



2019

ANNUAL REPORT



中國黃金國際資源有限公司

China Gold International Resources Corp. Ltd.

(Incorporated in British Columbia, Canada with limited liability)

HK Stock Exchange Stock Code: 2099

Toronto Stock Exchange Stock Code: CGG

THE COMPANY

Overview

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

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



MESSAGE FROM THE CEO



LIANGYOU JIANG

Chief Executive Officer,
Executive Director

Dear valued shareholders and friends,

Hello everyone!

China Gold International's success is mainly due to its strong asset base and culture of continuous improvement. Our main goals for 2020 are to continue to improve our economics performances.

While we met or exceeded our commitments to the market in 2019, achieving higher goals is still our endless target. We have set our sights on taking our performance to the next level in 2020.

MESSAGE FROM THE CEO

We will continue to work very close with China National Gold. China National Gold is a significant gold producer in China and a major shareholder of our Company. We will continue to leverage China National Gold's technical and operating experience to improve operations at our mines. We are the international expansion vehicle for China National Gold and one of our mandates from them is to acquire and further develop accretive, top-quality assets.

We are focused on bringing the highest standards of business ethics in any region where we operate and combine this philosophy with superb operational and financial performance to create a winning situation for the communities, shareholders and our Company.

I believe that with the right strategy and team in place, we will deliver superior performance. It is an honor to serve our stakeholders, and to serve alongside this team as we set and meet even higher performance standards. Thank you for investing in us, and for your continued interest and support.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Liangyou Jiang

Mr. Jiang, age 54, has served as an Executive Director of the Company since October 2014 to present. In November 2018, he was promoted to Chief Executive Officer. Mr. Jiang was elected as Vice President of China National Gold since July 2018. He was also elected as Director and Executive Vice President of China National Gold Group Hong Kong Limited (“China Gold Hong Kong”) from October 2018 to present. Mr. Jiang was elected as Senior Executive Vice President of the Company from August 2014 to November 2018 and has served as a manager of Oversea Operation Department of China National Gold from December 2015 to July 2018. Mr Jiang joined the Company in August 2010 as the General Manager of Tibet Huatailong Mining Development Co., Ltd. (“Tibet Huatailong”), and served as the Chairman of Tibet Huatailong from February 2012 to August 2014. Mr. Jiang serves as Chairman of Zhongji Mining since May 2015 up to present. He serves as General Manager of China Gold Hong Kong Buchuk Mining Company Limited (“Buchuk”) since 2015 to present. He has also serves as Chairman of Buchuk since October 2017 to present. He served as Director of Guizhou Jingfeng Mining Ltd. from August 2016 to August 2018. He serves as Chairman of Sino Mining Guizhou Pty from June 2017 up to present. He also serves as Chairman of Soremi Investments Ltd. since January 2018. Mr. Jiang serves as Chairman of Kichi Charat Closed Joint Stock Company since January 2018 to present.

Mr. Jiang has served as a director of Tibet Jia Ertong Mining Development Co., Ltd.(“Tibet Jia Ertong”) and Executive Director of Skyland Mining Limited(“Skyland”) since August 2018. Mr. Jiang has served as the director of China Gold Hong Kong Holding Corp. Limited(“China Gold Hong Kong Holding”) and Mundoro Mining Inc(“Mundoro”) since January 2015 and August 2014 respectively. From October 2007 to January 2008, Mr Jiang has served as the Head of Engineering Management Division of the Investment Management Department of China National Gold. From January 2008 to August 2010, he has served as manager of Investment Management Department of China National Gold. Prior to joining China National Gold’s headquarters, Mr. Jiang served as a General Manager of China Kazakhstan Mining Corp. Ltd., a subsidiary of China National Gold from September 2006 to October 2007. From August 1987 to March 2005, Mr. Jiang worked at Changchun Gold Design Institute Co., Ltd. (the “Design Institute”). He was appointed as a Chief Engineer of the Design Institute in February 2000 and then as Vice President and Chief Engineer of the Design Institute since April 2002. Mr. Jiang won more than 20 provincial-level scientific and technological achievement awards and numerous honorary titles from various agencies. In 2005, Mr. Jiang was awarded the special allowance by the State Council.

Mr. Jiang is a Senior Professional Engineer, holds a Bachelor’s Degree in mineral processing from Northeastern University.

Shiliang Guan

Mr. Guan, age 52, was appointed as the Vice President of the Company in September 2016. Mr. Guan joined the Company in November 2015 and became Chairman of the Board of Tibet Huatailong. Mr. Guan started his career in 1991 and has over 29 years of experience in the mining industry. Mr. Guan is a senior professional engineer, holding a bachelor’s degree in mining engineering from Northeastern University of China.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Yongqing Teng

Mr. Teng, age 52, was elected as a Non-Executive Director of the Company since November 2018. Mr. Teng currently serves as Vice President of China Gold Hong Kong from October 2018 to present. Mr. Teng also serves as Director for Sichuan Gold Industry Administration Bureau and Chairman of Sichuan General Investment Co., Ltd. from November 2015 to present. Mr. Teng serves as an Executive Director and General Manager of China Gold Group Sichuan Co., Ltd from October 2017 to present. Mr. Teng served as Manager of China Gold Group Sichuan Co., Ltd. from November 2015 to October 2017.

Mr. Teng was appointed as Tibet Huatailong's General Manager from February 2012 to August 2014. He served as Chairman of Tibet Huatailong from August 2014 to November 2015. He joined Tibet Huatailong in August 2010 where he served as Executive Deputy General Manager until February 2012.

Mr. Teng previously served as General Manager of Sichuan Pingwu Zhongjin Mining Co., Ltd. from December 2006 to August 2010. He also served as Deputy Department Director of Development Department of Hubei Sanxin Gold Copper Limited Company ("Hubei Sanxin") from from September 2006 to November 2006. He was subsequently promoted to Director of Development Department of Hubei Sanxin from November 2006 to December 2006.

Mr. Teng has almost 30 years working experience in mining and corporate governance.

Fuzhen Kang

Ms. Kang, age 33, was elected as a Non-Executive Director of the Company since November 2018. Ms. Kang currently serves as a Manager of The First Ore Processing Plant of Tibet Huatailong where her major responsibilities are community relationship coordination and communications. Ms. Kang has held a number of communication and community protection roles since joining Tibet Huatailong in July 2008.

Ms. Kang holds a bachelor's degree in Environmental Science from the Tibet University.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ian He

Mr. He, age 58, joined the Company in May 2000 as a Non-Executive Director and serves as an independent Director.

Mr. He's career in the mining industry has spanned over 30 years, with extensive senior executive and board experience. Mr. He is a Director and Non-Executive Chairman of Vatukoula Gold Mines Plc, formerly listed on the London Stock Exchange Alternative Investment Market; an Independent Non-Executive Director of SouthGobi Resources Corp., a company dually listed on the Toronto Stock Exchange and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"); a Director and President of Tri-River Ventures Inc., listed on the TSX Venture Exchange (the "TSX-V") in Canada. Mr. He also served as a former Director on the Boards of Directors of following companies: Zhongrun Resources Investment Corporation, listed on Shenzhen Stock Exchange; Dolly Varden Silver Corp., listed on the TSX-V; Huaxing Machinery Corp., listed on the TSX-V. In addition to being a former Director and President of Spur Ventures Inc. (now called Atlantic Gold Corp.), listed on the TSX-V, Mr. He was also the General Manager of its operation subsidiary Yichang Mapleleaf Chemicals Inc. In his early career, Mr. He worked as a mineral process engineer and coal preparation engineer in a Canadian mining company and an engineering consulting company.

Mr. He obtained his Doctoral and Master's degrees in mineral process engineering from the University of British Columbia in Canada and his Bachelor Degree in coal preparation from Heilongjiang Institute of Mining and Technology (currently known as the Heilongjiang University of Technology) in China. Mr. He is a member of the Canadian Institute of Mining, Metallurgy and Petroleum and the Canadian Institute of Corporate Directors.

Wei Shao

Mr. Shao, age 65, is the National China Service Co-Leader at Dentons Canada LLP and specializes in international business transactions focusing on China. Mr. Shao has over 25 years of extensive experience in mergers and acquisitions, corporate and project financing, cross-border counseling and general corporate and commercial transactions.

Mr. Shao is actively involved in community and non-profit organizations. Prior to his legal career, Mr. Shao worked for the United Nations in New York. Mr. Shao is an interpreter accredited by the United Nations and by the federal government of Canada.

Mr. Shao holds an LLB from the University of Toronto, BA from Xi'an Foreign Languages Institute and U.N Accreditation of Simultaneous Interpretation from the Beijing University of Foreign Studies.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Bielin Shi

Dr. Shi, age 63, is a leading mining executive and geologist who specialises in investment management, mining geology, geostatistics, resource estimation and optimisation, exploration and project development.

Dr. Shi has over 30 years' experience as a geologist with high level experience in investment management, applied geostatistics, resource estimation and mining geology. And worldwide operational expertise in exploration and mine projects. He also has expertise with independent technical reviews, due diligence audits and expert technical reporting in compliance with the JORC Code, NI43-101 and Hong Kong Stock Exchange standards.

Dr. Shi is a Competent Person under the JORC Code and holds equivalent credentials in respect of Canadian and Hong Kong's Mineral Resources/Reserves reporting standards. Dr. Shi has published numerous papers on the application of geostatistics in resource estimation.

Dr. Shi's recent work has included investment management, audit and reviews of resources for multiple commodity projects.

Dr. Shi is a Post-Doctoral Research Fellow in Geostatistics from Edith Cowan University, Western Australia. He obtained his PhD in Geology from The University of Melbourne, Australia; and Master of Science in Geology from Guizhou University of Technology, China.

Ruixia Han

Ms. Han, age 35, is currently Head of Operations and Risk of MEC Advisory Limited, which is the sole Investment Advisor to Can-China Global Resource Fund. Ms. Han's role covers investment, accounting, finance treasury and investor relationships related matters. Prior to joining MEC Advisory Limited in 2014, Ms. Han was an Investment Manager at The Export-Import Bank of China responsible for sourcing, evaluating and negotiating investment opportunities in the banking and direct investment industry.

Ms. Han obtained her PhD degree in Economics (Finance), a Master degree in Economics (Venture Capital) and a Bachelor degree in Economics (Finance) and has a double bachelor degree in Journalism from Renmin University of China.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Jerry Xie

EXECUTIVE VICE PRESIDENT AND CORPORATE SECRETARY

Mr. Xie, age 59, joined the Company in March 2009 and serves as Executive Vice President and Corporate Secretary. Mr. Xie is responsible for overseeing corporate secretarial matters and managing compliance and plays an important role in business development, project evaluation, investor relations, public relations as well as manages the daily operations at the Company's Vancouver office. Mr. Xie served as Vice President and Secretary to the Board of the Company from March 2009 to October 2009 at which time he was promoted to Executive Vice President and Corporate Secretary. After joining the Company, Mr. Xie was involved in the Company's HK IPO process, evaluation of the Company's Jiama polymetallic mineral property located in Tibet, China (the "Jiama Mine"), merger and acquisitions and bond issuance, as further described below. Mr. Xie has over 30 years of experience of Engineering and Project Management in the petrochemical and oil-sand industry and mining industry. Prior to joining the Company, Mr. Xie worked as Project Manager, Project Engineer and a Senior Piping Stress Analyst for LPEC/SINOPEC, Fluor, Bantrel, Tri-Ocean and WorleyParsons Canada Ltd., resource and energy engineering companies in China and Canada, from February 1982 to March 2009.

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

Derrick Zhang

CHIEF FINANCIAL OFFICER

Mr. Zhang, age 50, joined the Company in January 2010 and serves as Chief Financial Officer responsible for financing, internal control and the planning and management of the Company's accounting and financial reporting, since August 2011. Mr. Zhang served as interim Chief Financial Officer of the Company from February 2011 to August 2011 and served as Controller of the Company from January 2010 to February 2011. Mr. Zhang has over 27 years of experience in financial reporting and engineering for public and private companies including experience leading financial reporting for mergers and acquisitions. Mr. Zhang was a Financial and Accounting Supervisor and Cost Accountant for E-One Moli Energy (Canada) Ltd., an operating subsidiary of China Synthetic Rubber Corporation, a public company listed on the Taiwan Stock Exchange, from May 2008 to December 2009 and September 2006 to November 2007, respectively. Mr. Zhang was a Financial Analyst for Teleflex (Canada) Ltd., an operating subsidiary of Teleflex Incorporated, a public company listed on the New York Stock Exchange, from November 2007 to April 2008. Mr. Zhang was an accountant with Docuport Inc., a private technology company, from May 2005 to May 2006. From 1991 to 2001, Mr. Zhang worked as a Mining and Construction Cost Engineer in China and Singapore.

Mr. Zhang is a member of the Chartered Professional Accountants of Canada (CPA), a member of the Association of Chartered Certified Accountants in the United Kingdom (ACCA) and a member of the Hong Kong Institute of Certified Public Accounts (HKICPA). Mr. Zhang is also a Member of the Society of Economic Geologists in the United States. Mr. Zhang is a certified Merger and Acquisition Specialist (CMAS) from the Chartered Institute of Management Consultants in the United States. Mr. Zhang holds a Bachelor of Commerce degree with distinction majoring in Accountancy from Concordia University in Montreal, Quebec, Canada and a Bachelor of Engineering degree (honors) in Geology from Southwest University of Science and Technology in China.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Lisheng Zhang

VICE PRESIDENT

Mr. Zhang, age 59, serves as the Vice President responsible for overseeing overall management of the Company's CSH Gold Mine, from March 2013 to present. He was appointed as Vice President of China Gold Hong Kong since October 2018. Mr. Zhang joined the Company in September 2008 as a Chairman of Inner Mongolia Pacific Mining Co., Ltd. (the "Inner Mongolia Pacific"), a subsidiary of the Company, which owns and operates CSH Gold Mine. Mr. Zhang serves as an executive officer of two large mining companies which are subsidiaries of China National Gold, since 1995. Mr. Zhang has over 35 years of experience in the mining industry. Mr. Zhang's knowledge of local culture of Inner Mongolia and his working experience contributed to the rapid and sustainable development of CSH Gold Mine.

Gerard Guo

CHIEF ENGINEER

Mr. Guo, age 56, was appointed as Chief Engineer of the Company on November 13, 2018. Mr. Guo is a professional engineer with PEO and has over 36 years' experience in engineering studies, mine engineering and mine operations. He had served as a senior mining engineer and director of technical services center for the Company since 2014. Previously Mr. Guo held senior mining engineer positions with global mining engineering consulting firms, working on a variety of projects for a wide range of clients, including some of the world's largest mining companies. He also held the position of engineering director with the Mine and Gold Branch, Changsha Engineering and Research Institute of Nonferrous Metallurgy, leading design and consultancy of key national and provincial/ministry projects in China. In addition, he also assumed responsibilities of leading China's strategic planning initiatives for development at new and existing nonferrous metals mines and smelters. Mr. Guo has been serving as the Company's internal qualified person for purposes of National Instrument 43-101 of the Canadian Securities Administrators since May 2018.

The Directors are pleased to present this report and the audited consolidated financial statements of the Company for the year ended December 31, 2019 (the "Reporting Period").

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is a gold and base metal mining company registered in Vancouver, Canada. The Company's main business involves the operation, acquisition, development and exploration of gold and base metal properties. The principal activities of the subsidiaries are set out in Note 38 of the Financial Statements. There were no significant changes in the nature of the Company's principal activities during the year.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair view of the business and a discussion of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the financial year 2019, an indication of likely future development in the Company's business, the Company and all its subsidiaries (the "Group") environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Company, outlook of the Company's business, and an account of the Company's relationships with its key stakeholders can be found in the "Five-Year Financial Summary", "Message From the CEO", "Management Discussion and Analysis" and "Corporate Governance Report" sections of this annual report.

SHARE CAPITAL

Details of the movement in the share capital of the Group during the Reporting Period are set out in Note 31 of the Financial Statements.

RESERVES

Details of the reserves available for distribution to the shareholders as at December 31, 2019 are set out in Note 40 of the Financial Statements.

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 74 and 75.

DIVIDEND

The Directors do not recommend the payment of a final dividend as at December 31, 2019.

DIRECTORS

The directors during the Reporting Period and up to the date of this report are as follows:

Executive Directors

Liangyou Jiang
Shiliang Guan

Non-Executive Directors

Yongqing Teng
Fuzhen Kang

Independent Non-Executive Directors

Ian He
Wei Shao
Bielin Shi
Ruixia Han

In accordance with article 14.1 of the Company's articles (the "Articles"), each of the Directors shall retire at the 2020 annual and special meeting of the Company (the "2020 AGM") and, being eligible, shall offer themselves to be re-elected at the 2020 AGM.

THE BIOGRAPHY OF THE DIRECTORS AND THE SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the Directors and senior management's profile from page 4 to page 9 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTOR PURSUANT TO RULE 13.51B(1) OF THE HONG KONG LISTING RULES

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "Listing Rules").

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers that all of the Independent Non-Executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors elected at the 2019 AGM have a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY AND INSURANCE

Pursuant to the Articles of the Company and subject to the provisions of the Business Corporations Act (British Columbia) (the "Business Corporations Act"), every Director or alternate director of the Company or its affiliates (and his or her heirs and legal personal representatives) shall be indemnified by the Company against any judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, a legal proceeding or investigative action where such person is liable by reason of him/her having been a director or alternate director of the Company and the Company must, after the final disposition of such proceeding, pay the expenses actually and reasonably incurred by such person. The Company has taken out insurance policies against the liabilities of the Directors that may arise out of corporate activities and the costs associated with defending any proceeding. The insurance coverage is reviewed on an annual basis. During the Reporting Period, no claims were made against the Directors.

DIRECTORS' REPORT

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Mr. Liangyou Jiang, Mr. Shiliang Guan, Mr. Yongqing Teng and Ms. Fuzhen Kang are considered to have conflicts of interest in the transactions as set out in the section headed "Connected Transactions and Continuing Connected Transactions" in this report due to their senior management positions or affiliate roles with China National Gold, the ultimate controlling shareholder of the Company. Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in this report, no transactions, arrangement or contracts of significance in relation to the business of the Group to which the Company, any of its subsidiaries or the controlling shareholder of the Company was a party and in which a Director or any of his connected entity had a material interest, whether directly or indirectly, subsisted as at December 31, 2019 or at any time during the Reporting Period.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" in this report, no other material contract (not being contracts entered into in the ordinary course of business) was entered into by a member of the Group, the controlling shareholder or its subsidiaries during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at December 31, 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained 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 Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

SHARES

Long Position in Shares

Name	Position	Company	Number of shares held	Nature of interest	Approximate percentage of interest in the Company
Ian He	Independent Non-Executive Director	China Gold International Resources Corp. Ltd.	150,000	Personal	0.0378%

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

In addition, Tibet Huatailong, Inner Mongolia Pacific, China National Gold Group Finance Company Limited (“China Gold Finance”), and China Gold Hong Kong (together the “Controlled Entities”) are ultimately controlled by China National Gold and are therefore connected persons of the Company by virtue of Rule 14A.07 of the Listing Rules.

Non-Exempt Continuing Connected Transactions

Product and Service Framework Agreement

On April 26, 2013, the Company entered into a Product and Service Framework Agreement (the “Product and Service Framework Agreement”) with China National Gold for the provision of mining related services and products to the Company in order to facilitate the Group’s operations in the People’s Republic of China (the “PRC”) for three years until June 18, 2016.

The Company entered into a First Supplemental Product and Service Framework Agreement (the “First Supplemental Product and Service Framework Agreement”) on May 29, 2015 to extend the expiry date of the Product and Service Framework Agreement to December 31, 2017 and included the sale and purchase of copper concentrates produced at the Jiama Mine between the Group and China National Gold into the product and service scope of the Product and Service Framework Agreement, which were approved by the independent shareholders of the Company on June 30, 2015. Details of the Product and Services Framework Agreement are as stated in the Company’s announcement dated June 3, 2015, circular dated May 29, 2015 and poll results announcement dated July 1, 2015.

The Company entered into a Second Supplemental Product and Services Framework Agreement (the “Second Supplemental Product and Services Framework Agreement”) on May 26, 2017 to extend the term to December 31, 2020 and to extend the scope of the First Supplemental Product and Service Framework Agreement to include leasing services to be provided by Zhongxin International Financial Leasing (Shenzhen) Co. Ltd., the shares of which are 80% owned by China National Gold.

For the Reporting Period, the transaction amounts under the Product and Service Framework Agreement (as amended by the First Supplemental Product and Service Framework Agreement and the Second Supplemental Product and Service Framework Agreement) were approximately RMB645million where the relevant annual monetary cap was RMB11,400 million.

Supplemental Contract for Purchase and Sale of Doré

On May 7, 2014, Inner Mongolia Pacific entered into a Contract for Purchase and Sale of Doré (the “2015 Contract for Purchase and Sale of Doré”) with China National Gold for the sale and purchase of gold doré bars and silver by-products produced at the CSH Gold Mine from time to time for three years ending December 31, 2015, December 31, 2016 and December 31, 2017. Details of the 2015 Contract for Purchase and Sale of Doré are as stated in the Company’s announcement dated May 7, 2014, circular dated May 15, 2014 and poll results announcement dated June 20, 2014.

DIRECTORS' REPORT

On May 26, 2017 Inner Mongolia Pacific and China National Gold entered into the Supplemental Contract for Purchase and Sale of Doré (the "Supplemental Contract for Purchase and Sale of Doré") for a term commencing on January 1, 2018 and expiring on December 31, 2020. Details of the Supplemental Contract for Purchase and Sale of Doré are as stated in the Company's announcement dated May 26, 2017, circular dated May 31, 2017 and poll results announcement dated June 30, 2017.

