.20
3	Explosives Purchase contract	Bayannuur Sheng An Chemical Co., Ltd.	Estimated: 5.2	2017.1.1-2017.12.31	2017.2.20

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production Update

CSH Mine	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Ore mined and placed on pad (tonnes)	5,711,044	6,799,644	9,479,897	11,010,419
Average ore grade (g/t)	0.58	0.51	0.53	0.50
Recoverable gold (ounces)	64,383	67,515	100,187	105,832
Ending ore inventory (ounces)	199,676	198,568	199,676	198,568
Waste rock mined (tonnes)	25,100,626	24,933,295	44,421,077	44,157,522

For the three months ended June 30, 2017, the total amount of ore placed on the leach pad was 5.7 million tonnes, with total contained gold of 64,383 ounces (2,003 kilograms). The overall accumulative project-to-date gold recovery rate has slightly decreased from approximately 52.22% at the end of March 2017 to 51.84% at the end of June 2017.

Exploration

The Company proposed plan for mineral exploration work in 2017 and 2018, for 9 drilling holes with 10,450 meters. The drilling work will commence in the second half of 2017.

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2016 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Measured	26.72	0.67	17.94	0.58
Indicated	136.59	0.61	83.35	2.68
M+I	163.31	0.62	101.29	3.26

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2016 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	25.87	0.68	17.59	0.57
Probable	93.32	0.64	59.34	1.91
Total	119.19	0.65	76.93	2.48

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 Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tpd. The Phase II series I construction is now complete. The commissioning started in December 2016. It is expected that the output of Series I will be ramped up to its full capacity in the second half of 2017. With Phase II series I in production, the total nameplate capacity will be increased from the current 6,000 tpd to 28,000 tpd. Given the recent global economic volatility and uncertainty and their potential impact on commodity prices and market conditions, the Company will re-optimize the mining plan and production schedules accordingly.

During the first half of 2017, 33,517 tons of concentrate was produced from commissioning of Phase II Series I, which contained copper 3,717 tonnes, lead 7,554 tonnes, zinc 3,855 tonnes, gold 2,386 ounces and silver 425,946 ounces.

The major new contracts entered into during the six months ended June 30, 2017:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions) Unit Price	Contract period (effective day and expiration date)	Date of Contract
1	Copper Concentrate Sales contract	Gansu Boda Mining Co. Ltd	Estimated: 14.8	2017.6.24-2017.12.31	2017.06.24
2	Supplemental Agreement to Copper Concentrate Sales Contract	Tibet Huili investment Co.,Ltd.	Estimated: 46.5	2017.6.15-2017.12.31	2017.06.15
3	Cu-pb-zn mixed concentrates sales	Tibet Fudeyuan Industrial and trade Co., Ltd.	Estimated: 3.7	2017.6.24-2017.12.31	2017.06.24
4	Cu-pb-zn mixed concentrates sales	Shanghai Honglu International Trade Co.,Ltd.	Estimated: 11.8	2017.6.24-2017.12.31	2017.06.24
5	Cu-pb-zn mixed concentrates sales	Tibet Huili investment Co.,Ltd.	Estimated: 11.8	2017.6.24-2017.12.31	2017.06.24

Production Update

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Ore mined (tonnes)	509,695	626,449	1,123,293	1,032,514
Waste mined (tonnes)	-	-	-	-
Average copper ore grade (%)	1.12	0.91	1.07	0.83
Copper recovery rate (%)	87	92	89	90
Average gold ore grade (g/t)	0.77	0.58	0.67	0.48
Gold recovery rate (%)	74	69	72	70
Average silver ore grade (g/t)	30.37	27.46	28.11	24.50
Silver recovery rate (%)	69	68	68	68

Exploration

The Company has planned peripheral prospecting and mineral exploration work in 2017 and 2018, for 6 drilling holes with 6,920 meters and 14 underground exploration drilling holes with 10,155 meters. The drilling work will commence in the second half of 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 programs 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. 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, 2016

Class	Quantity						Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
	Mt	Cu %	Mo %	Pb %	Zn %	Au g/t							
Measured	96.6	0.40	0.04	0.04	0.02	0.09	5.71	384	35	43	23	0.268	17.729
Indicated	1,382.7	0.41	0.03	0.05	0.03	0.11	6.08	5,695	467	751	470	4.947	270.472
M+I	1,479.4	0.41	0.03	0.05	0.03	0.11	6.06	6,079	502	794	493	5.215	288.201
Inferred	406.1	0.31	0.03	0.08	0.04	0.10	5.13	1,247	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:

$$\text{CuEq Resources} = (\text{Ag Grade} * \text{Ag Price} + \text{Au Grade} * \text{Au Price} + \text{Cu Grade} * \text{Cu Price} + \text{Pb Grade} * \text{Pb Price} + \text{Zn Grade} * \text{Zn Price} + \text{Mo Grade} * \text{Mo Price}) / \text{Copper Price}$$

