中國黃金國際資源有限公司*

China Gold International Resources Corp. Ltd.

(a company incorporated in British Columbia, Canada with limited liability)

Stock Code: 2099

GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor

citi

Joint Bookrunners and Joint Lead Managers

citi

BOC INTERNATIONAL

* for identification purposes only

IMPORTANT

If you are in any doubt about this prospectus, you should obtain independent professional advice.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
中國黃金國際資源有限公司*

(a company incorporated in British Columbia, Canada with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering :	53,660,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares :	5,366,000 Shares (subject to adjustment)
Number of International Offer Shares :	48,294,000 (subject to adjustment and the Over-allotment Option)
Maximum Offer Price :	HK$44.96 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value:	Not applicable
Stock Code:	2099

Sole Global Coordinator and Sole Sponsor

citi

Joint Bookrunners and Joint Lead Managers

citi

BOC INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters), and us on the Price Determination Date. The Price Determination Date is expected to be on or around November 23, 2010 and in any event, not later than November 27, 2010. The Offer Price will not be more than HK$44.96 and is currently expected to be not less than HK$37.21. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$44.96 per Offer Share stated in the Application Forms, together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%.

The Sole Global Coordinator, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or, subject to certain limitations under the applicable rules and regulations of the Toronto Stock Exchange, the indicative Offer Price range stated in this prospectus (which is HK$37.21 to HK$44.96 per Offer Share) at any time in or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners, on behalf of the Underwriters, on or before November 27, 2010, the Global Offering (including the Hong Kong Public Offering) will not become unconditional and will lapse immediately.

The obligations of the Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator, on behalf of the Underwriters, if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold in the United States only to QIBs in reliance on Rule 144A under the U.S. Securities Act or another exemption from registration requirements of the U.S. Securities Act and outside the United States in accordance with Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

We are listed on the Toronto Stock Exchange and are seeking a dual primary listing on the Stock Exchange. **The Offer Shares are not qualified for sale in Canada and may not be offered and sold in Canada in connection with the Global Offering, directly or indirectly, except in circumstances where an exemption from prospectus and registration requirements is available.** Upon completion of the Global Offering, all Shares will become fungible and freely tradable on the Toronto Stock Exchange and the Stock Exchange, provided that Offer Shares issued to certain Canadian resident subscribers and the Shares issued in connection with the Skyland Acquisition will be subject to a four month hold period under Canadian securities laws.

November 17, 2010

* for identification purposes only

[THIS PAGE INTENTIONALLY LEFT BLANK]

EXPECTED TIMETABLE[(1)]

Application lists open[(2)]	11:45 a.m. on Monday, November 22, 2010
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**	11:30 a.m. on Monday, November 22, 2010
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)[(3)]	12:00 noon on Monday, November 22, 2010
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Monday, November 22, 2010
Latest time for giving **electronic application instructions** to HKSCC[(4)]	12:00 noon on Monday, November 22, 2010
Application lists close	12:00 noon on Monday, November 22, 2010
Expected Price Determination Date in the Hong Kong Public Offering[(5)]	on or around Tuesday, November 23, 2010
Announcement of: • the Offer Price; • the level of applications in the Hong Kong Public Offering; • the level of indication of interest in the International Offering; and • the basis of allotment of the Hong Kong Offer Shares to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese)	Monday, November 29, 2010
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.chinagoldintl.com** (see "How To Apply For Hong Kong Offer Shares — Results of Allocations") from	Monday, November 29, 2010
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Monday, November 29, 2010
Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications on or before[(6)]	Monday, November 29, 2010
Dispatch of Share certificates/**WHITE** Form e-Refund payment instructions/ refund cheques (if applicable) on or before[(6)]	Monday, November 29, 2010
Dealings in Shares on the Stock Exchange expected to commence on	Wednesday, December 1, 2010

(1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed ''Structure of the Global Offering'' in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement.

(2) If there is a ''black'' rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on November 22, 2010, the application lists will not open on that day. Further information is set out under the section headed ''How to apply for the Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists'' in this prospectus.

(3) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting application, when the application lists close.

(4) Applicants who wish to apply by giving **electronic application instructions** to HKSCC should refer to the section headed ''How to Apply for Hong Kong Offer Shares — How to Apply by Giving Electronic Application Instructions to HKSCC'' in this prospectus.

(5) The Price Determination Date is expected to be on or about November 23, 2010 and in any event no later than November 27, 2010. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners, (on behalf of the Underwriters), and the Company, the Global Offering (including the Hong Kong Public offering) will not become unconditional and will lapse immediately.

(6) Share certificates are expected to be issued on November 29, 2010. e-Refund payment instructions and refund cheques will be dispatched without interest in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the maximum Offer Price paid on application. Applicants for 1,000,000 Hong Kong Offer Shares or more and who have indicated in their Application Forms that they wish to collect refund cheques and Share certificates (as relevant) personally from the Hong Kong Share Registrar may collect refund cheques (where applicable) and Share certificates (where applicable) from the Hong Kong Share Registrar from 9:00 a.m. to 1:00 p.m. on November 29, 2010 or any other date notified by the Company in the newspapers as the date of dispatch of Share certificates/**WHITE** Form e-Refund payment instructions/refund cheques. Individual applicants who opt for personal collection must not authorise any other person to make their collection on their behalf. Corporate applicants that opt for personal collection must attend by their authorised representatives, each bearing a letter of authorization from such corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. Uncollected Share certificates and refund cheques will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Form promptly thereafter. Further information is set out in the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus.

Share certificates will only become valid certificates of title if the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms, which is expected to be at around 8:00 a.m., on December 1, 2010. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

You should read carefully the sections headed "Underwriting", "How to Apply for Hong Kong Offer Shares", and "Structure of the Global Offering" in this prospectus, for details relating to the structure of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, inter alia, applicable conditions, the effect of bad weather, and the dispatch of refund cheques and Share certificates.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and/or the Application Forms. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees, advisers or affiliates, or any other person or party involved in the Global Offering.

CONTENTS

This summary provides you with an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment in the Offer Shares. Some of the particular risks in investing in the Offer Shares are summarized in the section entitled "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Capitalized terms are defined in the "Definitions" section in this prospectus. Please also refer to the "Glossary of Technical Terms" section in this prospectus for definition and explanation of various technical expressions.

OVERVIEW

We are the only overseas listing vehicle of China National Gold, the largest gold producer in China in 2009 by gold output*, according to the China Gold Association (中國黃金協會). Incorporated in British Columbia, Canada, we are listed on the Toronto Stock Exchange and are seeking a dual primary listing on the Stock Exchange. Our principal business is to explore, develop, mine and process gold and other non-ferrous metals. We currently own and operate the CSH Mine, which, according to the CSH Technical Report, is one of the largest gold mines in China in terms of mineral resources under the JORC Code. In addition, upon the completion of the Global Offering, we will acquire and own the Jiama Mine, which, according to the Jiama Technical Report, will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production and mineral resources under the JORC Code. Among all the metal and mining enterprises that are ultimately controlled by the PRC government, we are among a limited number of companies that are incorporated and listed overseas.

As of June 30, 2010, according to the CSH Technical Report, the CSH Mine's gold resources (inclusive of reserves) and reserves, using a gold cutoff grade of 0.30 g/t, are as follows:

JORC Mineral Resource Category(1)(2)	**Tonnage**	**Grade**	**Gold Content**
	(million tonnes)	**(g/t)**	**(Moz)**
Measured	100.8	0.68	2.196
Indicated	135.9	0.61	2.663
Total Measured and Indicated	**236.7**	**0.64**	**4.858**
Inferred	**0.5**	**0.43**	**0.007**

JORC Ore Reserve Category(1)(3)	**Tonnage**	**Grade**	**Gold Content**
	(mt)	**Au (g/t)**	**Au (koz)**
Proved	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	**131.9**	**0.67**	**2,843**

(1) JORC resources and reserves set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the CSH Technical Report for further details.

(2) The procedures and parameters used for resource modelling are set out in Item 17.1 of the CSH Technical Report.

(3) The procedures and parameters used for reserve modelling are set out in Item 17.2 of the CSH Technical Report.

The CSH Mine commenced commercial production in July 2008 with a design processing capacity of 20,000 tonnes of ore per day. For the year ended December 31, 2009 and the nine months

* Gold output is calculated based on total output of finished gold produced from mines and from gold smelters.

ended September 30, 2010, the total gold production was approximately 83,570 ounces and 75,707 ounces, respectively. In September 2010, monthly production volume reached 14,307 ounces. We have recently completed a series of steps to achieve additional production growth. In particular, we have installed a new ore crushing facility which ramped up to its design processing capacity of 30,000 tonnes of ore per day in March 2010. It is expected that the rate of leaching as well as gold recovery will improve as a result of installation of the crushing facility. According to the CSH Technical Report, the total gold production is forecast to be approximately 116,000 ounces and 146,570 ounces in 2010 and 2011, respectively.

The Jiama Mine is a large copper-polymetallic deposit and will be developed into a combined open-pit and underground mining operation. The mine consists of skarn-type and hornfels-type mineralization.

As of June 30, 2010, according to the Jiama Technical Report, the Jiama Mine's resources (inclusive of reserves) and reserves of copper, molybdenum, gold, silver, lead and zinc are as follows:

JORC Mineral Resource Category(1)(2)	Tonnage	Grades						Contained Metals					
	(Kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Skarn-Type(3)													
Measured	82,928	0.83	0.042	0.30	16.0	0.06	0.05	686.9	34.42	25.11	1,326	51.9	38.7
Indicated	102,187	0.68	0.041	0.22	13.7	0.10	0.05	691.6	42.07	22.33	1,396	100.6	55.4
Total Measured and Indicated	**185,116**	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,378.5**	**76.49**	**47.44**	**2,722**	**152.5**	**94.1**
Inferred	**165,763**	**0.64**	**0.053**	**0.21**	**13.1**	**0.14**	**0.06**	**1,068.0**	**88.57**	**35.42**	**2,179**	**239.0**	**106.9**
Hornfels-Type(4)													
Inferred	655,000	0.23	0.045	0.02	1.17	0.00	0.01	1,500	290	13	770	—	—

JORC Ore Reserve Category(1)(2)(5)	Tonnage	Grades						Contained Metals					
	(Kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Total Reserve													
Proved	53,541	0.83	0.038	0.32	16.3	0.06	0.04	442.8	20.31	17.1	874	29.6	21.3
Probable	52,358	0.85	0.040	0.29	16.5	0.11	0.05	442.8	20.96	15.2	864	55.4	27.2
Total	**105,899**	**0.84**	**0.039**	**0.31**	**16.4**	**0.08**	**0.05**	**885.6**	**41.27**	**32.3**	**1,738**	**85.0**	**48.6**

(1) JORC resources and reserves set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the Jiama Technical Report for further details.

(2) Cutoff grade for the estimate is 0.3% copper, 0.03% molybdenum, 1% lead or 1% zinc.

(3) The procedures and parameters used for the skarn-type resource modelling are set out in Item 17.1.2 of the Jiama Technical Report.

(4) The procedures and parameters used for the hornfels-type resource modelling are set out in Item 17.1.3 of the Jiama Technical Report.

(5) Please refer to Item 17.2.5 of the Jiama Technical Report for a description of the cutoff unit economic values for the reserve estimate.

Following the completion of its first phase of development, which primarily involves the Tongqianshan open-pit infrastructure, ore processing facilities and underground ore transportation system, the Jiama Mine commenced commercial production in September 2010. The second phase of development, which primarily involves the Niumatang open-pit infrastructure, development and equipping of underground mine and expansion of the processing facilities, is expected to commence at the end of 2010. We expect to ramp up the processing capacity at the Jiama Mine to 3.6 million tonnes of ore per annum (or 12,000 tonnes per day) at the beginning of 2012 after completion of the whole second phase development of the Jiama Mine.

In addition to our development plan, we are seeking to significantly increase the reserve base of our existing mines through further exploration efforts. With respect to the Jiama Mine, compared to two current mining permits, which only covers an area of approximately 2.9 square kilometers, two exploration permits of the Jiama Mine covered an area of approximately 76.9 square kilometers and 66.4 square kilometers, respectively. According to the Jiama Technical Report, the major mineralized body at the Jiama Mine is open along the dip direction, representing significant potential to discover more mineral resources after additional exploration in that area. The Independent Technical Expert also believes that with additional drilling and sampling, a significant portion of the inferred mineral resources at the Jiama Mine can be upgraded into the measured and indicated resource categories, which in turn can be used for ore reserve estimation. With respect to the CSH Mine, our mining permit covers an area of approximately 10.1 square kilometers, compared to our exploration permit which covers an area of approximately 25.9 square kilometers. The mineralization zone at the CSH Mine is generally open at depth, and the gold grade tends to increase with depth. The Independent Technical Expert believes that there is significant potential to discover additional mineral resources at depth and in other areas within the exploration permit where gold anomalies have been identified.

Our principal product from the CSH Mine is gold dore bars, which we sell to China National Gold at prevailing market prices pursuant to a long-term agreement. For the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, our total revenue was US$29.4 million, US$81.0 million and US$37.7 million, respectively. The products of the Jiama Mine consist of copper concentrate, molybdenum concentrate and lead concentrate. Gold and silver contained in our concentrates can be separated and smelted in downstream processing.

China National Gold, our Controlling Shareholder, will hold approximately 38.98% of our outstanding Shares immediately after the Global Offering and the Skyland Acquisition. It is the only enterprise directly supervised by the State Council that focuses on the exploration, mining, processing, smelting, refining and sale of gold. Under the terms of China National Gold's non-competition undertaking to us, we will have a mandate from China National Gold to focus on International Mining Businesses and to grow into a leading international mining company. China National Gold has undertaken not to compete with us in International Mining Businesses. As part of its undertaking, China National Gold has also granted us preferential rights on future International Mining Business opportunities as well as a right of first refusal and a call option right relating to such businesses. Meanwhile, with respect to any mineral assets located in China that are held directly or indirectly by an offshore company, in the event that Zhongjin Gold Corporation decides not to take up the business opportunity, China National Gold will refer such opportunity to us. Furthermore, China National Gold has also undertaken to procure all Controlled Entities to abide by its non-competition undertaking to us. However, as none of the Controlled Entities is a party to, or otherwise legally bound by, China National Gold's non-competition undertaking to us, there can be no assurance that the Controlled Entities will not compete with us for International Mining Business opportunities in the future. See "Risk Factors — Risk relating to Our Business and Industry—If our relationship with China National Gold materially changes, our growth prospects and results of operations may be materially and adversely affected" and "Relationship with Controlling Shareholder — Our Controlling Shareholder, China National Gold" and "— Non-competition Undertaking from China National Gold to Our Company".

Notwithstanding China National Gold's non-competition undertaking to us and our efforts to seek and acquire attractive International Mining Businesses with a particular focus on gold, we will own and focus on operating the CSH Mine and the Jiama Mine located in China immediately after the

Global Offering, which we believe have the potential to generate significant future growth through production ramp-up and resources upgrade and expansion. While we have been a Canadian listed company since April 23, 2001 and our management team is experienced in overseas acquisitions and capital market activities and we believe we are well-positioned to pursue the strategy of focusing on overseas gold and other non-ferrous business opportunities, we do not yet have any experience in operating any mines located outside of China. We are still in the process of identifying any mines or projects as potential acquisition targets outside of China and we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future.

COMPETITIVE STRENGTHS

We believe the following competitive strengths distinguish us from our competitors:

- We benefit from our close relationship with China National Gold;
- Our overseas incorporated and listed status provides us benefits not yet available to many other metal and mining enterprises that are ultimately controlled by the PRC government;
- Our mines have substantial mineral reserves and growth prospects;
- Our mines are positioned for strong production growth;
- We are positioned to enjoy favorable cost efficiencies; and
- We are led by a distinguished integrated PRC and international management team.

BUSINESS STRATEGIES

We intend to continue to grow our business into a leading international mining company by pursuing the following strategies:

- leverage our relationship with China National Gold;
- expand production at our mines;
- upgrade and expand mineral resources in our mines;
- acquire high-quality mineral resources; and
- continue to undertake best international environmental and cultural practices.

ACQUISITION OF SKYLAND

Skyland, a company incorporated in the Cayman Islands, holds 100% interest of the Jiama Mine through its wholly-owned PRC subsidiary, Huatailong. China National Gold Hong Kong, a wholly owned subsidiary of China National Gold, and Rapid Result currently hold 51% and 49% interests in Skyland, respectively. On August 30, 2010, we entered into the Sale and Purchase Agreement with China National Gold Hong Kong and Rapid Result to acquire a 100% interest in Skyland and to assume the shareholders' loan in the aggregate amount of approximately US$42.3 million advanced to Skyland by China National Gold Hong Kong and Rapid Result, and in consideration, we agreed to issue 86,828,670 new Shares and 83,423,624 new Shares to China

National Gold Hong Kong and Rapid Result, respectively, at a price of US$4.36 per Share, representing a total consideration of US$742.3 million. The Shares for both the Skyland Acquisition and the Global Offering will be issued concurrently on the Listing Date.

The consideration we will pay for the Skyland Acquisition is subject to a working capital adjustment mechanism to be determined within 30 days following the Completion Date, whereby additional Consideration Shares will be issued to China National Gold Hong Kong and Rapid Result if the working capital deficit of Skyland is less than the target amount of US$786,728, and Consideration Shares will be returned to our Company if the working capital deficit of Skyland exceeds US$786,728. If all Shares under the working capital adjustment mechanism up to the maximum approved by TSX, amounting to 4,747,706 additional Consideration Shares, are issued, the number of Consideration Shares held by China National Gold Hong Kong and Rapid Result upon the Completion will be 89,250,000 and 85,750,000, respectively. In such event, China National Gold Hong Kong and Rapid Result will hold 39.13% and 21.40% of the issued share capital of our Company, respectively, upon completion of the Global Offering and the Skyland Acquisition, and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised. Whereas, if no Shares are issued under the working capital adjustment mechanism, China National Gold Hong Kong and Rapid Result will hold 38.98% and 21.07% of the issued share capital of our Company, respectively, upon completion of the Global Offering and the Skyland Acquisition, and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised. The diluting effect pursuant to the working capital adjustment mechanism, if any, will be immaterial.

The acquisition of Skyland and the related share issuance by our Company are conditional upon, and will be completed concurrently with, the completion of the Global Offering. We will make an announcement of the completion of the Skyland Acquisition on the day of the completion of the Global Offering. The new Shares to be issued to China National Gold Hong Kong and Rapid Result will be subject to a non-disposal lockup undertaking of a term of six months following the completion of the Global Offering. Such non-disposal lockup undertakings provided by China National Gold Hong Kong and Rapid Result under the Sale and Purchase Agreement are subject to further lockup undertakings as set out in the section headed "Underwriting" in this prospectus.

On October 14, 2010, a special meeting of shareholders (in which the controlling shareholder had abstained from voting) was held, at which disinterested shareholders approved the Skyland Acquisition. Save for customary post-closing filings with TSX as of the date of this prospectus, all the governmental and third party approvals and consents for the Skyland Acquisition have been obtained. Further information is set forth in "Appendix IX — Summary of the Terms of the Skyland Acquisition" to this prospectus.