For the Reporting Period, the transaction amounts under the 2015 Contract for Purchase and Sale of Doré and Supplemental Contract for Purchase and Sale of Doré were approximately RMB1,415 million where the relevant annual monetary cap was RMB2,700 million, which accounted for 31% of the total sales of the Group for the year then ended.

Partially Exempt Connected Transactions

Deposit Services Agreement

On December 18, 2017, the Company and China Gold Finance entered into a deposit services agreement pursuant to which the Company and its subsidiaries may, from time to time, make withdrawals and deposits with China Gold Finance up to a daily maximum deposit balance (including interest) not exceeding RMB100 million for a term of one year commencing on January 1, 2018 (the "Deposit Services Agreement"). Deposit interest rates payable by China Gold Finance to the Company for any deposits shall be, at a minimum, 20% higher than the benchmark interest rate published by The People's Bank of China for the same period and for the same type of deposit. Details of the Deposit Services Agreement are as stated in the Company's announcement dated December 19, 2017.

On December 18, 2018, the Company and China Gold Finance entered into a Supplemental Deposit Services Agreement (the "Supplemental Deposit Services Agreement") to extend the term for a further year to December 31, 2019. Details of the Supplemental Deposit Services Agreement are as stated in the Company's announcement dated December 20, 2018.

On December 31, 2019, the Company and China Gold Finance entered into a Supplemental Deposit Services Agreement (the "Supplemental Deposit Services Agreement") to extend the term for a further year to December 31, 2020. Details of the Supplemental Deposit Services Agreement are as stated in the Company's announcement dated December 31, 2019.

Daily maximum deposit monetary caps for the transactions stipulated under the Deposit Services Agreement pursuant to Chapter 14A of the Listing Rules (including accumulative settlement interest) shall not exceed RMB100 million. There have not been any deposits exceeding the daily maximum monetary cap for the Reporting Period.

Annual Review

The Company's auditor, Deloitte Touche Tohmatsu, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules has been provided to the Directors, and was confirmed in respect of the above matter. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange. The Auditor has confirmed to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions for the year ended December 31, 2019: (a) have not been approved by the Board; (b) the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (c) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (d) have exceeded the respective maximum aggregate annual caps as disclosed in the previous announcements of the Company.

DIRECTORS' REPORT

In accordance with Rule 14A.55 of the Listing Rules, the Independent Non-Executive Directors have reviewed and confirmed that the continuing connected transactions carried out under (i) the Second Supplemental Product and Services Framework Agreement, (ii) the Supplemental Contract for Purchase and Sale of Doré, and (iii) the Supplemental Deposit Services Agreement have each been entered into: (a) in the ordinary and usual course of the Company's business; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Independent Non-Executive Directors also confirmed in their review of the continuing connected transactions that all such transactions were carried out in accordance with the pricing policies of the Company and processes set out in the respective agreements for such transactions.

Related Party Transactions

Details of the related party transactions undertaken during the Reporting Period set out in Note 32 of the Financial Statements. All the related party transactions constituted connected transactions and/or continuing connected transactions of the Company as defined in the Listing Rules. The Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Reporting Period.

SKYLAND BONDS

On June 27, 2017, the Company, Skyland Mining, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, CCB International Capital Limited, Industrial Bank Co., Ltd. Hong Kong Branch and Standard Chartered Bank (the "Joint Lead Managers") entered into a subscription agreement (the "Subscription Agreement") pursuant to which Skyland Mining agreed to issue to the Joint Lead Managers, and the Joint Lead Managers agreed severally and not jointly, to subscribe for bonds in an aggregate principal amount of US\$500 million (equivalent to approximately HK\$3.88 billion) at an issue price of 99.663% (the "Bonds") bearing interest at the rate of 3.25% with a maturity date of July 6, 2020, rated BBB- by Standard & Poor's. The Bonds were unconditionally and irrevocably guaranteed by the Company. The net proceeds are used for repaying existing indebtedness, working capital and general corporate purposes of the Company.

On July 6, 2017, all the conditions to the issue of the Bonds as set out in the Subscription Agreement were satisfied and the issue of the Bonds was closed. The Bonds were listed on the Hong Kong Stock Exchange on July 7, 2017.

Details of the Subscription Agreement are stated in the Company's announcements dated June 27, 2017 and July 6, 2017.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2019, the Company has not entered into any equity-linked agreement (as defined in section 6 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)).

NUMBER AND REMUNERATION OF EMPLOYEES

As at December 31, 2019, the Company had 2,085 employees working at various locations. During the Reporting Period, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately US\$55,939,000, as compared to the staff costs of US\$55,944,000 in 2018.

EMOLUMENT POLICY

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHT TO PURCHASE SHARES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests in Shares" above, at no time during the Reporting Period, were there any rights to acquire benefits by means of acquisition of shares in or debentures of Company or any of its subsidiaries or its holding companies or any of the subsidiaries of the Company's holding companies granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2019, based on the information available to the Board and the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO, the Company was notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executive.

DIRECTORS' REPORT

Long Position in Shares of the Company

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

Notes:

- (1) China National Gold Group Co., Ltd. directly and wholly owns China National Gold Group Hong Kong Limited and therefore the interest attributable to China National Gold Group Co., Ltd. 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 were provided by China National Gold Group Co., Ltd.

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

During the Reporting Period, neither the Company, nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the Reporting Period attributable to the Company's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for
Purchases	
– the largest supplier	18%
– five largest suppliers combined	49%
Sales	
– the largest customer	31%
– five largest customers combined	85%

Sales to the largest customer of the Company account for 31% of the Company's sales and relate to the sale of gold doré from the CSH Gold Mine pursuant to the Supplemental Contract for Purchase and Sale of Doré. In addition, the five largest customers account for 85% of the Company's sales. However, due to the fact that pricing for the Company's mineral products is based on prevailing market prices in accordance with the contracts with customers, the Company does not consider there to be any risks associated with reliance on major customers. The Company considers that its pricing structure based on prevailing metal prices mitigates against any adverse effects from concentration on five customers.

Save as disclosed above, at no time during the Reporting Period did a director, an associate of a director or any other shareholder (which owned more than 5% of the Company's issued share capital) hold any direct or indirect interest in the Company's five largest suppliers or customers during the Reporting Period.

CHARITABLE DONATIONS

The Company made charitable donations during the Reporting Period amounting to US\$311,400.

EVENTS AFTER REPORTING PERIOD

The Board appointed Mr Liangyou Jiang, currently the Chief Executive Officer of the Company and an Executive Director, as the Chairman with effect from 29 March 2020.

There are no other significant events occurring after December 31, 2019 as set out in the Financial Statements and Management's Discussion and Analysis.

INDEPENDENT AUDITORS

A resolution will be submitted at the 2020 AGM to re-appoint Deloitte Touche Tohmatsu in Hong Kong as the Company's auditors.

On behalf of the Board,
Chairman and Chief Executive Director

Liangyou Jiang

March 30, 2020

CORPORATE GOVERNANCE REPORT

The Board will continue to review and, where appropriate, improve the current practices of the Company on the basis of the experience and regulatory changes to enhance the confidence of shareholders of the Company, and to safeguard shareholders' interest for continued and long term success of the Company over time.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has, throughout the Reporting Period, 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 (the "CG Code") contained in Appendix 14 to the Listing Rules. The Company's current practices are reviewed and updated regularly to ensure that the latest developments in corporate governance are followed and observed.

CHANGES IN INFORMATION WITH RESPECT OF DIRECTORS AND EXECUTIVES

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Company are set out below:

1. Mr. Xiangdong Jiang retired from the board upon the conclusion of the annual and special meeting held on June 25, 2019;
2. Each of Mr. Yunfei Chen, Mr. Gregory Hall and Mr. John King Burns voluntarily did not stand for re-election upon the conclusion of the annual and special meeting held June 25, 2019;
3. Each of Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han were elected as an independent Non-Executive Director at the annual and special meeting held on June 25, 2019;
4. Mr. Shiliang Guan was elected as an Executive Director at the annual and special meeting held on June 25, 2019; and
5. Mr. Xin Song resigned as Chairman on November 14, 2019.

BOARD COMPOSITION

Corporate governance guidelines adopted by the Canadian Securities Administrators (“CSA”) recommend that a majority of the directors of a corporation be independent directors and Rule 3.10 of the CG Code requires every Board of Directors to include at least three Independent Non-Executive Directors and at least one-third of the Board of Directors to comprise of Independent Non-Executive Directors. Under the CSA corporate governance guidelines, an “independent director” is a director who has no direct or indirect material relationship with the Company, including as a partner, shareholder or officer of an organization that has a relationship with the Company. A “material relationship” is one that would, or in the view of the Board could be reasonably expected to, interfere with the exercise of a director’s independent judgment. The CG Code includes a number of factors to take into consideration when assessing the independence of a Non-Executive director, including the percentage of shares held by him or her in the Company and any material interest in any principal business activity of the Group. As at December 31, 2019 and as at the date of this report, the Board has determined that it consisted of four “independent directors” and four non-independent directors under the CSA corporate governance guidelines. The Board believes that its current size and composition and the composition of the Board committees, results in balanced representation.

As at the date of this report, the Company believes it has a well-balanced Board. The Board is comprised of two (2) Executive Directors, two (2) Non-Executive Directors and four (4) Independent Non-Executive Directors. The Directors for the year ended 31 December 2019 and up to the date of this report are as follows:

Executive Directors

Liangyou Jiang (*Chief Executive Officer*)¹⁾

Shiliang Guan (*Vice President*)²⁾

CORPORATE GOVERNANCE REPORT

Non-Executive Directors

Yongqing Teng⁽³⁾

Fuzhen Kang⁽⁴⁾

Independent Non-Executive Directors

Ian He

Wei Shao

Bielin Shi

Ruixia Han

Notes:

- (1) Mr. Jiang is an Executive Director in his capacity as Chief Executive Officer of the Company.
- (2) Mr. Guan is an Executive Director in his capacity as Vice President of the Company.
- (3) Mr. Teng is a Non-Executive Director in his capacity as an affiliate of China National Gold which has a material relationship with the Company.
- (4) Ms. Kang is a Non-Executive Director in her capacity as an affiliate of China National Gold which has a material relationship with the Company.

As at the date of this report, China National Gold holds approximately 39.3% of the Company's outstanding common shares.

Biographical details of the Directors of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 4 to 9 of this annual report. The Board has assessed the independence of all the Independent Non-Executive Directors and considers each of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement.

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

Since November 2018, Mr. Liangyou Jiang serves as the Company's Chief Executive Officer in addition to being an Executive Director. The Chief Executive Officer is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

For the Reporting Period, Mr. Ian He was appointed lead Independent Non-Executive Director as of November 13, 2018. The role of lead Independent Non-Executive Director was created to enhance the Company's corporate governance practices and provides leadership to the Independent Non-Executive Directors, liaise with Chief Executive Officer on behalf of the Independent Non-Executive Directors and advise the Board on matters where there may be an actual or perceived conflict of interest such as Chief Executive Officer's performance evaluation to ensure the best possible operation of the Board.

For the Reporting Period, the Nominating & Corporate Governance Committee is comprised of four Independent Non-Executive Directors, namely, Mr. Wei Shao, Mr. Ian He, Dr. Bielin Shi and Ms. Ruixia Han and one Executive Director, namely, Mr. Liangyou Jiang. Mr. Wei Shao was appointed Chairman of the Nominating & Corporate Governance Committee on June 25, 2019.

For the Reporting Period, the Audit Committee is comprised of four Independent Non-Executive Directors, namely, Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han. Mr. Ian He was appointed as the Chairman of the Audit Committee on June 25, 2019.

For the Reporting Period, the Compensation & Benefits Committee is comprised of four Independent Non-Executive Directors, namely, Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han and one Non-Executive Director Mr. Yongqing Teng. Ms. Ruixia Han was appointed as the Chairman of the Compensation & Benefits Committee on June 25, 2019.

For the Reporting Period, the Health, Safety and Environmental Committee is comprised of four Independent Non-Executive Directors, namely, Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han and one Executive Director Mr. Shiliang Guan. Dr. Bielin Shi was appointed as the Chairman of the Health, Safety and Environmental Committee on June 25, 2019.

The Company has received from each of its Independent Non-Executive Directors, their confirmation of independence pursuant to listing rules in all applicable jurisdictions.

To the best knowledge of the Company, none of the Directors are related. Relationships include financial, business or family relationships. The Directors are free to exercise their independent judgment. Directors, including the current non-executive Directors and the independent non-executive Directors, are elected at each annual general meeting and hold office until the next annual general meeting, unless a Director's office is earlier vacated in accordance with the provisions of the Business Corporations Act (British Columbia) and the Company's Articles.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors bring a range of business, professional and financial expertise, experience and independent judgment to the Board.

Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all Non-Executive Directors (including Independent Non-Executive Directors) make various contributions to the effective direction of the Company.

In accordance with the Company's Articles, the Non-Executive Directors (including the Independent Non-Executive Directors) are subject to re-election each year at the Company's annual general meeting.

CORPORATE GOVERNANCE REPORT

DIRECTORS' PROFESSIONAL DEVELOPMENT

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

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Board provides continuing education opportunities for all Directors, so that each individual Director may maintain or enhance his or her skills and abilities as a Director, as well as to ensure his or her knowledge and understanding of the Company's business remains current.

The orientation and continuing education process will be reviewed on an annual basis and will be revised accordingly. There are technical presentations at Board meetings, focusing on either a particular property or a summary of various properties. The question and answer portions of these presentations are valuable learning resources for the non-technical Directors. The Board has also incorporated training into their Board meetings with presentations by legal, accounting and other professional groups and individuals.

All Directors participated in appropriate continuous professional development and provided the Company with their records of training they received during the Reporting Period. Directors participated in the training which included reading regulatory updates, attending seminars or conducting training sessions and exchanging views. According to the training records maintained by the Company, the trainings received by each of the Directors during the Reporting Period are summarized as follows:

	Reading/ Attended seminars/ conferences and exchange views
Executive Directors	
Liangyou Jiang	Yes
Shiliang Guan	Yes
Non-Executive Directors	
Yongqing Teng	Yes
Fuzhen Kang	Yes
Independent Non-Executive Directors	
Ian He	Yes
Wei Shao	Yes
Bielin Shi	Yes
Ruixia Han	Yes

MANDATE OF THE BOARD

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

In order to ensure diversity of the Board and improve the Company's corporate governance, the Board approved the Board diversity policy (the "Policy") in accordance with the requirements set out in code provision A.5.6 of the CG Code. The Policy sets out the approach to achieve diversity on the board by considering a number of factors, including without limitation, gender, age, cultural and educational background, professional skills, knowledge, experience and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and background of the Board. Appointments of Board members shall be based on merit, and candidates will be assessed based on objective criteria. The Company will also take into account factors based on its own business model and specific needs from time to time. The Nominating and Corporate Governance Committee will monitor the implementation of the Policy; review the Policy from time to time, as appropriate; report to the Board on their decisions or propose recommendations on any amendments for the Board's review and approval, to ensure the effectiveness of the Policy. No measurable objectives for achieving diversity were specifically set by the Board during the year, other than the recruitment of the most suitable candidate for a position.

COMMITTEES OF THE BOARD

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established four Board committees, namely Audit Committee, Nominating and Corporate Governance Committee, Compensation and Benefits Committee, and Health, Safety and Environment Committee. Independent Non-Executive Directors play an important role in these committees to ensure that independent and objective views are expressed and to promote critical review and control.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that the Company has an effective risk management and internal control system. This includes internal controls to manage both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Company's Audit Committee is comprised of four Independent Non-Executive Directors, including Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han. Mr. He serves as Chairman of the Audit Committee.

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

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

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

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

- overseen the Company's relationship, audit fees and terms of engagement of the external auditors;
- reviewed the independence of the external auditors and made recommendations to the Board on the re-appointment of the external auditors;
- reviewed the financial budget and planning including the annual and interim financial statements and results announcements during the Financial Year;
- reviewed and assessed the effectiveness of the Company's financial controls, corporate governance, internal controls and risk management systems;
- reviewed the effectiveness of the Company's internal audit function; and
- reported to the Board on the decisions and recommendations of the Audit Committee.

The individual attendance of Audit Committee members at meetings is set out on page 30 of this annual report.

CORPORATE GOVERNANCE REPORT

Nominating and Corporate Governance Committee

The Board established a Nominating and Corporate Governance Committee, operating under a charter approved by the Board. The Nominating and Corporate Governance Committee is comprised of four Independent Non-Executive Directors, including Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han and one Executive Director, namely Mr. Liangyou Jiang. Mr. Wei Shao serves as Chairman of the Nominating and Corporate Governance Committee.

The primary objective of the Nominating and Corporate Governance Committee is to assist the Board in fulfilling its oversight responsibilities by (a) determining a policy and process for identifying individuals qualified to become Board and Board Committee members and recommending that the Board select director nominees for appointment or election to the Board; and (b) developing and recommending to the Board corporate governance guidelines for the Company and making recommendations to the Board with respect to corporate governance practices. The Nominating and Corporate Governance Committee monitors the disclosure of conflicts of interest to the Board and ensures that no director will vote in respect of a matter in which such director has a material interest. The Nominating and Corporate Governance Committee met during the Financial Year to review its charter, to review the Articles, to assess the competencies and characteristics represented on the Board, to review the results of a Board effectiveness survey and self-assessments and to monitor, review and confirm compliance with legal, regulatory, corporate governance and disclosure requirements. The Nominating and Corporate Governance Committee is also responsible for reviewing and monitoring the training and continuous professional development of directors and senior management as required under code provision D.3.1(b) of the CG Code.

The individual attendance of Nominating and Corporate Governance Committee members at meetings is set out on page 30 of this annual report.

Compensation and Benefits Committee

The Board has established the Compensation and Benefits Committee, which operates under a charter approved by the Board. The Compensation and Benefits Committee is comprised of four Independent Non-Executive Directors including Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han, and one Non-Executive Director, namely, Mr. Yongqing Teng. Ms. Ruixia Han serves as Chairman of the Compensation and Benefits Committee.

The primary objective of the Compensation and Benefits Committee is to discharge the Board's responsibilities relating to the compensation and benefits for senior executives and Directors of the Company. This role includes reviewing the adequacy and form of compensation for senior executives and the Directors, determining the recipients of, the nature and size of share compensation awards granted from time to time and determining any bonuses to be awarded. The Compensation and Benefits Committee met during the Financial Year to review its charter, to assess the performance and compensation of the Chief Executive Officer, to review the compensation and benefits for senior executives and Directors of the Company and to complete self-assessments. The Compensation and Benefits Committee made recommendations to the Board for adjustments to compensation for the Company's senior executives on various occasions throughout the Reporting Period.

The individual attendance of Compensation and Benefits Committee members at meetings is set out on page 30 of this annual report.

Health, Safety and Environmental Committee

The Board has established the Health, Safety and Environmental Committee, which operates under a charter approved by the Board. The Company's Health, Safety and Environmental Committee is comprised of four Independent Non-Executive Directors, including Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han, and one Executive Director, namely, Mr. Shiliang Guan. Dr. Bielin Shi serves as the Chairman of the Health, Safety and Environmental Committee.

The primary objective of the Health, Safety and Environmental Committee is to discharge the Board's responsibilities relating to compliance with applicable health, safety and environmental rules and regulations. This role includes assisting the Board in its oversight of the development, implementation and evaluation by management of the Company's health, safety and environmental objectives and for monitoring the Company's compliance with applicable health, safety and environmental laws and regulations. The Health, Safety and Environmental Committee met during the Reporting Period to receive reports from the Chief Safety Officers from the CSH Gold Mine and the Jiama Mine, to review the findings of an independent safety audit, and to complete self-assessments. The Health, Safety and Environmental Committee made recommendations to the mine sites for continuous improvements.

The individual attendance of Health, Safety and Environmental Committee members at meetings is set out on page 30 of this annual report.

Ad Hoc and Special Committees

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

CORPORATE GOVERNANCE REPORT

MEETINGS OF THE BOARD AND BOARD COMMITTEES

Details of attendance of the Directors (either in person or through telephone conferences) at Board regular meetings, meeting of Board Committees and general meetings during the Reporting Period are set out below. The management also communicates informally with the Board on a regular basis, and solicits the advice of the Directors on matters falling within their special knowledge or experience. In addition, the Independent Non Executive Directors meet regularly on formal and informal basis to facilitate the exercise of their independent judgment.

Attendances/Number of Meetings

	Attendances/Number of Meetings							Overall Attendance
	Board	Audit Committee	Nominating and Corporate Governance Committee	Compensation and Benefits Committee	Health, Safety and Environmental Committee	2019 Annual and Special Meeting*	Committees (Total)	
Liangyou Jiang	2/4 (50%)	N/A	1/1 (100%)	N/A	N/A	0/1	1/1 (100%)	3/6 (50%)
Yongqing Teng	3/4 (75%)	N/A	N/A	N/A	N/A	0/1	N/A	3/5 (60%)
Shiliang Guan ⁽¹⁾	1/2 (50%)	N/A	N/A	N/A	3/3 (100%)	0/1	3/3 (100%)	4/6 (67%)
Fuzhen Kang	3/4 (75%)	N/A	N/A	N/A	N/A	0/1	N/A	3/5 (60%)
Ian He	4/4 (100%)	4/4 (100%)	3/3 (100%)	1/1 (100%)	5/5 (100%)	1/1	13/13(100%)	18/18 (100%)
Wei Shao ⁽²⁾	2/2 (100%)	2/2 (100%)	1/1 (100%)	0/0	3/3 (100%)	1/1	6/6 (100%)	8/8 (100%)
Bielin Shi ⁽³⁾	2/2 (100%)	2/2 (100%)	0/1 (0%)	0/0	3/3 (100%)	0/1	5/6 (83%)	7/8 (88%)
Ruixia Han ⁽⁴⁾	2/2 (100%)	2/2 (100%)	1/1 (100%)	0/0	3/3 (100%)	0/1	6/6 (100%)	8/8 (100%)

* Except for the 2019 Annual and Special Meeting held on June 25, 2019, no other general meeting was held during the Reporting Period.