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, 2016

Class	Quantity						Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
	Mt	Cu %	Mo %	Pb %	Zn %	Au g/t							
Proven	21.4	0.61	0.05	0.05	0.03	0.21	9.35	131	10	11	7	0.148	6.431
Probable	412.8	0.61	0.03	0.13	0.08	0.18	11.42	2,520	132	549	318	2.451	151.583
P+P	434.2	0.61	0.03	0.13	0.07	0.19	11.32	2,651	142	560	325	2.599	158.014

Notes:

- 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.
- Mineral Reserves were estimated using the following mining and economic factors:

Open Pits:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

At June 30, 2017, the Company had an accumulated surplus of US\$198.7 million, working deficit of US\$332.6 million and borrowings of US\$1,262 million. The Company's cash balance at June 30, 2017 was US\$80.5 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US\$507.6 million of 3.5% unsecured bonds, which matured and were repaid in full, on July 17, 2017 and US\$137.0 million of short term debt facilities with interest rates ranging from 2.35% to 4.35% per annum arranged through various banks in China. In addition, on November 3, 2015, the Company entered into a Loan Facility agreement with a syndicate of banks, led by Bank of China. The lenders agreed to lend to the aggregate principle amount of RMB3.98 billion, approximately US\$613 million with the interest rate of 2.83% per annum currently. The People's Bank of China Lhasa Center Branch's interest rate serves as a benchmark for the interest on the drawdowns. The bank's interest rate is then discounted by 7 basis points (or 0.07%) to calculate the interest on the drawdowns. The proceeds from the Loan Facility are to be used for the development of the Jiama Mine. The loan is secured by the mining rights for the Jiama Mine. As of June 30, 2017, the Company has drawdown RMB3.41 billion, approximately US\$502.6 million under the Loan Facility. As of June 30, 2017 the Company has approximately US\$300 million unutilized banking facilities. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future. On July 6, 2017, the Board of Directors announced that the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, has successfully completed the issuance of bonds in an aggregate principal amount of US\$500 million. The bonds have been listed on the Stock Exchange of Hong Kong Limited on July 7, 2017. The bonds were issued at a price of 99.663%, bearing coupon rate of 3.25% with a maturity date of July 6, 2020.

Given the challenging market conditions in the global mining industry, the Company continues to rigorously test its assets for impairment as part of its financial reporting processes. To date, the testing procedures carried out by the Company support the carrying values of the Company's assets, and no impairment has been required. However, management of the Company continues to evaluate and test key assumptions on estimates and management judgments in order to determine the fair value less cost of disposal of the CSH Mine and the Jiama Mine.

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, 2017 and June 30, 2016.

	Three Months ended June 30,		Six Months ended June 30,	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Net cash from operating activities	6,873	23,312	15,180	29,298
Net cash used in investing activities	(33,689)	(54,416)	(85,445)	(91,004)
Net cash from financing activities	33,653	15,601	90,336	49,939
Net increase (decrease) in cash and cash equivalents	6,837	(15,503)	20,071	(11,767)
Effect of foreign exchange rate changes on cash and cash equivalents	361	(787)	472	(708)
Cash and cash equivalents, beginning of period	73,275	116,214	59,930	112,399
Cash and cash equivalents, end of period	80,473	99,924	80,473	99,924

Operating cash flow

For the three months ended June 30, 2017, the net cash inflow from operating activities was US\$6.9 million which is primarily attributable to (i) profit before income tax of US\$21.9 million (ii) depreciation and depletion of US\$20.7 million and (iii) finance cost of US\$5.3 million, partially offset by (i) an increase in accounts receivable of US\$18.7 million (ii) decrease in accounts payable and accrued liabilities of US\$7.7 million (iii) interest paid of US\$6.7 million and (iv) increase in inventory of US\$3.1 million.

For the six months ended June 30, 2017, the net cash inflow from operating activities was US\$15.2 million which is primarily attributable to (i) profit before income tax of US\$35.6 million (ii) depreciation and depletion of US\$40.0 million and (iii) finance cost of US\$10.2 million, partially offset by (i) an increase in accounts receivable of US\$31.9 million (ii) interest paid of US\$21.3 million and (iii) income tax paid of US\$10.9 million.

Investing cash flow

For the three months ended June 30, 2017, the net cash outflow from investing activities was US\$33.7 million, which is primarily attributable to (i) payment for the acquisition of property, plant and equipment of US\$43.3 million and (ii) placement of restricted cash bank balance of US\$33.0 million, partially offset by (i) release of restricted bank balance of US\$33.2 million and (ii) proceeds from the repayment of a loan to a related company of US\$9.5 million.