MINING RIGHTS AND EXPLORATION PERMITS

The table below summarizes the mining permits in respect of the CSH Mine and the Jiama Mine:

	Mining area (sq. km.)	Elevation range (m)	Validity period of mining rights/mining method
Mining permit for CSH Mine	10.1	1,436 –1,696	From October 25, 2009 to August 30, 2013; Open-pit mining
Mining permit for Jiama Mine	2.2	4,100 – 5,300	From July 2, 2008 to July 2, 2013; Underground mining
Mining permit for Niumatang area of Jiama Mine	0.7	4,100 – 5,000	From July 15, 2010 to July 15, 2015; Open-pit mining

Our mining permit for the CSH Mine will expire in August 2013, the underground mining permit for the Jiama Mine will expire in July 2013 and the open-pit mining permit for Niumatang area of the Jiama Mine will expire in July 2015. According to the Independent Technical Reports, the Independent Technical Expert believes that (i) based on the ore mineral reserve estimates of 131.9 million tonnes as of June 30, 2010 and the long-term production rate of 10.65 million tonnes per annum, the remaining life of the CSH Mine as of June 30, 2010 is approximately 12.4 years; and (ii) based on the ore reserves estimates of 105.9 million tonnes as of June 30, 2010 for the skarn-type mineralization of the Jiama Mine and the planned long-term production rate of 3.6 million tonnes per annum, the remaining life of the Jiama Mine is approximately 29.4 years as of June 30, 2010.

As our current mining permit for the CSH Mine and the current underground mining permit for the Jiama Mine will expire in 2013 and the current open-pit mining permit for Niumatang area of the Jiama Mine will expire in 2015, in each case, before the end of the estimated mine life of the CSH Mine or Jiama Mine, we plan to apply for renewal of the mining permits for the CSH Mine and the Jiama Mine in due course. We do not expect there will be any material substantive obstacles in renewing any of such mining permits. As advised by our PRC legal advisers, according to the “Mineral Resources Law of the PRC” (礦產資源法) and its implementation rules, the “Administrative Measures on Registration of Mineral Resources Exploitation” (礦產資源開採登記管理辦法) and relevant PRC laws and regulations, if there are residual reserves in a property when the mining permit in respect of such property expires, the holder of the expiring mining permit will be entitled to make an extension application at least 30 days prior to its expiration date and the approval for extension, as well as the renewed mining permits, will be granted by the competent authorities once such authorities conclude that the substantive and procedural conditions required by the relevant PRC laws, rules and regulations have been fulfilled by the applicant. As our current mining permits will expire in 2013 and 2015, respectively, our PRC legal advisers are of the view that, if the current relevant PRC laws and regulations, as well as the current mining industry policy remain unchanged at the time of our extension application and we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws, rules and regulations and other request of the competent authorities at that time, there will be no material substantive obstacle in renewing such permits.

Our current exploration permit for the CSH Mine, which covers an area of 25.9 sq. km., will expire in August 2012. The two exploration permits for the Jiama Mine, which covered an aggregate area of 143.3 sq. km., expired in early October 2010. The renewal applications for the exploration permits for the Jiama Mine have been submitted and are currently in progress. Based on the current communications with the relevant PRC authority, we expect to obtain the renewed permits before the end of 2010. Our PRC legal advisers are of the view that, as long as we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws and the request of the relevant authority, there will be no material substantive impediment in renewing such permits.

SUMMARY OF FINANCIAL INFORMATION OF OUR GROUP

The following information summarizes our financial information and is extracted from, and is to be read in conjunction with, our audited consolidated financial statements, as of and for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 and our unaudited consolidated financial statements for the six months ended June 30, 2009 prepared in accordance with IFRS, included in "Appendix I-A — Accountants' Report" to this prospectus. The basis of preparation is set forth in note 2 in "Appendix I-A — Accountants' Report" to this prospectus.

Consolidated Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (unaudited)	US$
Revenues	**—**	**29,371,411**	**81,047,414**	**25,990,353**	**37,679,906**
Cost of sales	—	20,499,517	56,178,404	18,438,691	18,638,434
Mine operating earnings	—	8,871,894	24,869,010	7,551,662	19,041,472
Expenses					
General and administrative	4,974,556	6,141,235	3,714,554	1,837,155	2,116,293
Exploration and evaluation expenditure	6,604,015	5,287,610	1,909,015	606,273	93,477
	11,578,571	11,428,845	5,623,569	2,443,428	2,209,770
(Loss) income from operations	(11,578,571)	(2,556,951)	19,245,441	5,108,234	16,831,702
Other (expenses) income					
Gain on disposal of subsidiaries	—	—	—	—	20,000
Foreign exchange (loss) gain	(3,319,847)	8,058,114	(5,887,144)	(2,129,104)	(253,306)
Interest income	439,032	174,620	5,537	3,440	1,885
Listing expenses	—	—	(2,147,906)	—	(1,544,558)
Finance costs	(1,699,415)	(3,592,471)	(6,308,158)	(2,289,443)	(2,228,167)
Fair value change on warrant liabilities	(14,274,106)	12,792,931	(7,186,721)	(1,164,408)	(7,155,807)
	(18,854,336)	17,433,194	(21,524,392)	(5,579,515)	(11,159,953)
(Loss) income before income tax	(30,432,907)	14,876,243	(2,278,951)	(471,281)	5,671,749
Income tax expense	—	—	6,091,949	962,221	4,887,012
Net (loss) income and comprehensive (loss) income for the year/period	**(30,432,907)**	**14,876,243**	**(8,370,900)**	**(1,433,502)**	**784,737**
Attributable to					
Non-controlling interest	—	295,731	976,481	233,001	323,702
Owners of the Company	(30,432,907)	14,580,512	(9,347,381)	(1,666,503)	461,035
	(30,432,907)	14,876,243	(8,370,900)	(1,433,502)	784,737
Basic (loss) earnings per share	(20.05) cents	9.00 cents	(5.58) cents	(1.02) cents	0.27 cents
Diluted (loss) earnings per share	(20.05) cents	1.08 cents	(5.58) cents	(1.02) cents	0.27 cents
Basic weighted average number of common shares outstanding	151,747,438	162,059,379	167,629,459	163,889,159	169,511,321
Diluted weighted average number of common shares outstanding	151,747,438	164,780,867	167,629,459	163,889,159	169,937,452

We commenced pre-commercial production at the CSH Mine in July 2007 and commercial production in July 2008. Notwithstanding the significant increases in revenue and mine operating earnings in 2009, we recorded a net loss and comprehensive loss for the year of US$8.4 million in 2009 as compared to net loss and comprehensive loss for the year of approximately US$14.9 million in 2008, primarily because we had a gain of US$12.8 million in the fair value of warrant liabilities and foreign exchange gain of US$8.1 million in 2008 while we incurred a loss of US$7.2 million in the fair value of warrant liabilities and a foreign exchange loss of US$5.9 million in 2009. These foreign exchange gain and losses are largely attributable to the Canadian dollar denominated promissory notes that the Company has issued. By the end of June 2010, all the warrants had been exercised. As a result, going forward there will not be any further impact from such warrant liabilities.

Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Current assets				
Cash and cash equivalents	26,952,425	12,142,739	23,984,660	16,331,252
Restricted cash	—	5,215,704	—	10,756,703
Accounts receivable	348,914	148,771	1,681,880	2,070,198
Prepaid expenses and deposits	2,001,980	7,176,502	1,734,181	1,557,936
Inventory	434,609	27,644,767	10,166,429	30,385,142
	29,737,928	52,328,483	37,567,150	61,101,231
Assets classified as held for sale	—	—	188,971	69,794
	29,737,928	52,328,483	37,756,121	61,171,025
Non-current assets				
Inventory	—	—	18,852,686	15,485,352
Property, plant and equipment	55,512,070	66,982,216	117,918,672	117,876,668
Prepaid expenses and deposits	—	—	—	796,430
Long-term receivable	—	—	49,689	24,252
	55,512,070	66,982,216	136,821,047	134,182,702
Total assets	85,249,998	119,310,699	174,577,168	195,353,727
Current liabilities				
Accounts payable and accrued expenses	15,066,485	18,932,644	35,072,604	39,768,345
Borrowings	—	41,603,514	12,092,005	8,513,998
	15,066,485	60,536,158	47,164,609	48,282,343
Liabilities classified as held for sale	—	—	41,252	17,706
	15,066,485	60,536,158	47,205,861	48,300,049
Non-current liabilities				
Deferred lease inducement	—	—	193,758	193,758
Borrowings	44,267,023	14,929,121	80,841,331	81,134,730
Warrant liabilities	13,825,817	274,507	5,286,123	—
Deferred tax liabilities	—	—	1,339,601	3,526,047
Environmental rehabilitation	2,244,633	4,131,735	1,599,120	1,993,537
	60,337,473	19,335,363	89,259,933	86,848,072
Total liabilities	75,403,958	79,871,521	136,465,794	135,148,121
Net current assets (liabilities)	14,671,443	(8,207,675)	(9,449,740)	12,870,976
Total assets less current liabilities	70,183,513	58,774,541	127,371,307	147,053,678
Owners' equity				
Share capital	76,281,053	90,384,469	99,186,918	120,577,351
Equity reserve	4,271,321	4,884,800	3,125,447	3,044,509
Deficit	(70,706,334)	(56,125,822)	(65,473,203)	(65,012,168)
	9,846,040	39,143,447	36,839,162	58,609,692
Non-controlling interest	—	295,731	1,272,212	1,595,914
Total owners' equity	9,846,040	39,439,178	38,111,374	60,205,606
Total liabilities and owners' equity	85,249,998	119,310,699	174,577,168	195,353,727

Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (unaudited)	US$
Net cash flows (used in) from operating activities	(7,657,563)	(33,048,859)	10,758,040	7,834,839	(14,255,418)
Net cash flows (used in) from investing activities	(22,541,564)	(11,149,173)	(31,365,475)	(21,555,092)	1,482,335
Net cash flows from financing activities	27,190,288	29,932,784	32,375,052	8,895,650	4,898,624
Effect of foreign exchange rate changes on cash and cash equivalents	2,084,761	(544,438)	74,304	(4,347)	221,051
Net (decrease) increase in cash and cash equivalents	(924,078)	(14,809,686)	11,841,921	(4,828,950)	(7,653,408)
Cash and cash equivalents, beginning of the year/period	27,876,503	26,952,425	12,142,739	12,142,739	23,984,660
Cash and cash equivalents, end of year/period	**26,952,425**	**12,142,739**	**23,984,660**	**7,313,789**	**16,331,252**

SUMMARY OF FINANCIAL INFORMATION OF SKYLAND GROUP

The following information summarizes Skyland Group's financial information and is extracted from, and is to be read in conjunction with, the audited consolidated financial statements as of and for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 and our unaudited consolidated financial statements for the six months ended June 30, 2009 of Skyland Group, prepared in accordance with IFRS, included in "Appendix I-B — Accountants' Report of Skyland" to this prospectus.

Consolidated Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (unaudited)	US$
Revenue	—	—	—	—	917,250
Cost of sales	—	—	—	—	(710,348)
	—	—	—	—	206,902
Other income	231,933	330,046	142,853	62,845	183,590
Exploration and evaluation expenditure	—	(13,171,016)	—	—	—
Administrative expenses	(3,848)	(2,953,143)	(4,802,128)	(2,046,878)	(2,213,672)
Other expenses	—	(299,183)	(6,811,176)	(1,057,153)	(4,745,850)
Finance costs	—	(790,762)	(1,510,485)	(602,011)	(1,935,580)
Income (loss) before income tax	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,504,610)
Income tax	—	—	—	—	(24,113)
Income (loss) for the year/period	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,528,723)
Other comprehensive (loss) income, representing exchange difference arising on translation	(70,385)	(285,183)	18,574	10,340	49,760
Total comprehensive income (loss) for the year/period	157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,478,963)
Income (loss) for the year/period attributable to:					
Owners of Skyland	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,562,886)
Non-controlling interests	—	—	—	—	34,163
	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,528,723)
Total comprehensive income (loss) for the year/period attributable to:					
Owners of Skyland	157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,515,247)
Non-controlling interests	—	—	—	—	36,284
	157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,478,963)

Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Non-current assets				
Property, plant and equipment	—	18,161,009	98,361,523	145,980,033
Prepaid lease payments	—	—	3,573,002	3,555,834
Intangible assets	—	42,847,731	42,948,451	43,227,060
Other receivables	—	237,832	732,257	957,163
Amount due from a non-controlling shareholder of a subsidiary	—	—	358,806	409,371
Deposit paid for acquisition of property, plant and equipment	—	8,577,242	18,874,617	20,388,911
	—	69,823,814	164,848,656	214,518,372
Current assets				
Inventories	—	—	—	1,207
Trade receivables, other receivables and prepayments	694,207	1,909,724	658,297	2,141,431
Prepaid lease payments	—	—	73,185	73,587
Cash and cash equivalents	563	4,893,935	5,584,297	36,788,414
	694,770	6,803,659	6,315,779	39,004,639
Total assets	694,770	76,627,473	171,164,435	253,523,011
Current liabilities				
Accounts payables and accrued expenses	1,583,526	7,449,866	15,030,546	19,290,621
Advance received from a customer	—	—	—	36,813,972
Amounts due to related companies	—	24,760,326	10,746,976	19,805,386
Tax payable	—	—	—	21,114
	1,583,526	32,210,192	25,777,522	75,931,093
Non-current liabilities				
Amounts due to a related companies	—	16,094,578	34,274,747	34,816,654
Bank loan	—	—	95,193,462	131,860,284
Deferred income	—	—	—	3,475,239
	—	16,094,578	129,468,209	170,152,177
Total liabilities	1,583,526	48,304,770	155,245,731	246,083,270
Owners' equity				
Share capital	1,000,000	47,380,700	47,380,700	47,380,700
Reserves	(1,888,756)	(19,057,997)	(31,820,802)	(40,336,049)
Equity attributable to owners of Skyland	(888,756)	28,322,703	15,559,898	7,044,651
Non-controlling interests	—	—	358,806	395,090
Total (deficiency) equity	(888,756)	28,322,703	15,918,704	7,439,741
Total liabilities and equity	694,770	76,627,473	171,164,435	253,523,011
Net current liabilities	(888,756)	(25,406,533)	(19,461,743)	(36,926,454)
Total assets less current liabilities	(888,756)	44,417,281	145,386,913	177,591,918

Consolidated Statements of Cash Flows

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (unaudited)	US$
Net cash flows (used in) from operating activities	(16,194)	(10,263,091)	(2,049,375)	(5,523,624)	21,395,963
Net cash flows from (used in) investing activities	171,348	(36,471,428)	(91,780,840)	(43,328,893)	(32,080,043)
Net cash flows (used in) from financing activities	(156,782)	51,627,852	94,493,994	69,760,334	41,895,201
Net (decrease) increase in cash and cash equivalents	(1,628)	4,893,333	663,779	20,907,817	31,211,121
Effect of foreign exchange rate changes on cash and cash equivalents	(162)	39	26,583	1,934	(7,004)
Cash and cash equivalents at the beginning of the year/period	2,353	563	4,893,935	4,893,935	5,584,297
Cash and cash equivalents at the end of year/period	**563**	**4,893,935**	**5,584,297**	**25,803,686**	**36,788,414**

SUMMARY OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following summary of unaudited pro forma consolidated financial information of the Enlarged Group is extracted from, and is to be read in conjunction with, the unaudited pro forma consolidated financial statements of the Enlarged Group, together with notes thereto, included in Appendix I-C to this prospectus. The summary of unaudited pro forma consolidated financial information provides certain pro forma information on how the Skyland Acquisition might affect the financial information of the Group if the Skyland Acquisition had been completed as of and for the six month period ended June 30, 2010. See "— Acquisition of Skyland". The summary of unaudited pro forma consolidated information is presented for illustrative purposes only, is hypothetical in nature and is not necessarily indicative of the operating results or financial condition of the Enlarged Group that would have been if the Skyland Acquisition had been completed on the date or for the period presented, nor does it purport to project the results of operations or financial position of the Enlarged Group for any future period or any future date. The pro forma adjustments relating to the Skyland Acquisition are those that are (i) directly attributable to the Skyland Acquisition; and (ii) factually supportable as if the Skyland Acquisition has been completed on January 1, 2010. The actual results may differ significantly from such estimates and assumptions.