Notes:

- (1) Mr. Guan was elected as a director June 25, 2019.
- (2) Mr. Shao was elected as a director June 25, 2019.
- (3) Dr. Shi was elected as a director June 25, 2019.
- (4) Ms. Han was elected as a director June 25, 2019.

According to code provision A.6.7 of the CG Code, Independent Non-Executive Directors and other Non-Executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

The Executive and Non-Executive Directors and two of the four Independent Non-Executive Directors were unable to attend the Annual and Special Meeting of the Company held on June 25, 2019 due to other business commitments.

The 2020 AGM will be held on June 16, 2020. The notice of the 2020 AGM will be sent to shareholders at least 20 clear business days before the 2020 AGM.

CODE OF BUSINESS CONDUCT AND ETHICS

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

According to code provision A.4.3 of the CG Code, if an independent non-executive Director serves more than 9 years, his further election should be subject to a separate resolution to be approved by shareholders.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted policies in its Corporate Disclosure, Confidentiality and Securities Trading Policy on terms no less exacting than those set out in Appendix 10 to the Listing Rules.

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

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

Having made specific enquiry with each Director, all Directors have confirmed their full compliance with the required standards set out in the Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the Reporting Period. Details of the shareholding interests held by the directors as at December 31, 2019 are set out on page 12 of this annual report.

REMUNERATION OF DIRECTORS

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

The Company pays its Independent Non-Executive Directors a cash retainer of US\$3,825 per month for acting as Independent Non-Executive Directors and for their roles on various Board Committees. The Company pays the lead Independent Non-Executive Director a cash retainer of US\$4,500 per month.

Independent Non-Executive Directors may also receive additional compensation for serving on any ad hoc special committees that are established from time to time. Currently no other compensation is paid to the Directors for acting as Directors. The Directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as Directors.

Details regarding the remuneration of Directors are set out in Note 11 of the Financial Statements.

COMPANY SECRETARY

The Corporate Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors in Canada. The Corporate Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Corporate Secretary to ensure that Board procedures, all applicable law, rules and regulations are followed.

Dr. Ngai Wai Fung, the director and chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, has been appointed by the Board as its company secretary in Hong Kong with effect from January 16, 2014. Dr. Ngai’s contact person in the Company in relation to any corporate secretarial matters is Mr. Jerry Xie, the Executive Vice President and Corporate Secretary.

According to Rule 3.29 of the Listing Rules, Dr. Ngai has confirmed that he has taken no less than 15 hours of professional training to update his skills and knowledge during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Company maintains internal audit functions for both itself and its operating subsidiaries. The Company leverages the internal audit function of China National Gold, its controlling shareholder, for its internal audit function. Risk management and internal control systems are reviewed on a quarterly basis in conjunction with the quarterly certification requirements for disclosure controls and procedures and internal control over financial reporting as mandated by applicable Canadian securities laws.

The Audit Committee and the Board have reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, including financial, operational and compliance controls, for the Reporting Period and are of the view that the Company's current risk management and internal control systems are adequate and operating effectively in safeguarding the investment of shareholders and assets of the Company.

The Company has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the Company's internal control over financial reporting, and has concluded that its internal controls and procedures were effective as of December 31, 2019 and provide reasonable assurance that material information, including financial information, relating to the Company is made known to senior management, the Audit Committee and the Board, as applicable, and is recorded, processed, summarized and reported in a timely manner.

The Board has established a framework for identifying, evaluating and managing key risks faced by the Company. The Board, through the Audit Committee, reviews annually the effectiveness of the internal control system of the Company and its subsidiaries, considering factors such as:

- changes, since the last annual review, in nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of the internal audit function;
- the extent and frequency of communication of monitoring results to the Board which enables it to assess control of the Company and the effectiveness of risk management;
- adequacy of resources;
- staff qualifications and experience;
- training programmes;
- budget of the Company's accounting, internal audit and financial reporting functions; communication of the monitoring results to the Board that enables it to assess control of the Company and the effectiveness of the risk management;

CORPORATE GOVERNANCE REPORT

- significant control failings or weaknesses that have been identified during the period, and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have, a material impact on the Company's financial performance or condition; and
- the effectiveness of the Company's processes for financial reporting and compliance with applicable listing rules and securities laws.

Pursuant to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators ("NI 52-109"), the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are required to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures ("DC&P"), as defined in NI 52-109, and certify that the DC&P are effective to achieve the purpose for which they have been designed. Internal controls over financial reporting ("ICFR"), as defined in NI 52-109, are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO provide confirmation of the foregoing matters to the Audit Committee as part of its review and approval of periodic financial disclosure.

The Company has established a Code of Business Conduct and Ethics and Corporate Disclosure, Confidentiality and Securities Trading Policy (the "Code"), which includes a policy on the handling of confidential information, information disclosure and securities dealing for all employees of the Company to comply with when they are in possession of confidential or inside information in relation to the Company. The Code provides that the Company's employees, officers, Directors and contract employees will uphold our commitment to a culture of honesty, integrity and accountability and that the Company requires the highest standards of professional and ethical conduct from its employees, officers, Directors and contract employees. The various policies forming the Code are available on the Company's website (www.chinagoldintl.com) and have been disseminated to all employees of the Company.

Ethics Point is the Company's whistleblowing program, which is administered by an independent third party, and is available for use when someone suspects or is aware of illegal, unsafe or inappropriate activity at work. Ethics Point provides an avenue for individuals to raise concerns confidentially and anonymously. The Audit Committee monitors compliance with the Code. The Nominating and Corporate Governance Committee monitors the Code and assists the Board in dealing with conflict of interest issues.

AUDITORS

The Company's auditor is Deloitte Touche Tohmatsu in Hong Kong ("Deloitte Touche Tohmatsu"). Deloitte LLP in Canada ("Deloitte LLP") were first appointed as auditor of the Company on April 1, 2010. The appointment of Deloitte Touche Tohmatsu was approved by an ordinary resolution of the shareholders at the Company's annual and special meeting held on June 25, 2019. Deloitte Touche Tohmatsu will be nominated for re-appointment as auditors of the Company for the fiscal year at the 2020 AGM, at a remuneration to be fixed by the Board.

Deloitte Touche Tohmatsu is independent of the Company in accordance with Section 290 "Independence – Assurance Engagements" of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. The financial reporting responsibilities and audit report of Deloitte Touche Tohmatsu are set out on pages 69 to 73 of the Financial Statements.

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

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

Nature of services rendered	Fees paid/payable (US\$)
Audit fees ⁽¹⁾	712,000
Non-audit fees ⁽²⁾	291,500
Total	1,003,500

Notes:

- (1) Fees for audit services consisted of fees incurred to Deloitte Touche Tohmatsu (\$712,000) in connection with the audit of the Company's annual financial statements, review of the Company's interim financial statements.
- (2) Fees for non-audit services consisted of fees incurred to Deloitte Touche Tohmatsu (\$291,500) in connection with preparation of the Company's Hong Kong Tax filings and other services related to securities regulatory matters and additional services resulting from due diligence.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

CONSTITUTIONAL DOCUMENTS

For the year ended December 31, 2019, the Company has not made any changes to its notice of articles or articles.

SHAREHOLDERS' RIGHTS

Right to convene a meeting of shareholders

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

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

CORPORATE GOVERNANCE REPORT

Right to put enquiries to the Board

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

Right to put forward proposals at general meetings

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Members of the Board and senior management meet and communicate with shareholders at the annual general meeting of the Company to address shareholders' queries. Voting results are posted on the Company's website on the day of the annual general meeting.

The Company also published its ESG Report on its website, www.chinagoldintl.com.

The Environmental, Social and Governance Report communicates to the Company's stakeholders in a broad manner the relevant environmental, social and governance initiatives that the Company has made in reference to Appendix 27 of the Listing Rules. The 2019 ESG Report will be published on the Company's website no later than three months after the publication of the Company's Annual Report

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

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Liangyou Jiang (*Chief Executive Officer*)

Shiliang Guan (*Vice President*)

Non-Executive Directors

Yongqing Teng

Fuzhen Kang

Independent Non-Executive Directors

Ian He

Wei Shao

Bielin Shi

Ruixia Han

AUDIT COMMITTEE

Ian He (*Chairman*)

Wei Shao

Bielin Shi

Ruixia Han

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Wei Shao (*Chairman*)

Ian He

Bielin Shi

Ruixia Han

Liangyou Jiang

COMPENSATION AND BENEFITS COMMITTEE

Ruixia Han (*Chairman*)

Ian He

Wei Shao

Bielin Shi

Yongqing Teng

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

Bielin Shi (*Chairman*)

Ian He

Wei Shao

Ruixia Han

Shilang Guan

CORPORATE SECRETARY (CANADA)

Jerry Xie

COMPANY SECRETARY (HONG KONG)

Dr. Ngai Wai Fung

REGISTERED OFFICE

One Bentall Centre

Suite 660, 505 Burrard Street

Vancouver, British Columbia

Canada V7X 1M4

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Sunlight Tower

248 Queen's Road East,

Wanchai, Hong Kong

PRINCIPAL BANK (CANADA)

BMO Bank of Montreal

PRINCIPAL BANKS (HONG KONG)

Bank of China

Agricultural Bank of China

PRINCIPAL SHARE REGISTER

AST Transfer Company Inc.

Suite 1600-1066 West Hastings Street

Vancouver, British Columbia

Canada V6E 3X1

HONG KONG SHARE REGISTER

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17/F

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

One Pacific Place

35th Floor, 88 Queensway

Hong Kong

WEBSITE ADDRESS

www.chinagoldintl.com

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months and year ended December 31, 2019.

(Stated in U.S. dollars, except as otherwise noted)

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MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS



The following Management Discussion and Analysis of financial condition and results of operations (“MD&A”) is prepared as of March 30, 2020. It should be read in conjunction with the consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as “China Gold International”, the “Company”, “we” or “our” as the context may require) for the year ended December 31, 2019 and the year ended December 31, 2018, 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, 2020 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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.

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 December 31, 2019

- Revenue remained consistent at US\$162.3 million compared to US\$163.0 million for the same period in 2018.
- Mine operating earnings decreased by 54% to US\$15.4 million from US\$33.3 million for the same period in 2018.
- Net loss after tax increased to US\$4.3 million from US\$2.0 million for the same period in 2018.
- Total gold production decreased by 18% to 52,075 ounces from 63,656 ounces for the same period in 2018.
- Total copper production decreased by 25% to 13,227 tonnes (approximately 29.2 million pounds) from 17,711 tonnes (approximately 39.0 million pounds) for the same period in 2018.

Year ended December 31, 2019

- Revenue increased by 15% to US\$657.5 million from US\$570.6 million for the same period in 2018.
- Mine operating earnings decreased by 42% to US\$64.2 million from US\$110.7 million for the same period in 2018.
- Net loss after tax increased to US\$32.2 million from US\$4.2 million for the same period in 2018.
- Total gold production remained consistent at 214,715 ounces compared to 215,158 ounces for the same period in 2018.
- Total copper production increased by 14% to 62,533 tonnes (approximately 137.9 million pounds) from 55,025 tonnes (approximately 121.3 million pounds) for the same period in 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SELECTED ANNUAL INFORMATION

		Year ended December 31			
	2019	2018	2017	2016	2015
<i>US\$ Millions except for per share</i>					
Total revenue	657	571	412	339	340
(Loss) profit from operations	(3)	43	79	34	39
Net (loss) profit	(32)	(4)	64	(12)	(7)
Basic (loss) earnings per share (cents)	(8.28)	(1.22)	15.93	(3.36)	(2.07)
Diluted (loss) earnings per share (cents)	N/A	N/A	N/A	N/A	(2.07)
Total assets	3,197	3,216	3,230	2,967	2,781
Total non-current liabilities	818	1,301	1,324	737	971
Distribution or cash dividends declared per share	–	–	–	–	–

* Prepared under IFRS

OUTLOOK

- Projected gold production of 212,000 ounces in 2020.
- Projected copper production of 145 million pounds in 2020.
- The Company continues to focus its efforts on optimizing the operation at both mines, debottlenecking the newly commissioned Jiama Mine and extending the mine life of CSH Mine.
- 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.
- The Company has not experienced any significant impact on its operations from the novel coronavirus but continues to closed monitor the health of its employees and supply chains to be able to respond to any potential disruptions, should any arise.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

(US\$ in thousands except per share)	Quarter ended							
	31-Dec	2019			2018			
		30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenue	162,326	186,375	163,166	145,592	162,957	158,841	142,087	106,685
Cost of sales	146,952	160,094	155,876	130,324	129,693	123,743	106,294	100,131
Mine operating earnings	15,374	26,281	7,290	15,268	33,264	35,098	35,793	6,554
General and administrative expenses	15,280	11,762	9,532	13,495	16,701	12,666	12,674	9,383
Exploration and evaluation expenses	(156)	368	175	115	(4)	134	251	78
Research and development expenses	3,200	4,308	4,541	4,856	7,374	3,068	2,800	2,553
(Loss) income from operations	(2,950)	9,843	(6,958)	(3,198)	9,193	19,230	20,068	(5,460)
Gain on recognition of other assets	14,067	11,245	–	–	–	–	–	–
Foreign exchange gain (loss)	4,074	(9,616)	(7,414)	5,288	(1,677)	(11,024)	(7,580)	4,463
Finance costs	10,398	10,560	11,482	10,088	11,224	10,909	11,214	11,128
Profit (loss) before income tax	4,732	2,380	(24,817)	(7,137)	(3,346)	(998)	3,839	(465)
Income tax expense (credit)	9,037	2,701	(1,866)	(2,563)	(1,351)	3,591	3,449	(2,469)
Net (loss) profit	(4,305)	(321)	(22,951)	(4,574)	(1,995)	(4,589)	390	2,004
Basic (loss) earnings per share (cents)	(1.19)	(0.17)	(5.79)	(1.13)	(0.49)	(1.23)	0.05	0.45
Diluted earnings (loss) per share (cents)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Company's mining operations are impacted by harsh winter conditions at its mine sites and as such, performance in the first quarter of the year is usually lower as compared with other quarters in the year.

Selected Quarterly and Annual Production Data and Analysis

CSH Mine	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Gold sales (US\$ million)	52.99	52.15	205.21	186.80
Realized average price (US\$) of gold per ounce	1,488	1,306	1,407	1,286
Gold produced (ounces)	34,474	41,506	146,805	144,896
Gold sold (ounces)	35,622	39,928	145,811	145,272
Total production cost (US\$ per ounce)	1,297	1,288	1,318	1,164
Cash production cost ⁽¹⁾ (US\$ per ounce)	937	817	862	750

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gold production at the CSH Mine decreased by 17% to 34,474 ounces for the three months ended December 31, 2019 compared to 41,506 ounces for the three months ended December 31, 2018. The total production cost of gold for the three months ended December 31, 2019 increased to US\$1,297 per ounce compared to US\$1,288 for the three months ended December 31, 2018. Gold production in 2018 was higher due to a one time recovery of gold in carbon within the processing tank. The cash production cost of gold for the three months ended December 31, 2019 increased to US\$937 per ounce from US\$817 for the same period in 2018, mainly due to lower production volumes.

Jiama Mine	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Copper sales (US\$ in millions)	74.00	87.87	308.27	285.68
Realized average price ¹ (US\$) of copper per pound after smelting fee discount	2.26	2.26	2.13	2.37
Copper produced (tonnes)	13,227	17,711	62,533	55,025
Copper produced (pounds)	29,160,597	39,046,970	137,860,887	121,309,024
Copper sold (tonnes)	15,185	16,663	65,321	53,280
Copper sold (pounds)	33,477,926	36,735,800	144,008,887	117,462,608
Gold produced (ounces)	17,601	22,150	67,910	70,262
Gold sold (ounces)	18,390	21,941	69,997	66,545
Silver produced (ounces)	948,985	987,628	3,782,151	3,212,452
Silver sold (ounces)	1,029,733	856,090	3,960,521	3,009,074
Total production cost ² (US\$) of copper per pound	3.55	2.73	3.17	2.97
Total production cost ² (US\$) of copper per pound after by-products credits ⁴	2.50	1.82	2.29	2.08
Cash production cost ³ (US\$) of copper per pound	2.92	2.10	2.51	2.25
Cash production cost ³ (US\$) of copper per pound after by-products credits ⁴	1.87	1.19	1.63	1.36

1 A discount factor of 18.6% to 29.6% is applied to the copper benchmark price to compensate the refinery costs incurred by the buyers. The discount factor is higher if the grade of copper in copper concentrate is below 18%. The industry standard of copper content in copper concentrate is between 18-20%.

2 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.

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

4 By-products credit refers to the sales of gold and silver contained in the copper concentrate during the corresponding period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the three months ended December 31, 2019, the Jiama Mine produced 13,227 tonnes (approximately 29.2 million pounds) of copper, a decrease of 25% compared with the three months ended December 31, 2018 (17,711 tonnes, or 39.0 million pounds). The decrease in production is due to lower volumes of ore mined.

During the three months ended December 31, 2019, both total production cost of copper per pound after by-products and cash production cost of copper per pound after by-product increased as compared to the same period in 2018 due to lower grades of ore from the open-pit mine. The Jiama Mine is currently developing its underground mine which is expected to produce higher grade ore, with anticipated completion by the end of 2021.

Review of Quarterly Data

Three months ended December 31, 2019 compared to three months ended December 31, 2018

Revenue of US\$162.3 million for the fourth quarter of 2019 decreased by US\$0.7 million from US\$163.0 million for the same period in 2018.

Revenue from the CSH Mine was US\$53.0 million, an increase of US\$0.9 million, compared to US\$52.1 million for the same period in 2018. Realized average gold price increased by 14% from US\$1,306/oz in Q4 2018 to US\$1,488/oz in Q4 2019. Gold sold by the CSH Mine was 35,622 ounces (gold produced: 34,474 ounces), compared to 39,928 ounces (gold produced: 41,506 ounces) for the same period in 2018.

Revenue from the Jiama Mine was US\$109.3 million, a decrease of US\$1.6 million, compared to US\$110.9 million for the same period in 2018. Total copper sold was 15,185 tonnes (33.5 million pounds) for the three months ended December 31, 2019, a decrease of 9% from 16,663 tonnes (36.7 million pounds) for the same period in 2018.

Cost of sales of US\$147.0 million for the quarter ended December 31, 2019, an increase of US\$17.3 million or 13% from US\$129.7 million for the same period in 2018. Cost of sales as a percentage of revenue for the Company increased from 80% to 91% for the three months ended December 31, 2018 and 2019, respectively. Cost of sales was impacted by many operation factors such as grade of ore, recovery rates and stripping ratio. Refer to the sections below for details of production factors for each individual mine.

Mine operating earnings of US\$15.4 million for the three months ended December 31, 2019, a decrease of 54%, or US\$17.9 million, from US\$33.3 million for the same period in 2018. Mine operating earnings as a percentage of revenue decreased from 20% to 9% for the three months ended December 31, 2018 and 2019, respectively.

General and administrative expenses decreased by US\$1.4 million, from US\$16.7 million for the quarter ended December 31, 2018 to US\$15.3 million for the quarter ended December 31, 2019. The decrease was due to the Company's implementation of an overall cost reduction program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Research and development expenses of US\$3.2 million for the three months ended December 31, 2019, decreased from US\$7.4 million for the comparative 2018 period. The decrease in the fourth quarter of 2019 was mainly due to the completion of several research projects in 2019.

Loss from operations of US\$3.0 million for the fourth quarter of 2019, decreased by US\$12.2 million, compared to an income of US\$9.2 million for the same period in 2018.

Finance costs of US\$10.4 million for the three months ended December 31, 2019, decreased by US\$0.8 million compared to US\$11.2 million for the same period in 2018.

Foreign exchange gain of US\$4.1 million for the three months ended December 31, 2019, increased from a loss of US\$1.7 million for the same period in 2018. The gain was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Gain on recognition of other assets of US\$14.1 million was recorded during the three months ended December 31, 2019 in relation to a cooperation agreement between the Group and a third-party real estate developer. Pursuant to the Cooperation Agreement, the Group agreed to transfer the land use right for the development and the Developer agreed to compensate the Group by transferring a block of the buildings and twenty car parks. The land is located in Lhasa, Tibet, China and was originally acquired by the Jiama Mine. During the period, the Group derecognized the right-of-use assets, and recognized the right to receive the new premise. The project is still under development and is expected to be completed no later than May 31, 2021.

Income tax expense of US\$9.0 million for the quarter ended December 31, 2019, increased by US\$10.4 million from an income tax credit of US\$1.4 million for the comparative period in 2018. During the current quarter, the Company had US\$0.8 million of deferred tax credit compared to US\$2.3 million for the same period in 2018.

Net loss of US\$4.3 million for the three months ended December 31, 2019, increased by US\$2.3 million from US\$2.0 million for the three months ended December 31, 2018

Year ended December 31, 2019 compared to Year ended December 31, 2018

Revenue of US\$657.5 million for the year ended December 31, 2019 increased by US\$86.9 million or 15%, from US\$570.6 million for the same period in 2018.

Revenue from the CSH Mine was US\$205.2 million, an increase of US\$18.4 million, compared to US\$186.8 million for the same period in 2018. Realized average gold price increased by 9% from US\$1,286/oz in 2018 to US\$1,407/oz in 2019. Gold sold by the CSH Mine was 145,811 ounces (gold produced: 146,805 ounces), compared to 145,272 ounces (gold produced: 144,896 ounces) for the same period in 2018.