For the six months ended June 30, 2017, the net cash outflow from investing activities was US\$85.4 million, which is primarily attributable to payment for the acquisition of property, plant and equipment of US\$95.7 million, and placement of restricted bank balances of US\$66.4 million, partially offset by (i) release of restricted bank balances of US\$68.0 million and (ii) proceeds from the repayment of a loan to a related company of US\$9.5 million.

Financing cash flow

For the three months ended June 30, 2017, the net cash inflow from financing activities was US\$33.7 million, which is primarily due to proceeds from bank borrowings of US\$35.9 million offset by repayments of borrowings of US\$2.2 million.

For the six months ended June 30, 2017, the net cash inflow from financing activities was US\$90.3 million, which is primarily attributable to proceeds from borrowings of US\$92.2 million, partially offset by repayments of borrowings of US\$2.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenditures Incurred

For the six months ended June 30, 2017, the Company incurred mining costs of US\$37.0 million, processing costs of US\$60.2 million, transportation costs of US\$2.8 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at June 30, 2017, the Company's total debt was US\$1,262 million and the total equity was US\$1,450 million. The Company's gearing ratio was therefore 0.87 as at June 30, 2017 and 0.81 as at December 31, 2016.

Restrictive covenants

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

Under a Loan Facility agreement entered on November 3, 2015 between the Company and a syndicated of banks, led by Bank of China pursuant to which the banks agreed to lend to Tibet Huatailong, the Company's subsidiary, the aggregate principle amount of RMB3.98 billion (approximately US\$613 million), the debt to assets ratio of Huatailong should be less than 75% during the term of the agreement.

CHARGE ON ASSETS

Other than as disclosed in condensed consolidated financial statements of the Group for the three and six months ended June 30, 2017, none of the Group's assets were pledged as at June 30, 2017.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Refer to Note 30, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2016.

COMMITMENTS AND CONTINGENCIES

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Total	Within One year	Within Two to five years	Over 5 years
	US\$'000	US\$'000	US\$'000	US\$'000
Principal repayment of bank loans	754,015	136,986	251,683	365,346
Repayment of bonds	507,647	507,647	–	–
Total	1,261,662	644,633	251,683	365,346

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, 2017 and June 30, 2016.

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. On June 28, 2017, the Supplemental Contract for the Purchase and Sale of Doré was approved, commencing on January 1, 2018 and expiring on December 31, 2020.

Revenue from sales of gold doré bars to CNG increased from US\$84.3 million for the six months ended June 30, 2016 to US\$103.9 million for the six months ended June 30, 2017.

On May 29, 2015, the Company entered into a revised continuing connected transaction and major transaction amending the 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 Product and Service Framework Agreement. On June 28, 2017, the Supplemental Product and Service Framework Agreement was approved and extended to expire on December 31, 2020. For the six months ended June 30, 2017, revenue from sales of copper concentrate and other products to CNG was US\$32.4 million, compared to US\$25.6 million for the same period in 2016.

For the six months ended June 30, 2017, construction services of US\$14.3 million were provided to the Company by subsidiaries of CNG (US\$62.9 million for the six months June 30, 2016).

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 six months ended June 30, 2017. The Company continues to review possible acquisition targets.

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, 2016.

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, 2016.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

The Company did not have any financial derivatives or outstanding hedging contracts as at June 30, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2017, the Company had not entered into any off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

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

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTSTANDING SHARES

As of June 30, 2017 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, 2017 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, 2017, 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) 2013 framework to evaluate the Company’s ICFR as of June 30, 2017 and have concluded that these controls and procedures were effective as of June 30, 2017 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, 2017, there were no changes in the Company’s DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

RISK FACTORS

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

QUALIFIED PERSON

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

Disclosure of a scientific or technical nature in this MD&A in respect of the Jiama Mine for the Mineral Resources, Mineral Reserves and Phase II Expansion was prepared by or under the supervision of Mr. Bin Guo and Anthony R Cameron, both qualified person for the purposes of NI 43-101; all remaining information in regards to the Jiama project contained in this MD&A was prepared by or under the supervision of Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

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:

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017.

A2. Substantial Shareholders

Save as disclosed below, as of June 30, 2017, the Company's directors were not aware of any other person (other than a director or chief executive of the Company who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO")):

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

A3. Directors' and Chief Executives' Interests in Shares and Stock Options

As of June 30, 2017, the interests of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the 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, 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.	150,000	Personal	0.0378%
Xiangdong Jiang	Director	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, 2017.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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. All options expired on June 1, 2015 and the 2007 Stock Option Plan has ceased to be in effect.

A5. Emolument Policy

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

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

As of June 30, 2017, the Company had 1,700 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.

A6. Compliance with Corporate Governance Code

The Company has, throughout the six months ended June 30, 2017, 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 Rules Governing the Listing Securities of The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

A7. 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, 2017.