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the Six Months Ended June 30, 2010

	The Group	Skyland Group	Pro forma adjustments	Enlarged Group
	US$	US$	US$	US$
Revenues	37,679,906	917,250	—	38,597,156
Cost of sales	18,638,434	710,348	—	19,348,782
Mine operating earnings	19,041,472	206,902	—	19,248,374
Expenses				
General and administrative	2,116,293	2,213,672	—	4,329,965
Exploration and evaluation expenditure	93,477	—	—	93,477
	2,209,770	2,213,672	—	4,423,442
Income (loss) from operations	16,831,702	(2,006,770)	—	14,824,932
Other (expenses) income				
Gain on disposal of subsidiaries	20,000	—	—	20,000
Foreign exchange loss	(253,306)	—	157,580	(95,726)
Interest income	1,885	—	19,677	21,562
Listing expenses	(1,544,558)	—	(1,544,558)	(3,089,116)
Finance costs	(2,228,167)	(1,935,580)	1,022,504	(3,141,243)
Fair value change on warrant liabilities	(7,155,807)	—	—	(7,155,807)
Other expenses	—	(4,745,850)	1,544,558 (2,200,000)	(5,401,292)
Other income	—	183,590	(177,257)	6,333
	(11,159,953)	(6,497,840)	(1,177,496)	(18,835,289)
Income (loss) before income tax	5,671,749	(8,504,610)	(1,177,496)	(4,010,357)
Income tax expense	4,887,012	24,113	—	4,911,125
Net income (loss) for the period	784,737	(8,528,723)	(1,177,496)	(8,921,482)
Other comprehensive income representing exchange difference arising on translation	—	49,760	—	49,760
Net income (loss) and comprehensive income (loss) for the period	784,737	(8,478,963)	(1,177,496)	(8,871,722)
Income (loss) for the period attributable to				
Non-controlling interest	323,702	34,163	—	357,865
Owners of the Company	461,035	(8,562,886)	(1,177,496)	(9,279,347)
	784,737	(8,528,723)	(1,177,496)	(8,921,482)
Total comprehensive income (loss) for the period attributable to				
Non-controlling interest	323,702	36,284	—	359,986
Owners of the Company	461,035	(8,515,247)	(1,177,496)	(9,231,708)
	784,737	**(8,478,963)**	**(1,177,496)**	**(8,871,722)**

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as of June 30, 2010

	The Group	Skyland Group	Pro forma adjustments	Enlarged Group
	US$	US$	US$	US$
Current assets				
Cash and cash equivalents	16,331,252	36,788,414	(2,200,000)	50,919,666
Restricted cash	10,756,703	—	—	10,756,703
Accounts receivable	2,070,198	—	(1,748,756) 666,959	988,401
Prepaid expenses and deposits	1,557,936	—	1,474,472	3,032,408
Trade receivables, other receivables and prepayment	—	2,141,431	(2,141,431)	—
Prepaid lease payments	—	73,587	—	73,587
Inventory	30,385,142	1,207	—	30,386,349
	61,101,231	39,004,639	(3,948,756)	96,157,114
Assets classified as held for sale	69,794	—	—	69,794
	61,171,025	39,004,639	(3,948,756)	96,226,908
Non-current assets				
Property, plant and equipment	117,876,668	145,980,033	873,245,086	1,137,101,787
Prepaid lease payments	—	3,555,834	—	3,555,834
Intangible assets	—	43,227,060	—	43,227,060
Inventory	15,485,352	—	—	15,485,352
Long-term receivable	24,252	—	957,163	981,415
Amounts due from a non-controlling shareholder of a subsidiary	—	409,371	—	409,371
Other receivables	—	957,163	(957,163)	—
Prepaid expense and deposits	796,430	—	—	796,430
Deposit paid for acquisition of property, plant and equipment	—	20,388,911	—	20,388,911
	134,182,702	214,518,372	873,245,086	1,221,946,160
Total assets	195,353,727	253,523,011	869,296,330	1,318,173,068
Current liabilities				
Accounts payable and accrued expenses	39,768,345	19,290,621	—	59,058,966
Advance received from a customer	—	36,813,972	—	36,813,972
Amounts due to related companies	—	19,805,386	(1,748,756) (8,119,685)	9,936,945
Tax payable	—	21,114	—	21,114
Borrowings	8,513,998	—	—	8,513,998
	48,282,343	75,931,093	(9,868,441)	114,344,995
Liabilities classified as held for sale	17,706	—	—	17,706
	48,300,049	75,931,093	(9,868,441)	114,362,701
Non-current liabilities				
Deferred lease inducement	193,758	—	—	193,758
Amounts due to related companies	—	34,816,654	(34,180,315)	636,339
Borrowings	81,134,730	131,860,284	—	212,995,014
Deferred income	—	3,475,239	(3,475,239)	—
Deferred tax liabilities	3,526,047	—	130,986,763	134,512,810
Environmental rehabilitation	1,993,537	—	—	1,993,537
	86,848,072	170,152,177	93,331,209	350,331,458
Total liabilities	135,148,121	246,083,270	83,462,768	464,694,159
Net current assets (liabilities)	12,870,976	(36,926,454)	5,919,685	(18,135,793)
Total assets less current liabilities	147,053,678	177,591,918	879,164,771	1,203,810,367
Owners' equity				
Share capital	120,577,351	47,380,700	(47,380,700) 795,078,213	915,655,564
Equity reserve	3,044,509	—	—	3,044,509
Deficit	(65,012,168)	(40,336,049)	40,336,049 (2,200,000)	(67,212,168)
	58,609,692	7,044,651	785,833,562	851,487,905
Non-controlling interests	1,595,914	395,090	—	1,991,004
Total owners' equity	60,205,606	7,439,741	785,833,562	853,478,909
Total liabilities and owners' equity	195,353,727	253,523,011	869,296,330	1,318,173,068

Unaudited Pro Forma Consolidated Statement of Cash Flow of the Enlarged Group for the Six Months Ended June 30, 2010

	The Group	Skyland Group	Pro forma adjustments	The Enlarged Group
	US$	US$	US$	US$
Net cash flows (used in) from operating activities	(14,255,418)	21,395,963	(2,200,000)	4,940,545
Net cash flows (used in) from investing activities	1,482,335	(32,080,043)	5,584,297	(25,013,411)
Net cash flows from financing activities	4,898,624	41,895,201	—	46,793,825
Effect of foreign exchange rate changes on cash and cash equivalents	221,051	(7,004)	—	214,047
Net (decrease) increase in cash and cash equivalents	(7,653,408)	31,204,117	3,384,297	26,935,006
Cash and cash equivalents, beginning of the period	23,984,660	5,584,297	(5,584,297)	23,984,660
Cash and cash equivalents, end of the period	**16,331,252**	**36,788,414**	**(2,200,000)**	**50,919,666**

CERTAIN UNAUDITED INTERIM FINANCIAL INFORMATION OF OUR GROUP

As a listed company on the TSX in Canada, we are required to publish quarterly unaudited interim financial information prepared in accordance with IFRS in compliance with applicable Canadian securities regulatory requirements. Because we released certain interim financial statements regarding the third quarter of 2010 and related management's discussion and analysis prior to the date of this prospectus, we have included these interim condensed consolidated financial statements and related management's discussion and analysis as Appendix I-D to this prospectus. The quarterly condensed consolidated financial statements included in "Appendix I-D — Unaudited Interim Financial Information of Our Group" to this prospectus were prepared in accordance with IFRS and have been reviewed by our reporting accountants in accordance with International Standards on Review Engagements 2410 "Review of the Interim Financial Information Performed by the Independent Auditor of the Entity". Other than as disclosed in note 3 of our unaudited interim financial information in Part A of Appendix I-D to the prospectus, the accounting policies used in our unaudited interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended December 31, 2009. These quarterly condensed consolidated financial statements and related management's discussion and analysis have been included in our report published on SEDAR. Please refer to (i) Appendix I-D to this prospectus for details on these quarterly condensed consolidated financial statements and related management's discussion and analysis and (ii) the section headed "Financial Information — Recent Developments" for a summary discussion of certain operating results and condensed consolidated statement of financial position items for the third quarter of 2010.

NET CURRENT LIABILITIES, ACCUMULATED DEFICIT POSITION AND WORKING CAPITAL

During the Track Record Period, both the CSH Mine and the Jiama Mine were in the early stages of development and production. Therefore, our Group and Skyland Group had experienced net current liabilities, accumulated deficit positions and significant net cash outflows from operating activities.

Our Company had net current liabilities of US$8.2 million and US$9.4 million as of December 31, 2008 and 2009, respectively, primarily due to (i) the short term bank borrowings we incurred to fund part of our capital expenditure and (ii) accounts payable and accrued expenses in relation to the installation of the crushing facilities and mining services provided by third-party contractors for the CSH Mine. Our net current liabilities as of December 31, 2009 increased by US$1.2 million from the net current liabilities as of December 31, 2008, partly because we classified a significant portion of our gold-in-process inventory as non-current assets in 2009.

We recorded accumulated deficits of US$70.7 million, US$56.1 million, US$65.5 million and US$65.0 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. For the years ended December 31, 2007 and 2008 and the six months ended June 30, 2010, we had net cash outflows from operating activities of US$7.7 million, US$33.0 million and US$14.3 million, respectively.

As the CSH Mine has been ramping up its production since the installation of a new crushing facility in August 2009, the working capital position of our Company has also improved. As of June 30, 2010, we had net current assets of US$12.9 million. In addition, our revenue increased from US$26.0 million for the six months ended June 30, 2009 to US$37.7 million for the six months ended June 30, 2010. We had sought and obtained financial support from China National Gold to address various liquidity issues. See "Relationship with Controlling Shareholder — Independence from China National Gold — Financial Independence".

Skyland Group had net current liabilities of US$0.9 million, US$25.4 million, US$19.5 million and US$36.9 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively, mainly attributable to borrowings, construction costs and other payables as well as the fact that the Jiama Mine had not commenced production during the relevant periods. Skyland Group recorded accumulated deficits of US$1.9 million, US$18.8 million, US$31.8 million and US$40.3 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. For the years ended December 31, 2008 and 2009, Skyland Group had net cash outflows from operating activities of US$10.3 million and US$2.0 million, respectively.

As the Jiama Mine commenced commercial production in September 2010, the working capital position of Skyland Group has improved. Pursuant to the copper concentrate purchase and sale contract it entered into with Jinchuan Group Ltd. in February 2010, Skyland Group has received RMB250 million from Jinchuan Group Ltd. as advance payment. Furthermore, the Skyland Group obtained syndicated loan facilities amounting to RMB750 million in June 2010. For the six months ended June 30, 2010, Skyland Group recorded net cash inflows from operating activities of US$21.4 million.

PROFIT FORECAST OF THE ENLARGED GROUP FOR THE YEAR ENDING DECEMBER 31, 2010

We forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the net profit attributable to the shareholders of the Enlarged Group for the year ending December 31, 2010 is expected to be not less than US$23.4 million in accordance with IFRS.

The forecast is presented on a basis consistent in all material respects with the accounting policies currently adopted by us as set out in the "Accountants' Report" in Appendix I-A and "Accountants' Report of Skyland" in Appendix I-B to this prospectus. The forecast is derived on the basis that we will wholly own the Skyland Group upon completion of the Global Offering and Skyland Acquisition (which will be completed concurrently), which is currently expected to occur by the end of November 2010. Therefore, the operating results of Skyland Group for December 2010 are consolidated into the forecast of the Enlarged Group for the year ending December 31, 2010.

The unaudited pro forma forecast basic earnings per Share for the year ending December 31, 2010 is expected to be not less than US$0.10, which has been calculated based on the forecast net profit attributable to the shareholders of the Company for the year ending December 31, 2010 divided by 239,277,424 Shares, assuming that the Global Offering had been completed since January 1, 2010 and no outstanding share option will be exercised during the period from the date of this Prospectus to December 31, 2010, without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and Pre-IPO Share Options.

GLOBAL OFFERING STATISTICS(1)

	Based on an Offer Price of HK$37.21 per Offer Share	Based on an Offer Price of HK$44.96 per Offer Share
Market capitalization of our Shares(2)	HK$14,732.6 million	HK$17,801.1 million
Prospective price/earnings multiple-Pro forma(3)	48.96 times	59.16 times
Unaudited pro forma adjusted net tangible assets value per Share(4)	US$2.66	US$2.79

(1) All statistics are based on the assumption that the Over-allotment Option and the Pre-IPO Share Options are not exercised.

(2) The calculation of market capitalization is based on 395,931,753 Shares expected to be in issue immediately after completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised.

(3) The calculation of the prospective price/earnings multiple on a pro forma basis is based on the forecast earnings per Share for the year ending December 31, 2010 on a pro forma basis of HK$0.76 at the respective Offer Price of HK$37.21 and HK$44.96.

(4) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information of Our Group" to this prospectus and on the basis of 395,931,753 Shares in issue at the respective Offer Price of HK$37.21 and HK$44.96 immediately following completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised.

USE OF PROCEEDS

Assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised and assuming an indicative Offer Price of HK$41.09 per Share (being the mid-point of the proposed range of the Offer Price), we estimate that the net proceeds to us from the Global Offering, after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, will be approximately HK$2,105.4 million. We intend to use the net proceeds to us from the Global Offering as follows:

- approximately 30% (approximately HK$631.6 million) will be used to provide part of the funds required for the production expansion of the Jiama Mine, including:

  (i) the planned expansion of the ore processing plant and its related tailings storage facilities for the second phase development of the Jiama Mine, representing approximately 12% of the net proceeds (approximately HK$252.7 million);

  (ii) the pre-production stripping at the Niumatang Pit in preparation for the Niumatang open-pit mining operations of the Jiama Mine, representing approximately 9% of the net proceeds (approximately HK$189.5 million);

  (iii) the development and equipping of the underground mining operation at the Jiama Mine, representing approximately 6% of the net proceeds (approximately HK$126.3 million); and

(iv) the development and construction of miscellaneous supporting and ancillary facilities, representing approximately 3% of the net proceeds (approximately HK$63.1 million);

- approximately 30% (approximately HK$631.6 million) for potential acquisition of gold and non-ferrous mineral resources outside of China by focusing on mines at operating stages and advanced mining or exploration projects with high growth prospect;
- approximately 15% (approximately HK$315.8 million) will be used for further exploration activities to upgrade and expand the resource and reserve of the Jiama Mine and CSH Mine;
- approximately 20% (approximately HK$421.1 million) will be used to repay

  (i) the senior unsecured promissory notes in the principal amount of CAD7.5 million held by China National Gold Hong Kong. The interest rate is 12% per annum and payable on a quarterly basis commencing on September 30, 2007. The maturity date is June 26, 2011; and

  (ii) the unsecured non-revolving shareholder's loan we received in December 2009 from China National Gold Hong Kong. The principal amount is US$40 million, with an interest rate of 6% per annum and payable on a quarterly basis. It matures in December 2011; and
- approximately 5% (approximately HK$105.3 million) for additional working capital and other general corporate purposes.

In the event the Offer Price is set below the indicative price of HK$41.09, we intend to reduce the net proceeds to be used for additional working capital and other general corporate purposes, and also fund the remaining difference with cash generated from operations or bank loans.

In the event the Offer Price is set above the indicative price of HK$41.09, we intend to use the additional funds to fund potential acquisition of gold and non-ferrous mineral resources outside of China by focusing on mines at operating stages and advanced mining or exploration projects with high growth prospect.

If the Over-allotment Option is exercised in full and no Pre-IPO Share Options are exercised, based on an indicative Offer Price of HK$41.09, the net proceeds from the Global Offering are currently estimated to be increased to approximately HK$2,414.3 million. We intend to use the additional net proceeds to fund potential acquisition of gold and non-ferrous mineral resources outside of China by focusing on mines at operating stages and advanced mining or exploration projects with high growth prospect.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by PRC law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

DIVIDEND AND DIVIDEND POLICY

We have not declared or paid any dividend during the Track Record Period. We do not currently have a fixed dividend policy. The Directors will determine any future dividend policy on the basis of, among others, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits and all other relevant factors.

Subject to the BCBCA, the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and 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, fully paid Shares, 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.

In addition, we and the Skyland Group are subject to various customary conditions and covenants under the terms of certain financing agreements, including those restricting our and the Skyland Group's ability to declare and distribute dividends. Such financing agreements include:

- Under the indenture for the outstanding promissory notes held by China National Gold, we are required to obtain China National Gold's consents prior to distributing dividends.
- Under the RMB700 million loan facility agreement with Bank of China, Huatailong is prohibited from declaring and distributing dividends before repaying all amounts due (including principal and interest) in the same fiscal year.
- The RMB750 million syndicate loan facility agreement with Bank of China and two other PRC banks contains restrictive covenants that prohibit Huatailong from distributing any dividends for any year if (i) it does not have any post-tax income or incurs a loss for the year, (ii) its post-tax income is insufficient to cover the accumulated deficit, or (iii) its income before tax for the year is insufficient to pay the principal, interest and other fees that are due to the lenders during the year or payable in the next due date subsequent to the end of the year.

Therefore, prior to the repayment of the promissory notes in full, we will not be able to declare or distribute any dividends without the prior consent of China National Gold. We intend to repay such promissory notes in full with a portion of the net proceeds from the Global Offering. Similarly, in the event of failure to repay all amounts due in a fiscal year under the loan agreement with Bank of China, or, in the event that Huatailong fails to meet the requirements under the abovementioned restrictive covenants of the syndicate loan facility agreement, Huatailong will not be able to declare or distribute dividends in the same fiscal year, which in turn could materially and adversely affect our cash flow position and significantly limit our ability to make any dividend or other distributions to our shareholders. Huatailong's RMB700 million loan facility agreement with Bank of China has been completely drawn down and the total borrowings of RMB700 million remained outstanding as of September 30, 2010. The terms of loans range from two years to 69 months and the repayment of the last installment is due and currently expected to be made on December 28, 2014. The total amount of borrowings of Huatailong under the RMB750 million syndicate loan facility agreement with Bank of China and two other PRC banks was approximately RMB327.0 million as of the September 30, 2010. The term of the loan was six years and the repayment of the last installment is due and currently expected to be made in June 2016.

RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting operations in the PRC; and (iii) risks relating to the dual primary listing and the Global Offering. These risk factors are summarized below and are further described in the "Risk Factors" section in this prospectus.

Risks relating to Our Business and Industry

- Fluctuations in the market prices of gold and other non-ferrous metals that we produce could materially and adversely affect our business and results of operations.
- We have a limited operating history and our future revenues and profits are subject to uncertainties.
- Our acquisition of Skyland may not yield the benefits we anticipate, which could materially and adversely affect our business and results of operations.
- If our relationship with China National Gold materially changes, our growth prospects and results of operations may be materially and adversely affected.
- We experienced net losses for certain years during the Track Record Period, and there is no assurance that we will be profitable in the future.
- We and Skyland Group had net current liabilities and significant net cash outflows from operating and investing activities during the Track Record Period.
- We depend on our two operating mines, namely, the CSH Mine and the Jiama Mine, for substantially all of our revenue and cash flow from operating activities in the foreseeable future. Failure to obtain the expected economic benefits from these mines could materially and adversely affect our business, financial condition and results of operations.
- We are relatively inexperienced in the acquisition and development of mining assets outside of China and we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future.
- Fluctuations in exchange rates could materially and adversely affect our financial position and results.
- The interests of China National Gold, our Controlling Shareholder, may not be the same as, and may conflict with, those of our other shareholders.
- Our reserve and resource estimates are based on assumptions which may prove to be inaccurate, and we may produce less mineral than the current estimates.
- Our failure to achieve our production estimates could have a material adverse effect on our future cash flow, results of operations and financial condition.
- Failure to discover new reserves, maintain or enhance existing reserves, develop new operations or expand our current operations could negatively affect our business and results of operations.
- A portion of our estimated resources and reserves for the CSH Mine falls outside of the scope of our current mining permit. We may not be able to obtain the relevant

governmental confirmation if we plan to conduct mining activities on this portion of the CSH Mine.

- Operating costs of the CSH Mine and Jiama Mine may differ from our estimates.
- Our failure to obtain and maintain required government approvals, permits and licenses for our exploration and mining activities or renewals thereof could materially and adversely affect our business and results of operations.
- We may be unable to renew the mining permits or the exploration permits for the CSH Mine and Jiama Mine.
- We may not pass the annual verification of the mining rights to the CSH Mine and Jiama Mine.
- Our future acquisitions may prove to be difficult to integrate and manage or may not be successful.
- We own the CSH Mine and the Dadiangou project through CJV companies, which are established pursuant to CJV agreements. Therefore, we are subject to risks relating to operations through CJV companies.
- Changes in PRC tax laws and regulations could materially and adversely affect our business and results of operations.
- Our existing and future major capital expenditure projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.
- We may not be able to obtain further financing to fund the expansion and development of our business.
- Our indebtedness and the conditions and restrictive covenants imposed on us by our financing agreements could materially and adversely affect our business and results of operations.
- We rely on third-party contractors to conduct a substantial portion of our exploration, mine construction and mining activities.
- Our operations may face material risk of liability, delays and increased production costs from design defects, environmental and industrial accidents and other factors such as severe weather conditions, natural disasters, community protests or civil unrest.
- We may not be able to maintain an adequate and timely supply of electricity, water, auxiliary materials, equipment, spare parts and other critical supplies at reasonable prices or at all.
- We face operational and other risks relating to our operations in Tibet.
- We face certain risks relating to the real properties that we own, use or lease.
- Our operations are governed by extensive and increasingly stringent environmental and other laws and regulations.
- Our mining operations have a limited life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

- Dividends payable by our PRC subsidiaries to us, dividends payable by us to our shareholders and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws.
- Limitations on the ability of our PRC subsidiaries or CJVs to pay dividends to us could have a material adverse effect on our ability to conduct our business.
- The global financial markets have experienced significant volatility recently, which has had negative repercussions on the global economy. As a result, our business, financial condition and results of operations could be materially and adversely affected.
- Our risk management and internal control systems may not be adequate or effective.
- We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.
- We may not be adequately insured against losses and liabilities arising from our operations.
- Some of our Directors and officers are directors and officers of other mineral resource companies. We cannot assure you that these directors and officers will not encounter conflicts of interests with us.
- We face increasing domestic and foreign competition.
- Acts of God, acts of war and terrorism, riots, epidemics and other disasters could affect our business.