Revenue from the Jiama Mine was US\$452.2 million, an increase of US\$68.4 million, compared to US\$383.8 million for the same period in 2018. Total copper sold was 65,321 tonnes (144.0 million pounds) for the year ended December 31, 2019, an increase of 23% from 53,280 tonnes (117.5 million pounds) for the same period in 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cost of sales of US\$593.2 million for the year ended December 31, 2019, an increase of US\$133.3 million or 29% from US\$459.9 million for the same period in 2018. The overall increase was primarily attributed to a 38% increase in cost of sales for the Jiama Mine which related to the 14% increase in copper production volumes. Cost of sales for the CSH Mine increased by approximately 14% in 2019 due to lower grades of ore mined and increased amortization of mine development costs. Cost of sales as a percentage of revenue for the Company increased from 81% to 90% for the year ended December 31, 2018 and 2019, respectively. Cost of sales was impacted by many operation factors such as grade of ore, mill recovery rates and stripping ratio. Refer to the sections below for details of production factors for each individual mine.

Mine operating earnings of US\$64.2 million for the year ended December 31, 2019, a decrease of 42%, or US\$46.5 million, from US\$110.7 million for the same period in 2018. Mine operating earnings as a percentage of revenue decreased from 19% to 10% for the year ended December 31, 2018 and 2019, respectively.

General and administrative expenses decreased by US\$1.3 million, from US\$51.4 million for the year ended December 31, 2018 to US\$50.1 million for the year ended December 31, 2019. The decrease was due to the Company's implementation of an overall cost reduction program.

Research and development expenses of US\$16.9 million for the year ended December 31, 2019, increased from US\$15.8 million for the comparative 2018 period. The increase in 2019 was due to the Company's R&D programs related to optimization of mining and mineral processing.

Loss from operations of US\$3.3 million for the year ended December 31, 2019, decreased by US\$46.3 million, compared to an income of US\$43.0 million for the same period in 2018.

Finance costs of US\$42.5 million for the year ended December 31, 2019, decreased by US\$2.0 million compared to US\$44.5 million for the same period in 2018. During the year ended December 31, 2019, interest payments of US\$0.4 million (2018: US\$1.0 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange loss of US\$7.7 million for the year ended in December 31, 2019, decreased from US\$15.8 million for the same period in 2018. The loss was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Interest and other income of US\$3.3 million for the year ended December 31, 2019 decreased from US\$16.3 million for the same period in 2018. The income amount in 2018 was primarily attributed to the sales of low grade product from the Jiama Mine.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gain on recognition of other assets of US\$25.3 million was recorded during the year ended December 31, 2019 in relation to a cooperation agreement between the Group and a third-party real estate developer. Pursuant to the Cooperation Agreement, the Group agreed to transfer the land use right for the development and the Developer agreed to compensate the Group by transferring a block of the buildings and twenty car parks. The land is located in Lhasa, Tibet, China and was originally acquired by the Jiama Mine. During the period, the Group derecognized the right-of-use assets, and recognized the right to receive the new premise. The project is still under development and is expected to be completed no later than May 31, 2021.

Income tax expense of US\$7.3 million for the year ended December 31, 2019, compared to US\$3.2 million for the same period in 2018. During the current year, the Company had US\$3.4 million of deferred tax credit compared to US\$1.3 million of deferred tax expense for the same period in 2018.

Net loss of US\$32.2 million for the year ended December 31, 2019, an increase by US\$28.0 million loss from net loss of US\$4.2 million for the comparative 2018 period.

NON-IFRS MEASURES

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. Although the Gold Institute ceased operations in 2002, the Company believes that the Gold Institute's Production Cost Standard continues to represent the market accepted standard for reporting cash cost of production. However, different issuers may apply slight deviations to the standard so the cash production costs disclosed by the Company may not be directly comparable to other issuers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	CSH Mine (Gold)							
	Three months ended December 31,				Year ended December 31,			
	2019		2018		2019		2018	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total Cost of sales	46,189,909	1,297	51,413,375	1,288	192,228,416	1,318	169,085,187	1,164
Adjustment – Depreciation & depletion	(12,810,639)	(360)	(18,783,853)	(471)	(66,518,140)	(456)	(60,193,581)	(414)
Adjustment – Amortization of intangible assets	(334,289)	(9)	-	-	(1,879,320)	(13)	-	-
Total cash production costs	33,044,981	928	32,629,522	817	123,830,956	849	108,891,606	750

	Jiama Mine (Copper with by-products credits)							
	Three months ended December 31,				Year ended December 31,			
	2019		2018		2019		2018	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total Cost of sales	104,954,616	3.14	78,280,054	2.13	401,017,851	2.78	290,775,843	2.48
General and administrative expenses	10,691,637	0.31	14,475,206	0.39	38,397,941	0.27	42,348,631	0.36
Research and development expenses	3,199,894	0.10	7,374,441	0.20	16,904,660	0.12	15,795,333	0.13
Total production cost	118,846,257	3.55	100,129,701	2.72	456,320,452	3.17	348,919,807	3.07
Adjustment – Depreciation & depletion	(15,650,178)	(0.47)	(16,899,721)	(0.46)	(68,760,126)	(0.48)	(63,187,961)	(0.54)
Adjustment – Amortization of intangible assets	(5,478,025)	(0.16)	(5,921,886)	(0.16)	(27,518,162)	(0.19)	(21,356,430)	(0.18)
Total cash production costs	97,718,053	2.92	77,308,094	2.10	360,042,274	2.50	264,375,416	2.25
By-products credits	(35,269,789)	(1.05)	(33,422,628)	(0.91)	(125,903,193)	(0.87)	(104,185,742)	(0.89)
Total cash production costs after by-products credits	62,448,264	1.87	43,885,466	1.19	234,139,081	1.63	160,189,674	1.36

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table provides a breakdown of on-site production costs used to calculate cost of goods sold based on production volumes for the period. Onsite production costs are also used to calculate unit cost information for the three months and year ended December 31, 2019 and 2018:

CSH Mine	Three months ended		Year ended		
	December 31,		December 31,		
	2019	2018	2019	2018	
	US\$	US\$	US\$	US\$	
Mining ore cost	6,608,682	4,206,217	24,358,876	14,163,181	F
Stripping waste cost	13,244,041	3,038,050	49,272,035	40,621,121	G
Other mining costs	1,218,783	1,518,845	2,409,371	3,268,673	H
Process Cost – reagents	6,298,921	5,272,407	21,513,452	19,668,347	J
Other process costs	2,171,470	2,642,139	7,463,157	8,263,034	K
Process cost – crusher	2,120,038	2,106,672	7,374,703	6,779,152	L
General and administrative expenses	4,036,445	3,667,093	9,404,596	8,701,469	
Cash Operating cost	35,698,380	22,451,423	121,796,190	101,464,977	
Mining and resource tax	2,854,169	2,847,027	8,208,484	7,471,855	
Other fees and taxes	6,479,024	3,431,797	9,298,737	6,875,502	
Total Cash cost	45,031,573	28,730,247	139,303,411	115,812,334	
Depreciation – Operations	5,537,282	5,914,620	24,393,842	22,478,571	
Amortization – Mine development	13,342,399	10,819,725	49,322,292	41,540,681	
Total Onsite production cost	63,911,254	45,464,592	213,019,545	179,831,586	T
Ratio of Inventory (production cost) transfer to cost of goods sold	66%	113%	90%	94%	V
Total Cost of Sales	41,997,539	51,413,376	192,228,416	169,085,187	= T*V

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 months and year ended December 31, 2019 and 2018:

CSH Mine	Three months ended		Year ended		
	December 31,		December 31,		
	2019	2018	2019	2018	
	US\$	US\$	US\$	US\$	
Ore mined and placed on pad (tonnes)	3,827,728	2,879,128	14,751,364	9,938,110	A
Average grade of ore (grams per tonne)	0.53	0.40	0.53	0.51	B
Recoverable gold (ounces)	39,168	22,209	153,156	95,262	C
Ending gold inventory (ounces)	174,904	165,250	174,904	165,250	D
Waste rock removed (tonnes)	20,274,260	19,517,887	68,265,938	67,858,227	E
Mining ore costs US\$	6,608,682	4,206,219	24,358,876	14,163,181	F
Stripping waste costs US\$	13,244,041	3,038,050	49,272,035	40,621,121	G
Other mining costs US\$	1,218,783	1,518,845	2,409,371	3,268,673	H
Total mining costs US\$	21,071,506	8,763,114	76,040,282	58,052,975	I
Process Cost – reagents US\$	6,298,921	5,272,406	21,513,452	19,668,347	J
Other process costs US\$	4,291,508	4,748,811	14,837,860	15,042,186	K
Total process cost US\$	10,590,429	10,021,217	36,351,312	34,710,533	L
Cost of mining per tonne of ore	1.73	1.46	1.65	1.43	= F/A
Cost of stripping waste per tonne of ore	3.46	1.06	3.34	4.09	= G/A
Other mining costs per tonne of ore	0.32	0.53	0.16	0.33	= H/A
Total mining costs per tonne of ore	5.51	3.05	5.15	5.85	
Cost of reagents per tonne of ore	1.65	1.83	1.46	1.98	= J/A
Other processing costs per tonne of ore	1.12	1.65	1.01	1.51	= K/A
Total processing cost per tonne of ore	2.77	3.48	2.47	3.49	

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 the Company holds a 96.5% interest and Ningxia Nuclear Industry Geological Exploration Institution holds the remaining 3.5%.

The CSH Mine has two open-pit mining operations with a combined mining and processing capacity of 60,000 tpd. The run-of-mine ore is heap leached with cyanide solution to extract gold and electro-wonned to produce a gold dore which is sold to refiners.

The major new contracts entered into during the year ended December 31, 2019:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Mixed explosives supply agreement	Bayannur Sheng'an Chemical Co., Ltd. Urad Middle Banner Branch	Estimated: 13.7	2019.1.1 – 2019.12.31	2019.1.1
2	Loan agreement (extension)	Tibet Huatailong Mining Development Co., Ltd.	Estimated: 14.5	2019.1.25 – 2020.1.24	2019.1.25
3	Working capital loan agreement	China National Gold Group Finance Co., Ltd.	Estimated: 50.9	2019.3.25 – 2022.3.24	2019.3.25
4	Contract for processing gold-containing materials	Hunan Taixing Environmental Technology Co., Ltd.	Estimated: 5.2	NA	2019.6.24

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production Update

CSH Mine	Three months ended		Year ended	
	December 31, 2019	2018	December 31, 2019	2018
Ore mined and placed on pad (tonnes)	3,827,728	2,879,128	14,751,364	9,938,110
Average ore grade (g/t)	0.53	0.40	0.53	0.51
Recoverable gold (ounces)	39,168	22,209	153,156	95,262
Ending ore inventory (ounces)	174,904	165,250	174,904	165,250
Waste rock removed (tonnes)	20,274,260	19,517,887	68,265,938	67,858,227

For the three months ended December 31, 2019, the total amount of ore placed on the leach pad was 3.8 million tonnes, with total contained gold of 39,168 ounces (1,218 kilograms). The overall accumulative project-to-date gold recovery rate has slightly decreased to approximately 54.26% at the end of December 2019 from 54.28% at the end of September 2019. Of which, gold recovery from the phase I heap was 59.77% and; gold recovery from the Phase II heap was 47.55% at December 31, 2019.

In the second half of 2017, there were a series of wall failures at Northeast Zone on north side of the pit at the CSH Mine which led to short term interruptions of mining activities. The Company curtailed production in certain areas of the pit while it conducted studies to address the slope stability issues and remediation plans for the long term mine plan.

Based on the finalized studies, the Company has adopted an updated pit design for the Northeast Zone in accordance with the pit limit optimization study carried out by Changchun Gold Design Institute. The ultimate pit wall slopes have been reduced to 36.5 degrees from 42 degrees for the south wall and 38 degrees from 44 degrees for the north wall, respectively. The new pit design is conducted based on the Mineral Reserves estimate for the CSH Mine reported as of December 31, 2018. Accordingly, the life of mine updated production schedule is seven years.

In accordance with the updated design of the Northeast Zone, the life of mine is seven years from 2019 to 2025, The updated production schedule is given in the table below.

Item	Unit	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Ore	t	13,086,505	9,964,463	13,163,700	13,172,500,	13,186,000	13,171,000	1,331,805	-	-	-	-	77,075,973
Grade	g/t	0.4	0.69	0.63	0.66	0.62	0.66	0.65	-	-	-	-	0.65
Waste	t	60,118,495	62,915,900	59,047,100	39,443,703	9,852,400	5,640,700	775,005	-	-	-	-	237,793,303
Total	t	73,205,000	72,880,363	72,210,800	52,616,203	23,038,400	18,811,700	2,106,810	-	-	-	-	314,869,276
Strip Ratio	t/t	4.59	6.31	4.49	2.99	0.75	0.43	0.58	-	-	-	-	3.09
Metal	oz	268,211	220,766	264,789	281,581	263,845	279,489	28,031	-	-	-	-	1,606,712
Metal	g	8,342,316	6,866,600	8,235,860	8,758,160	8,206,490	8,693,100	871,866	-	-	-	-	49,974,392
Gold Dore	oz	127,050	131,912	153,643	148,102	156,211	164,945	63,701	17,205	6,444	2,939	541	972,693
Gold Dore	g	3,951,687	4,102,910	4,778,821	4,606,486	4,858,710	5,130,368	1,981,313	535,139	200,416	91,412	16,825	30,254,087

MANAGEMENT'S DISCUSSION AND ANALYSIS

Exploration

The fieldwork of the geological exploration research project conducted by CSH was completed in the third quarter of 2019. The data processing of drilling hole core logs, aero-magnetic anomalies, and sample assaying results are underway to identify mineralization, establish 3D-quantitative geological model, and determine targets for exploration. These interpretation outcomes will be employed to design the exploration program in 2020.

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest Zones combined at December 31, 2019 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Measured	9.00	0.60	5.44	0.17
Indicated	115.70	0.62	71.93	2.31
M+I	124.70	0.62	77.37	2.49
Inferred	78.86	0.52	40.90	1.32

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest Zones combined at December 31, 2019 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	7.40	0.63	4.64	0.15
Probable	58.65	0.66	38.85	1.25
Total	66.05	0.66	43.48	1.40

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. Phase II of the Jiama Mine commenced mining operations in 2018 with 44,000 tpd design capacity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The major new contracts entered into during the year ended December 31, 2019:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Blasting engineering service contract	Tibet Gaozheng Blasting Engineering Co., Ltd.	Estimated: 7.3	2019.1.1 – 2019.12.1	2018.12.27
2	Blasting engineering service contract	Tibet Zhongjin Xinlian Blasting Engineering Co., Ltd.	Estimated: 7.3	2019.1.1 – 2019.12.1	2018.12.27
3	Sales contract of Copper Concentrate	Tibet Huading Resources Development Co., Ltd.	Estimated: 49.8	2019.2.1 – 2021.12.31	2019.2.1
4	Sales contract of Copper Concentrate	Tibet Ruijia Trade Co, Ltd.	Estimated: 78.1	2019.3.1 – 2021.12.31	2019.3.1
5	Sales contract of Copper Concentrate	Tibet Zhongjin Gold Smelting Co., Ltd.	Estimated: 59.3	2019.1.1 – 2020.12.31	2019.1.1
6	Sales contract of Copper Concentrate	Daye Zhaoxiang Trading Co., Ltd.	Estimated: 9.3	2019.3.15 – 2021.12.31	2019.3.15
7	Sales contract of Copper Concentrate	Tibet Chengling Trading Co., Ltd.	Estimated: 14.4	2019.3.15 – 2021.12.31	2019.3.15
8	Sales contract of Molybdenum Concentrate	Tibet Mingchuan Trading Co., Ltd.	Estimated: 12.1	2019.3.15 – 2019.4.30	2019.3.15
9	Sales contract of mixed Concentrate	Beijing Yuyangzhilu Investment Co., Ltd.	Estimated: 13.1	2019.2.20 – 2019.6.30	2019.2.20
10	Sales contract of Molybdenum Concentrate	Tibet Yanhua Trading Co., Ltd.	Estimated: 3.4	2019.4.20 – 2019.5.14	2019.4.20
11	Tongqianshan 4490 Mining Engineering Contract	Zhongse Twelve Metallurgical Construction Co., Ltd.	Estimated: 55.7	2019.3.1 – 2022.2.28	2019.3.1
12	Tongqianshan 4410-4544 Mining Engineering Contract	Wei Le Construction Group Co., Ltd.	Estimated: 68.1	2019.3.1 – 2022.2.28	2019.3.1
13	Tongqianshan 4560-4700 Mining Engineering Contract	China Railway Seventeenth Bureau Group Second Engineering Co., Ltd.	Estimated: 78.6	2019.3.1 – 2021.2.28	2019.3.1
14	Steel Ball Purchase Contract	Tongling Nonferrous Metals Wear-resistant Materials Co., Ltd.	Estimated: 6.2	2019.3.1 – 2020.3.1	2019.3.1
15	Steel Ball Purchase Contract	China Aluminum Industrial Service Co., Ltd.	Estimated: 3.2	2019.3.28 – 2020.3.28	2019.3.28
16	Production Technical Service Contract	China Gold Group Inner Mongolia Mining Co., Ltd.	Estimated: 4.4	2019.1.1 – 2019.12.31	2019.1.1
17	HTL Phase II Tailings Dam 4265-4315m EPC Contract	Beijing General Research Institute of Mining & Metallurgy	Estimated: 21.0	2019.4.15 – 2020.7.14	2019.4.15
18	Contract for new dormitory building project in Gaze new area of Tibet Huatailong Mining Development Co., Ltd	Nuclear industry East China Construction Engineering Group Co., Ltd	Estimated: 3.3	2020.3.20 – 2020.11.20	2019.12.27

MANAGEMENT'S DISCUSSION AND ANALYSIS

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
19	Contract of cutting well and ventilation well project (VCR primary well completion) for underground mining and cutting project of Jiama Copper Polymetallic Mine phase II of Tibet Huatailong Mining Development Co., Ltd	Sichuan Chuanmei No.6 Engineering Construction Co., Ltd	Estimated: 3.7	2019.8.15 – 2020.8.14	2019.8.15
20	Cement Purchase Contract	Tibet Weiye Industry Co., Ltd	Estimated: 5.4	2019.12.27 – 2020.12.27	2019.12.27
21	Pharmaceutical Purchase Contract	Yunnan Tiefeng Mining Chemical New Technology Co., Ltd	Estimated: 4.0	2019.12.30 – 2020.12.30	2019.12.30
22	Tripartite agreement on purchase and Sale Contract of Copper Concentrate	China Gold Group International Trade Co., Ltd Tibet Zhongjin Gold Smelting Co., Ltd	Estimated: 27.5	2019.7.1 – 2020.12.30	2019.7.1
23	Contract for Purchase and Sale of Copper Concentrate	Tibet Huading Resources Development Co., Ltd	Estimated: 58	2019.7.1 – 2021.12.31	2019.7.1
24	Contract for Purchase and Sale of Copper Concentrate	Tibet Ruijia Trade Co., Ltd	Estimated: 104	2019.7.1 – 2021.12.31	2019.7.1
25	Contract for Purchase and Sale of Copper Concentrate	Tibet Chengling Trade Co., Ltd	Estimated: 29	2019.7.1 – 2021.12.31	2019.7.1
26	Contract for Purchase and Sale of Copper Concentrate	Daye Zhaoxiang Trading Co., Ltd	Estimated: 40.7	2019.7.1 – 2021.12.31	2019.7.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production Update

Jiama Mine	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Ore processed (tonnes)	2,179,358	3,227,260	12,348,777	10,431,401
Average copper ore grade (%)	0.72	0.78	0.64	0.71
Copper recovery rate (%)	84	78	79	75
Average gold ore grade (g/t)	0.34	0.43	0.29	0.39
Gold recovery rate (%)	73	55	60	53
Average silver ore grade (g/t)	23.70	19.59	17.30	17.91
Silver recovery rate (%)	57	54	55	53

According to the mining plan for the Phase II expansion, the Jiama Mine began to mine low grade ore from the Jiaoyan pit mine. As a result, the average ore grades for the combined high grade underground ore and low grade open pit ore in 2019 and incoming years are lower than 2017 which had higher grade ore from underground mining only. The unit metal production cost has also been higher due to the lower ore grade and lower metal recovery rates.

During 2019, average metal recovery rates began to improve and were higher compared to 2018, as the ratio of oxidized ore from shallow part of the open pit continues to decrease.

Exploration

In 2019, a large scale exploration project projected surface drilling of 33,390 +/-m with 25 drill holes and hydrogeological and engineering geological drilling of 1300 +/- m with 3 drill holes; at the end of the fourth quarter, surface drilling of 27,309 +/-m with 24 drill holes were completed, totaling 96% of the adjusted annual program following a cancelation of 1510 +/-m with one drill hole subject to the geological conditions; hydrogeological and engineering geological drilling of 1100 +/- m with three drill holes were completed. The work of data processing of the drilling, logging and assaying program of 2019 exploration project is underway.

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. 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, 2019

Class	Quantity		Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal	Mo Metal	Pb Metal	Zn Metal	Au Moz	Ag Moz
	Mt								(kt)	(kt)	(kt)	(kt)		
Measured	95.02		0.39	0.04	0.04	0.02	0.08	5.41	370.6	34.3	41.8	22.4	0.25	16.63
Indicated	1,359.51		0.40	0.03	0.05	0.03	0.11	5.79	5,502.9	460.3	732	460	4.63	254.82
M+I	1,454.53		0.40	0.03	0.05	0.03	0.10	5.76	5,873.5	494.6	773.7	482.4	4.88	271.45
Inferred	406.1		0.30	0.00	0.10	0.00	0.10	5.1	1,247	123	311	175	1.32	66.93

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:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral Reserves Estimate

A Mineral Reserve estimate, dated November 20, 2013, has been independently prepared 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, 2019

Class	Quantity		Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal	Mo Metal	Pb Metal	Zn Metal	Au Moz	Ag Moz
	Mt								(kt)	(kt)	(kt)	(kt)		
Proven	20.00		0.60	0.05	0.05	0.03	0.20	8.60	120.9	9.4	9.9	6.7	0.130	5.53
Probable	385.73		0.60	0.03	0.14	0.08	0.17	10.99	2,326.6	127.0	540.5	313.5	2.17	136.30
P+P	405.73		0.60	0.03	0.14	0.08	0.18	10.87	2,447.4	136.4	550.4	320.2	2.30	141.83

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;
 - an overall slope angles of 43 degrees;
 - a copper price of US\$ 2.9/lbs;
 - an overall processing recovery of 88 - 90% for copper.