A8. Interim Dividend

The Board did not recommend the payment of interim dividends in respect of the six months ended June 30, 2017.

A9. 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 three and six months ended June 30, 2017.

August 11, 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Three and Six Months Ended June 30, 2017

	NOTES	Three months ended June 30,		Six months ended June 30,	
		2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Revenues	3	97,916	69,904	180,026	135,489
Cost of sales		(72,923)	(58,162)	(135,909)	(116,201)
Mine operating earnings		24,993	11,742	44,117	19,288
Expenses					
General and administrative expenses	4	(5,660)	(5,361)	(11,436)	(10,410)
Exploration and evaluation expenditure		(53)	(53)	(89)	(99)
		(5,713)	(5,414)	(11,525)	(10,509)
Income from operations		19,280	6,328	32,592	8,779
Other income (expenses)					
Foreign exchange gain (loss), net		4,001	(5,980)	6,846	(4,782)
Interest and other income		3,919	1,845	6,385	3,494
Finance costs	5	(5,264)	(4,063)	(10,178)	(8,516)
Impairment loss on available-for-sale investment		—	—	—	(3,831)
		2,656	(8,198)	3,053	(13,635)
Profit (loss) before income tax		21,936	(1,870)	35,645	(4,856)
Income tax expense	6	(1,332)	(5,531)	(8,664)	(6,031)
Profit (loss) for the period		20,604	(7,401)	26,981	(10,887)
Other comprehensive income (expenses) for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation		4,117	(6,127)	5,166	(5,360)
Fair value loss on available-for-sale investment		(2,318)	(2,822)	(1,803)	(6,653)
Reclassification adjustment upon impairment of available-for-sale investment		—	—	—	3,831
Total comprehensive income (expenses) for the period		22,403	(16,350)	30,344	(19,069)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Three and Six Months Ended June 30, 2017

		Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
NOTES		US\$'000	US\$'000	US\$'000	US\$'000
Profit (loss) for the period attributable to					
	Non-controlling interests	422	310	468	425
	Owners of the Company	<u>20,182</u>	<u>(7,711)</u>	<u>26,513</u>	<u>(11,312)</u>
		<u>20,604</u>	<u>(7,401)</u>	<u>26,981</u>	<u>(10,887)</u>
Total comprehensive income (expenses) for the period attributable to					
	Non-controlling interests	419	307	467	421
	Owners of the Company	<u>21,984</u>	<u>(16,657)</u>	<u>29,877</u>	<u>(19,490)</u>
		<u>22,403</u>	<u>(16,350)</u>	<u>30,344</u>	<u>(19,069)</u>
Earnings (loss) per share – Basic (US)	7	<u>5.09 cents</u>	<u>(1.95) cents</u>	<u>6.69 cents</u>	<u>(2.85) cents</u>
Weighted average number of common shares – Basic	7	<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, 2017

	NOTES	June 30, 2017 US\$'000	December 31, 2016 US\$'000 (audited)
Current assets			
Cash and cash equivalents		80,473	59,930
Restricted bank balance		20,031	21,085
Trade and other receivables	8	185,839	163,228
Prepaid expenses and deposits		4,254	5,633
Prepaid lease payments		388	366
Inventories	9	223,310	220,557
		<u>514,295</u>	<u>470,799</u>
Non-current assets			
Prepaid expense and deposits		12,554	12,156
Prepaid lease payments		15,272	14,403
Deferred tax assets		756	382
Available-for-sale investments	16	13,001	14,755
Property, plant and equipment	10	1,646,996	1,531,307
Mining rights		921,278	922,817
		<u>2,609,857</u>	<u>2,495,820</u>
Total assets		<u>3,124,152</u>	<u>2,966,619</u>
Current liabilities			
Accounts and other payables and accrued expenses	11	195,708	176,464
Borrowings	12	644,633	596,233
Entrusted loan payables	13	–	28,831
Tax liabilities		6,573	7,944
		<u>846,914</u>	<u>809,472</u>
Net current liabilities		<u>(332,619)</u>	<u>(338,673)</u>
Total assets less current liabilities		<u>2,277,238</u>	<u>2,157,147</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2017

	NOTES	June 30, 2017 US\$'000	December 31, 2016 US\$'000 (audited)
Non-current liabilities			
Borrowings	12	617,029	558,599
Deferred tax liabilities		124,370	124,808
Deferred income		4,170	4,214
Entrusted loan payable	13	29,523	–
Environmental rehabilitation		51,889	49,337
		826,981	736,958
Total liabilities		1,673,895	1,546,430
Owners' equity			
Share capital	14	1,229,061	1,229,061
Reserves		8,555	5,191
Retained profits		198,718	172,205
		1,436,334	1,406,457
Non-controlling interests		13,923	13,732
Total owners' equity		1,450,257	1,420,189
Total liabilities and owners' equity		3,124,152	2,966,619