Risks relating to Conducting Operations in the PRC

- Changes to the PRC regulatory regime for the mining industry may materially and adversely affect our business and results of operations.
- PRC political, economic and social conditions and government policies could affect our business.
- Our business could be negatively affected by changes and uncertainties in the PRC legal system.
- We may be unable to enforce our legal rights in certain circumstances.
- Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.
- Certain restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

Risks relating to the Dual Primary Listing and the Global Offering

- The characteristics of the Canadian share market and Hong Kong share market are different.
- We are a Canadian listed company principally governed by the laws and regulations of British Columbia. Except for the waivers that we have received, we are required to comply with both the TSX Listing Rules and the Listing Rules.

- As we are a Canadian company, it could be difficult for investors to effect service of process on and recover against us or our Directors and officers. Our shareholders may face difficulties in protecting their interest.
- Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.
- The liquidity and market price of our Shares may be volatile.
- The market price of our Shares when trading begins could be lower than the Offer Price.
- Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Antaike"	Beijing Antaike Information Development Co., Ltd. (北京安泰科資訊開發有限公司), an information provider based in China for the mining and metals industries, an independent third party to our Group
"Application Form(s)"	white application form(s), yellow application form(s) and Green Application Form(s), or where the context so requires, any of them
"Articles"	the articles of the Company, as adopted by the Company on May 20, 2004 and amended on October 15, 2010
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	a committee of the Board formed to review and monitor the financial affairs of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BCBCA"	the British Columbia Business Corporations Act, as amended and supplemented from time to time
"Beijing Honglu"	Beijing Honglu Consultancy Services Company Limited (北京鴻陸聖地咨詢服務有限公司), a limited liability company incorporated under the laws of the PRC on May 18, 2004, an independent third party to our Group
"BOCI"	BOCI Asia Limited, licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Brigade 6"	Brigade 6 of Geological and Mining Resources Exploration and Development Bureau, Tibet Autonomous Region (西藏自治區地質礦產勘查開發局第六地質大隊), an independent third party to our Group
"Brigade 217"	Brigade 217 of the Northwest Geological Bureau of China (中國核工業西北地質局217大隊), the former name of Ningxia Nuclear, our CJV partner of the CSH Mine

"Business Day"	a day which is not a Saturday, a Sunday or a public holiday and on which banks in Hong Kong, Vancouver and Toronto are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Canadian Share Registrar"	CIBC Mellon Trust Company
"Canadian Share Registry"	the central securities register of the Company's shares maintained pursuant to the BCBCA by the Canadian Share Registrar
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant which may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CIM Standards"	the Definition Standards on Mineral Resources and Mineral Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum, as amended from time to time
"China" or "PRC"	the People's Republic of China and "Chinese" shall be construed accordingly; except where the context requires, references in this prospectus to the PRC or China do not apply to Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
"China National Gold"	China National Gold Group Corporation (中國黃金集團公司), a State-owned enterprise established in the PRC on January 14, 2003. China National Gold is controlled by the State-owned Assets Supervision and Administration Commission of the State Council and is our Controlling Shareholder

"China National Gold Hong Kong"	China National Gold Group Hong Kong Limited (中國黃金集團香港有限公司), a company incorporated in Hong Kong with limited liability on March 20, 2008. China National Gold Hong Kong is a wholly-owned subsidiary of China National Gold and is our Controlling Shareholder
"Citi"	Citigroup Global Markets Asia Limited, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 7 (providing automated trading services) regulated activities under the SFO
"CJV"	cooperative joint venture, a form of foreign investment permitted in the PRC under the CJV Law
"CJV Law"	the PRC Sino-Foreign Cooperative Joint Venture Law, as amended and supplemented from time to time
"CNIA"	China Non-ferrous Metals Industry Association (中國有色金屬工業協會), a non-profit, economic and social organization focusing on the non-ferrous industry
"COMEX"	the COMEX Division of New York Mercantile Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
"Company" or "our Company"	China Gold International Resources Corp. Ltd. (formerly known as Jinshan Gold Mines Inc.), a company incorporated in British Columbia, Canada and listed on the TSX
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), which was enacted by the Standing Committee of the NPC on December 29, 1993 and became effective on July 1, 1994, as the same may be amended, supplemented or otherwise modified from time to time
"Compensation and Benefits Committee"	a committee of the Board with responsibility for overseeing the remuneration of Directors, chief executive officer and the executive team

"Completion"	the completion of the Sale and Purchase Agreement pursuant to the terms and conditions thereof
"Completion Date"	the date on which the completion of the Sale and Purchase Agreement occurs, which is the same as the Listing Date
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration Share(s)"	our Shares to be issued to China National Gold Hong Kong and Rapid Result in satisfaction of the consideration pursuant to the Sale and Purchase Agreement
"Controlled Entity"	Any entity in which China National Gold holds an interest as a controlling shareholder (as defined in the Listing Rules), including but not limited to Zhongjin Gold Corporation
"Controlling Shareholder(s)"	China National Gold and China National Gold Hong Kong, which has the meaning ascribed thereto under the Listing Rules, and "controlling interest" will be construed accordingly
"CSH CJV"	Inner Mongolia Pacific Mining Co. Limited (內蒙古太平礦業有限公司), formerly known as Ningxia Pacific Mining Co. Limited (寧夏太平礦業有限公司), a CJV company formed under the laws of the PRC on April 29, 2002, which owns and operates the CSH Mine, in which our Group holds a 96.5% interest through our wholly-owned subsidiary, Pacific PGM
"CSH Mine"	Chang Shan Hao mine (長山壕礦), a gold mine located in Wulate Zhong Qi in Inner Mongolia, in which our Group holds a 96.5% interest through our wholly-owned subsidiary, Pacific PGM
"CSH Technical Report"	the technical report prepared by Independent Technical Expert relating to the CSH Mine as set out in "Appendix V-A — Independent Technical Report for the CSH Mine" to this prospectus
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets

"CAD"	Canadian dollars, the lawful currency of Canada
"Dadiangou CJV"	Gansu Pacific Mining Company Limited (甘肅太平礦業有限公司), a CJV company formed under the laws of the PRC on September 18, 2006 which owned and operated the Dadiangou Project, in which our Group held 71% interest through our wholly-owned subsidiary, Gansu Mining and which is in the process of completing liquidation procedures
"Dadiangou Project"	大店溝礦, a mineral property located in Taiyangsi Township and Dangchuan Town in Gansu Province, in which our Group held 71% interest through our wholly-owned subsidiary, Gansu Mining and which is in the process of being transferred to Gansu Zhongjin Gold Mining Co. Ltd.
"Director(s)"	director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended on March 16, 2007 and effective from January 1, 2008
"ETF(s)"	Exchange traded fund(s)
"Enlarged Group"	collectively, our Group and the Skyland Group
"Gansu Mining"	Gansu Mining Company (Barbados) Limited, a company incorporated in Barbados with limited liability on September 7, 2007, wholly-owned by our Company
"GFMS"	the GFMS Group, a precious metal consultancy based in London, the United Kingdom, specializing in research on global gold, silver, platinum and palladium markets, an independent third party to our Group
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Gold Operating Permit"	the gold operating permit issued formerly by the NDRC and currently by MIIT that must be obtained before any PRC enterprise can engage in mining activities with respect to gold resources

"Green Application Form(s)"	the application form(s) to be completed by White Form eIPO Service Provider designated by our Company
"Group" or "our Group"	the Company and its subsidiaries
"Hatch"	Hatch Management Consulting, a Canada-based management consultancy specializing in the metals and mining industries and provides support services such as market studies, an independent third party to our Group
"Hatch Report"	the non-ferrous metals industry report prepared by Hatch dated November 17, 2010
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 5,366,000 Shares being initially offered by us for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus)
"Hong Kong Public Offering"	the offer by the Company of initially 5,366,000 Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus) for cash at the Offer Price and on the terms and subject to the conditions stated in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Underwriters — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 16, 2010 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters
"Honglu Investment"	Honglu Investment Holding Company Limited (鴻陸投資控股有限公司), a limited liability company incorporated in the PRC on June 18, 2001 under the Company Law, an independent third party to our Group
"Huatailong"	Huatailong Mining Development Co., Ltd. (西藏華泰龍礦業開發有限公司), a limited liability company incorporated in the PRC on January 11, 2007 under the Company Law. Huatailong is a wholly-owned subsidiary of Jia Ertong
"ICSG"	International Copper Study Group, an inter-governmental forum for information related to the production and use of copper
"ILZSG"	International Lead and Zinc Study Group, an inter-governmental forum for information related to the production, use and trade of lead and zinc
"Independent Technical Expert"	Behre Dolbear Asia, Inc.
"Independent Technical Reports"	the independent technical reports for the CSH Mine and Jiama Mine prepared by the Independent Technical Expert as set out in Appendix V-A and Appendix V-B to this prospectus, respectively
"IFRS"	International Financial Reporting Standards
"Inner Mongolia"	the Inner Mongolia Autonomous Region (內蒙古自治區) of the PRC
"International Mining Business(es)"	gold or other non-ferrous mining operations or assets located outside of China
"International Offering"	the offer and sale of 48,294,000 Shares by the Company (i) in the United States only to QIBs in reliance on Rule 144A or another exemption from registration requirements of the U.S. Securities Act and (ii) outside the U.S. (including to professional investors and excluding retail investors in Hong Kong) in accordance with

	Regulation S, as further described in the section headed "Structure of the Global Offering — The Global Offering" in this prospectus
"International Offer Shares"	the Shares offered for subscription and sale pursuant to the International Offering
"International Underwriters"	the group of international underwriters that is expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering which is expected to be entered into by, among others, the Company, the Sole Global Coordinator, the Joint Bookrunners and the International Underwriters on or around November 23, 2010
"Ivanhoe"	Ivanhoe Mines Limited, a company incorporated under the laws of Yukon Territory, Canada on January 20, 1994 whose shares are listed on the TSX, an independent third party to our Group
"Jia Ertong"	Jia Ertong Mining Development Co., Ltd. (西藏嘉爾通礦業開發有限公司), a limited liability company incorporated in the PRC on October 31, 2003 under the Company Law. Jia Ertong is a wholly-owned subsidiary of Skyland
"Jiama Mine"	Jiama mine (甲瑪礦), a large copper-polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet, in which the Group will hold 100% interest through its proposed wholly-owned subsidiary, Skyland, upon completion of the Skyland Acquisition
"Jiama Technical Report"	the technical report prepared by the Independent Technical Expert relating to the Jiama Mine as set out in "Appendix V-B — Independent Technical Report for the Jiama Mine" to this prospectus
"Joint Bookrunners"	Citi and BOCI
"Joint Lead Managers"	Citi and BOCI
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, an internationally accepted mineral

	resource or ore reserve classification system which was first published in September 1999 and revised in December 2004
"km"	kilometer(s)
"Latest Practicable Date" or "LPD"	November 10, 2010
"LBMA"	London Bullion Market Association, a London-based trade association that represents the wholesale gold and silver bullion market in London
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about December 1, 2010, on which the Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"LME"	London Metal Exchange, an international non-ferrous metals exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"Ministry of Commerce" or "MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Ministry of Land and Resources" or "MOLAR"	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"NINETC"	Nuclear Industry Northwest Economic and Technology Company (核工業西北經濟技術公司), a public institution established in the PRC on November 9, 1992 under the Administrative Regulation on Governing the Registration of Legal Corporation (《企業法人登記管理條例》), our CJV partner of the Dadiangou CJV
"Ningxia Nuclear"	Ningxia Nuclear Industry Geological Exploration Institution (寧夏回族自治區核工業地質勘查院) (formerly known as Brigade 217), a public institution established in the PRC on September 20, 1956, our CJV partner of the CSH CJV
"Nominating and Corporate Governance Committee"	a committee of the Board with responsibility for overseeing the nomination of Directors, chief executive officer and the executive team
"Notice of Articles"	the Notice of Articles of the Company adopted on March 9, 2004 and amended on October 15, 2010
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會), the national legislative body of the PRC
"NI 43-101"	National Instrument 43-101 — Standards of Disclosure for Mineral Projects, the primary rule governing mineral property disclosure under Canadian securities laws, which was initially enacted in February 2001 and revised in December 2005
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK$44.96 and expected to be not less than HK$37.21, at which the Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by the Company to the International Underwriters, exercisable by the Sole Global Coordinator pursuant to the International Underwriting Agreement in whole or from time to time up to (and including) the date which is the 30th day after the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 8,049,000 additional Shares, representing approximately 15% of the number of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
"oz"	ounce(s)
"Pacific PGM"	Pacific PGM (Barbados) Inc., a company incorporated in Barbados with limited liability on September 6, 2007, wholly-owned by our Company
"Pacific PGM BVI"	Pacific PGM Inc, a limited liability company incorporated on May 17, 2001 under the laws of BVI, wholly-owned by our Company
"PBOC"	the People's Bank of China, the central bank of the PRC
"PRC government" or "PRC Government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Pre-IPO Share Option(s)"	the 2006 Pre-IPO Share Option(s) and the 2007 Pre-IPO Share Option(s)
"Price Determination Date"	the date, expected to be on or around November 23, 2010 and in any event no later than November 27, 2010, on which the Offer Price is fixed for the purpose of the Global Offering
"QIBs"	qualified institutional buyers within the meaning of Rule 144A

"Rapid Result"	Rapid Result Investment Limited, an investment holding company incorporated in BVI with limited liability on September 22, 2006, which is beneficially owned by various individuals and a family trust, all of whom are independent third parties to our Group
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Safety, Health and Environmental Committee"	a committee of the Board with responsibility for overseeing health, safety and environment related compliance matters of our Group
"Sale and Purchase Agreement"	the sale and purchase agreement executed by and among our Company, Rapid Result and China National Gold Hong Kong on August 30, 2010 in relation to the Skyland Acquisition
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SEDAR"	the computer system for the transmission, receipt, acceptance, review and dissemination of disclosure documents of public companies and investment funds in Canada that is known as the System for Electronic Document Analysis and Retrieval; it was developed for the Canadian Securities Administrators to facilitate the electronic filing of securities information as required by the securities regulatory agencies in Canada
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shanghai Gold Exchange"	Shanghai Gold Exchange (上海黃金交易所), approved by the State Council and founded by the People's Bank of China, which organizes gold transactions in China and performs regulated functions as stipulated by the applicable PRC rules and regulations as amended from time to time
"Shanghai Stock Exchange"	Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	common share(s) in the capital of the Company without par value
"Shareholder(s)"	holder(s) of the Share(s)
"Skyland"	Skyland Mining Limited, a company incorporated in the Cayman Islands with limited liability on October 6, 2004. As of the Latest Practicable Date, Skyland was owned (i) 51% by China National Gold Hong Kong and (ii) 49% by Rapid Result
"Skyland Acquisition"	the acquisition of Skyland pursuant to terms and conditions of the sale and purchase agreement dated August 30, 2010 executed by and among the Company, China National Gold Hong Kong and Rapid Result
"Skyland Group"	Skyland and its subsidiaries
"Sole Global Coordinator"	Citi
"Sponsor" or "Sole Sponsor"	Citi
"Stabilizing Manager"	Citi
"sq.km."	square kilometer(s)
"State"	the central government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it in the Listing Rules

"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
"Track Record Period"	the three years ended December 31, 2009 and the six months ended June 30, 2010
"Tibet"	the Tibet Autonomous Region (西藏自治區) of the PRC
"TSX" or "Toronto Stock Exchange"	the Toronto Stock Exchange
"TSX Listing Policies"	the TSX Company Manual, its appendices and Staff Notices to Applicants, Listed Issuers, Securities Lawyers and Participating Organizations, as amended from time to time
"TSX Venture Exchange"	the TSX Venture Exchange, one of the two national stock exchanges of Canada, focusing on micro, small cap and emerging growth companies that do not satisfy the listing criteria of the TSX
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended
"VAT"	value added tax
"we" or "us" or "our"	our Company and our subsidiaries upon the Completion or, where the context so requires, in respect of the period before the Completion, our Company and our subsidiaries excluding Skyland Group, except where the context makes it clear that the reference is only to our Company itself and not to the Group
"WFOE"	a wholly foreign owned enterprise formed under the laws of the PRC

"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO (**www.eipo.com.hk**)
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Xinjiang"	Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC
"Xinjiang CJV"	Yunnan Xindian Mining Co. Limited (雲南鑫滇銅礦礦業有限公司), a CJV company formed under the laws of the PRC on April 18, 2003, which owns and operates the Xinjiang Project, which is 99% owned by Red Harvest and 1% by Li Liande, both independent third parties to our Group
"Xinjiang Project"	prospective mineral properties located in Changsheng and Xingou in Xinjiang Uygur Autonomous Region of China, which is 99% owned by Red Harvest and 1% by Li Liande, both independent third parties to our Group
"Yunnan Geological"	Yunnan Geological and Mining Co. Limited (雲南地質礦業有限公司), a limited liability company incorporated in the PRC on September 19, 1996 under the Company Law, our former CJV partner of the Xinjiang CJV
"Yunnan Southern Copper"	Yunnan Southern Copper (Barbados) Inc, a company incorporated in Barbados with limited liability on September 7, 2007, wholly owned by our Company
"Zhongjin Gold Corporation"	Zhongjin Gold Corporation Limited (中金黃金股份有限公司), a limited liability company incorporated on June 23, 2000 under the laws of the PRC, whose shares are listed on the Shanghai Stock Exchange since August 2003, in which China National Gold, our Controlling Shareholder, holds 52.4% interest
"2006 Pre-IPO Share Option Scheme"	the share option scheme adopted by our Company pursuant to the resolutions of our Shareholders passed at the annual general

	meeting held on May 25, 2006, further details of which are described in “Appendix VIII — Statutory and General Information — Pre-IPO Share Options” to this prospectus
“2006 Pre-IPO Share Option(s)”	the share option(s) granted under the 2006 Pre-IPO Share Option Scheme
“2007 Pre-IPO Share Option Scheme”	the share option scheme adopted by our Company pursuant to the resolutions of our Shareholders passed at the annual general meeting held on May 9, 2007, further details of which are described in “Appendix VIII — Statutory and General Information — Pre-IPO Share Options” to this prospectus
“2007 Pre-IPO Share Option(s)”	the share option(s) granted pursuant to the 2007 Pre-IPO Share Option Scheme

The mineral resource and reserve statements in this prospectus have been prepared in accordance with the JORC Code, while reconciliations under the CIM Standards are also set forth in the Independent Technical Reports. The following summarizes the JORC Code and CIM Standards. There is no material difference between the two classification systems other than that under the CIM Standards, the inferred mineral resource cannot be combined with measured and indicated resources, whereas under the JORC Code, the measured, indicated and inferred resources may be combined in resource statement.