Underground:

 - 10% dilution added to all Sub-Level Open Stopping;
 - Stope recovery is 87% for Sub-Level Open Stopping;
 - An overall processing recovery of 88 – 90% for copper.
- 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 its mining and mineral 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, corporate bond financing, equity financings, and cash generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

At December 31, 2019, the Company had an accumulated surplus of US\$199.5 million, working deficit of US\$409.4 million and borrowings of US\$1,244 million. The Company's cash balance at December 31, 2019 was US\$182.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 million of 3.25% unsecured bonds maturing on July 6, 2020, which are included in the current portion of borrowings, and US\$76.0 million of short term debt facilities with interest rates ranging from 2.75% 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 an 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 December 31, 2019 the Company has drawn down RMB3.640 billion, approximately US\$521.8 million under the Loan Facility. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future. The Company is currently assessing various strategic alternatives for the repayment of its 3.25% unsecured bonds maturing on July 6, 2020. As part of this assessment, the Company is planning on engaging an underwriter and is pursuing a new bond issuance while also at the same time reviewing other financing options.

The Company continues to review and assess its assets for impairment as part of its financial reporting processes. To date, the assessment carried out by the Company support the carrying values of the Company's assets and no impairment has been required. However, the management of the Company continues to evaluate key assumptions on estimates and management judgements in order to determine the recoverable amount of the CSH Mine and the Jiama Mine.

CASH FLOWS

The following table sets out selected cash flow data from the Company's consolidated cash flow statements for the year ended December 31, 2019 and December 31, 2018.

	Year ended December 31,	
	2019	2018
	US\$'000	US\$'000
Net cash from operating activities	158,312	154,944
Net cash (used in) investing activities	(128,046)	(128,899)
Net cash from (used in) financing activities	14,982	(29,908)
Net increase (decrease) in cash and cash equivalents	45,248	(3,863)
Effect of foreign exchange rate changes on cash and cash equivalents	(954)	(5,459)
Cash and cash equivalents, beginning of period	137,996	147,318
Cash and cash equivalents, end of period	182,290	137,996

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating cash flow

For the year ended December 31, 2019, net cash inflow from operating activities was US\$158.3 million which is primarily attributable to (i) depreciation of property, plant and equipment of US\$144.0 million (ii) finance cost of US\$42.5 million and (iii) amortization of mining rights of US\$29.4 million, partially offset by (i) interest paid of US\$47.7 million and (ii) gain on recognition of other assets.

Investing cash flow

For the year ended December 31, 2019, the net cash outflow from investing activities was US\$128.0 million which is primarily attributable to payment for acquisition of property, plant and equipment of US\$127.9 million and payment for acquisition of mining rights, partially offset by interest received of US\$1.7 million.

Financing cash flow

For the year ended December 31, 2019, the net cash inflow from financing activities was US\$15.0 million which is primarily attributable to proceeds from borrowings of US\$122.6 million, offset by repayments of borrowings of US\$107.3 million.

Expenditures Incurred

For the year ended December 31, 2019, the Company incurred mining costs of US\$104.5 million, mineral processing costs of US\$129.0 million and transportation costs of US\$8.7 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at December 31, 2019, the Company's total debt was US\$1,244 million and the total equity was US\$1,451 million. The Company's gearing ratio was therefore 0.86 as at December 31, 2019 and 0.83 as at December 31, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Other than as disclosed elsewhere in this MD&A or in the audited consolidated financial statements for year ended December 31, 2019, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2019. Other than as disclosed in this MD&A, there was no plan authorized by the Board for other material investments or additions of capital assets at the date of this MD&A.

CHARGE ON ASSETS

Other than as disclosed elsewhere in this MD&A and annual consolidated financial statements, none of the Group's assets were pledged as at December 31, 2019.

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 34, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2019.

COMMITMENTS

Commitments include principal payments on the Company's bank loans and syndicated loan facility, corporate bond 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'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. Refer to Note 35, Commitments, in the annual consolidated financial statements for the year ended December 31, 2019.

On July 7, 2017, the Company, through its wholly owned subsidiary Skyland Mining (BVI) Limited, issued bonds dominated in U.S. dollar, with an aggregate principal amount of US\$500 million. The Bonds were issued at a price of 99.663%, bearing a coupon of 3.25% per annum with a maturity date of July 6, 2020. Interest is payable in semi-annual installments on January 6 and July 6 of each year. The bonds were listed on HKSE.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Total US\$'000	Within One year US\$'000	Within Two to five years US\$'000	Over five years US\$'000
Principal repayment of bank loans	708,122	75,973	362,662	269,487
Repayment of bonds including interest	506,979	506,979	–	–
Repayment of entrusted loan payable	28,669	28,669	–	–
Total	1,243,770	611,621	362,662	269,487

In addition to the table set forth above, the Company has entered into service agreements with third-party contractors such as China Railway 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

China National Gold Group Co., Ltd. (formerly known as China National Gold Group Corporation) (“CNG”) owned 39.3 percent of the outstanding common shares of the Company as at December 31, 2019 and December 31, 2018.

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

The Company’s subsidiary, Inner Mongolia Pacific is a party to a non-exclusive contract for the purchase and sale of doré with CNG (the “Dore Sales Contract”) pursuant to which Inner Mongolia Pacific sells gold doré bars to CNG. The pricing is based on the monthly 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. The Dore Sales Contract has been in effect since October 24, 2008 and has been renewed for a current term that commenced on January 1, 2018 and expires on December 31, 2020, which renewal was approved by the Company’s shareholders on June 28, 2017.

Revenue from sales of gold doré bars to CNG was US\$205.2 million for the year ended December 31, 2019 which increased from US\$186.8 million for the year ended December 31, 2018.

The Company is also a party to a Product and Service Framework Agreement with CNG, pursuant to which CNG provides construction, procurement and equipment financing services to the Company and also purchases the copper concentrates produced at the Jiama Mine. The quantity of copper concentrates, pricing terms and payment terms may 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 year ended December 31, 2019, revenue from sales of copper concentrate and other products to CNG was US\$79.5 million, compared to US\$127.5 million for the same period in 2018.

For the year ended December 31, 2019, construction services of US\$9.5 million were provided to the Company by subsidiaries of CNG (US\$16.5 million for the year ended December 31, 2018).

MANAGEMENT'S DISCUSSION AND ANALYSIS

In addition to the aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business, including a Loan Agreement and a Deposit Services Agreement entered into on March 25, 2019 and December 31, 2019 among the Company and China Gold Finance.

Refer to Note 32 of the audited annual consolidated financial statements as at December 31, 2019.

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 for the year ended December 31, 2019. 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 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, 2019.

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, 2019.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds a number of financial instruments, the most significant of which are equity securities, 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 December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2019, 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 other things, the results of operations, cash flows and financial conditions, operating and capital requirements, the rules promulgated by the regulators affecting dividends in both Canada and Hong Kong and at both the TSX and HKSE, and the amount of distributable profits and other relevant factors.

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

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

OUTSTANDING SHARES

As of December 31, 2019 the Company had 396,413,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the Company's DC&P and ICFR as of December 31, 2019 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 December 31, 2019, 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 December 31, 2019 and have concluded that these controls and procedures were effective as of December 31, 2019 and provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the year ended December 31, 2019, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RISK FACTORS

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

QUALIFIED PERSON

Disclosure of scientific or technical information in this MD&A was approved by Mr. Zhongxin Guo, P.Eng. the Company's Chief Engineer and a Qualified Person ("QP") for the purposes of NI 43-101.

March 30, 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(incorporated in British Columbia, Canada with limited liability)

OPINION

We have audited the consolidated financial statements of China Gold International Resources Corp. Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 74 to 151, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD. - (continued)

(incorporated in British Columbia, Canada with limited liability)

KEY AUDIT MATTER (Cont'd)

Impairment assessment of mining rights and property, plant and equipment

We identified the impairment assessment of mining rights and property, plant and equipment as key audit matter due to significant management judgement involved in the impairment assessment.

As at December 31, 2019, the market capitalisation of the Company was below the carrying value of its net assets of approximately US\$1,451 million. This may be an indicator that the carrying amounts of the Group's mining rights and property, plant and equipment are impaired.

As disclosed in notes 21 and 22 to the consolidated financial statements, the carrying values of the Group's property, plant and equipment and mining rights as at December 31, 2019 were approximately US\$1,709 million and US\$900 million, respectively.

The Group's two cash-generating units ("CGUs") for impairment assessment purposes include the mining rights and the related property, plant and equipment associated with the Group's gold mine, located in Inner Mongolia, China and copper mine, located in Tibet, China. When an impairment review is undertaken, recoverable amount is assessed with reference to the higher of value in use ("VIU") and fair value less costs of disposal. VIU is based on the discounted cash flows expected to be derived from the Group's CGUs, taking into account the appropriate discount rate.

As disclosed in note 4 to the consolidated financial statements, the management exercises significant judgement in respect of the key assumptions applied in the VIU calculation, such as future metal selling price, recoverable reserves, resources, exploration potential, production cost estimates, future operating costs and discount rates.

During the year ended December 31, 2019, no impairment loss was recognised for the Group's mining rights and property, plant and equipment.

How our audit addressed the key audit matter

Our procedures in relation to the impairment assessment of mining rights and property, plant and equipment included:

- Obtaining an understanding of the key controls over the impairment assessment of the Group's mining rights and property, plant and equipment;
- Assessing the appropriateness of the Group's identification of individual CGU;
- Evaluating the independent external valuer's competence, capabilities and objectivity;
- Engaging our internal valuation experts to evaluate the appropriateness of the valuation methodology, technical information provided by external valuation expert and the key assumptions used in the valuation models against external benchmarks, our knowledge of the Group and its industry;
- Evaluating the sensitivity analysis for the key assumptions in the valuation models for risk assessment;
- Assessing the reasonableness of the key assumptions used in the valuation models with reference to the historical accuracy of such forecasts and the current operational results; and
- Comparing the input data in the cash flow forecast to the source document.

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD. - (continued)

(incorporated in British Columbia, Canada with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD. - (continued)

(incorporated in British Columbia, Canada with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD. - (continued)

(incorporated in British Columbia, Canada with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

From the matter communicated with those charged with governance, we determine that matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Ka I.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 30, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	NOTES	2019 US\$'000	2018 US\$'000
Revenue	5	657,459	570,570
Cost of sales		(593,246)	(459,861)
Mine operating earnings		64,213	110,709
Expenses			
General and administrative expenses	6	(50,069)	(51,424)
Exploration and evaluation expenditure	7	(502)	(459)
Research and development expenses		(16,905)	(15,795)
		(67,476)	(67,678)
(Loss) income from operations		(3,263)	43,031
Other (expenses) income			
Foreign exchange loss, net		(7,668)	(15,818)
Gain on recognition of other assets	23	25,312	-
Interest and other income		3,305	16,292
Finance costs	8	(42,528)	(44,475)
		(21,579)	(44,001)
Loss before income tax		(24,842)	(970)
Income tax expense	9	(7,309)	(3,220)
Loss for the year	10	(32,151)	(4,190)
Other comprehensive expenses for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on equity instruments at fair value through other comprehensive income		(1,170)	(1,461)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		(5,085)	(14,601)
Total comprehensive expense for the year		(38,406)	(20,252)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	NOTES	2019 US\$'000	2018 US\$'000
Profit (loss) for the year attributable to:			
Non-controlling interests		686	647
Owners of the Company		(32,837)	(4,837)
		(32,151)	(4,190)
Total comprehensive income (expense) for the year attributable to:			
Non-controlling interests		690	651
Owners of the Company		(39,096)	(20,903)
		(38,406)	(20,252)
Loss per share – Basic (US cents)	13	(8.28)	(1.22)
Weighted average number of common shares – Basic	13	396,413,753	396,413,753

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2019

	NOTES	2019 US\$'000	2018 US\$'000
Current assets			
Cash and cash equivalents	14	182,290	137,996
Restricted bank balance	14	17,687	16,100
Trade and other receivables	15	26,011	23,303
Prepaid expenses and deposits	16	12,271	4,107
Prepaid lease payments	17	–	446
Inventories	18	281,123	282,958
		519,382	464,910
Non-current assets			
Prepaid expenses and deposits	16	19,044	30,813
Right-of-use assets	19	13,869	–
Prepaid lease payments	17	–	14,515
Equity instruments at fair value through other comprehensive income	20	17,059	20,230
Property, plant and equipment	21	1,709,449	1,765,360
Mining rights	22	900,373	920,067
Other non-current assets	23	17,954	–
		2,677,748	2,750,985
Total assets		3,197,130	3,215,895
Current liabilities			
Accounts and other payables and accrued expenses	24	296,403	292,013
Contract liabilities	25	6,783	4,593
Borrowings	26	582,952	123,921
Entrusted loan payable	27	28,669	–
Leases liabilities	28	89	–
Tax liabilities		13,850	5,074
		928,746	425,601
Net current (liabilities) assets		(409,364)	39,309
Total assets less current liabilities		2,268,384	2,790,294
Non-current liabilities			
Borrowings	26	632,149	1,086,237
Lease liabilities	28	444	–
Deferred tax liabilities	9	119,293	122,732
Deferred income	29	2,686	3,478
Entrusted loan payable	27	–	29,140
Environmental rehabilitation	30	63,145	59,469
		817,717	1,301,056
Total liabilities		1,746,463	1,726,657

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2019

	NOTES	2019 US\$'000	2018 US\$'000
Owners' equity			
Share capital	31	1,229,061	1,229,061
Reserves		6,791	15,570
Retained profits		199,485	229,802
		<u>1,435,337</u>	<u>1,474,433</u>
Non-controlling interests		15,330	14,805
		<u>1,450,667</u>	<u>1,489,238</u>
Total owners' equity		1,450,667	1,489,238
		<u>3,197,130</u>	<u>3,215,895</u>
Total liabilities and owners' equity		3,197,130	3,215,895

The consolidated financial statements on pages 74 to 151 were approved and authorized for issue by the Board of Directors on March 30, 2020 and are signed on its behalf by:

Liangyou Jiang
Director

Ian He
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

	Number of shares	Attributable to the owners of the Company						Subtotal US\$'000	Non-controlling interests US\$'000	Total owners' equity US\$'000
		Share capital US\$'000	Equity reserve US\$'000	Investments revaluation reserve US\$'000	Exchange reserve US\$'000	Statutory reserves US\$'000 (Note)	Retained profits US\$'000			
At January 1, 2018 (restated)	396,413,753	1,229,061	11,179	(330)	(639)	18,415	237,650	1,495,336	14,648	1,509,984
(Loss) profit for the year	-	-	-	-	-	-	(4,837)	(4,837)	647	(4,190)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(1,461)	-	-	-	(1,461)	-	(1,461)
Exchange difference arising on translation	-	-	-	-	(14,605)	-	-	(14,605)	4	(14,601)
Total comprehensive (expense) income for the year	-	-	-	(1,461)	(14,605)	-	(4,837)	(20,903)	651	(20,252)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
- appropriation from retained profits	-	-	-	-	-	3,708	(3,708)	-	-	-
Transfer from	-	-	-	-	-	-	-	-	-	-
- safety production fund	-	-	-	-	-	(697)	697	-	-	-
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(494)	(494)
At December 31, 2018	396,413,753	1,229,061	11,179	(1,791)	(15,244)	21,426	229,802	1,474,433	14,805	1,489,238
(Loss) profit for the year	-	-	-	-	-	-	(32,837)	(32,837)	686	(32,151)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(1,170)	-	-	-	(1,170)	-	(1,170)
Exchange difference arising on translation	-	-	-	-	(5,089)	-	-	(5,089)	4	(5,085)
Total comprehensive (expense) income for the year	-	-	-	(1,170)	(5,089)	-	(32,837)	(39,096)	690	(38,406)
Transfer from	-	-	-	-	-	-	-	-	-	-
- safety production fund	-	-	-	-	-	(1,956)	1,956	-	-	-
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(165)	(165)
Transfer upon disposal of investment in an equity security	-	-	-	(564)	-	-	564	-	-	-
At December 31, 2019	396,413,753	1,229,061	11,179	(3,525)	(20,333)	19,470	199,485	1,435,337	15,330	1,450,667

Note:

Statutory reserves which consist of (1) appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC") and (2) provision of safety production fund of the subsidiaries engaged in the exploration and development in the mining industry, form part of the equity of PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount equal to a minimum of 10% of their profits after taxation each year to a statutory reserve until the reserve reaches 50% of the registered capital of the respective subsidiaries. In accordance with the 'implementation of entities' safety production funds management' of Caiqi (2012) No.16 issued by Ministry of Finance of the PRC and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount, equal to RMB5 per ton multiplied by the volume of ore mined less actual payment, each year to a statutory reserve and utilise an amount when the actual payment is more than RMB5 per ton multiplied by the volume of ore mined.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 US\$'000	2018 US\$'000
Operating activities		
Loss before income tax	(24,842)	(970)
Items not requiring use of cash and cash equivalents:		
Amortisation of mining rights	29,397	23,835
Depreciation of property, plant and equipment	143,951	127,019
Depreciation of right-of-use assets	479	–
Interest income	(1,712)	(2,588)
Dividend income	(592)	(431)
Finance costs	42,528	44,475
Allowance for credit losses of trade and other receivables, net	25	133
Loss on disposal of property, plant and equipment	358	44
Gain on recognition of other assets	(25,312)	–
Release of prepaid lease payment	–	497
Release of deferred income	(824)	(545)
Unrealised foreign exchange losses, net	7,664	17,766
	171,120	209,235
Change in operating working capital items:		
Trade and other receivables	4,902	2,018
Prepaid expenses and deposits	13,515	(291)
Inventories	679	(56,245)
Contract liabilities	2,174	1,797
Accounts and other payables and accrued expenses	16,087	45,969
	208,477	202,483
Cash generated from operations	208,477	202,483
Environmental rehabilitation expense paid	(66)	(828)
Interest paid	(47,677)	(42,474)
Income taxes paid	(2,422)	(4,237)
	158,312	154,944
Net cash from operating activities	158,312	154,944
Investing activities		
Interest received	1,712	2,588
Dividend received	592	431
Payment for acquisition of mining rights	(2,787)	–
Payment for acquisition of property, plant and equipment	(127,857)	(133,370)
Proceeds from disposal of property, plant and equipment	14	13
Proceeds from disposal of equity investment at fair value through other comprehensive income	2,023	–
Placement of restricted bank balance	(128,289)	(162,773)
Release of restricted bank balance	126,420	163,956
Receipt of government grant	126	256
	(128,046)	(128,899)
Net cash used in investing activities	(128,046)	(128,899)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 US\$'000	2018 US\$'000
Financing activities		
Proceeds from borrowings	122,570	208,113
Repayments of borrowings	(107,339)	(237,527)
Dividend paid to a non-controlling shareholder	(165)	(494)
Repayments of lease liabilities	(84)	–
Net cash from (used in) financing activities	14,982	(29,908)
Net increase (decrease) in cash and cash equivalents	45,248	(3,863)
Cash and cash equivalents, beginning of year	137,996	147,318
Effect of foreign exchange rate changes on cash and cash equivalents	(954)	(5,459)
Cash and cash equivalents, end of year	182,290	137,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

1. GENERAL

China Gold International Resources Corp. Ltd., (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. Particulars of the subsidiaries of the Company are set out in note 38. The Group considers that China National Gold Group Co., Ltd. (formerly known as 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 consolidated financial statements are presented in United States Dollars (“US\$”) which is also the functional currency of the Company.

At December 31, 2019, the Group’s current liabilities exceeded its current assets by approximately US\$409 million. In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group’s cash flow projection, including the Group’s proposed bond issuance to independent third parties, the Group’s available unutilised banking facilities, 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 date of these consolidated financial statements are authorised for issue and accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board (“IASB”) for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

New and amendments to IFRSs that are mandatorily effective for the current year (Cont'd)

IFRS 16 Leases

The Group has adopted IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019.

On transition to IFRS 16, the Group recognised lease liabilities for leases which were previously classified as operating leases under IAS 17 *Leases* and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. These liabilities were measured at the present value of the remaining lease payments, discounted using the rate that reflects the weighted average lessee's incremental borrowing rate of 3.6% of group entities as of January 1, 2019.

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by any prepaid lease payments, by applying IFRS 16.C8(b)(ii) transition.