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on August 11, 2017 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 Three and Six Months Ended June 30, 2017

	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, 2016 (audited)	396,413,753	1,229,061	11,179	-	(3,685)	11,355	186,317	1,434,227	13,027	1,447,254
(Loss) profit for the period	-	-	-	-	-	-	(11,312)	(11,312)	425	(10,887)
Fair value loss on available-for-sale investment	-	-	-	(6,653)	-	-	-	(6,653)	-	(6,653)
Reclassification adjustment upon impairment of available-for-sale investment	-	-	-	3,831	-	-	-	3,831	-	3,831
Exchange difference arising on translation	-	-	-	-	(5,356)	-	-	(5,356)	(4)	(5,360)
Total comprehensive (expenses) income for the period	-	-	-	(2,822)	(5,356)	-	(11,312)	(19,490)	421	(19,069)
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(272)	(272)
At June 30, 2016 (unaudited)	396,413,753	1,229,061	11,179	(2,822)	(9,041)	11,355	175,005	1,414,737	13,176	1,427,913
At January 1, 2017 (audited)	396,413,753	1,229,061	11,179	1,278	(19,429)	12,163	172,205	1,406,457	13,732	1,420,189
Profit for the period	-	-	-	-	-	-	26,513	26,513	468	26,981
Fair value loss on available-for-sale investment	-	-	-	(1,803)	-	-	-	(1,803)	-	(1,803)
Exchange difference arising on translation	-	-	-	-	5,167	-	-	5,167	(1)	5,166
Total comprehensive income (expenses) for the period	-	-	-	(1,803)	5,167	-	26,513	29,877	467	30,344
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(276)	(276)
At June 30, 2017 (unaudited)	396,413,753	1,229,061	11,179	(525)	(14,262)	12,163	198,718	1,436,334	13,923	1,450,257

Notes:

- Amounts represent equity reserve arising from share based compensation provided to directors and employees under the stock option plan of the Company.
- Statutory reserve which consists of appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC"), forms part of the equity of PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount equal to minimum of 10% of their profits after taxation each year to a statutory reserve until the reserve reaches 50% of the registered capital of the respective subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Three and Six Months Ended June 30, 2017

	Three months ended June 30,		Six months ended June 30,	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Net cash from operating activities	6,873	23,312	15,180	29,298
Investing Activities				
Payment for acquisition of property, plant and equipment	(43,317)	(56,409)	(95,723)	(93,837)
Deposits paid for acquisition of property, plant and equipment	(59)	–	(108)	(321)
Payment for acquisition of land use right	–	–	(709)	–
Placement of restricted bank deposits	(33,004)	(4,395)	(66,405)	(9,425)
Release of restricted bank deposits	33,164	3,051	67,973	9,242
Receipt of government grant	–	3,337	–	3,337
Proceeds from the repayment of a loan to a related company	9,527	–	9,527	–
Net cash used in investing activities	(33,689)	(54,416)	(85,445)	(91,004)
Financing Activities				
Proceeds from borrowings	35,855	20,211	92,200	144,277
Repayment of borrowings	(2,202)	(4,338)	(2,202)	(94,066)
Proceeds from entrusted loan	–	–	29,186	–
Repayment of entrusted loan	–	–	(28,572)	–
Dividends paid to a non-controlling shareholder	–	(272)	(276)	(272)
Net cash from financing activities	33,653	15,601	90,336	49,939
Net increase (decrease) in cash and cash equivalents	6,837	(15,503)	20,071	(11,767)
Cash and cash equivalents, beginning of period	73,275	116,214	59,930	112,399
Effect of foreign exchange rate changes on cash and cash equivalents	361	(787)	472	(708)
Cash and cash equivalents, end of period	80,473	99,924	80,473	99,924
Cash and cash equivalents are comprised of				
Cash and bank deposits	80,473	99,924	80,473	99,924

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

1. GENERAL

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines Inc., (the “Company”) is a publicly listed company incorporated in British Columbia, Canada on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange (“TSX”) and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company together with its subsidiaries (collectively referred to as the “Group”) is principally engaged in the acquisition, exploration, development and mining of mineral reserves in the PRC. The Group considers that China National Gold Group Corporation (“CNG”), a state owned company registered in Beijing, PRC which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC, is able to exercise significant influence over the Company.

The head office, principal address and registered and records office of the Company are located at Suite 660, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4.

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”) as well as International Accounting Standard 34 (“IAS 34”), *Interim Financial Reporting* issued by the International Accounting Standards Board.

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

At June 30, 2017, the Group’s current liabilities exceeded its current assets by approximately US\$333 million. In view of these circumstances, the directors of the Company have given careful 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 unutilised bank facilities of approximately US\$300 million, bond issuance to independent third parties in an aggregate principal amount of US\$500 million, 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 condensed consolidated financial statements have been prepared on a going concern basis.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three and six months ended June 30, 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2016.