THE JORC CODE

The JORC Code is an internationally accepted mineral resource/ore reserve classification system established in Australia. It was first published in February 1989 and most recently revised in December 2004. The JORC Code is commonly used in independent technical reports for mineral resource and ore reserve statements of public companies reporting to the Stock Exchange.

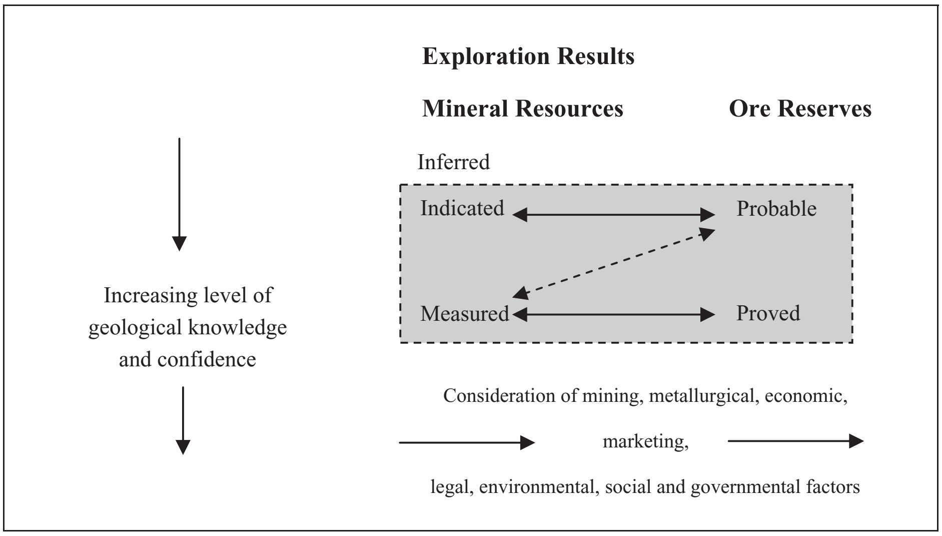
The JORC Code defines "mineral resource" as a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are subdivided, in order of decreasing geological confidence, into measured, indicated and inferred categories, which are further described as follows:

- measured mineral resource. This category is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity;
- indicated mineral resource. This category is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed; and
- inferred mineral resource. This category is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed, but not verified, geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

The JORC Code defines "ore reserve" as the economically mineable part of a measured and/or indicated mineral resource. The JORC Code deems inferred mineral resources to be too poorly delineated to be transferred into an ore reserve category. Reserves must account for diluting materials and losses which may occur when the material is mined. In order to declare reserves an issuer must also complete relevant assessments and studies, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and government factors. This includes an assessment of mining dilution, mining losses and a comprehensive level of mine planning, design and scheduling. These assessments need to demonstrate at the time of reporting that extraction of the applicable measured and indicated resources that form the basis of the reserves could reasonably be justified. Ore reserves are sub-divided in order of decreasing confidence into proven ore reserves and probable ore reserves, which are further described as follows:

- proved ore reserve. This category is the economically mineable part of a measured mineral resource which has the highest confidence category of reserve estimates. The style of mineralization or other factors could mean proved ore reserves are not achievable in some deposits; and
- probable ore reserve. This category is the economically mineable part of an indicated mineral resource, and in some circumstances, a measured mineral resource which has a lower level of confidence than proved ore reserves, but is of sufficient quality to serve as the basis for a decision on the development of the deposit.

The following diagram summarises the general relationship between exploration results, mineral resources and ore reserves under the JORC Code:



Ore reserves are generally quoted as comprising a portion of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. Under the JORC Code either procedure is acceptable, provided the method adopted is clearly identified.

THE CIM STANDARDS

NI 43-101 was initially enacted in February 2001, and most recently revised in December 2005. NI 43-101 is the primary rule governing mineral property disclosure under Canadian securities laws. NI 43-101, in turn, adopts the CIM Standards for the reporting of resource and reserve disclosure under NI 43-101. Accordingly, mineral resource and reserve reporting by public companies in Canada needs to conform to CIM Standards.

The resource and reserve classification system of CIM Standards is very similar to that of the JORC Code. Under CIM Standards, a "mineral resource" is defined as a concentration or occurrence of diamonds, natural, solid, inorganic or fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Under CIM Standards, mineral resources are subdivided, in order of decreasing geological confidence, into measured, indicated and inferred categories, which are further described as follows:

- measured mineral resource. This category is that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

- indicated mineral resource. This category is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

- inferred mineral resource. This category is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

A mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve must also include diluting materials and allowances for losses that may occur when the material is mined. Ore reserves are subdivided in order of decreasing confidence into proven reserves and probable reserves, which are further described as follows:

- probable mineral reserve. This category is the economically mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

- proven mineral reserve. This category is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

This glossary contains definitions of certain terms used in this prospectus in connection with the Group and its business. Some of these may not correspond to standard industry definitions.

"adit"	a horizontal tunnel or drive from the surface into a mine
"Au9999, Au9995, Au999, Au995"	the common standard for denoting gold purity adopted by the Shanghai Gold Exchange to conform with international practice, in which Au9999 and Au9995 gold denote gold contents of 99.99% and 99.95% or above, respectively, while Au999 and Au995 gold denote gold contents of 99.9% and 99.5% or above, respectively
"chlorination process"	the treatment of the combination with chlorine or a chlorine compound
"comminution"	the crushing and grinding of ore
"concentrate"	a powdery product containing an upgraded mineral content resulting from initial processing of mined ore to remove some waste materials. A concentrate is an intermediary product, which would still be subject to further processing, such as smelting, to effect recovery of metal
"copper concentrate"	concentrate produced from sulphide copper ore, which typically contains around 30% of copper
"crusher"	a machine for crushing rocks to smaller grain size
"cumulative recovery rate"	the ratio of cumulatively recovered gold from the heap leach process to the cumulative gold loaded on the leach pad
"cut-and-fill"	a method of stoping in which ore is removed in slices, or lifts, with the excavation subsequently filled with rock or other waste material (backfill), before the next slice is extracted
"cut-off"	the lowest grade of mineralised material that qualifies as ore that will meet further operating costs in a given deposit
"deposit" or "mineral deposit"	a body of mineralization containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure. A deposit may not have a realistic expectation of being mined; therefore it may not be classified as a resource or a reserve

"dilution"	the reduction of grade for mined ore due to the inclusion of waste material in the mined ore
"dip"	the inclination of a geologic structure from the horizontal; dip is measured downwards at right angles to the strike
"drilling"	a technique or process of making a circular hole in the ground with a drilling machine, which typically occurs to obtain a cylindrical cone as a sample of ore. Alternatively, blasthole drilling is where the drilling technique is used to create a hole to house an explosive charge in preparation for blasting a zone of rock
"exploration"	activity to prove the location, volume and quality of an ore body
"ferromolybdenum"	production of the reduction of technical Mo oxide in the presence of iron, with a typical analysis of 60-70% Mo (remainder iron)
"ferrous"	containing iron
"fineness"	the purity of gold, expressed in parts per thousand
"fine troy ounce"	troy ounce
"flotation"	a process by which some mineral particles are induced to become attached to bubbles of froth and float, and others to sink, so that the valuable minerals are concentrated and separated from the remaining rock or mineral material
"foul carbon"	the carbon that is switched out of the processing circuit after the carbon activity drops to an unacceptable point and does not absorb gold efficiently, due to scaling and other effect after numerous reuse and regeneration
"geochemical"	a prospecting technique which measures the chemical content of certain metals in soils and rocks and defines anomalies for further testing
"gold bullion"	refined gold in the form of bars
"gold dore"	a crude gold, silver bullion, usually produced at the mine site and sent to a refiner where the silver and gold are parted and the gold is refined to commercial-grade gold bullion. The gold content in dore is typically between 50% and 90%

"gold equivalent"	non-gold resources equal to the number of oz of gold aggregated with, without limitation, the monetary value of resources of minerals such as silver and copper expressed in terms of the equivalent number of oz of gold required to record the same monetary value at the then prevailing commodity prices
"gpt"	grams per tonne
"Grade A contract"	a standard copper contract traded on LME, with quality of Electrolytic Copper cathodes Grade A and trading unit of 25 tonnes
"grade", "grading" or "ore grade"	the relative amount of valuable elements or minerals contained in a parcel of ore material. For gold, grade is commonly expressed in grams per tonne terms
"hornfels-type resource"	a mineral resource hosted by hornfels, which is a metamorphic rock usually formed by heat metamorphism near the contact zone of an igneous intrusion
"hydrometallurgical process"	the treatment of ore by wet processes, such as leaching, resulting in the solution of a metal and its subsequent recovery
"indicated mineral resource(s)" or "indicated resource(s)"	see the definition under both the JORC Code and the CIM Standards in "Summary of the JORC Code and CIM Standards"
"inferred mineral resource(s)" or "inferred resource(s)"	see the definition under both the JORC Code and the CIM Standards in "Summary of the JORC Code and CIM Standards"
"leach"	to dissolve minerals or metals out of ore with chemicals
"lead alloy"	a type of lead product, which typically contains lead and other metals
"lead concentrate"	concentrate whose main mineral content is lead and silver
"measured mineral resource(s)" or "measured resource(s)"	see the definition under both the JORC Code and the CIM Standards in "Summary of the JORC Code and CIM Standards"

"mineral processing"	the treatment of mineral products into concentrate products
"mineral resources"	see the definition under both the JORC Code and the CIM Standards in "Summary of the JORC Code and CIM Standards"
"mineralization"	an area with discontinuous distribution belts of mineralization, including the occurrence of deposits, mine sites and alteration of waste rock, as exploration indicators and under control of same geology conditions. It is a key zone for estimation and further planning of exploration of minerals
"molybdenum concentrate"	concentrate whose main mineral content is molybdenum, usually containing 45-53% of molybdenum
"molybdenum oxide"	roasted molybdenite concentrate, also known as Technical Mo Oxide, which typically contains 56-58% Mo and no more than 0.5% Cu
"Moz"	million ounces
"non-ferrous metals"	metals other than iron and alloys that do not contain appreciable amount of iron
"open-pit mining"	mining of a deposit from a pit open to surface and usually carried out by stripping of overburden materials
"operating cash costs"	includes mining costs, processing costs, general and administration costs, selling costs, environmental protection costs, production taxes, resource compensation levy, interests on loans, and other cash cost items
"ore"	mineral bearing rock which can be mined and treated profitably under current or immediately foreseeable economic conditions
"ore processing" or "processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical methods

"ore reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, and social and government factors, as defined in the JORC Code. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into probable ore reserves and proved ore reserves
"price participation"	the involvement of an extra payment to smelters when the price of copper exceeds a certain value (normally 90 cents a pound). The payment is equal to a certain percentage (generally 10 per cent) of the difference between the purchase price and the market price
"primary gold supply"	the largest source of gold, which includes primary gold production and net producer hedging
"probable mineral reserve(s)" or "probable reserve(s)"	see the definition under both the JORC Code and the CIM Standards in "Summary of the JORC Code and CIM Standards"
"proved mineral reserve(s)" or "proved reserve(s)"	see the definition under both the JORC Code and the CIM Standards in "Summary of the JORC Code and CIM Standards"
"pyrometallurgical process"	an ore-refining process, such as smelting, dependent on the action of heat
"recovery rate"	the percentage of metal produced compared to the amount of metal contained in the feed ore in the context of a processing plant, or the percentage of metal produced compared to the amount of metal contained in the feed concentrates in the context of a smelting plant
"refined copper" or "cathode copper"	copper produced from copper ore which can be used to produce copper products or copper alloy

"refined lead"	refined lead produced from lead-silver concentrate, which can be used to produce lead products or lead alloy
"refining"	the final stage of the metallurgical process of refining crude metal products to a pure or very pure end-product
"refining charge"	the price paid by a mining company to a smelter for refining the contained precious metals (and copper) in their concentrate's to produce a payable metal
"refractory gold ores" or "refractory concentrates"	gold ores or concentrates which give a relatively low extraction of gold when treated in a conventional process such as leaching in an alkaline cyanide solution without any pre-treatment
"rehabilitation"	revegetation of new disturbed by mining by planting an appropriate mixture of trees, shrubs and ground covers
"ROM" or "run-of-mine"	raw mined material in its natural, unprocessed state
"secondary gold"	gold produced from gold scrap
"secondary refined copper"	refined copper, which is produced from copper scrap
"skarn-type resource"	a mineral resource hosted by skarn, which is a metamorphic rock usually formed by chemical metasomatism in the contact zone of a granitic intrusion with carbonate rocks
"smelting"	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
"sphalerite ZnS"	a mineral composed of zinc sulfide, which typically contains iron and cadmium
"standard gold" and "non-standard gold"	standard gold refers to gold bullion which satisfies both standard content requirements (Au9999, Au9995, Au999, Au995) and standard weight requirements (50 g, 100 g, 1kg, 3 kg, 12.5 kg) set by the Shanghai Gold Exchange, while non-standard gold refers to other gold bullion which does not satisfy such requirements

"stope"	an underground excavation from which ore is being extracted
"stoping "	removal of the ore from an underground mine leaving behind an open space known as a stope
"strike"	the course or bearing of the outcrop of an inclined bed on a level surface
"stripping ratio"	the ratio of overburden and segregable waste to ore in an open-pit operation
"sulphide copper"	a main type of copper resource
"tailings"	the waste materials (residue) produced by the processing plant after extraction of valuable minerals
"tailing dam"	a storage facility for tailings
"tonne"	metric ton
"tpa"	tonnes per annum
"treatment charge"	the charge paid by a mining company to have their concentrate treated through a smelter to produce saleable metal
"troy ounce"	a measurement of weight for precious metals; one troy ounce equals 31.1035 grams
"underground mine"	openings in the earth accessed via shafts and adits below the land surface to extract minerals
"vein"	sheet-like body of minerals formed by fracture filling or replacement of host rock
"zinc concentrate"	concentrate whose main mineral content is zinc, which is a widely traded mineral product as refined zinc and zinc alloy products

This prospectus contains forward-looking statements that relate to our beliefs, expectations, intentions or predications for the future. These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our capital expenditure plans;
- our operations and business prospects;
- our financial condition;
- the development and expansion plans and schedules for our mines;
- the regulatory environment as well as the industry outlook generally; and
- general economic trends in China.

The forward-looking statements reflect the current view of the management with respect to future events and are, by their nature, subject to risks, uncertainties and assumptions, including those described in the section "Risk Factors" in this prospectus.

By their nature, forward-looking statements involve numerous assumptions, both general and specific, which may cause the our actual results, performance or achievement to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the key assumptions include, among others,

- the absence of any material adverse change in our 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 tax rates and other assumptions underlying our financial performance as listed in the Independent Technical Reports;
- our ability to obtain regulatory 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 us; and
- the performance by counterparties of the terms and conditions of all contracts to which we are a party.

In some cases, words such as "believe", "will", "may", "should", "expect", "intend", "anticipate", "estimate", "project", "plan", "potential" and similar expressions are used to identify forward-looking statements. We can provide no assurances that those expectations and intentions will prove to have been correct, and you are cautioned not to place undue reliance on such statements. All forward-looking events or circumstances contained in this prospectus might not occur in the manner we expect. Accordingly, you should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below in respect of our business and the industry, before making an investment in the Offer Shares. You should pay particular attention to the fact that our principal operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Offer Shares in this Global Offering could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in our operations, many of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting operations in the PRC; and (iii) risks relating to the dual primary listing and the Global Offering. Additional risks and uncertainties not presently known to us, not expressed or implied below or that we presently deem immaterial could also materially and adversely affect our business, financial condition and results of operations. You should consider carefully all the information set forth in this prospectus in connection with an investment in us.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Fluctuations in the market prices of gold and other non-ferrous metals that we produce could materially and adversely affect our business and results of operations.

Substantially all of our revenues and cash flows from operating activities are derived from the sale of gold dore bars. We expect that, following the completion of Skyland Acquisition, we will derive an increasing portion of our revenues and cash flows from sales of other non-ferrous metal concentrates produced at the Jiama Mine, including copper, molybdenum, gold, silver, lead and zinc as it has commenced commercial production since September 2010 and continues to ramp up its production capacity.

Historically, the market prices for gold, copper, molybdenum, silver lead and zinc have fluctuated widely and experienced periods of significant decline. Their prices are influenced by numerous factors and events which are beyond our control such as world demand and supply, forward selling activities, gold reserve movements at central banks, costs of production by other producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (especially the strength of the U.S. dollar), as well as general global economic conditions and political trends. If market prices of gold and other non-ferrous metals that we produce should fall due to these and other factors and events, our business, results of operations and the price of our Shares could be materially and adversely affected.

We have a limited operating history and our future revenues and profits are subject to uncertainties.

We were primarily engaged in exploration activities and mine construction before we commenced commercial production at the CSH Mine and started to generate revenue in July 2008. We are also acquiring Skyland (including the Jiama Mine it owns) concurrently with the completion of the Global Offering. The Jiama Mine is a large-scale mining operation that has recently commenced commercial production. As of June 30, 2010, Skyland's total assets amounted to US$253.5 million, as compared to US$195.4 million for our Group. The Jiama Mine is still in the development stages. It commenced commercial production in September 2010 and expects to further increase its processing capacities over time as it continues the construction and development of the mine. Any delay in achieving the production rates or meeting the schedule for mine and processing facility construction and expansion will delay realization of anticipated revenues from the Jiama Mine. Therefore, our operating results for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010 are not indicative of future operating results and prospects.

Our acquisition of Skyland may not yield the benefits we anticipate, which could materially and adversely affect our business and results of operations.

After we acquire Skyland, we expect to benefit from substantial synergies between our Company and the Skyland Group by building on the joint management experience in the mining industry and the combined research and development capacities. We also believe our increased mineral resources and enlarged production scale resulting from our acquisition of Skyland will present us with further growth opportunities in a broader spectrum of market sectors and allow us to reduce our overall exposures to volatility within any single mineral market.

However, we may encounter difficulties in integrating acquired operations, services, corporate culture and personnel into our existing business and operations. Further, we may discover previously unidentified liabilities or other issues that we did not discover in our pre-acquisition due diligence investigations. These activities may divert significant management attention from existing business operations, which may harm our business. In addition, this acquisition will require our management to develop expertise in new areas, manage new business relationships and attract new types of customers. Failure to generate the synergies we anticipate from the combination of our current operations at the CSH Mine and Jiama Mine could materially and adversely affect our business and results of operations.

If our relationship with China National Gold materially changes, our growth prospects and results of operations may be materially and adversely affected.

China National Gold is, and will continue to be upon completion of the Global Offering, our Controlling Shareholder. We have historically benefited significantly from our relationship with China National Gold, and a key aspect of our strategy is to continue to capitalize on this relationship. However, we cannot assure you that our relationship will not change significantly in the future or that our strategy will be effectively implemented. For instance, China National Gold may determine to reduce resources on its international expansion efforts. It may also determine to conduct its overseas activities through another acquired overseas-listed company, another controlled entity listed overseas or in China, or by itself. In addition, we may not be able to effectively identify, complete or integrate acquisition targets overseas.