The Group has made use of the following practical expedients available on transition to IFRS 16:

- Relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- Applied the recognition exemptions for leases that end within 12 months of the date of initial application, and account for them as short-term leases; and
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impact to the Group's consolidated financial statements at January 1, 2019 was as follows:

	At January 1, 2019
	US\$'000
Operating lease commitments as at December 31, 2018	364
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(2)
Recognition exemption for:	
Short-term leases	(261)
	<hr/>
Lease liabilities as at January 1, 2019	101
Less: Current-portion	(83)
	<hr/>
Non-current portion	18
	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

New and amendments to IFRSs that are mandatorily effective for the current year (Cont'd)

IFRS 16 Leases (Cont'd)

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Right-of-use assets
	US\$'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	101
Reclassified from prepaid lease payments (Note)	<u>14,961</u>
	<u>15,062</u>
By class:	
Office premise	101
Leasehold land	<u>14,961</u>
	<u>15,062</u>

Note:

Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to US\$446,000 and US\$14,515,000 respectively were reclassified to right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Cont’d)

New and amendments to IFRSs that are mandatorily effective for the current year (Cont’d)

IFRS 16 Leases (Cont’d)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously recorded at December 31, 2018 US\$'000	Adjustments US\$'000	Carrying amounts under IFRS 16 at January 1, 2019 US\$'000
Current asset			
Prepaid lease payments	446	(446)	–
Non-current assets			
Prepaid lease payments	14,515	(14,515)	–
Right-of-use assets	–	15,062	15,062
Current liability			
Lease liabilities	–	(83)	(83)
Non-current liability			
Lease liabilities	–	(18)	(18)

Impacts and changes in accounting policies of application of other new and amendments to IFRSs

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The impact of the uncertainty over income tax treatments in relation to other non-current assets arising from the current year has been disclosed in the note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Cont’d)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts ¹
Amendments to IFRS 3	Definition of a Business ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to IAS 1 and IAS 8	Definition of Material ⁴
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform ⁴

1 Effective for annual periods beginning on or after January 1, 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after January 1, 2020

5 Effective for annual periods beginning on or after January 1, 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that a liability should be classified as non-current if the Group has the right, the classification should not be affected by management intentions or expectations to settle the liability within 12 months;
- clarify that if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group’s outstanding liabilities as at December 31, 2019, the application of the amendments will not result in reclassification of the Group’s liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases* (since January 1, 2019) or IAS 17 *Leases* (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers (Cont'd)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient for not adjusting the transaction price for any significant financing component.

Revenue is recognised at a point in time when control of the gold doré bars, copper concentrate and other by-products is passed to customers, i.e. when the products are delivered and titles have passed to customers.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2) (Cont'd)

Right-of-use assets (Cont'd)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2) (Cont'd)

Lease liabilities (Cont'd)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (prior to January 1, 2019)

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale, which includes completion of all necessary activities to bring the assets to readiness of fulfilling relevant regulatory requirements and obtaining relevant regulatory consent.

With effective from January 1, 2019, any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Government grants

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

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

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

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity reserve).

When share options are exercised, the amount previously recognised in equity reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity reserve will continue to be held in equity reserve.

Inventories

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

Gold in process inventory

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

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

Gold doré bars inventory

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

Others

Copper inventory is copper concentrate and other by-products after metallurgical processing and ready for sales. Consumables used in operations, such as fuel, chemicals, and reagents and spare parts inventory are valued at the lower of cost or net realizable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

General

Property, plant and equipment (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation, depletion and impairment losses, if any.

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

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

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

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

Construction in progress

Assets under construction are capitalised as construction in progress until the asset is available for use. The cost of construction in progress comprises its purchase price of crushers, and machinery and equipment, any costs directly attributable to the construction for bringing it into working condition for its intended use and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress amounts related to development projects are included in the carrying amount of the construction in progress.

The Company uses the following factors to assess whether the criteria of construction completion and ready for intended use have been met such that the construction in progress are classified to the appropriate categories of the property, plant and equipment: (1) the completion of the constructions as planned; and (2) the completion of testing of mine plant and equipment which demonstrates their ability to sustain ongoing production of minerals, and ability to produce minerals in saleable form (within specifications).

Exploration and evaluation expenditure

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Exploration and evaluation expenditure (Cont'd)

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

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

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

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

Development expenditure

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

Production expenditure

A mine that is under construction is determined to enter the production stage when the project is in the position and condition necessary for it to be capable of operating in the manner intended by management. Therefore, such costs incurred are capitalised as part of the mineral assets and the proceeds from sales prior to commercial production (if any) are offset against costs capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Production expenditure (Cont'd)

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

Depreciation

Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total recoverable ounces contained in proven and probable reserves at the related mine when the mine is capable of operating as intended by the Management.

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

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

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

Mining rights

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

Mining rights acquired in a business combination

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

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

Other non-current assets

The right to receive a block of buildings and twenty car parks included under "other non-current assets" is carried at cost less accumulated impairment if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of properties, plant and equipment, right-of-use assets, mining rights and other non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its properties, plant and equipment, right-of-use assets, mining rights and other non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amounts of properties, plant and equipment, right-of-use assets, mining rights and other non-current assets estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

- (ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, amounts due from related companies and bank balances) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables which are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

- (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including borrowings, entrusted loan payable, accounts and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Environmental rehabilitation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-assets” (upon application of IFRS 16) or “prepaid lease payments” (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of mining rights and property, plant and equipment

While assessing whether any indications of impairment exist for mining rights and property, plant and equipment, consideration is given to both external and internal sources of information. Information the Management considered includes changes in the market, economic and legal environment in which the Group operates that are not within its control and affect the recoverable amounts of the mining rights and property, plant and equipment. The carrying amounts of mining rights and property, plant and equipment are reviewed for impairment in accordance with IAS 36 *Impairment of Assets* whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. As at December 31, 2019, the market capitalisation of the Company was below the carrying value of its net assets of approximately US\$1,451 million (2018: US\$1,489 million). This may be an indicator that the carrying amounts of the Group's mining rights and property, plant and equipment are impaired. The Group's two cash-generating units (“CGUs”) for impairment assessment of mining rights and related property, plant and equipment are two significant mine sites which are producing gold and copper.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

(a) Impairment of mining rights and property, plant and equipment (Cont'd)

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of 1) value in use (“VIU”) and 2) fair value less costs to disposal. In determining the recoverable amounts of the Group’s mining rights and property, plant and equipment, the Group estimates the recoverable amount based on VIU and makes estimates of the discounted future pre-tax cash flows expected to be derived from the Group’s CGUs and the appropriate discount rate. The key assumptions used in estimating the projected cash flows are future metal selling price, recoverable reserves, resources, exploration potential, production cost estimates, future operating costs and discount rates.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future operating costs, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or change in economic conditions can result in a write-down of the carrying amounts of the Group’s mining rights and property, plant and equipment.

The Group uses its internal experts to perform the valuation for the purpose of impairment assessment with the assistance from third party qualified valuers. The Management works closely with internal experts and qualified external valuers to establish the appropriate valuation techniques and inputs to the model to estimate the VIU for the mining rights and property, plant and equipment.

The carrying amounts of property, plant and equipment and mining rights as at December 31, 2019 and 2018 are disclosed in notes 21 and 22, respectively.

During the years ended December 31, 2019 and 2018, no impairment loss was recognised for the property, plant and equipment in the Group’s gold producing mine and the mining rights and property, plant and equipment in the Group’s copper producing mine as the recoverable amounts were higher than their respective carrying amounts.

(b) Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

(b) Inventories (Cont'd)

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

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

The carrying amount of gold in process and gold doré bars as at December 31, 2019 and 2018 are disclosed in note 18.

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major products and services:

	2019 US\$'000	2018 US\$'000
At a point in time		
Gold bullion	205,212	186,796
Copper concentrate	308,274	277,988
Other by-products	143,973	105,786
Total revenue	<u>657,459</u>	<u>570,570</u>

(ii) Performance obligations for contracts with customers

The Group sells gold bullion, copper concentrate and other by-products directly to customers.

For sales of gold bullion, copper concentrate and other by-products directly to customers, revenue is recognised at a point in time when control of the gold doré bars, copper concentrate and other by-products is passed to customers, i.e. when the products are delivered and titles have passed to customers. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

All sales of gold bullion, copper concentrate and other by-products directly are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

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 CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors of the Company. The CODM 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.

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

For the year ended December 31, 2019

	Mine – produced gold US\$'000	Mine – produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenue – external and segment revenue	205,212	452,247	657,459	–	657,459
Cost of sales	(192,228)	(401,018)	(593,246)	–	(593,246)
Mining operating earnings	12,984	51,229	64,213	–	64,213
Income (expenses) from operations	12,486	(4,073)	8,413	(11,676)	(3,263)
Foreign exchange gain (loss), net	947	(8,712)	(7,765)	97	(7,668)
Gain on recognition of other assets	–	25,312	25,312	–	25,312
Interest and other income	327	2,276	2,603	702	3,305
Finance costs	(5,152)	(19,821)	(24,973)	(17,555)	(42,528)
Profit (loss) before income tax	8,608	(5,018)	3,590	(28,432)	(24,842)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

For the year ended December 31, 2018

	Mine – produced gold US\$'000	Mine – produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenue – external and segment revenue	186,796	383,774	570,570	–	570,570
Cost of sales	<u>(169,085)</u>	<u>(290,776)</u>	<u>(459,861)</u>	<u>–</u>	<u>(459,861)</u>
Mining operating earnings	<u>17,711</u>	<u>92,998</u>	<u>110,709</u>	<u>–</u>	<u>110,709</u>
Income (expenses) from operations	17,252	34,854	52,106	(9,075)	43,031
Foreign exchange gain (loss), net	5,151	(20,895)	(15,744)	(74)	(15,818)
Interest and other income	776	15,265	16,041	251	16,292
Finance costs	<u>(5,689)</u>	<u>(21,233)</u>	<u>(26,922)</u>	<u>(17,553)</u>	<u>(44,475)</u>
Profit (loss) before income tax	<u>17,490</u>	<u>7,991</u>	<u>25,481</u>	<u>(26,451)</u>	<u>(970)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent profit (loss) before income tax without allocation of general and administrative expenses, foreign exchange gain (loss), interest and other income and finance costs, attributable to the respective segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There are no inter-segment sales for the years ended December 31, 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

(b) Segment assets and liabilities

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

	Mine – produced gold US\$'000	Mine – produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
As of December 31, 2019					
Total assets	755,231	2,407,554	3,162,785	34,345	3,197,130
Total liabilities	229,873	1,006,604	1,236,477	509,986	1,746,463

As of December 31, 2018

Total assets	745,729	2,435,072	3,180,801	35,094	3,215,895
Total liabilities	203,453	1,013,025	1,216,478	510,179	1,726,657

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain cash and cash equivalents, other receivables, prepaid expenses and deposits, right-of-use assets and equity instrument at FVTOCI; and
- all liabilities are allocated to operating segments other than other payables and accrued expenses, lease liabilities and certain borrowings.

(c) Other segment information (included in the measure of segment profit or loss or segment assets regularly provided to the CODM)

	Mine – produced gold US\$'000	Mine – produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
For the year ended December 31, 2019					
Additions of property, plant and equipment	41,700	67,027	108,727	–	108,727
Addition of mining rights	11,141	–	11,141	–	11,141
Addition of right-of-use assets	–	–	–	514	514
Depreciation of property, plant and equipment	(75,190)	(68,761)	(143,951)	–	(143,951)
Amortisation of mining rights	(1,879)	(27,518)	(29,397)	–	(29,397)
Depreciation of right-of-use assets	(75)	(323)	(398)	(81)	(479)

For the year ended December 31, 2018

Additions of property, plant and equipment	57,924	137,674	195,598	–	195,598
Depreciation of property, plant and equipment	(63,831)	(63,188)	(127,019)	–	(127,019)
Amortisation of mining rights	–	(23,835)	(23,835)	–	(23,835)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

(d) Geographical information

The Group operated in two geographical areas, Canada and the PRC. The Group's corporate division located in Canada only earns revenue that is considered incidental to the activities of the Group and therefore is not presented as an operating segment. During the years ended December 31, 2019 and 2018, the Group's revenue was generated from gold sales and copper multi-products to customers in the PRC. Approximately 99% (2018: 99%) of non-current assets of the Group are located in the PRC.

(e) Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's total revenue are sales of gold doré bars and copper and other products to CNG and its subsidiaries as disclosed in note 32 (a)(i). In addition, revenue from third-party customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
Customer A ¹	95,931	119,362
Customer B ¹	162,923	121,195

¹ Revenue from mine-produced copper segment.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
Administration and office	14,395	22,372
Depreciation of property, plant and equipment	4,656	3,786
Depreciation of right-of-use assets	81	-
Professional fees	6,224	3,924
Salaries and benefits	15,997	16,855
Others	8,716	4,487
Total general and administrative expenses	50,069	51,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

7. EXPLORATION AND EVALUATION EXPENDITURE

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
CSH Gold Mine	497	459
Generative exploration	5	–
	<hr/>	<hr/>
Total explorative and evaluation expenditure	502	459

8. FINANCE COSTS

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
Interests on borrowings	40,751	42,474
Interests on lease liabilities	2	–
Accretion on environmental rehabilitation (note 30)	2,217	2,984
	<hr/>	<hr/>
	42,970	45,458
Less: Amounts capitalised to property, plant and equipment	(442)	(983)
	<hr/>	<hr/>
Total finance costs	42,528	44,475

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

	Year ended December 31, 2019 %	Year ended December 31, 2018 %
Capitalisation rate	2.82	2.80

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

9. INCOME TAX EXPENSE

The Company was incorporated in Canada and is subject to Canadian federal and provincial tax requirements which are calculated at 27% (2018: 27%) of the estimated assessable profit for the year ended December 31, 2019. Since its incorporation, the Company had no assessable profit subject to Canadian federal and provincial tax requirements. PRC Enterprise Income Tax (“EIT”) is calculated at the prevailing tax rate of 25% (2018: 25%) on the estimated taxable profit of the group entities located in the PRC for the year ended December 31, 2019 except as described below.

Pursuant to the Enterprise Income Tax Law (the “EIT” Law) effective on January 1, 2008, Inner Mongolia Pacific Mining Co. Ltd. (“IMP”) is a certified “High and New Technology Enterprise” which is entitled to a preferential tax rate of 15% (2018: 15%) for three years from the year ended December 31, 2017 and eligible for renewal every three years. Such certificate will expire in 2020.

Tibet Huatailong Mining Development Co. Ltd. (“Huatailong”), Metrorkongka County Jiama Industry and Trade Co. (“Jiama Industry and Trade”) and Tibet Jia Ertong Minerals Exploration Ltd. (“Jia Ertong”) established in the westward development area of the PRC were subject to preferential tax rate of 15% (2018: 15%) of taxable profit, except as described below.

Pursuant to the Tibet Administration (2018) Notice on Investment Promotion (“No. 25”), effective on June 15, 2018, Huatailong is certified as a “High and New Technology Enterprise”, and entitled to a preferential tax rate of 9% for three years from the year ended December 31, 2018, set to expire in 2021.

Pursuant to No. 25, Jiama Industry and Trade, employs 70% or above of its employees who are Tibet Permanent Residents and thus is entitled to a reduced preferential tax rate of 9% for the years ended December 31, 2019 and 2018.

Under relevant PRC Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated distributable profits of the PRC subsidiaries amounting to approximately US\$437,820,000 at December 31, 2019 (2018: US\$420,484,000) as the Group is able to control the timing of the reversal of temporary differences and it is probable the temporary differences will not reverse in the foreseeable future.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (“LAT”) (revised in 2011) effective from January 8, 2011, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

9. INCOME TAX EXPENSE (Cont'd)

Tax expense comprises:

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
Current tax expense – PRC EIT	4,969	4,151
Overprovision in prior year – PRC EIT	(280)	(2,266)
LAT	6,059	–
Deferred tax (credit) expense	(3,439)	1,335
	<hr/>	<hr/>
Total income tax expense	7,309	3,220

The income tax expense for the Group can be reconciled to the loss before income tax for the year as follows:

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
Loss before income tax	(24,842)	(970)
	<hr/>	<hr/>
PRC EIT tax rates	25%	25%
	<hr/>	<hr/>
Tax at the PRC EIT tax rates	(6,211)	(243)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(250)	(60)
Tax effect of concessionary tax rate	(78)	(5,119)
Tax effect of tax losses and other deductible temporary differences not recognised	2,125	5,146
Tax effect of non-deductible expenses	6,749	2,719
Tax effect of non-taxable income	(284)	(371)
Impacts on foreign exchange	(1,943)	1,933
Withholding tax in respect of interest income earned from PRC subsidiaries	1,422	1,481
Tax effect of LAT	6,059	–
Overprovision of PRC EIT in prior year	(280)	(2,266)
	<hr/>	<hr/>
	7,309	3,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

9. INCOME TAX EXPENSE (Cont'd)

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

	Property, plant and equipment US\$'000	Environmental rehabilitation US\$'000	Mining rights ⁽¹⁾ US\$'000	Inventories US\$'000	Others US\$'000	Total US\$'000
At January 1, 2018	(6,826)	(7,228)	131,744	3,770	(63)	121,397
Charge (credit) to profit or loss	2,596	(540)	(3,344)	3,274	(651)	1,335
At December 31, 2018	(4,230)	(7,768)	128,400	7,044	(714)	122,732
Charge (credit) to profit or loss	818	(1,222)	(3,877)	3,229	(2,387)	(3,439)
At December 31, 2019	(3,412)	(8,990)	124,523	10,273	(3,101)	119,293

(1) Amount represents deferred tax liability arising from the fair value adjustment on mining rights during the business acquisition of Skyland Mining Limited and its subsidiaries ("Skyland") in December 2010.

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

	2019 US\$'000	2018 US\$'000
Deferred tax assets	–	–
Deferred tax liabilities	(119,293)	(122,732)
	(119,293)	(122,732)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

9. INCOME TAX EXPENSE (Cont'd)

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

	2019	2018
	US\$'000	US\$'000
Deferred income tax assets		
Tax loss carry forwards	22,795	20,623
Other deductible temporary differences	2,340	2,387
	<hr/>	<hr/>
Total unrecognised deferred income tax assets	25,135	23,010
	<hr/>	<hr/>

Deferred tax asset of US\$22,795,000 (2018: US\$20,623,000) has not been recognised in respect of unused tax losses of US\$94 million (2018: US\$85 million) due to the unpredictability of future profit streams. Under Canadian tax laws, unused tax loss can be carried forward for 20 years if the loss is arising in tax years ended after December 31, 2005. Included in unrecognised tax losses are losses of US\$75 million that will expire from 2027 to 2039 (2018: US\$67 million that will expire from 2027 to 2038). Other losses may be carried forward indefinitely.

Other deductible temporary differences of US\$9 million (2018: US\$9 million) primarily comprise of share issue costs and cumulative eligible capital expenditures that were incurred by the Company which are tax deductible according to the relevant tax law in Canada. No deferred tax asset has been recognised because the amount of future taxable profit that will be available to realize such assets is unpredictable and not probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

10. LOSS FOR THE YEAR

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	834	695
Depreciation included in cost of sales and inventories	137,935	122,593
Depreciation included in research and development expenses	1,360	640
Depreciation included in administrative expenses (note 6)	4,656	3,786
Total depreciation of property, plant and equipment	143,951	127,019
Depreciation included in cost of sales and inventories	398	–
Depreciation included in administrative expenses (note 6)	81	–
Total depreciation of right-of-use assets	479	–
Release of prepaid lease payment (included in cost of sales)	–	497
Amortisation of mining rights (included in cost of sales)	29,397	23,835
Loss on disposal of property, plant and equipment	358	44
Staff costs		
Directors' and chief executive's emoluments (note 11)	426	299
Staff salaries and benefits	14,515	15,427
Retirement benefit contributions	1,056	1,129
Total salaries and benefits included in administrative expenses (note 6)	15,997	16,855
Total salaries and benefits capitalised in construction in progress	–	1,556
Total salaries and benefits included in cost of sales and inventories	33,434	31,702
Total salaries and benefits included in research and development expenses	6,508	5,831
Total staff costs	55,939	55,944
Operating lease payment	–	3,774
Bank interest income	(1,712)	(2,588)
Government subsidies	(824)	(545)
Allowance for credit losses of trade and other receivables, net	25	133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended December 31, 2019

	Fees US\$'000	Salaries and other benefits US\$'000	Retirement benefits contributions US\$'000	Total US\$'000
Executive Director and Chief Executive (Note a)				
Liangyou Jiang	–	–	–	–
Executive Directors (Note b)				
Xin Song (Note e)	–	–	–	–
Shiliang Guan	–	82	7	89
Non-executive Directors (Note c)				
Xiangdong Jiang	23	–	1	24
Yongqing Teng	–	–	–	–
Fuzhen Kang	–	52	2	54
Independent Non-executive Directors (Note d)				
Ian He	71	–	2	73
Yunfei Chen	23	–	–	23
Gregory Hall	23	–	–	23
John King Burns	23	–	–	23
Wei Shao	39	–	2	41
Bielin Shi	38	–	–	38
Ruixia (Rane) Han	38	–	–	38
	278	134	14	426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

(a) Directors' and chief executive's emoluments (Cont'd)

For the year ended December 31, 2018

	Fees US\$'000	Salaries and other benefits US\$'000	Retirement benefits contributions US\$'000	Total US\$'000
Executive Directors and Chief Executive (Note a)				
Liangyou Jiang	–	44	1	45
Bing Liu (Note e)	–	–	–	–
Executive Director (Note b)				
Xin Song (Note e)	–	–	–	–
Non-executive Directors (Note c)				
Xiangdong Jiang	48	–	2	50
Yongqing Teng	–	–	–	–
Fuzhen Kang	–	9	1	10
Lianzhong Sun (Note e)	–	–	–	–
Independent Non-executive Directors (Note d)				
Ian He	54	–	2	56
Yunfei Chen	46	–	–	46
Gregory Hall	46	–	–	46
John King Burns	46	–	–	46
	240	53	6	299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

(a) Directors' and chief executive's emoluments (Cont'd)

Notes:

- (a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Mr. Liangyou Jiang was appointed as Chief Executive Officer ("CEO") effective from November 13, 2018, and is also an executive director of the Company. He is also an employee of CNG and his emolument payments are centralised by CNG as of his CEO appointment effective from November 13, 2018. The emoluments disclosed above are inclusive of services rendered, up to November 13, 2018, by him as executive director. Mr. Bing Liu resigned as executive director and CEO effective from November 13, 2018.
- (b) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. During 2019, Mr. Xin Song resigned as chairman and executive director as of November 14, 2019. Effective from June 25, 2019, Mr. Shiliang Guan was appointed as an executive director.
- (c) The non-executive directors' emoluments shown above were mainly for their services as directors of the Company. Effective from November 13, 2018, Mr. Yongqing Teng and Ms. Fuzhen Kang were appointed as non-executive directors. During 2018, Mr. Lianzhong Sun resigned as non-executive director as of November 13, 2018. During 2019, Mr. Xiangdong Jiang resigned as non-executive director as of June 25, 2019.
- (d) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. Effective from June 25, 2019, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia (Rane) Han were appointed as independent non-executive directors. During 2019, Mr. Yunfei Chen, Mr. Gregory Hall and Mr. John King Burns resigned as independent non-executive directors of the Company as of June 25, 2019.
- (e) Mr. Bing Liu, Mr. Xin Song and Mr. Lianzhong Sun have also been employed by CNG and the payment of their emoluments was centralised and made by CNG for both years, in which the amounts are considered as insignificant.