In the current interim period, the Group has applied the following amendments to International Financial Reporting Standards ("IFRSs") which are mandatorily effective for the current interim period:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	Clarification of the Scope of IFRS 12 (from Annual Improvements to IFRSs 2014-2016 Cycle)

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

3. REVENUE AND 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 and reportable 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 processes, 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 Three and Six Months Ended June 30, 2017

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Information regarding the above segments is reported below:

(a) Segment revenues and results

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

For the six months ended June 30, 2017

	Mine-produced gold US\$'000	Mine-produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenues – external and segment revenue	103,862	76,164	180,026	–	180,026
Cost of sales	(90,409)	(45,500)	(135,909)	–	(135,909)
Mining operating earnings	13,453	30,664	44,117	–	44,117
Income (loss) from operations	13,364	22,604	35,968	(3,376)	32,592
Foreign exchange gain, net (Note)	630	6,157	6,787	59	6,846
Interest and other income	351	985	1,336	5,049	6,385
Finance costs	(4,408)	(2,405)	(6,813)	(3,365)	(10,178)
Profit (loss) before income tax	9,937	27,341	37,278	(1,633)	35,645

For the six months ended June 30, 2016

	Mine-produced gold US\$'000	Mine-produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenues – external and segment revenue	84,281	51,208	135,489	–	135,489
Cost of sales	(74,676)	(41,525)	(116,201)	–	(116,201)
Mining operating earnings	9,605	9,683	19,288	–	19,288
Income (loss) from operations	9,508	2,862	12,370	(3,591)	8,779
Foreign exchange gain (loss), net (Note)	2,884	(7,578)	(4,694)	(88)	(4,782)
Interest and other (expenses) income	(1,628)	215	(1,413)	4,907	3,494
Finance costs	(2,100)	(2,453)	(4,553)	(3,963)	(8,516)
Impairment loss on available-for-sale investment	–	–	–	(3,831)	(3,831)
Profit (loss) before income tax	8,664	(6,954)	1,710	(6,566)	(4,856)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

Note: Due to the appreciation of RMB against US\$, the Group incurred net exchange gain amounting to US\$6,846,000 for the period ended June 30, 2017 (net exchange loss due to the depreciation of RMB against US\$ for the period ended June 30, 2016: US\$4,782,000), which was mainly from the translation of US\$ dominated intra-group borrowing of Tibet Huatailong Mining Development Co., Ltd. ("Huatailong") from Skyland Mining (BVI) Limited to RMB, the functional currency of Huatailong, for the Jiama Mine development in mine-produced copper segment.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result 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 three and six months ended June 30, 2017 and 2016.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment representing assets/liabilities directly attributable to respective 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, 2017					
Total assets	754,962	2,188,406	2,943,368	180,784	3,124,152
Total liabilities	242,681	922,380	1,165,061	508,834	1,673,895
As of December 31, 2016					
Total assets	726,956	2,049,043	2,775,999	190,620	2,966,619
Total liabilities	229,336	816,873	1,046,209	500,221	1,546,430

4. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Administration and office	1,894	1,779	4,014	3,452
Depreciation of property, plant and equipment	701	732	1,380	1,430
Professional fees	482	480	774	1,124
Salaries and benefits	2,066	2,005	4,431	3,899
Others	517	365	837	505
Total general and administrative expenses	5,660	5,361	11,436	10,410

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

5. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Effective interests on borrowings	10,788	10,434	21,311	19,247
Accretion on environmental rehabilitation	686	753	1,360	1,508
	11,474	11,187	22,671	20,755
Less: Amount capitalised to property, plant and equipment	(6,210)	(7,124)	(12,493)	(12,239)
Total finance costs	5,264	4,063	10,178	8,516

6. INCOME TAX EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
PRC Enterprise Income Tax	3,826	2,588	11,566	5,389
Overprovision of PRC Enterprise Income Tax in prior year	–	–	(2,100)	–
Deferred tax (credit) expense	(2,494)	2,943	(802)	642
Total income tax expense	1,332	5,531	8,664	6,031

7. EARNINGS (LOSS) PER SHARE

Profit (loss) used in determining earnings (loss) per share are presented below:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Profit (loss) for the period attributable to owners of the Company for the purposes of basic earnings (loss) per share (US\$'000)	20,182	(7,711)	26,513	(11,312)
Weighted average number of shares, basic	396,413,753	396,413,753	396,413,753	396,413,753
Basic earnings (loss) per share (US\$)	5.09 cents	(1.95) cents	6.69 cents	(2.85) cents

The Group has no outstanding potential dilutive instruments issued as at June 30, 2017 and 2016 and during the three and six months ended June 30, 2017 and 2016. Therefore, no diluted earnings (loss) per share is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