Furthermore, China National Gold has undertaken not to compete with us in the International Mining Business. As part of its undertaking, China National Gold has granted us preferential rights on future international gold and non-ferrous business opportunities as well as a right of first refusal and a call option right relating to such businesses. However, such non-competition undertaking will be terminated if, among other things, China National Gold ceases to be our Controlling Shareholder. We cannot assure you that China National Gold will not sell its shares upon expiration of its lockup period or that third parties will not acquire our shares, resulting in China National Gold ceasing to be our Controlling Shareholder.

Moreover, China National Gold has also undertaken to procure all Controlled Entities (including Zhongjin Gold Corporation) to abide by its non-competition undertaking to us. However, as none of the Controlled Entities (including Zhongjin Gold Corporation) is a party to, or otherwise legally bound by, China National Gold's non-competition undertaking to us, there can be no assurance that the Controlled Entities will not compete with us for International Mining Business opportunities in the future. In particular, as a publicly listed company in China, the directors and management of Zhongjin Gold Corporation are required to make business decisions in the interests of its shareholders as a whole and thus may decide to pursue an investment or acquisition opportunity that is inconsistent with China National Gold's non-competition undertaking to us.

China National Gold has, through three undertakings, undertaken not to compete with its other subsidiary, Zhongjin Gold Corporation, which is a public company listed on the Shanghai Stock Exchange in the PRC and primarily engaged in the exploration, mining and smelting of gold and related by-products in the PRC. On August 31, 2010, Zhongjin Gold Corporation issued an announcement confirming that the acquisitions by China National Gold, through China National Gold Hong Kong, of controlling interests in our Company in May 2008 and in Skyland in February 2009 do not fall within the scope of these three undertakings. Haiwen & Partners, our PRC legal advisers, is of the view that such public announcement, as approved by the board of directors of Zhongjin Gold Corporation, does not vary or amend the terms of the three undertakings, but the possibility that the public shareholders of Zhongjin Gold Corporation will dispute the validity and effect of such public announcement cannot be ruled out. In the case of an alleged breach by China National Gold of its non-competition undertakings to Zhongjin Gold Corporation, the public shareholders of Zhongjin Gold Corporation may bring legal action against China National Gold to seek, among other things, specific performance by China National Gold by demanding China National Gold to transfer the related mining business and assets to Zhongjin Gold Corporation. However, applicable PRC statute of limitation for public shareholders to bring such lawsuit is two years, starting from the date when the public shareholders first become aware, or should become aware, of the alleged breach.

Under China National Gold's non-competition undertaking to us, we will have priority in acquiring mining assets located outside of China but, with respect to any mineral assets located in China that are held directly or indirectly by an offshore company, we will have the right to take up the business opportunity after Zhongjin Gold Corporation has reviewed and decided not take up such business opportunity. We cannot assure you that the public shareholders of Zhongjin Gold Corporation will not dispute the validity and effect of our right to take up such business opportunity.

If any of the above events, or any other event that could materially affect our relationship with China National Gold, occurs in the future, our growth prospects, operations, revenue and profitability will be materially and adversely affected. The price of our Shares may also decline significantly.

We experienced net losses for certain years during the Track Record Period, and there is no assurance that we will be profitable in the future.

In 2007 and 2009, we experienced net losses of approximately US$30.4 million and US$8.4 million, respectively. Although we had net income of approximately US$14.9 million in 2008, it was primarily attributable to fair value gain on warrant liabilities of US$12.8 million and foreign exchange gain of US$8.1 million, which were non-recurring in nature. As a result of the significant historical losses, we had accumulated deficits of US$70.7 million, US$56.1 million, US$65.5 million and US$65.0 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. During the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, Skyland Group experienced net losses of approximately US$16.9 million, US$13.0 million and US$8.5 million, respectively. We expect to continue to incur increased costs and operating expenses as we continue to implement our development and expansion plans. If our net revenue do not increase to offset any expected increases in costs and operating expenses, we will not be profitable. You should not consider our revenue growth in recent periods as indicative of our future performance. Net revenue in the future periods could decline or grow more slowly than we expect.

We and Skyland Group had net current liabilities and significant net cash outflows from operating and investing activities during the Track Record Period.

We had net current liabilities of US$8.2 million and US$9.4 million as of December 31, 2008 and 2009, respectively, while we recorded net current assets of US$14.7 million and US$12.9 million as of December 31, 2007 and June 30, 2010, respectively. The principal reason for our net current liability position as of December 31, 2008 and 2009 was because we took on short-term bank borrowings to fund part of our capital expenditure and incurred accounts payable and accrued expenses in relation to the installation of the crushing facilities and mining services provided by third-party contractors for the CSH Mine. Skyland had net current liabilities of US$0.9 million, US$25.4 million, US$19.5 million and US$36.9 million as of December 31, 2007, 2008 and 2009 and June 30, 2010. Skyland's net current liabilities positions were mainly attributable to borrowings, construction costs and other payables and the fact that the Jiama Mine had not commenced production during the relevant periods.

In addition, during the Track Record Period, as we were in the early stages of mining development and commercial production, we had experienced significant cash outflows from operating and investing activities. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we had net cash outflows from operating activities of US$7.7 million and US$33.0 million, net cash inflows from operating activities of US$10.8 million and net cash outflows from operating activities of US$14.3 million, respectively, and net cash outflows from investing activities of US$22.5 million, US$11.1 million and US$31.4 million and net cash inflows from investing activities of US$1.5 million, respectively. For the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, Skyland Group had net cash outflows from operating activities of US$10.3 million and US$2.0 million, and net cash inflows from operating activities of US$21.4 million, respectively, and net cash outflows from investing activities of US$36.5 million, US$91.8 million and US$32.1 million, respectively. We had sought and obtained financial support from China National Gold to address various liquidity issues. See "Relationship with Controlling Shareholder — Independence from China National Gold — Financial Independence".

A net current liability or negative operating and other cash flow position may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. If we are unable to meet our debt and interest repayment obligations, our creditor(s) could choose to demand immediate repayment, which could result in a complete loss of investment for our equity holders if we are not able to repay such obligations, the result of which could materially and adversely affect our business and results of operations.

We depend on our two operating mines, namely, the CSH Mine and the Jiama Mine, for substantially all of our revenue and cash flow from operating activities for the foreseeable future. Failure to obtain the expected economic benefits from these mines could materially and adversely affect our business, financial condition and results of operations.

Our operations are exposed to uncertainties in relation to our operating mines. The CSH Mine and the Jiama Mine will be our only operating mines immediately following the Global Offering and we will depend on them for substantially all of our operating revenue and cash flow for the foreseeable future. If we fail to derive the expected economic benefits from these mines due to a delay or difficulty encountered in the progress or development of these mines, an occurrence of any event that causes these two mines to operate at less than optimal capacity or for other results, our business, financial condition and results of operations could be materially and adversely affected.

We are relatively inexperienced in the acquisition and development of mining assets outside of China and we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future.

Upon the effectiveness of China National Gold's non-competition undertaking to us, we will have a mandate from China National Gold to focus on International Mining Businesses. However, all of our current mining assets are located in China. We are relatively inexperienced in identifying, acquiring and integrating assets outside of China, and have no experience of developing assets outside of China. As a result, our future efforts to acquire and develop mining assets outside of China may not be successful and we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future, which in turn may materially and adversely affect our growth prospects and results of operations.

Fluctuations in exchange rates could materially and adversely affect our financial position and results.

Although our functional currency is the U.S. dollar, we receive all of revenue and incur a large portion of our expenditure in RMB. During the Track Record Period, we have issued promissory notes denominated in Canadian dollars. As a result, our financial position and results are significantly impacted by the exchange rate fluctuations related to the U.S. dollar, the Canadian dollar and RMB.

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we had US$3.3 million of foreign exchange loss, US$8.1 million of foreign exchange gain, US$5.9 million of foreign exchange loss and US$0.3 million of foreign exchange loss, respectively. These foreign exchange losses and gain are largely attributable to the Canadian dollar denominated promissory notes we issued. Foreign exchange rate fluctuation was also a principal factor leading to the significant variations in fair value change on our warrant liabilities. See "Financial Information — Factors Affecting Our Results of Operations — Fair Value Change on Warrant Liabilities." Such foreign exchange gain or loss and fair value change in turn could have a significant impact on our financial position and results. For example, for the year ended December 31, 2008, we had net income of approximately US$14.9 million primarily attributable to the foreign exchange gain of US$8.1 million and a fair value gain of US$12.8 million on warrant liabilities. Excluding such gains, we would incur a net loss in that fiscal year. For the year ended December 31, 2009, we had net loss of approximately US$8.4 million primarily attributable to the foreign exchange loss of US$5.9 million and a fair value loss of US$7.2 million on warrants liabilities. Absent such losses, we would result in a net income in that fiscal year.

In addition, we may acquire international mining assets to expand our business in the future. As a result, we may be subject to greater risk in foreign exchange fluctuations.

The interests of China National Gold, our Controlling Shareholder, may not be the same as, and may conflict with, those of our other shareholders.

China National Gold will hold approximately 38.98% of our outstanding Shares immediately upon completion of the Global Offering (after taking into account the acquisition of Skyland and assuming the Over-allotment Option is not exercised). China National Gold also owns an approximate 52.4% equity interest in Zhongjin Gold Corporation, a public company whose shares are listed on the Shanghai Stock Exchange and whose principal scope of business includes the exploration, mining, processing smelting and refining of gold in the PRC. See "Relationship with Controlling Shareholder" for further information.

The interests of China National Gold may conflict with those of our other shareholders. As the operations of Zhongjin Gold Corporation are substantially larger than those of the CSH Mine and the Jiama Mine in terms of resources, annual gold production and revenue generated from the sale of gold, China National Gold may, for business considerations or otherwise, take actions that favor itself or Zhongjin Gold Corporation instead of the interests of our other shareholders. For example, China National Gold may incorporate and list another overseas company to implement its international expansion strategy. China National Gold may choose to divert any potential acquisition opportunities to itself or Zhongjin Gold Corporation, frustrating our strategy to collaborate with China National Gold to identify acquisition opportunities. China National Gold may reject or delay the exercise of our call option with respect to the mineral properties held by China National Gold. In addition, China National Gold may exercise its influence over us as a controlling shareholder in manners inconsistent with the best interests of our other shareholders. If that occurs, we may lose some of our competitive advantages and our business and results of operations may be materially and adversely affected.

Our reserve and resource estimates are based on assumptions which may prove to be inaccurate, and we may produce less mineral than the current estimates.

Our ore reserves and mineral resources estimates are based on a number of assumptions. If those assumptions prove inaccurate, we could need lower our ore reserves and mineral resources. The accuracy of estimates is a function of the quantity and quality of available data and the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable. There is no assurance that our estimates will prove accurate or that such mineral resources can be mined or processed profitably.

Estimates of our resources and reserves may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which resource and reserve estimates are based may prove to be inaccurate. Resource estimates indicate in-situ mineral occurrences from which valuable or useful minerals may be recovered, but do not take into account whether such resources could be mined or whether valuable or useful minerals could be recovered economically from them, nor do resource estimates incorporate mining dilution or allow for mining losses. The reserve estimates contained in this prospectus represent the amount of minerals that we believe can be mined and processed, based on the selling price that is not lower than our total estimated costs of production and anticipated additional capital expenditures, and are calculated based on estimates of future production costs and metal prices. In the future, we may need to revise our reserve estimates, if, for instance, our production costs increase or the sales prices of metals we produce decrease and as a result, a portion or all of our mineral reserves may become uneconomical to recover. This will result in the lowering of our estimated reserves as well as mine lives.

In addition, compared to "measured" and "indicated" mineral resource category, "inferred" resources have even a greater amount of uncertainty as to their existence and as to whether they can be mined legally or economically. You are cautioned that it cannot be assumed that all or any part of the "inferred resources" will ever be upgraded to a higher category.

The inclusion of reserve and resource estimates should not be regarded as a representation that all these amounts can or will be economically exploited or recovered. Nothing in this prospectus should be interpreted as an assurance of the economic viability of our mines or the profitability of our future operations.

Our failure to achieve our production estimates could have a material adverse effect on our future cash flow, results of operations and financial condition.

Estimates of future production for our mining operations are subject to change. We cannot give any assurance that we will achieve our production estimates. Our failure to achieve our production estimates could have a material and adverse effect on our future cash flow, results of operations and financial condition. The production estimates are based on, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of production. Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed elsewhere in this prospectus, and as set out below:

- actual ore mined varying from estimates in grade, tonnage, and metallurgical and other characteristics;
- lower than estimated recovery rate;
- mining dilution;
- pit wall failures or cave-ins;
- industrial accidents;
- equipment failures;
- natural phenomena such as inclement weather conditions, floods, blizzards, droughts, rock slides and earthquakes;
- encountering of unusual or unexpected geological conditions;
- changes in power costs and potential power shortages;
- shortages of principal supplies needed for operation, including explosives, fuels, equipment parts and lubricating oil;
- litigation; and
- restrictions imposed by government authorities.

Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to our property or the property of others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable. New mining operations frequently experience unexpected problems during the initial development phase. Delays often can occur in the commencement of production. Estimates of production from properties not yet in production or from operations that are to be expanded are based on similar factors (including, in some instances, feasibility studies prepared by our personnel and/or outside consultants), but it is possible that actual cash operating costs and economic returns will differ significantly from those currently estimated. For example, the actual gold recovery rate of 42.3% from the uncrushed ore realized up to December 2009 at the CSH Mine was 8% lower than the estimated recovery rate of 51%. This resulted in the recognition of an impairment in the fair value of our inventory in the amount of approximately US$3.0 million, which in turn was included in our cost of sales for the year ended December 31, 2009. There is no assurance that we will be able to realize the estimated recovery rate at CSH Mine or any other mines operated by us. If we do not realize the estimated recovery rate, our future growth prospects and results of operations may be materially and adversely affected.

Failure to discover new reserves, maintain or enhance existing reserves, develop new operations or expand our current operations could negatively affect our business and results of operations.

Mining exploration is unpredictable in nature. The success of any mining exploration program depends on various factors including, among other things, (i) whether ore bodies can be located; (ii) whether the location of ore bodies are economically viable to mine; (iii) whether appropriate metallurgical processes can be developed and appropriate mining and processing facilities can be economically constructed; and (iv) whether necessary governmental permits, licenses and consents can be obtained.

In order to maintain gold and other non-ferrous metal production beyond the life of the current proved and probable reserves, we must identify further reserves capable of economical exploitation. However, due to the unpredictable and speculative nature of our industry, there is no assurance that any exploration program will result in the discovery of valuable resources. If a valuable resource is discovered, it could take several years and require significant capital expenditure to complete the initial phases of exploration before production commences, and during this period, the capital cost and economic feasibility may change. There is also no assurance that reported resources can be converted into reserves. Furthermore, actual results upon production may differ from those anticipated at the time of discovery.

To access additional reserves in explored areas, we will need to successfully complete development projects, including extending existing mines and developing new mines. We typically conduct feasibility studies to determine whether to undertake significant construction projects. Actual results may differ significantly from those anticipated by our feasibility studies. In addition, there are a number of uncertainties inherent in the development and construction of any new mine or an extension to an existing mine, including: (i) the availability and timing of necessary governmental approvals; (ii) the timing and cost necessary to construct mining and processing facilities, and the availability and cost of smelting and refining arrangements; (iii) the availability and cost of labor, utilities, auxiliary materials and other supplies and the accessibility of transportation and other infrastructure; and (iv) the availability of funds to finance construction and production activities.

Accordingly, there is no assurance that any future exploration activities or development projects will extend the life of our existing mining operations or result in any new economical mining operations.

A portion of our estimated resources and reserves for the CSH Mine falls outside of the scope of our current mining permit. We may not be able to obtain the relevant governmental confirmation if we plan to conduct mining activities on this portion of the CSH Mine.

According to the CSH Technical Report, a portion of the defined mineral resources and mineral reserves at the CSH Mine as of June 30, 2010 are located below the lower elevation limit of the current mining permit for the CSH Mine. We are applying for a confirmation from the relevant government authority in the form of the modification of the renewed exploration permit for the CSH Mine that such exploration permit will also cover the mineral resources and mineral reserves below this lower elevation limit. There is no assurance that we will be able to obtain such confirmation. If we do not obtain such confirmation, our future growth prospects and results of operations may be materially and adversely affected.

Operating costs of the CSH Mine and Jiama Mine may differ from our estimates.

The estimates regarding operating costs of the CSH Mine and the Jiama Mine are based on the Independent Technical Reports. Such estimates are based upon, among other things, (i) anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; (ii) anticipated recovery rates of minerals from the ore; (iii) cash operating costs of comparable facilities and equipment; and (iv) anticipated geographic and climatic conditions. If any of those factors changes or any of the assumptions is inaccurate, actual operating costs, production and economic returns may differ significantly from those estimates.

Our failure to obtain and maintain required government approvals, permits and licenses for our exploration and mining activities or renewals thereof could materially and adversely affect our business and results of operations.

Under relevant PRC laws, we are required to obtain certain government approvals, permits and licenses for each of our mines, among which exploration permits, mining permits, production safety permits and gold operating permits are crucial to our business operations. There is no assurance that we will obtain such approvals, permits and licenses in a timely manner in the future or at all. Any failure to obtain or any delay in obtaining or retaining any required governmental approvals, permits or licenses could subject us to a variety of administrative penalties or other government actions and adversely impact our business operations. Specifically,

- under the "Mineral Resources Law" (礦產資源法) and the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey" (礦產資源勘查區塊登記管理辦法), if we fail to obtain or renew the exploration permit and conduct exploration without valid exploration permits, we may be ordered to cease exploration and subjected to a fine of up to RMB100,000, and for failure to present the annual report of the exploration or pass annual verification, we may be ordered to cease the exploration and subjected to a warning or a fine of up to RMB50,000, and, in the worst case, the exploration permit may be suspended;
- under the "Mineral Resources Law" (礦產資源法) and "Administrative Measures on Registration of Mineral Resources Exploitation" (礦產資源開採登記管理辦法), if we fail to obtain or renew the mining permit and conduct mining without valid mining permits, we may be ordered to cease mining and pay for the damages caused, any mineral products and illicit gains may be confiscated, and we may also be fined; for failure to present the annual

report or pass the annual verification, we may be ordered to cease mining activities and subjected to a warning or a fine of up to RMB50,000, and in the worst case, the mining permit may be suspended;

- under the "Regulations on Production Safety Permit" (安全生產許可證條例), if we fail to obtain the production safety permit, we may be subject to the confiscation of the illicit gains and a fine ranging from RMB100,000 to RMB500,000; if we continue production without duly renewing the production safety permit upon its expiration, we may be ordered to suspend production and take the corrective measures within a prescribed time period, and we may be subjected to the confiscation of the illicit gains and a fine ranging from RMB50,000 to RMB100,000. The Jiama Mine recently completed its construction of production facilities and started commercial production in September 2010, while it is still in the process of going through various post-construction formalities and obtaining the formal production safety permits. Safety assessments are expected to be conducted by the end of 2010, following which production safety permits for the mine are expected to be issued by the relevant government authority; and
- under the "Mineral Resources Law" (礦產資源法) and the "Regulations on Administration of the Permit for Gold Exploitation" (辦理開採黃金礦產批准書管理規定), if we fail to obtain or renew the permit for gold exploitation and engage in gold exploitation without valid permits, we may be ordered to stop the mining, and pay for the damages caused, any mineral products and illicit gains may be confiscated, and we may also be fined.