For the years ended December 31, 2019 and 2018, none of the directors of the Company waived or agreed to waive any emoluments.

(b) Five highest paid employees

The five highest paid employees included nil (2018: nil) director for the year ended December 31, 2019. The emoluments of the five (2018: five) non-director employees for the year ended December 31, 2019, are as follows:

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
Employees		
Salaries and other benefits	852	857
Retirement benefits contributions	6	6
	858	863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

(b) Five highest paid employees (Cont'd)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2019	2018
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately US\$129,001 to US\$193,000)	5	5

During the years ended December 31, 2019 and 2018, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended December 31, 2019 and 2018, nor has any dividend been proposed since the end of reporting period.

13. LOSS PER SHARE

Loss used in determining loss per share are presented below:

	Year ended December 31, 2019	Year ended December 31, 2018
Loss attributable to owners of the Company for the purposes of basic loss per share (US\$'000)	(32,837)	(4,837)
Weighted average number of shares, basic	396,413,753	396,413,753
Basic loss per share (US cents)	(8.28)	(1.22)

The Group had no outstanding potential dilutive instruments issued as at December 31, 2019 and 2018 and during the years ended December 31, 2019 and 2018. Therefore, no diluted loss per share is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

14. CASH AND CASH EQUIVALENTS/RESTRICTED BANK BALANCE

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

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Denominated in:		
Canadian dollars ("CAD")	578	211
Renminbi ("RMB")	57,310	39,197
US\$	18	18
Hong Kong dollars ("HK\$")	1,275	674
	59,181	40,100

The bank balances and bank deposits carry interest rates ranging from 0.001% to 2.55% (2018: 0.01% to 2.80%) per annum for the year ended December 31, 2019.

Restricted bank balance carries interest at market rates ranging from 0.30% to 1.55% (2018: 0.30% to 1.55%) per annum for the year ended December 31, 2019. The balance represents deposits pledged to banks to secure bills payable issued to suppliers for mining costs.

15. TRADE AND OTHER RECEIVABLES

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Trade receivables	958	570
Less: allowance for credit losses	(78)	(46)
	880	524
Amounts due from related companies (note 32(a)) ⁽¹⁾	2,020	725
Other receivables ⁽²⁾	23,111	22,054
Total trade and other receivables	26,011	23,303

At January 1, 2018, trade receivables from contracts with customers amounted to US\$20,652,000.

Notes:

- (1) The amounts are unsecured, interest free and repayable on demand.
- (2) Included in the balance as at December 31, 2019 are value-added tax recoverable of approximately US\$11,697,000 (2018: US\$19,201,000) and other receivables (as detailed in note 23) of US\$7,980,000 (2018: nil), which are expected to be recovered within twelve months after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

15. TRADE AND OTHER RECEIVABLES (Cont'd)

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

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

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Less than 30 days	62	227
31 to 90 days	523	119
91 to 180 days	–	60
Over 180 days	295	118
	<hr/>	<hr/>
Total trade receivables	880	524

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Details of impairment assessment of trade and other receivables are set out in note 34(d).

16. PREPAID EXPENSES AND DEPOSITS

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Deposits for mine supplies and services (Note a)	863	1,952
Deposits for spare parts (Note a)	1,476	1,546
Deposits for environmental protection (Note b)	–	13,848
Deposit for acquisition of property, plant and equipment (Note c)	18,693	16,317
Prepaid property and machinery insurance	32	159
Amount due from a non-controlling shareholder of a subsidiary (Note d)	351	357
Prepaid interests	8,125	–
Other prepayment and deposits	1,775	741
	<hr/>	<hr/>
	31,315	34,920
Less: Amounts that will be settled or utilised within one year shown under current assets	(12,271)	(4,107)
	<hr/>	<hr/>
Amounts that will be settled or utilised for more than one year shown under non-current assets	19,044	30,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

16. PREPAID EXPENSES AND DEPOSITS (Cont'd)

Notes:

- a. The amount represents deposits paid to third party vendors and related companies (note 32) for purchasing of raw materials, consumable, spare parts and mine services.
- b. The amounts represent deposits paid to the PRC local land administration bureau for undertaking the restoration of land when the lease terms expire. Such deposits have been refunded by the relevant bureau in 2019 according to the implementation of the rules of using dedicated bank account and abandonment of deposits kept in the relevant bureau jointly issued in 2019 by Minister of Finance of the PRC, Ministry of Ecology and Environment of the PRC and Ministry of Natural Resource of the PRC. As at December 31, 2018, the deposits were receivable upon the end of the mine life and are expected to be repaid after one year and therefore are shown as non-current assets.
- c. The amount represents deposits paid to third party contractors for the acquisition of property, plant and equipment to expand its mining capacity in Tibet, the PRC. The amount is shown as non-current asset.
- d. The amount due from a non-controlling shareholder is non-interest bearing, unsecured and repayable after one year.

17. PREPAID LEASE PAYMENTS

	US\$'000
At January 1, 2018	16,125
Additions	–
Release to profit or loss	(497)
Exchange realignment	(667)
	<hr/>
At December 31, 2018	14,961
	<hr/>
	December 31, 2018
	US\$'000
Analysed for reporting purpose:	
Current portion	446
Non-current portion	14,515
	<hr/>
Total prepaid lease payments	14,961
	<hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

18. INVENTORIES

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Gold in process	222,180	203,067
Gold doré bars	20,708	19,021
Consumables	16,923	29,794
Copper	855	17,251
Spare parts	20,457	13,825
	<hr/> 281,123 <hr/>	<hr/> 282,958 <hr/>
Total inventories		282,958

Inventories totalling US\$567,472,000 (2018: US\$438,505,000) for the year ended December 31, 2019 was recognised in cost of sales.

19. RIGHT-OF-USE ASSETS

	Leasehold lands US\$'000	Leased properties US\$'000	Total US\$'000
At January 1, 2019			
Carrying amounts	14,961	101	15,062
At December 31, 2019			
Carrying amounts	13,335	534	13,869
For the year ended December 31, 2019			
Depreciation charges	(398)	(81)	(479)
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16			3,730
Total cash outflow for leases			3,844
Additions to right-of-use assets			514

For both years, the Group leases leasehold lands and office premises for its operations. The lease terms of leasehold lands are 50 years. Lease contracts of office premises are entered into for fixed term of 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

19. RIGHT-OF-USE ASSETS (Cont'd)

In addition, the Group obtained several land use right certificates for leasehold lands where its mining facilities are primarily located. Lump sum payments were made upfront to acquire these leasehold lands. The leasehold lands are presented separately.

Restrictions or covenants on leases

In addition, lease liabilities of US\$533,000 are recognised with related right-of-use assets of US\$534,000 as at December 31, 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Listed investments:		
Equity securities listed in Hong Kong (Note a)	16,485	17,655
Unlisted investments:		
Equity securities (Note b)	574	2,575
Total	17,059	20,230

Notes:

- a. The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The investment of China Nonferrous Mining Corporation Limited ("CNMC"), a listed company in Hong Kong, represents 2.03% equity interest in CNMC. CNMC is engaged in mining, processing and trading of nonferrous metals in Zambia. During the year ended December 31, 2019, a fair value loss of US\$1,170,000 (2018: US\$1,461,000) was recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve in accordance with the Group's accounting policies.

- b. The above unlisted equity investments represent the Group's equity interests in one (2018: two entities) private entity established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

As at December 31, 2018, the carrying amount of RMB10,000,000, approximately US\$1,992,000, representing 10% share interest in Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd. ("Yong'an Chemicals"). Yong'an Chemicals is established in the PRC and principally engaged in the development and manufacturing of chemicals.

In the current year, the Group disposed of the investment in Yong'an Chemicals, at a consideration of RMB13,700,000, approximately US\$2,023,000, which was also the fair value as at the date of disposal. A cumulative gain on disposal of US\$564,000 has been transferred to retained profits at the date of disposal.

As at December 31, 2019, the carrying amount of RMB4,000,000, approximately US\$574,000 (2018: US\$583,000), representing 7.425% share interest in Mozu Gongka Jiulian Industrial Explosives Material Co. Ltd. ("Mozu Explosives"). Mozu Explosives is established in the PRC and principally engaged in the development and manufacturing of explosives. The directors of the Company are of the opinion that the fair value change is insignificant and has not been recognized for the year ended December 31, 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Crushers	Furniture and office equipment	Machinery and equipment	Motor vehicles	Leasehold improvements	Mineral assets	Construction in progress ("CIP")	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
COST									
At January 1, 2018	791,759	223,439	5,855	257,607	8,476	198	757,386	149,151	2,193,871
Additions	371	3,893	1,362	2,185	1,700	-	115,506	25,533	150,550
Costs adjustment	(1,335)	-	(147)	(3,348)	(7)	-	-	-	(4,837)
Disposals	(181)	-	(28)	(57)	(163)	-	-	-	(429)
Transfer from CIP	82,833	-	-	62,641	-	-	17,992	(163,466)	-
Environmental rehabilitation adjustment (note 30)	-	-	-	-	-	-	8,069	-	8,069
Exchange realignment	(40,856)	-	(123)	(13,021)	(342)	-	(24,618)	146	(78,814)
At December 31, 2018	832,591	227,332	6,919	306,007	9,664	198	874,335	11,364	2,268,410
Additions	1,680	-	2,049	6,578	1,178	-	81,842	15,400	108,727
Disposals	(620)	-	(73)	-	(238)	(100)	-	-	(1,031)
Transfer from CIP	7,191	-	-	587	-	-	-	(7,778)	-
Environmental rehabilitation adjustment (note 30)	-	-	-	-	-	-	2,448	-	2,448
Exchange realignment	(13,146)	-	(69)	(4,230)	(114)	-	(8,196)	(268)	(26,023)
At December 31, 2019	827,696	227,332	8,826	308,942	10,490	98	950,429	18,718	2,352,531
ACCUMULATED DEPRECIATION									
At January 1, 2018	(55,884)	(74,664)	(3,829)	(63,337)	(4,987)	(166)	(181,280)	-	(384,147)
Provided for the year	(36,615)	(16,968)	(496)	(21,139)	(627)	(20)	(51,154)	-	(127,019)
Eliminated on disposals	172	-	20	40	140	-	-	-	372
Exchange realignment	3,994	-	125	2,323	174	-	1,128	-	7,744
At December 31, 2018	(88,333)	(91,632)	(4,180)	(82,113)	(5,300)	(186)	(231,306)	-	(503,050)
Provided for the year	(37,991)	(21,790)	(799)	(21,756)	(946)	(12)	(60,657)	-	(143,951)
Eliminated on disposals	260	-	73	-	226	100	-	-	659
Exchange realignment	1,669	-	72	964	61	-	494	-	3,260
At December 31, 2019	(124,395)	(113,422)	(4,834)	(102,905)	(5,959)	(98)	(291,469)	-	(643,082)
CARRYING VALUE									
At December 31, 2019	703,301	113,910	3,992	206,037	4,531	-	658,960	18,718	1,709,449
At December 31, 2018	744,258	135,700	2,739	223,894	4,364	12	643,029	11,364	1,765,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

The above items of property, plant and equipment, except for mineral assets, taking into account the residual value, are depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

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

Mineral assets mainly represent drilling, stripping and related costs incurred on sites with an existing mine and on areas within the boundary of a known mineral deposit which contains proven and probable reserves and are capitalised when they are incurred to improve access to the future ores. Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines.

Mineral Assets

(a) *CSH Gold Mine*

CSH Gold Mine, in which the Group holds a 96.5% equity interest, consists of a licensed area of 36 square kilometers ("km²") in the western part of Inner Mongolia, northern China. The site is centrally positioned within the east-west-trending Tian Shan Gold Belt and is approximately 650 kilometers ("km") northwest of Beijing. The carrying value of the CSH Gold Mine in relation to mineral assets is US\$294,844,000 as at December 31, 2019 (December 31, 2018: US\$301,684,000).

(b) *Jiama Mine*

The Jiama Mine, a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet, in which the Group holds 100% equity interest through its wholly-owned subsidiary, Skyland. The Group acquired Skyland on December 1, 2010. The carrying value of the Jiama Mine in relation to mineral assets is US\$364,116,000 as at December 31, 2019 (December 31, 2018: US\$341,345,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

22. MINING RIGHTS

	US\$'000
COST	
At January 1, 2018	1,004,561
Exchange realignment	<u>(3,596)</u>
At December 31, 2018 and January 1, 2019	1,000,965
Additions	11,141
Exchange realignment	<u>(1,534)</u>
At December 31, 2019	<u>1,010,572</u>
ACCUMULATED AMORTISATION	
At January 1, 2018	(57,307)
Additions	(23,835)
Exchange realignment	<u>244</u>
At December 31, 2018 and January 1, 2019	(80,898)
Additions	(29,397)
Exchange realignment	<u>96</u>
At December 31, 2019	<u>(110,199)</u>
CARRYING VALUE	
At December 31, 2019	<u>900,373</u>
At December 31, 2018	<u>920,067</u>

Notes:

The amounts represent two mining rights in the Jiama Mine and CSH Gold Mine. Mining rights in the Jiama Mine is in relation to the copper concentrate and other by-products production, acquired through the acquisition of Skyland. The mining permit will expire in 2023. And, the Group acquired mining rights in the CSH Gold Mine from the Department of Natural Resources of Inner Mongolia in relation to gold production at a consideration of US\$11.1 million during the year ended December 31, 2019. The mining permit will expire in 2026. The Group considers that it will be able to renew the mining rights with the relevant government authority continuously until the end of mine life.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

23. OTHER NON-CURRENT ASSETS

During the year ended December 31, 2019, the Group entered into a cooperation agreement (the “Cooperation Agreement”) with an independent third party property developer (the “Developer”) in relation to the development of a composite project in Lhasa, Tibet, China. Pursuant to the Cooperation Agreement, the Group agreed to transfer the land use right for the development and the Developer agreed to compensate the Group by transferring a block of the buildings and twenty car parks (the “New Premises”) within two years from the date of the Cooperation Agreement and all related tax exposures including but not limited to land appreciation tax, enterprises income tax and other related tax. During the year ended December 31, 2019, the land use right was transferred to the Developer. Accordingly, the Group derecognised the right-of-use assets with a carrying amount of approximately US\$999,000 (equivalent to RMB6,970,000) at the date of transfer, and recognised the right to receive the New Premises of approximately US\$17,954,000 (equivalent to RMB125,252,000), which approximates the fair value of the New Premises at the date of transfer and the other receivables of US\$7,980,000 (equivalents to RMB55,669,000) relating to the tax reimbursement from the Developer. The related gain and income tax expenses of approximately US\$25,312,000 (equivalent to RMB174,502,000) and US\$8,155,000 (equivalents to RMB56,220,000) has been recognised in the profit or loss respectively. The right to receive the New Premises was initially recognised at its fair value and subsequently carried at cost less impairment. As at December 31, 2019, the composite project is still under development and expected to be completed not later than May 31, 2021. For the year ended December 31, 2019, no impairment loss has been made on the other non-current assets as the directors of the Company are of the opinion that the recoverable amount of the non-current assets is above its carrying amount as at December 31, 2019.

The uncertain tax position in respect of tax exposure of the transferring of land use right in return of the New Premises based on the most likely amount of tax expenses amounting to US\$8,155,000 has been recognised in the consolidated financial statements for the year ended December 31, 2019. The most likely amount of tax expenses including land appreciation tax and enterprise income tax is calculated by the respective tax rates on land value stated in the cooperation agreement and gain on recognition of other assets, respectively, based on the current facts and circumstances. However, the tax expenses may be subject to change as the tax assessable amount is based on final decision with the relevant tax authority.

24. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

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

Accounts and other payables and accrued expenses comprise the following:

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Accounts payable	38,610	44,670
Bills payable	95,911	83,263
Construction costs payable	121,576	138,838
Mining cost accrual	11,547	3,578
Payroll and benefit payable	2,578	4,863
Other accruals	2,958	5,018
Other tax payables	7,836	5,185
Other payables	6,917	6,598
Payable for acquisition of a mining right	8,470	–
	296,403	292,013
Total accounts and other payables and accrued expenses	296,403	292,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

24. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES (Cont'd)

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

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Less than 30 days	15,816	16,832
31 to 90 days	8,282	12,232
91 to 180 days	4,872	1,619
Over 180 days	9,640	13,987
	<hr/>	<hr/>
Total accounts payable	38,610	44,670

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

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

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Less than 30 days	21,003	19,512
31 to 60 days	9,532	15,265
61 to 90 days	15,233	14,196
91 to 180 days	50,143	34,290
	<hr/>	<hr/>
Total bills payable	95,911	83,263

25. CONTRACT LIABILITIES

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Copper concentrate	6,783	4,593
	<hr/>	<hr/>

At January 1, 2018, contract liabilities amounted to US\$2,724,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

25. CONTRACT LIABILITIES (Cont'd)

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Copper concentrate	
	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	4,593	2,724

Typical payment terms which have an impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the goods delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives 100% deposit on acceptance of sales order for copper concentrate and other by-products.

26. BORROWINGS

The borrowings are repayable as follows:

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Carrying amount repayable on demand and within one year ^{(1) (2) (3)}	582,952	123,921
Carrying amount repayable within one to two years ⁽³⁾	157,679	537,659
Carrying amount repayable within two to five years ⁽²⁾⁽³⁾	204,983	263,725
Carrying amount repayable over five years ⁽³⁾	269,487	284,853
	1,215,101	1,210,158
Less: Amounts due within one year (shown under current liabilities)	(582,952)	(123,921)
Amounts shown under non-current liabilities	632,149	1,086,237

Notes:

- (1) On July 7, 2017, the Company (as "Guarantor"), through its wholly-owned subsidiary, Skyland (BVI), completed the issuance of bonds to independent third parties in an aggregate principal amount of US\$500 million, listed on the Stock Exchange. The bonds were issued at a price of 99.663%, bearing coupon rate of 3.25% with a maturity date of July 6, 2020. Interest is payable in equal semi-annual instalments on January 6 and July 6 in each year.
- (2) As at December 31, 2019, included in the Group's borrowing balance are loans payable to a CNG subsidiary with an amount of RMB350,000,000 (equivalent to approximately US\$50,171,000) (2018: RMB350,000,000 (equivalent to approximately US\$50,997,000)). Details of balances with related parties are set out in note 32(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

26. BORROWINGS (Cont'd)

- (3) Skyland entered into a syndicated long term loan facility agreement with a syndicate of banks (“The Lenders”), on November 3, 2015 which is available for Skyland to draw down up to October 30, 2018. Subsequently, a supplementary agreement was signed for the extension of the draw down period to October 30, 2020. As at December 31, 2019, Skyland has drawn down the loan amount of RMB3,640,000,000 (equivalent to approximately US\$521,774,000) (2018: RMB3,495,000,000 (equivalent to approximately US\$509,238,000)). The loan carries a floating rate, currently set at 2.83% per annum, set by the People’s Bank of China Lhasa Center Branch’s interest rate bench mark, discounted by 7 base points (or 0.07%) as at December 31, 2019 and 2018. Repayment of the loan is scheduled to begin in May 2019 and will reach full maturity and repayment in November 2028. The loan is subject to a financial covenant with which the Company was in compliance as at December 31, 2019 and 2018, after the assessment performed by the directors of the Company.

Analysed as:

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Secured	521,774	509,238
Unsecured	693,327	700,920
	1,215,101	1,210,158

Fixed rate loans amounting to approximately US\$693,327,000 (December 31, 2018: US\$700,920,000), carry weighted average effective interest rate of 3.47% (2018: 3.60%) per annum.

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

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Mining rights	891,488	920,067

27. ENTRUSTED LOAN PAYABLE

On January 16, 2017, the Group renewed the entrusted loan by entering into a three-year entrusted loan agreement with CNG (note 32) 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. Subsequent to December 31, 2019, the loan has been renewed and extended for 3 years and due for repayment on January 15, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

28. LEASE LIABILITIES

	December 31, 2019
	US\$'000
Lease liabilities payable:	
Within one year	89
Within a period of more than one year but not more than two years	93
Within a period of more than two years but not more than five years	320
Within a period of more than five years	<u>31</u>
	533
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(89)</u>
	444
Amount due for settlement after 12 months shown under non-current liabilities	<u>444</u>

29. DEFERRED INCOME

	December 31, 2019	December 31, 2018
	US\$'000	US\$'000
Deferred income – government grants	2,667	3,459
Deferred lease inducement	19	19
Total deferred income	<u>2,686</u>	<u>3,478</u>

Movement in the deferred income – government grants:

	2019	2018
	US\$'000	US\$'000
At January 1	3,459	4,560
Addition	126	256
Charged to other income	(824)	(545)
Exchange realignment	(94)	(812)
At December 31	<u>2,667</u>	<u>3,459</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

30. ENVIRONMENTAL REHABILITATION

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine and Jiama Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total US\$91,069,000 (2018: US\$86,910,000), discounted at 4.6% (2018: 4.5%) per annum at December 31, 2019.