8. TRADE AND OTHER RECEIVABLES

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Trade receivables	31,654	4,054
Less: allowance for doubtful debts	(74)	(94)
	<u>31,580</u>	<u>3,960</u>
Amounts due from related companies (note 15 (a)) ⁽¹⁾	4	128
Loans to related companies (note 15 (a))	152,038	158,433
Other receivables ⁽²⁾	<u>2,217</u>	<u>707</u>
Total trade and other receivables	<u>185,839</u>	<u>163,228</u>

Notes:

- (1) The outstanding balances represent related service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the period/year ended June 30, 2017 and December 31, 2016. The amounts are unsecured, interest free and repayable on demand.
- (2) Included in the balance as at June 30, 2017 is an amount of approximately US\$1,363,000 (December 31, 2016: US\$279,000) 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 of 90 days and 180 days to its external trade customers including CNG for gold doré bars sales and copper sales, respectively.

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

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Less than 30 days	24,519	–
31 to 90 days	2,942	1,307
91 to 180 days	3,275	2,387
Over 180 days	<u>844</u>	<u>266</u>
	<u>31,580</u>	<u>3,960</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

9. INVENTORIES

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Gold in process	197,521	190,832
Gold doré bars	11,207	14,118
Consumables	6,215	4,923
Copper	35	544
Spare parts	8,332	10,140
Total inventories	<u>223,310</u>	<u>220,557</u>

Inventory totalling US\$72 million and US\$134 million for the three and six months ended June 30, 2017 (three and six months ended June 30, 2016: US\$57 million and US\$114 million) was recognised in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2017, the Group incurred approximately US\$81.8 million on construction in progress (six months ended June 30, 2016: approximately US\$71.0 million) and approximately US\$40.6 million on mineral assets (six months ended June 30, 2016: approximately US\$28.1 million), respectively.

Depreciation of property, plant and equipment was US\$20.7 million and US\$40.0 million for the three and six months ended June 30, 2017, respectively (for the three and six months ended June 30, 2016: US\$19.7 million and US\$38.3 million, respectively). The depreciation amount was partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

11. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Accounts payable	25,285	17,738
Bills payable	60,522	73,785
Construction cost payables	90,344	69,582
Advances from customers	47	46
Mining cost accrual	9,687	5,453
Payroll and benefit payables	3,681	4,967
Other accruals	1,495	1,138
Other tax payable	2,375	1,762
Other payables	2,272	1,993
Total accounts and other payables and accrued expenses	195,708	176,464

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

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Less than 30 days	16,483	7,277
31 to 90 days	1,892	5,445
91 to 180 days	4,034	2,396
Over 180 days	2,876	2,620
Total accounts payable	25,285	17,738

The credit period for bills payable is 180 days from the issue date.

The following is an ageing analysis of bills payable, presented based on bills issue date at the end of the reporting period:

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Less than 30 days	13,286	18,739
31 to 60 days	—	7,208
61 to 90 days	11,809	11,799
91 to 180 days	35,427	36,039
Total bills payable	60,522	73,785

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

12. BORROWINGS

The borrowings are repayable as follows:

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Carrying amount repayable within one year	644,633	596,233
Carrying amount repayable within one to two years	34,689	57,662
Carrying amount repayable within two to five years	216,994	204,699
Carrying amount repayable over five years	365,346	296,238
	<u>1,261,662</u>	<u>1,154,832</u>
Less: Amounts due within one year (shown under current liabilities)	(644,633)	(596,233)
	<u>617,029</u>	<u>558,599</u>
Amounts shown under non-current liabilities		
Analysed as:		
Secured	502,628	415,886
Unsecured	759,034	738,946
	<u>1,261,662</u>	<u>1,154,832</u>

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

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Mining rights	<u>921,278</u>	<u>922,817</u>

Borrowings carry interest at effective interest rates ranging from 2.35% to 4.35% (December 31, 2016: 2.35% to 4.35%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

13. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three-year entrusted loan agreement with CNG (note 15) and China Construction Bank (“CCB”) in which CNG provided a loan of RMB200 million (equivalent to approximately US\$32,221,000 based on the spot rate at the withdrawal date) to the Group through CCB as the entrusted bank. The entrusted loan was unsecured and carried interest at a fixed rate of 3% per annum. The principal amount was fully repaid on January 18, 2017.

On January 16, 2017, the Group renewed the entrusted loan by entering into a three-year entrusted loan agreement with CNG and China National Gold Group Finance Company Limited (“China Gold Finance”), a subsidiary of CNG, in which CNG provided a loan of RMB200 million (equivalent to approximately US\$29,186,000 based on the spot rate at the withdrawal date) to the Group through China Gold Finance as the entrusted bank. The entrusted loan is unsecured and carries interest at a fixed rate of 2.75% per annum. The principal amount is repayable on January 15, 2020.