If any administrative penalties and other government actions are imposed on or taken against us due to our failure to obtain or delay in obtaining or retaining any required governmental approvals, permits or licenses, our business, financial condition and results of operations could be materially and adversely affected.

We may be unable to renew the mining permits or the exploration permits for the CSH Mine and Jiama Mine.

The exploration permits for the Jiama Mine expired in early October 2010. The renewal applications have been submitted and are currently in progress. If we are unable to renew such permits or the exploration permit for the CSH Mine upon its expiration in August 2012, our business and results of operations will be materially and adversely affected. Furthermore, our mining permit for the CSH Mine will expire in August 2013, the mining permit for Tongqianshan area of the Jiama Mine will expire in July 2013 and the mining permit for Niumatang area of the Jiama Mine will expire in July 2015. Under the PRC laws and regulations, if there are residual reserves in a property when the mining permit in respect of such property expires, the holder of the expiring mining permit will be entitled to apply for an extension for an additional term. Our PRC legal advisers are of the view that, if the current relevant PRC laws and regulations, as well as the current mining industry policy, remain unchanged and consistent at the time of our extension application and we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws, rules and regulations and other request of the competent authorities at that time, there will be no material substantive obstacle in renewing such permits; nevertheless, there can be no assurance as to whether the current relevant PRC laws and regulations, as well as the current mining industry policy, will remain unchanged at the time of the extension application of such permits, nor can there be any assurance that the competent authorities will not use their discretions to deny or delay the renewal or the extension of our mining permits due to factors outside our control. Therefore, there can be no assurance that we will successfully renew our mining permits on favorable terms, or at all, once such permits expire.

We may not pass the annual verification of the mining rights to the CSH Mine and Jiama Mine.

Our mining rights for the CSH Mine and Jiama Mine are subject to annual verification by the Department of Land and Resources of Inner Mongolia and Tibet, respectively. In the annual verification, the relevant authorities will consider whether our mining activities in the past year have been in compliance with the relevant laws and regulations. If we do not pass the annual verification for failing to meet the relevant requirements or materially breaching any laws or regulations, we may be penalized according to the relevant laws and regulations or given a deadline to rectify the situation, or our mining rights may be revoked. While we have passed the annual verifications in the past and have not been penalized in the past, we cannot assure you that we will be able to pass the annual verification of our mining rights in the future. Should these rights be suspended or revoked or we fail to pass the annual verification, our business and results of operations will be materially and adversely affected. See "— Our failure to obtain and maintain required government approvals, permits and licenses for our exploration and mining activities or renewals thereof could materially and adversely affect our business and results of operations."

Our future acquisitions may prove to be difficult to integrate and manage or may not be successful.

We intend to continue to acquire high-quality mineral resources as part of our strategy, but we may not identify suitable acquisition opportunities. Even if we do identify suitable opportunities, we may not be able to complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or the inability to complete such transactions could materially and adversely affect our competitiveness and growth prospects. In the event we successfully complete an acquisition, we could face difficulties in integrating the acquisition with our operations or fail to achieve the strategic purpose of such an acquisition. Such difficulties or failures could disrupt our ongoing business, distract our management and employees, and increase our expenses, any of which could materially and adversely affect our business and results of operations.

We own the CSH Mine and the Dadiangou Project through CJV companies, which are established pursuant to CJV agreements. Therefore, we are subject to risks relating to operations through CJV companies.

We have entered into CJV agreements in relation to the CSH Mine and the Dadiangou Project. Although under the existing CJV agreements, we are entitled to appoint a majority of the directors of the CJV company and appoint the general manager of the CJV company (who is responsible for the day-to-day operation and management of the CJV company and implementing resolutions of the board), certain members of the management and boards of directors of the CJV companies are nominated by our CJV partners. Under the CJV Law and the CJV agreements, certain decisions require unanimous consent of the directors present at a meeting of the board, such as (i) amendment to the articles of association of the CJV company, (ii) increase or reduction of the registered capital of the CJV company; (iii) dissolution of the CJV company; (iv) mortgage of the assets of the CJV company; or (v) merger or division of the CJV company or a change in its form of organization; and to the extent unanimous consent cannot be obtained, there is a risk that we will not be able to effect these matters despite our desire to do so.

Furthermore, the exploration permit of CSH Mines currently held by the CSH CJV was injected to it by our CJV partner as its contribution, and to the extent that the exploration permit is subject to any claims by any party for reasons that occurred prior to the injection, the operation of our CSH CJV may be adversely affected.

Also, the exploration and mining permits of the CSH Mine is currently held by the CSH CJV and the operation of the CSH Mine is carried out by the CSH CJV. If our CJV partner makes an early termination of the CSH CJV agreement or materially breaches the CJV agreement, our business and results of operations could be materially and adversely affected.

In addition, our CJV agreements with our CJV partners involve a number of risks, including (i) disputes with our CJV partners as to the performance or scope of each party's obligations under the CJV agreements, (ii) financial difficulties encountered by a CJV partner affecting its ability to perform its obligations under the CJV agreements or other contracts with us, and (iii) conflicts between the policies or objectives adopted by our CJV partners and those adopted by us. For example, we and our CJV partner NINETC have been in a dispute concerning our obligations under the CJV agreement relating to the Dadiangou Project. We believe that we have fully performed our capital contribution obligations and upon making certain additional payments to NINETC, we will be entitled to the specified participating interest in the Dadiangou property. NINETC disagreed with our position and has delayed transfer of title to the relevant exploration permit as required under the relevant CJV agreement. On November 24, 2009, we and NINETC reached an agreement to discontinue the exploration work at the Dadiangou Project and on December 1, 2009, we and NINETC agreed to sell the Dadiangou Project to Shaanxi Taibai Gold Mine Co., Ltd. See "History and Corporate Structure — History and Development — Cooperative Joint Ventures — Dadiangou CJV". We cannot assure you that similar and other disputes will not arise in the future. If any of these disputes or disagreements arises between our CJV partners and us, it could be time-consuming, costly and distracting for us to resolve such dispute or any legal proceedings that develop from the dispute or disagreement. Furthermore, if we receive an adverse decision in any of such legal proceeding, we may be required to pay compensation or damages to our CJV partners. As a result, our business and results of operations could be materially and adversely affected.

Changes in PRC tax laws and regulations could materially and adversely affect our business and results of operations.

Our PRC subsidiaries are subject to, among other things, corporate income tax, resources tax, VAT, city maintenance and construction tax, education surcharge and property tax under PRC laws and regulations. The PRC government increased the resources tax rates of copper, lead and zinc effective August 1, 2007 and the resources tax rate of gold mine effective on May 1, 2006. There is no assurance that the PRC government will not increase the rates of resources tax or other taxes. Any increase in these tax rates could materially and adversely affect our results of operations. For further details, see "PRC Laws and Regulations Relating to the Industry — Laws and Regulations Relating to Taxation".

Our existing and future major capital expenditure projects may not be completed within the expected time frame or within our budget, or at all, and may not achieve the intended economic results.

We intend to incur further capital expenditure to expand our production capabilities at the CSH Mine and the Jiama Mine. We have recently constructed an extension to the leach pad at the CSH Mine to double the leach pad loading capacity to approximately 71 million tonnes of ore. The capital expenditure for this extension is estimated to be approximately US$8.0 million. We also intend to commence the second phase development of the Jiama Mine at the end of 2010 and complete it at the beginning of 2012.

Our existing and future capital expenditure projects could be delayed or adversely affected by a variety of factors, including failure to obtain the necessary regulatory approvals or sufficient funding, construction difficulties, technical difficulties, and manpower or other resource constraints. In particular, recent disruptions, uncertainty or volatility in the capital and credit markets may limit our ability to obtain financing to meet our funding requirements and we may postpone certain construction projects if our Directors determine that doing so would be in the interest of our Group after taking into consideration the then market conditions, our financial performance and other relevant factors. Costs of these projects may also exceed our expectation. Even if we are able to complete the projects without delay and within budget, as a consequence of changes in market circumstances or other factors, we may not be able to achieve the intended economic benefits of these projects. As a consequence of any delay in completing our capital expenditure projects, cost overruns, changes in market circumstances or other factors, we may not derive the expected economic benefits from these capital expenditure projects, and our business and results of operations may be materially and adversely affected.

We may not be able to obtain further financing to fund the expansion and development of our business.

We are in a capital-intensive industry and have relied on a mixture of equity capital and debt financing to fund our operations. We have in the past funded our capital expenditures primarily by cash generated from our operations, the issuance of equity and debt securities and credit facilities. Following the Global Offering, we expect to use cash generated from our operations, net proceeds of the Global Offering and potentially further financing, if required, to meet our business growth objectives, including further development of our existing exploration, mining and processing operations, development of new properties and future acquisitions. Any required additional funding may be sought through the debt and equity markets or through project participation arrangements with third parties, but there is no assurance that we will be able to obtain sufficient funding or obtain funding at all when it is required and that such additional funding will be available on commercially acceptable terms. If any such additional funding is obtained, it may be on terms that are highly dilutive or otherwise adverse to our existing stockholders. Failure to obtain the funding or obtain the funding on commercially acceptable terms that we need when it is required could have a material and adverse effect on our business and results of operations.

Our indebtedness and the conditions and restrictive covenants imposed on us by our financing agreements could materially and adversely affect our business and results of operations.

During the Track Record Period, we had a high level of indebtedness. We may continue to incur significant debt to fund our daily operations and to pursue our expansion plans. Our ability to meet regularly scheduled interest and principal payments on our indebtedness will depend on our future operating performance and cash flow, which in turn will depend on prevailing economic and political conditions and other factors, many of which may be beyond our control. Furthermore, a high level of indebtedness will expose us to interest rate risks which could substantially affect our ability to generate cash or make a profit.

In addition, our financing agreements include various conditions and covenants that require us to obtain lenders' consents prior to carrying out certain activities and entering into certain transactions, such as incurring additional debt, creating additional charges on our assets, providing additional guarantees or disposing of certain assets. In connection with our borrowings and other financing arrangements, we have agreed to comply with various financial and other covenants. For example, under the indenture for the outstanding Series C Notes held by China National Gold, we are required to obtain China National Gold's consents prior to carrying out certain activities and entering into certain transactions, including but not limited to (i) incurring additional debt; (ii) creating additional charges on our assets; (iii) making guarantee in favor of any third party; (iv) dispose of material assets other than to an arm's length third party on arm's length commercial terms; (v) entering into commercial arrangements with any non-arm's length third party unless the arrangements are entered into in good faith and on arm's length commercial terms; (vi) changing the character of our main business; and (vii) distributing dividends. See "Financial Information — Historical Financial Information of Our Group — Selected Balance Sheet Items — Indebtedness — Restrictive Covenants." While we intend to repay the Series C Notes in full with a portion of the net proceeds from the Global Offering, we may be required to comply with similar or even more restrictive covenants or other terms under any new loan and other financing agreements.

Furthermore, Skyland Group, which we will acquire upon completion of the Global Offering, is also subject to various conditions and covenants under the terms of some of its financial agreements. For example, under the RMB750 million syndicate loan facility agreement with Bank of China and other two PRC banks, Huatailong is subject to a variety of conditions and restrictive covenants, including, among other things, (i) the requirements regarding its debt and equity ratio, its internal cash resources and the progress of and the investment of its internal cash resources on certain of its mining construction and production facility upgrading projects and (ii) the restrictions on its ability to create encumbrances on or dispose of its assets, provide guarantees and distribute dividends. See "Financial Information — Summary Historical Financial Information of Skyland Group — Indebtedness."

As a result of the restrictive covenants or other terms of any existing or new loan or other financing agreements, our ability to pay dividends or other distributions on the Shares may be limited. See "Financial Information — Dividend and Dividend Policies" for certain specific restrictions or other conditions on our and Skyland Group's ability to distribute dividends. In addition, we may also be significantly restricted in our ability to raise additional capital through bank borrowings and debt and equity issuances or to engage in some transactions that we expect to be of benefit to us. Our inability to meet these conditions and covenants or obtain lenders' consent to carry out restricted activities could materially and adversely affect our business and results of operations.

We rely on third-party contractors to conduct a substantial portion of our exploration, mine construction and mining activities.

We outsource all of our mining and exploration engineering work (such as drilling) and most of our mine construction work to third-party contractors. We maintain supervision over these contractors and amend the outsourcing agreements from time to time to better address cost and quality controls.

However, notwithstanding our efforts, our contractors may take actions contrary to our instructions or requests, or be unable or unwilling to fulfill their obligations. In such event, we may have disputes with our contractors, which could lead to additional expense, distractions and potentially loss of production time and additional costs, any of which could materially and adversely affect our business and results of operations.

In addition, under the relevant PRC laws and regulations, an owner of an exploration or mining permit has a statutory obligation to ensure safe production. In the event of any production safety-related accident involving a contractor, the Group may be held directly liable or liable for compensation to the extent of its fault regardless of any contractual provisions to the contrary. Any of such liabilities could have a material and adverse effect on our financial condition and results of operations. See "Business — Third Party Contractors".

Our operations may face material risk of liability, delays and increased production costs from design defects, environmental and industrial accidents and other factors such as severe weather conditions, natural disasters, community protests or civil unrest.

By its nature, the business of mineral exploration and development, mining and processing contains elements of significant risk and hazards. The continuous success of our business is dependent on many factors such as (i) successful design and construction of mining and processing facilities, and (ii) successful commissioning and operating of mining and processing facilities.

Our mines are subject to technical risks in that our infrastructure may not perform as designed. For example, according to the CSH Technical Report, the mine production at the CSH Mine is expected to depend mostly on the crushing production and heap leach gold recovery rate. However, the early trial runs of the crushing facility at the CSH Mine demonstrated design problems that did not allow the facility to function properly. The crushing facility was shut down to modify and correct the problems before October 2009. Since a single large crushing system is used at the CSH Mine, equipment breakdown at the crushing facility could cause delays in the crushing production. According to the CSH Technical Report, there are still uncertainties with respect to the heap leach gold recovery rate at the CSH Mine. According to the CSH Technical Report, the eventual total gold recovery rate during the total expected leach time of at least five years for the ROM ore extracted from 2007 to December 31, 2009 is expected to reach 53%, which is less than the 80% recovery rate originally expected. Increased development costs, lower output or higher operating costs may all combine to make a mine less profitable than expected at the time of the development decision. We cannot assure you that we will be adequately compensated by third-party mine design and construction companies in the event that a mine did not meet its expected design specifications.

Our business may also be disrupted by a variety of other risks and hazards, including environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labor disputes, community protests or civil unrest, unusual or unexpected geological occurrences, severe seismic activity, flooding, discharge of toxic chemicals, fire, explosions, and other delays. Accidents, technical difficulties, mechanical failures or plant breakdowns encountered in the exploration and development, mining and processing activities could result in disruptions to our operations and increases in our operating costs or personal injuries. Environmental events such as changes in the water table (man-made or naturally occurring), mud-slides and instability of the stopes could materially and adversely affect our underground and open-pit mining. Mishandling of dangerous articles such as explosives and toxic materials could result in material disruptions to our operations. The occurrence of any of these risks and hazards could result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, delay in production, increased production costs, monetary losses and possible legal liability (including compensatory claims, fines and penalties) to us, which could materially and adversely affect our business and results of operations. We may also be subject to actions by environmental protection groups or other interested parties who object to the actual or perceived environmental impact of our mines or other actual or perceived condition at our mines. These actions may delay or halt production or may create negative publicity related to our mines.

We may not be able to maintain an adequate and timely supply of electricity, water, auxiliary materials, equipment, spare parts and other critical supplies at reasonable prices or at all.

Cost effective operations of our mines depend, among other things, on the adequate and timely supply of electricity, water and auxiliary materials. Major auxiliary materials used in our production include forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, rubber products and fuel. We source our auxiliary materials from domestic suppliers and our equipment from suppliers in the PRC and other countries. For further discussion on supply of auxiliary materials, see “Business — Infrastructure, Supplies and Equipment — Raw Materials and Auxiliary Materials”. If our supplies of auxiliary materials, equipment or spare parts are interrupted or their prices increase, or our existing suppliers cease to supply us on acceptable terms, our business, financial condition and results of operations could be materially and adversely affected.

Electricity and water are the main utilities used in our exploration and mining. For further information on electricity and water supplies at our mines, see “Business — Infrastructure, Equipment, Supplies and Services — Electricity and Water”. Because our mines are situated in remote locations in China, we face a relatively higher risk in the interruption or shortage in our electricity supply, which could materially and adversely affect our production and production safety by disrupting operations such as water pumping and ventilation. For example, according to the Jiama Technical Report, the Jiama Mine may experience power shortage until the central power grid of Tibet is connected to China’s national power grid and shortage in electricity supply for mine and processing production during the winter dry season may affect the ability of the Jiama Mine in meeting production targets. Any increase in the prices of electricity or water could also materially and adversely affect our financial condition and results of operations.

We face operational and other risks relating to our operations in Tibet.

The Jiama Mine is located in a mountainous area in Tibet. The remote location, high altitude and tough terrain of the area may expose us to various operational difficulties, including those related to water and power supplies and the ability to maintain relationship with local community. Our operations in the Jiama Mine are also subject to the inclement weather conditions in Tibet, in particular, in winter. Winter conditions in the area prevail from October through March and the winters are generally dry and cold, which might adversely impact our production during the winter months. In addition, the PRC government may, from time to time, implement policies that aim to enhance environmental protection, resource conservation or community development in Tibet. To the extent such policies might limit our ability to further explore the mineral resources and increase production in the Jiama Mine, our business, financial condition and results of operations could be materially and adversely affected. In addition, Tibet has been historically subject to social instability. Such instability may adversely affect our business operations, which in turn could have a negative impact on our financial condition and results of operations.

We face certain risks relating to the real properties that we own, use or lease.

We have a number of title defects relating to the real properties that we own, use or lease. See "Business — Real Properties" for further information. As a result of these defects, we face a number of title related risks. We cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties owned, used or leased by us with which we or relevant lessors do not hold valid titles certificates. If any of the properties we owned or leased were successfully challenged, we may be forced to relocate the affected operations. If we fail to find suitable replacement sites on terms acceptable to us for a significant number of the affected operations, or if we are subject to any material liability resulting from third parties' challenges for our ownership usage or lease of properties with which we or our lessors do not hold valid titles, our business, financial condition and results of operations could be materially and adversely affected by any lawsuits or actions unfavorably decided or resolved against us.

Our operations are governed by extensive and increasingly stringent environmental and other laws and regulations.

Our operations are subject to extensive PRC environmental laws and regulations relating to air and water quality, waste management and public health and safety. To comply with these laws and regulations, we incur significant costs associated with our production facilities, production process and the installation of pollution control equipment. We must undergo inspections by relevant PRC environmental authorities and maintain various environmental permits. Failure to comply with relevant PRC environmental laws and regulations could materially and adversely affect our business and results of operations.