The following is an analysis of the environmental rehabilitation:

	2019 US\$'000	2018 US\$'000
At January 1	59,469	51,269
Changes from change in discount rate during the year	2,514	8,897
Accretion incurred in the current year	2,217	2,984
Payment during the year	(66)	(828)
Exchange realignment	(989)	(2,853)
At December 31	63,145	59,469

31. SHARE CAPITAL

Common shares

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

	Number of shares	Amount US\$'000
Issued & fully paid:		
At January 1, 2018, December 31, 2018 and 2019	396,413,753	1,229,061

32. RELATED PARTY TRANSACTIONS

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

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

Name and relationship with related parties during the years are as follows:

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

	December 31, 2019 %	December 31, 2018 %
CNG	39.3	39.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

32. RELATED PARTY TRANSACTIONS (Cont'd)

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

(i) Transactions/balances with CNG and its subsidiaries

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

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Gold doré bars sales by the Group (Note a)	205,212	186,796
Copper and other product sales by the Group (Note b)	79,531	127,453
Provision of transportation services by the Group (Note b)	830	1,536
Construction, stripping and mining services provided to the Group (Note b)	9,498	16,548
Office lease to the Group (Note b)	3,730	4,051
Interest income	17	177
Interest expense	3,081	3,094
Loans provided to the Group (Note c)	50,769	53,756
Cash and cash equivalent held by the Group (Note c)	14,202	14,570

Notes:

- a. On May 7, 2014, the Company's subsidiary, IMP entered into an exclusive contract for the sale of doré with CNG pursuant to which IMP sells gold doré bars to CNG for the period up to December 31, 2017. On May 26, 2017, the Company and IMP entered into the Supplemental Contract for Purchase and Sale of Dore for an extended term commencing on January 1, 2018 and expiring on December 31, 2020.

The extent of the continuing connected transactions for the years ended December 31, 2019 and 2018 did not exceed the limit as set out in the announcements of the Company on May 31, 2017.

- b. On April 26, 2013, the Company entered into a product and service framework agreement with CNG for the provision of mining related services and products to the Company for three years until June 18, 2016. The agreement was amended to extend the term of the agreement to December 31, 2017 and to include copper concentrates sales contract and office lease contract with CNG since May 29, 2015. On May 26, 2017 the Company and CNG entered into the second supplemental product and service framework agreement to extend the term to December 31, 2020 and to extend the scope of the supplemental product and service framework agreement to include leasing services to be provided by Zhongxin International Financial Leasing (Shenzhen) Co. Ltd., the shares of which are 80% owned by CNG.

The extent of the continuing connected transactions for the years ended December 31, 2019 and 2018 did not exceed the limit as set out in the announcement of the Company on May 31, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

32. 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)

Notes: (Cont'd)

c. On December 18, 2017, the Company and China Gold Finance entered into a deposit services agreement (“Deposit Services Agreement”) pursuant to which the Company and its subsidiaries may, from time to time, make withdrawals and deposits with China Gold Finance up to a daily maximum deposit balance (including interest) not exceeding RMB100 million (approximately equivalent to US\$15 million) and commencing from January 1, 2018 for one year.

On the same date, IMP and China Gold Finance entered into a loan agreement (“Loan Agreement”) pursuant to which China Gold Finance agreed to provide an unsecured loan in the aggregate amount of RMB350 million (approximately equivalent to US\$51 million) to satisfy the financial needs of the Group within the PRC subject to terms and conditions provided therein for a term of one year, and detail of terms as set out in loans payable to a CNG subsidiary below.

On December 18, 2018, the Deposit Services Agreement and Loan Agreement have been extended for a one year term to December 31, 2019 and four month term to April 30, 2019 pursuant to the supplemental deposit services agreement and loan agreement respectively.

On March 25, 2019, IMP and China Gold Finance entered into a Loan Agreement pursuant to which China Gold Finance agreed to provide financial assistance to be used towards daily operation working capital of RMB350 million (approximately equivalent to US\$50 million) for a term of 36 months, and detail of terms as set out in loans payable to a CNG subsidiary below.

On December 31, 2019, the Deposit Services Agreement have been extended for a one year term to December 31, 2020 pursuant to the supplemental deposit services agreement, all other terms and conditions remain the same.

The extend of the connected transaction for deposit services for the year ended December 31, 2019 and 2018 did not exceed the limit as set out in the announcement of the Company on December 19, 2017.

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

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Assets		
Amounts due from related companies (note 15)	2,020	725
Cash and cash equivalents held in a CNG subsidiary	14,202	14,570
Deposits	90	53
	16,312	15,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

32. 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)

Other than the cash and cash equivalents held in a CNG subsidiary and deposits paid to CNG subsidiaries, the remaining amounts due from CNG and its subsidiaries as at December 31, 2019 and 2018, which are included in trade and other receivables is non-interest bearing, unsecured and repayable on demand.

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Liabilities		
Loans payable to a CNG subsidiary (noted 26)	50,171	50,997
Entrusted loan payable (note 27)	28,669	29,140
Construction costs payable to CNG subsidiaries	22,860	25,500
Trade payable to CNG subsidiaries	930	3,556
Amount due to CNG	33	86
Contract liabilities with a CNG's subsidiary	2,253	3,263
	104,916	112,542

As at December 31, 2019, the loans payable to a CNG subsidiary, which are included in borrowings, carry fixed interest rates at 4.51% (2018: 4.13%) per annum and are unsecured and repayable in three years (2018: one year) and classified as non-current (2018: current). With the exception of the entrusted loan payable to CNG (terms are set out on note 27) and loans payable to a CNG subsidiary, the amounts due to CNG and its subsidiaries which are included in other payables and construction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

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

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group has also entered into transactions of bank deposits, pledged bank deposits, borrowings and other general banking facilities with other government-related entities in its ordinary course of business. Over 83%, 97%, 54% and 100% (2018: over 80%, 100%, 54% and 100%) of the Group's bank deposits, pledged bank deposits, borrowings and other general banking facilities are with government-related entities respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

32. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 11(a), the Group has the following compensation to other key management personnel during the years:

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
Salaries and other benefits	678	666
Post-employment benefits	21	23
	699	689

33. CAPITAL RISK MANAGEMENT

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

34. FINANCIAL INSTRUMENTS

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Financial assets		
Financial assets at amortised cost	214,642	158,555
Equity instruments at FVTOCI	17,059	20,230
	<hr/> 1,515,254 <hr/>	<hr/> 1,512,667 <hr/>
Financial liabilities		
At amortised cost	1,515,254	1,512,667

Financial assets at amortised cost as at December 31, 2019 and 2018 respectively are as follows:

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Cash and cash equivalents	182,290	137,996
Restricted bank balance	17,687	16,100
Trade and other receivables ⁽¹⁾	14,314	4,102
Amount due from a non-controlling shareholder of a subsidiary (included in prepaid expenses)	351	357
	<hr/> 214,642 <hr/>	<hr/> 158,555 <hr/>

Financial liabilities at amortised cost as at December 31, 2019 and 2018 are as follows:

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Accounts and other payables ⁽²⁾	271,484	273,369
Borrowings		
– Loans, other than syndicated loan	693,327	700,920
– Syndicated loan	521,774	509,238
Entrusted loan payable	28,669	29,140
	<hr/> 1,515,254 <hr/>	<hr/> 1,512,667 <hr/>

(1) Excluded VAT recoverables.

(2) Excluded mining cost accrual, other accruals, payroll and benefit payable and other tax payables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

34. FINANCIAL INSTRUMENTS (Cont'd)

(a) Currency risk

The Group 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 related. The Group has not hedged its exposure to currency fluctuations. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At the end of each reporting period, Huatailong of which its functional currency is RMB, had US\$ denominated intra-group borrowings from Skyland (BVI). The intra-group borrowing is approximately US\$225,550,000 (2018: US\$225,550,000) as at December 31, 2019.

The Group is mainly exposed to exchange rate fluctuation of RMB and US\$.

RMB monetary assets and (liabilities)

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Cash and cash equivalents	39,623	23,097
Restricted bank balances	17,687	16,100
Trade and other receivables	1,266	65
Equity instrument at FVTOCI	–	1,992
Accounts and other payables	(99,308)	(81,921)
Borrowings	(78,839)	(80,138)
	(119,571)	(120,805)

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2018: 5%) depreciation/appreciation of the RMB against the US\$ would result in a decrease/increase in the Group's loss for the year of approximately US\$5,082,000 (2018: decrease/increase in the Group's loss for the year of approximately US\$5,134,000) for the year ended December 31, 2019.

US\$ monetary assets and (liabilities)

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Cash and cash equivalents	18	18
Inter-company loans	(225,550)	(225,550)
Other payables	(127,735)	(133,087)
	(353,267)	(358,619)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

34. FINANCIAL INSTRUMENTS (Cont'd)

(a) Currency risk (Cont'd)

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2018: 5%) depreciation/appreciation of the US\$ against the RMB would result in a decrease/increase in the Group's loss for the year of approximately US\$16,074,000 (2018: decrease/increase in the Group's loss for the year of approximately US\$16,317,000) for the year ended December 31, 2019.

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value in relation to bank balance, borrowings, entrusted loan payable, loan to a CNG subsidiary and lease liabilities of US\$719,170,000 (2018: US\$725,694,000) bearing fixed interest rate or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate bank balances and variable-rate bank borrowings (see note 26 for details of these borrowings).

Sensitivity analysis

The following analysis is prepared assuming the variable rate bank balances and borrowings outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant. A 25 basis point (2018: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the Management's assessment of the reasonably possible change in interest rates.

The analysis below reflects the sensitivity that the interest rate may be higher/lower by 25 basis points (2018: 25 basis points).

	Year ended December 31, 2019 US\$'000	Year ended December 31, 2018 US\$'000
25 basis points (2018: 25 basis points) higher		
– increase in loss for the year	(599)	(652)
– addition in finance costs capitalised	14	29
	<hr/>	<hr/>
25 basis points (2018: 25 basis points) lower		
– decrease in loss for the year	599	652
– reduction in finance costs capitalised	(14)	(29)
	<hr/>	<hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

34. FINANCIAL INSTRUMENTS (Cont'd)

(c) Other price risk

The Group is exposed to equity price risk through its investments in equity securities listed in Hong Kong. The Group's equity price risk is mainly concentrated on equity instruments operating in mining industry sector quoted in the Stock Exchange. In addition, the Group also invested in an unquoted equity security for investee operating in the chemical industry sector for long term strategic purposes which had been designated as FVTOCI. The Group has formed a team led by Chief Financial Officer to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. No sensitivity analysis is presented as the directors of the Company consider the amounts of unquoted investments are insignificant. If the prices of the respective listed equity instruments had been 10% (2018: 10%) higher/lower:

- Investments revaluation reserve would increase/decrease by US\$1,649,000 (2018: increase/decrease by US\$1,766,000) for the Group as a result of the changes in fair value of listed investment at FVTOCI (2018: investment at FVTOCI).

(d) Credit risk and impairment assessment

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sold approximately 100% (2018: 100%) of its gold to one creditworthy customer, CNG, and approximately 17% (2018: 33%) and 57% (2018: 63%) of its copper concentrate and other by-product to CNG subsidiaries and third-party customers with 10% or more of the Group's revenue respectively for the year ended December 31, 2019 and exposes the Group to concentration of credit risk. The failure of these customers to make required payments could have a negative impact on the Group's results. The Group manages this risk by demanding upfront payment for sales of copper concentrate and other by-products and has set up monitoring procedures to ensure that follow-up action is taken for timely settlement of receivables from CNG, the CNG subsidiary and third-party customers. The Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, Management considers the Group's credit risk is significantly reduced. The Group does not hold any collateral over these balances.

The Group applies the simplified approach to provide for expected credit losses on trade receivables as permitted and prescribed by IFRS 9.

The Management assessed the expected loss on trade receivables individually. Based on historical experience of the Group, these trade receivables are generally recoverable due to the long term/on-going relationship and good repayment record.

As at December 31, 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US\$295,000 (2018: US\$118,000) which are past due as at the reporting date. The directors of the Company are of the opinion that there has no default occurred for the past due balances and the balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

34. FINANCIAL INSTRUMENTS (Cont'd)

(d) Credit risk and impairment assessment (Cont'd)

Movement in the allowance for credit losses of trade receivables:

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
At January 1	46	33
Allowance for credit losses	33	20
Exchange realignment	(1)	(7)
	<hr/>	<hr/>
At December 31	78	46

The Group was also exposed to credit risk on amount due from related parties and other receivables. The Management periodically monitors the financial position of each of the related companies to ensure each related company is financially viable to settle the amount due to the Group. The Management makes individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

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

The Group had concentration of credit risk by geographical locations as the financial assets at amortised cost comprise various debtors which are located either in the PRC or Canada for the years ended December 31, 2019 and 2018.

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

(e) Liquidity risk

The Group operates in a capital intensive industry. The Group's liquidity requirements arise principally from the need for financing the expansion of its mining and processing operations.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 33.

The Group manages its liquidity primarily through maintaining adequate level of cash and cash equivalents and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

34. FINANCIAL INSTRUMENTS (Cont'd)

(e) Liquidity risk (Cont'd)

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity. Details of which are set out in note 26.

The considerations of going concerns assessment prepared by the directors of the Company are set out in note 1, as the Group's current liabilities exceeded its current assets by approximately US\$409 million at December 31, 2019.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to satisfy the liabilities.

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

	Weighted average interest rate %	On demand or within 1 year US\$'000	1 – 2 years US\$'000	2 – 5 years US\$'000	Over 5 years US\$'000	Total undiscounted cash flow US\$'000	Carrying amount US\$'000
At December 31, 2019							
Accounts and other payables		271,484	-	-	-	271,484	271,484
Borrowings	2.89	604,101	174,747	236,270	287,732	1,302,850	1,215,101
Entrusted loan payable	2.75	28,700	-	-	-	28,700	28,669
Lease liabilities	5.24	106	114	352	31	603	533
		<u>904,391</u>	<u>174,861</u>	<u>236,622</u>	<u>287,763</u>	<u>1,603,637</u>	<u>1,515,787</u>
At December 31, 2018							
Accounts and other payables	-	273,369	-	-	-	273,369	273,369
Borrowings	2.86	143,414	554,282	296,829	306,206	1,300,731	1,210,158
Entrusted loan payable	2.75	801	29,173	-	-	29,974	29,140
		<u>417,584</u>	<u>583,455</u>	<u>296,829</u>	<u>306,206</u>	<u>1,604,074</u>	<u>1,512,667</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

34. FINANCIAL INSTRUMENTS (Cont'd)

(f) Fair value

Equity instruments at FVTOCI – listed equity securities and equity instruments at FVTOCI – unlisted equity securities which are measured at fair value based on the quoted bid price in an active market (Level 1) and the discounted cash flow model as considered insignificant respectively. The fair values of other financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. There was no transfer amongst 1, 2 and 3 in the current and prior years.

35. COMMITMENTS

Operating leases commitments

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	December 31, 2018 US\$'000
Within one year	111
In the second to fifth year inclusive	141
Over five years	112
	<u>364</u>

Capital commitments

Capital expenditure in respect of acquisition of property, plant and equipment in the consolidated financial statements – contracted but not provided for

Capital expenditure in respect of capital injection to an investee

December 31, 2019 US\$'000	December 31, 2018 US\$'000
31,072	61,657
<u>–</u>	<u>3,643</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

36. RETIREMENT BENEFITS SCHEMES

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

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately US\$5,209,000 and US\$4,473,000 for the years ended December 31, 2019 and 2018, respectively, represent contributions payable to the scheme by the Group.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings US\$'000 (note 26)	Entrusted loan payable US\$'000 (note 27)	Lease liabilities US\$'000 (note 28)	Dividend payables US\$'000
At January 1, 2019	1,210,158	29,140	101	–
Financing cash flows	15,231	–	(84)	(165)
Lease modified	–	–	514	–
Dividend declared	–	–	–	165
Exchange difference arising on translation	(10,293)	(471)	–	–
Unrealised foreign exchange gain, net	(1,298)	–	–	–
Others	1,303	–	2	–
	<u>1,215,101</u>	<u>28,669</u>	<u>533</u>	<u>–</u>
At December 31, 2019	<u>1,215,101</u>	<u>28,669</u>	<u>533</u>	<u>–</u>

	Borrowings US\$'000 (note 26)	Entrusted loan payable US\$'000 (note 27)	Dividend payables US\$'000
At January 1, 2018	1,274,933	30,608	–
Financing cash flows	(29,414)	–	(494)
Dividend declared	–	–	494
Exchange difference arising on translation	(31,326)	(1,468)	–
Unrealised foreign exchange gain, net	(4,035)	–	–
	<u>1,210,158</u>	<u>29,140</u>	<u>–</u>
At December 31, 2018	<u>1,210,158</u>	<u>29,140</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

38. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at December 31, 2019 and 2018 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at December 31,		Principal activities
			2019	2018	
Pacific PGM Inc.	British Virgin Islands ("BVI") May 17, 2001	US\$100	100%	100%	Investment holding
Pacific PGM (Barbados) Inc.	Barbados September 6, 2007	US\$250,000 (2018: US\$200,000)	100%	100%	Investment holding
IMP	PRC April 29, 2002	US\$45,000,000	96.5%	96.5%	Engaged in exploration and development of mining properties in China
Skyland Mining Limited	Barbados October 6, 2004	US\$233,380,700 plus RMB1,510,549,032	100%	100%	Investment holding
Jia Ertong ⁽¹⁾	PRC October 31, 2003	US\$273,920,000	100%	100%	Exploration, development and mining of mineral properties and investment holding
Huatailong ⁽¹⁾	PRC January 11, 2007	RMB1,760,000,000	100%	100%	Exploration, development and mining of mineral properties
Jiama Industry and Trade ⁽¹⁾	PRC December 1, 2011	RMB5,000,000	51%	51%	Mining logistics and transport business
Skyland (BVI)	BVI October 26, 2012	US\$1	100%	100%	Issue of bonds

(1) Domestic limited liability company.

None of the subsidiaries had issued any debt securities at the end of the year except for Skyland (BVI) has US\$500 million of listed bonds as at December 31, 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
Current assets		
Cash and cash equivalents	7,824	6,758
Other receivables	1,034	48
Prepaid expenses and deposits	127	223
	<u>8,985</u>	<u>7,029</u>
Non-current assets		
Right-of-use assets	534	–
Property, plant and equipment	10	31
Loan receivables from subsidiaries	64,790	62,220
Equity instruments at FVTOCI	16,485	17,655
Investments in subsidiaries	987,066	987,016
Amounts due from subsidiaries	42,053	53,988
	<u>1,110,938</u>	<u>1,120,910</u>
Total assets	<u>1,119,923</u>	<u>1,127,939</u>
Current liabilities		
Other payable and accrued expenses	2,361	4,385
Lease liabilities	89	–
	<u>2,450</u>	<u>4,385</u>
Net current assets	<u>6,535</u>	<u>2,644</u>
Total assets less current liabilities	<u>1,117,473</u>	<u>1,123,554</u>
Non-current liabilities		
Lease liabilities	444	–
Deferred income	19	19
	<u>2,913</u>	<u>4,404</u>
Total liabilities	<u>2,913</u>	<u>4,404</u>
Owners' equity		
Share capital (note 31)	1,229,061	1,229,061
Reserves (note 40)	(730)	440
Accumulated losses (note 40)	(111,321)	(105,966)
	<u>1,117,010</u>	<u>1,123,535</u>
Total owners' equity	<u>1,117,010</u>	<u>1,123,535</u>
Total liabilities and owners' equity	<u>1,119,923</u>	<u>1,127,939</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

40. RESERVES AND DEFICITS OF THE COMPANY

	Reserves	Accumulated	Total
	US\$'000	losses	US\$'000
	US\$'000	US\$'000	US\$'000
At January 1, 2018 (restated)	<u>2,465</u>	<u>(103,126)</u>	<u>(100,661)</u>
Loss for the year	–	(2,840)	(2,840)
Fair value loss on equity instruments at FVTOCI	<u>(2,025)</u>	<u>–</u>	<u>(2,025)</u>
Total comprehensive loss for the year	<u>(2,025)</u>	<u>(2,840)</u>	<u>(4,865)</u>
At December 31, 2018	<u>440</u>	<u>(105,966)</u>	<u>(105,526)</u>
Loss for the year	–	(5,355)	(5,355)
Fair value loss on equity instruments at FVTOCI	<u>(1,170)</u>	<u>–</u>	<u>(1,170)</u>
Total comprehensive loss for the year	<u>(1,170)</u>	<u>(5,355)</u>	<u>(6,525)</u>
At December 31, 2019	<u>(730)</u>	<u>(111,321)</u>	<u>(112,051)</u>

FIVE-YEAR FINANCIAL SUMMARY

The consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements are as follows:

	Year ended December 31				
	2019	2018	2017	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
RESULTS					
Revenue	657,459	570,570	411,881	338,601	339,949
(Loss) profit attributable to owners of the Company	(32,837)	(4,837)	63,146	(13,304)	(8,188)
ASSETS AND LIABILITIES					
	At December 31				
	2019	2018	2017	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total assets	3,197,130	3,215,895	3,230,444	2,966,619	2,780,593
Total liabilities	(1,746,463)	(1,726,657)	(1,720,460)	(1,546,430)	(1,333,339)
Net assets	1,450,667	1,489,238	1,509,984	1,420,189	1,447,254
Equity attributable to owners of the Company	1,435,337	1,474,433	1,495,336	1,406,457	1,434,227
Non-controlling interests	15,330	14,805	14,648	13,732	13,027
Total owners' equity	1,450,667	1,489,238	1,509,984	1,420,189	1,447,254



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