14. SHARE CAPITAL AND OPTIONS

Common shares

- (i) Authorized – Unlimited common shares without par value
- (ii) Issued and outstanding

	Number of shares	Amount US\$'000
Issued and fully paid:		
At January 1, 2016, December 31, 2016 and June 30, 2017	<u>396,413,753</u>	<u>1,229,061</u>

15. RELATED PARTY TRANSACTIONS

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

15. RELATED PARTY TRANSACTIONS (Cont'd)

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

	June 30, 2017 %	December 31, 2016 %
CNG	<u>39.3</u>	<u>39.3</u>

(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,	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Gold doré sales by the Group	<u>58,665</u>	<u>42,638</u>	<u>103,862</u>	<u>84,281</u>
Copper and other product sales by the Group	<u>8,954</u>	<u>13,397</u>	<u>32,408</u>	<u>25,624</u>
Provision of transportation services by the Group	<u>191</u>	<u>245</u>	<u>408</u>	<u>508</u>
Construction, stripping and mining service provided to the Group	<u>11,803</u>	<u>13,152</u>	<u>14,273</u>	<u>62,876</u>
Office lease to the Group	<u>278</u>	<u>287</u>	<u>550</u>	<u>574</u>
Loans provided to the Group	<u>–</u>	<u>–</u>	<u>7,247</u>	<u>24,763</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

15. 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)

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

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Assets		
Loans receivable from CNG subsidiaries (note 8)	152,038	158,433
Amounts due from related companies (note 8)	4	128
Cash and cash equivalents held by a CNG subsidiary	17,692	31,052
Trade receivables from CNG subsidiaries (note 8)	20,807	490
Prepaid expenses and deposits	62	168
	<u>190,603</u>	<u>190,271</u>
Total amounts due from CNG and its subsidiaries		

Loans receivable from CNG subsidiaries, which is included in trade and other receivables, carry fixed interest rate at 3.9% (December 31, 2016: 3.9% to 5%) per annum and are unsecured and were repaid on July 31, 2017. The remaining amounts due from CNG and its subsidiaries which are included in other receivables is non-interest bearing, unsecured and repayable on demand.

	June 30, 2017 US\$'000	December 31, 2016 US\$'000
Liabilities		
Loans payable to a CNG subsidiary	51,665	43,304
Entrusted loan payable (note 13)	29,523	28,831
Construction cost payables to CNG's subsidiaries	15,291	14,970
Trade payable to CNG subsidiaries	1,277	-
Customer advance paid by CNG's subsidiaries	34	33
	<u>97,790</u>	<u>87,138</u>
Total amounts due to CNG's subsidiaries		

The loans payable to a CNG subsidiary, which are included in borrowings, carry fixed interest rates of 4.35% (December 31, 2016: 4.35%) per annum and are unsecured and repayable within one year. With the exception of the entrusted loan payable to CNG and loans payable to a CNG's subsidiary, the amounts due to CNG and its subsidiaries which are included in other payables and contraction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Six Months Ended June 30, 2017

15. RELATED PARTY TRANSACTIONS (Cont'd)

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

(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) Compensation of key management personnel

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

	Three months ended June 30,		Six months ended June 30,	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Salaries and other benefits	204	197	426	388
Post-employment benefits	3	–	10	6
	<u>207</u>	<u>197</u>	<u>436</u>	<u>394</u>

16. FINANCIAL INSTRUMENTS

As at June 30, 2017 and December 31, 2016, the Group's available-for-sale investments include investment in equity securities listed in Hong Kong and investment in an unlisted company incorporated in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange is measured based on the quoted price (unadjusted) available on the stock exchange (Level 1 fair value measurement). As at June 30, 2017, US\$10,934,000 (December 31, 2016: US\$12,737,000) investment in equity securities is measured at fair value on a recurring basis. The Group's investment in listed equity securities represent investment in a company engaged in mining, processing and trading of nonferrous metals in Zambia. For the six month period ended June 30, 2017, no impairment loss was recognised (for the six month period ended June 30, 2016: US\$3,831,000 was recognised as impairment loss).

As at June 30, 2017, US\$2,067,000 (December 31, 2016: US\$2,018,000) 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, 2016.

17. EVENT AFTER THE REPORTING PERIOD

On July 6, 2017, the Board of Directors announced that the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, has successfully completed the issuance of bonds in an aggregate principal amount of US\$500 million. The Bonds were listed on the Stock Exchange of Hong Kong Limited on July 7, 2017. The Bonds were issued at a price of 99.663%, bearing coupon rate of 3.25% with a maturity date of July 6, 2020 and are unconditionally and irrevocably guaranteed by the Company. The net proceeds of the bonds offer will be used for repaying existing indebtedness, working capital and general corporate purposes of the Group.



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