In addition, PRC environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed mines and a heightened degree of responsibility for companies and their officers, directors and employees. Amendments to current PRC laws and regulations governing operations and activities of mining companies or more stringent implementation thereof could have a material adverse impact on us and cause increases in capital expenditure, production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Our mining operations have a limited life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

Our existing mining operations have a limited life. The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures (such as tailings dams) and acid drainage; (ii) achievement of environmental closure standards (such as rehabilitation requirements); (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the sites with associated permanent structures and community development infrastructure and programs to new owners. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing monitoring and environmental rehabilitation costs and damage to our reputation if desired outcomes cannot be achieved. In the event of a difficult closure, our business and results of operations could be materially and adversely affected.

In an effort to address mine closure and other geological environment issues, a mining company is required to submit rehabilitation undertakings and pay rehabilitation deposits to the relevant government authorities under applicable PRC laws and regulations. We and Skyland Group have submitted the rehabilitation undertakings and paid the installments of rehabilitation deposits that have become due with respect to the CSH Mine and the Jiama Mine, respectively. See "Business — Environmental Protection and Community Development — Rehabilitation". However, in the event of non-compliance of applicable rehabilitation undertakings or a default in paying required rehabilitation deposits in the future, we could be subject to a variety of penalties and other administrative actions, including inability to proceed with certain administrative procedures relating to mining permits (including annual inspection, renewal, alteration and mortgage registration), suspension of mining permits or ceasing of operations. See "PRC Laws and Regulations relating to the Industry — Other Relevant Laws and Regulations — Laws and Regulations relating to Geological Environmental Protection".

Dividends payable by our PRC subsidiaries to us, dividends payable by us to our shareholders and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Pursuant to the Enterprise Income Tax Law of the PRC ("EIT Law") and implementation regulations issued by the State Council, to the extent any dividends for earnings derived since January 1, 2008 are considered sourced within China, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business). Similarly, any gain realized on the transfer of the Shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. If we are considered to be a "resident enterprise", we would be subject to the enterprise income tax at the rate of 25% on our global income and the dividends we pay with respect to our Shares would be treated as income derived from sources within China and be subject to PRC income tax. It is uncertain whether we will be considered a PRC "resident enterprise". Accordingly, there is uncertainty as to whether the dividends payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Shares, would be treated as income sourced within China and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign shareholders who are "non-resident enterprises," or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

Furthermore, in the event that we are considered as a non-resident enterprise under the EIT Law, we will not be subject to the enterprise income tax at the rate of 25% on our global income. In such case, however, dividends we receive from our PRC subsidiaries will be subject to a PRC withholding tax, the standard rate of which is 10% and can be reduced by an applicable tax treaty, under the EIT Law. Such withholding tax will reduce our profit.

Limitations on the ability of our PRC subsidiaries or CJVs to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely to a significant extent on dividends and other distributions to be paid by our PRC subsidiaries and CJVs for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, and to service any debt we may incur and pay our expenses. In addition, upon completion of the Global Offering, we will acquire Skyland Group, which also includes various PRC subsidiaries. If any of our PRC subsidiaries or CJVs incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Furthermore, relevant PRC laws, rules and regulations permit payments of dividends by each of our PRC subsidiaries only out of its retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, rules and regulations, each of the entities incorporated in the PRC is required to set aside a portion of its net income each year to fund certain reserves and to make up for previously accumulated losses before it can distribute dividends to its shareholders. These reserves, together with the registered equity of these entities, are not distributable as cash dividends. As a result of these PRC laws, rules and regulations, our PRC subsidiaries are restricted in their ability to distribute dividends to their shareholders.

In addition, the PRC subsidiaries or CJVs of our Group or the Skyland Group may be subject to the conditions and covenants under the existing or new loans or other financing agreements, which restrict their ability to declare and distribute dividends. See "— Our indebtedness and the conditions and restrictive covenants imposed on us by our financing agreements could materially and adversely affect our business and results of operations" and "Financial Information — Summary Historical Financial Information of Skyland Group — Indebtedness".

Limitations on the ability of our PRC subsidiaries to pay dividends to us could have a negative impact on our Share price.

The global financial markets have experienced significant volatility recently, which has had negative repercussions on the global economy. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slow-down of economic growth in the U.S., China and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, including increase in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If the economic downturn continues, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal control systems may not be adequate or effective.

Our Directors together with our senior management are responsible for overseeing the Group's internal control policies and procedures. We have established risk management and internal control systems consisting of relevant organizational framework policies, procedures and risk management methods that we believe are appropriate for our business operations. In order to enhance our internal control and risk management system, we engaged a qualified consulting firm, which has adequate experience in providing enterprise risk services, to perform an internal control review on the Group.

We believe we have proper internal control and risk management system in place. However, due to the inherent limitations in the design and implementation of these systems, we cannot assure you that our systems will be sufficiently effective in identifying and preventing all such risks. In addition, as some of our risk management and internal control policies and procedures are relatively new, we may need to establish and implement additional policies and procedures to further improve our systems from time to time. Since our risk management and internal controls depend on the implementation by our employees, we cannot assure you that such implementation will not involve any human errors or mistakes. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, results of operations and financial condition could be materially and adversely affected.

We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.

Recruiting and retaining qualified personnel is critical to our success. We depend on certain key qualified personnel, key senior management and other employees in our business. For further details, See "Business — Competitive Strengths — We are led by a distinguished integrated PRC and international management team". As our business grows, we may recruit additional management and other personnel. There is no assurance that the key qualified personnel we have or recruit in the future will continue to provide services to us or will honor the agreed terms and conditions of their employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for our future operations and development could have a material adverse effect on our business and results of operations.

We may not be adequately insured against losses and liabilities arising from our operations.

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological conditions, rock bursts or slides, fire, floods, earthquakes or other environmental occurrences and political and social instability. These risks can result in, among other things, damage to and destruction of mineral properties or production facilities, personal injury, environmental damage, delays in mining, monetary losses and legal liability.

We have maintained insurance within ranges of coverage consistent with industry practice in the PRC. However, in line with industry practice in the PRC, we have elected not to insure against certain risks as a result of high premiums or other reasons or has agreed to policy limits on certain coverage that may not cover all potential liabilities for similar reasons.

We cannot assure you that we will be able to maintain our current insurance coverage at economically reasonable premiums (or at all) in the future, or that any coverage we obtain will be adequate and available to cover the extent of any claims against us. In the event that we suffer a significant liability for which we are not insured or our insurance coverage is inadequate to cover the entire liability, our business and results of operation could be materially and adversely affected.

Some of our Directors and officers are directors and officers of other mineral resource companies. We cannot assure you that these directors and officers will not encounter conflicts of interests with us.

Some of our Directors and officers are directors or officers of other mineral resource companies. To the extent that such other companies may participate in ventures in which we may participate, these directors and officers may have a conflict of interest in negotiating and concluding terms with respect to the extent of such participation. Such other companies may also compete with us for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director or officer who has such a conflict is required to disclose the conflict to a meeting of our Board. If the conflict involves a director, the director is required to abstain from voting for or against the approval of such participation or such terms. In appropriate cases, we will establish a special committee of independent Directors to review a matter in which several directors, or management, may have a conflict. In accordance with the provisions of the British Columbia Business Corporations Act, our directors and officers are required to act honestly in good faith, with a view to our best interests.

We face increasing domestic and foreign competition.

We face increasing competition from both domestic and international gold and other non-ferrous metal producers. Our major competitors are large international gold and non-ferrous metals producers. Our competitors may have certain advantages over us, including greater financial, technical and raw materials resources, greater economies of scale, broader name recognition and more established relationships in certain markets. In addition, we currently enjoy a competitive advantage over many of the metal and mining companies that are ultimately controlled by the PRC government as we are one of the few companies among them that is incorporated and listed overseas, which we believe affords us certain flexibility in developing overseas business opportunities and accessing international capital markets. We will lose such competitive advantage if the other metal and mining companies that are ultimately owned or controlled by the PRC government also incorporate and list their controlled companies overseas. Increased competition may prevent us from acquiring new properties and ultimately may have a material adverse impact on our business, results of operations and growth prospect.

Acts of God, acts of war and terrorism, riots, epidemics and other disasters could affect our business.

Our business is subject to general and social conditions. Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihoods of the people of the PRC. Some cities in the PRC are under the threat of flood, earthquake, sandstorm or drought. Our business, financial condition and operating results may be materially and adversely affected if natural disasters occur.

Epidemics threaten people's lives and may materially and adversely affect their livelihood as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and there is no assurance that the outbreak of severe acute respiratory syndrome, the H5N1 strain of avian influenza, the H1N1 strain of swine flu or any other epidemics or pandemics will not happen. Any epidemic or pandemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition and operating results.

Acts of war and terrorism may cause damage or disruption to us or our employees, facilities, markets, suppliers or customers, any of which may materially and adversely impact our revenue, cost of sales, financial condition and operating results or our Share price. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Changes to the PRC regulatory regime for the mining industry may materially and adversely affect our business and results of operations.

The PRC local, provincial and central authorities exercise a substantial degree of control over the gold and other non-ferrous metal industries in the PRC. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, occupational health and safety, waste treatment and environmental protection, and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase our operating costs and thus adversely affect our results of operations.

Although we seek to comply with all new PRC laws, regulations, policies, standards and requirements applicable to the mining industry or all changes in existing laws, regulations, policies, standards and requirements, we cannot assure you that we will be able to comply with them economically or at all. Furthermore, any such new PRC laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain our future expansion plans and adversely affect our profitability.

PRC political, economic and social conditions and government policies could affect our business.

China is, and for the foreseeable future is expected to remain, the country in which we concentrate most of our business activities and financial resources. Currently all of our operating assets are located in the PRC and all of our revenue is derived from our operations in the PRC. Our results of operations and prospects are subject, to a significant degree, to economic, political and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of governmental involvement, the level of development, the growth rate and government control of foreign exchange.

The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. We believe that we have benefited from the economic reforms implemented by the PRC government and its economic policies and measures. However, there is no assurance that the PRC government will continue to pursue economic reforms. In addition, while the PRC's economy has experienced significant growth in the last three decades, growth has been uneven across both geographic regions and the various sectors of the economy.

Our business could be negatively affected by changes and uncertainties in the PRC legal system.

The PRC legal system is based on civil law system. Unlike a common law system, prior legal decisions and judgments have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new. The implementation and interpretation of these laws and regulations remain uncertain in many areas and may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements that we are a party to or the legislation upon which these agreements are based, which are atypical of more developed legal systems and may affect the interpretation and enforcement of our rights and obligations. Furthermore, the PRC legal system is based in part on government policies and administrative rules that we may not be aware. Moreover, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there are several levels of government with influence over our mineral exploration, development and production activities. A loss of support for one or more of our mines by the government authority at any level could result in substantial disruption in our ability to continue operations. Such a loss of support could occur on a national level, including, for example, a change in government policy to discourage foreign investment. It may also occur at a provincial or local level. As a result, our ability to conduct operations could be hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

We may be unable to enforce our legal rights in certain circumstances.

We are incorporated in British Columbia, Canada. In the event of a dispute arising from or in respect of our operations in the PRC, we may be subject to the exclusive jurisdiction of PRC courts or may not be successful in subjecting foreign persons to the courts in Canada, Hong Kong or other jurisdictions. We may also be hindered or be prevented from enforcing our rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

RMB currently is not a freely convertible currency. We receive all of our revenue in RMB and will need to repatriate our earnings outside of China and convert RMB to foreign currency for payment of dividends, if any, to our shareholders. Under the current foreign exchange regulations in the PRC, our PRC subsidiaries will be permitted, after completion of the Global Offering, to effect foreign exchange for current-account transactions (including the distribution of dividends) through accounts permitted by the PRC government. Under existing PRC foreign exchange regulations, profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. We cannot assure you that the PRC government will not in the future impose restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

Since July 21, 2005, the value of the RMB has appreciated significantly against the U.S. dollar. In the event of an appreciation of the RMB in value against the U.S. dollar, RMB denominated prices of gold, copper, molybdenum, silver and lead may decrease. In addition, the majority of our operating costs are denominated in RMB, but our consolidated financial results are published in U.S. dollars. Therefore, if the RMB appreciates against the U.S. dollar, it could materially and adversely affect our consolidated financial results. Moreover, to the extent that we need to convert the proceeds from the Global Offering and future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies could have a material and adverse effect on the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will likely be paid in Hong Kong dollars or U.S. dollars, any depreciation of the RMB against the Hong Kong dollar or U.S. dollar could materially and adversely affect the amount of any cash dividends on our Shares in such foreign currency terms.

Certain restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

In the PRC, foreign companies have in the past been, and are currently, required to operate within a framework that is different from that imposed on domestic PRC companies. The PRC government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's accession into the World Trade Organization. However, if the PRC government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalize our PRC operations, our business and results of operations could be materially and adversely affected. For a description of the laws and regulations applicable to foreign mining companies, see the section entitled "PRC Laws and Regulations Relating to the Industry" in this prospectus.

RISKS RELATING TO THE DUAL PRIMARY LISTING AND THE GLOBAL OFFERING

The characteristics of the Canadian share market and Hong Kong share market are different.

Our Shares registered on the Canadian Share Registry (the "Canadian Shares"), have been listed and traded on the TSX since 2006. Following the Global Offering, the Canadian Shares and the Shares subject to the Global Offering to be registered by the Hong Kong Share Registrar (the "Hong Kong Shares") will be fungible with each other and be capable of trading between the two stock exchanges. The TSX and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading price of the Canadian Shares and the Hong Kong Shares may not be the same. Furthermore, fluctuations in the Canadian Share price could materially and adversely affect the Hong Kong Share price, and vice versa. Moreover, fluctuations in the exchange rate between the Canadian dollar and the HK dollar could materially and adversely affect the Canadian Share and Hong Kong Share prices.

Because of the different characteristics of the Canadian share and Hong Kong share markets, the historical prices of the Canadian Shares may not be indicative of the performance of the Shares (including the Hong Kong Shares) after the listing of the Shares on the Stock Exchange. Investors should therefore not place undue reliance on the prior trading history of the Canadian Shares when evaluating an investment in the Global Offering.

We are a Canadian listed company principally governed by the laws and regulations of British Columbia. Except for the waivers that we have received, we are required to comply with the TSX Listing Rules, Canadian securities laws and the Listing Rules.

We are incorporated under the BCBCA and governed by the laws and regulations of British Columbia. As described in "Appendix VI — Summary of Articles, Canadian Corporate and Securities

Laws, Certain TSX Listing Policies and Shareholder Protection Matters” to this prospectus, British Columbia and Canadian laws and regulations may differ in some respects from comparable Hong Kong laws and regulations. Also, there are differences between the Canadian listing and securities regime (including securities laws and TSX Listing Rules) and the Listing Rules. As we are dually listed, we are required to comply with both the TSX Listing Rules and the Listing Rules. To the extent that we are required to comply with the Canadian listing and securities regime and the Listing Rules, we will need to allocate resources and incur costs in connection therewith. There could also be instances where the extensive compliance requirements of our dual primary listing inhibit our ability to act in a timely and efficient manner regarding relevant corporate and business matters, which may have an adverse effect on our business and results of operations. Furthermore, there could be additional risks associated with a company that has a dual primary listing in Hong Kong and Canada, which we have not anticipated.

Moreover, pursuant to the British Columbia Securities Transfer Act, a Shareholder who has lost a share certificate is required to provide us with an indemnity bond for any loss arising from the issuance of a new share certificate. The premium payable by the Shareholder to obtain that bond is generally based on the value of the Shares underlying the share certificate, which premium will typically amount to up to 3% or more of the aggregate share value.

In addition, the issuance of new Shares under the proposed Listing requires the approval of the Toronto Stock Exchange.

As we are a Canadian company, it could be difficult for investors to effect service of process on and recover against us or our Directors and officers. Our shareholders may face difficulties in protecting their interest.

We are a Canadian company and most of our officers and Directors are residents of various jurisdictions outside Hong Kong. A substantial portion of our assets and the assets of our officers and Directors, at any one time, are and may be located in jurisdictions outside Hong Kong. It could be difficult for investors to effect service of process within Hong Kong on our Directors and officers who reside outside Hong Kong or to recover against us or our Directors and officers on judgments of Hong Kong courts predicated upon the laws of Hong Kong.

Our corporate affairs are governed by our charter documents, consisting of our Notice of Articles and Articles, and by the BCBCA. The rights of our shareholders and the fiduciary responsibilities of our Directors are governed by the laws of Canada. The laws of Canada relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. You should be mindful about such differences. See “Appendix VI — Summary of Articles, Canadian Corporate and Securities Laws, Certain TSX Listing Policies and Shareholder Protection Matters” to this prospectus.

Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.

This prospectus contains information and statistics relating to the PRC and international mining industry and markets. With respect to information and statistics derived from various official government publications, while we have exercised reasonable care in compiling and reproducing such information and statistics, it has not been independently verified by us or any of our affiliates or advisers, nor by the Underwriters or any other parties involved in the Global Offering or their respective affiliates or advisers. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Further, there can be no assurance that such information and statistics are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other countries. We cannot ensure the accuracy of such information and statistics, and such information and statistics may not be consistent with other information prepared within or outside the PRC. You should not place undue reliance on any of such information and statistics contained in this prospectus.

The liquidity and market price of our Shares may be volatile.

Prior to the Global Offering, our Shares were not offered to the public in Hong Kong. The Offer Price will be determined by us and the Joint Bookrunners on behalf of the Underwriters. The financial markets in Hong Kong, Canada and other countries have experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors beyond our control and may be unrelated to our results of operations or financial position. The Offer Price may not be indicative of the trading price of our Shares in Hong Kong following the completion of the Global Offering. In addition, there can be no assurance that there will be an active trading market for the Shares, or if it exists, that it can be sustained following the completion of the Global Offering, or that the trading price of the Shares will not fall below the Offer Price. Accordingly, investors may not be able to resell their Shares at or above the price at which such Shares were purchased.

The market price of our Shares when trading begins could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during the period from the Price Determination Date to the date trading commences. Accordingly, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares is higher than our net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. Please see "Appendix II — Unaudited Pro Forma Financial Information of Our Group" for our pro forma adjusted net tangible asset value per Share information. In order to expand our business, we may consider offering and issuing additional Shares in the future. We may also issue additional Shares pursuant to the exercise of outstanding options to purchase our Shares. Purchasers of our Shares may experience dilution in the net tangible asset value per Share if we issue additional Shares in the future at a price lower than our net tangible asset value per Share, and the market price of our Shares may also be adversely affected as a result.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure of the Global Offering" in this prospectus.

The Listing is sponsored by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date. The Global Offering is managed by the Joint Lead Managers. For details of the Underwriters and the underwriting arrangements, see "Underwriting".

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to, or deemed by his/her acquisition of the Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong (although a discretionary exemption order has been obtained from the British Columbia Securities Commission, to permit the Offer Shares to be freely traded through the facilities of the TSX). Accordingly, and without limitation to the following, this prospectus and/or Application Forms may not be used for the purposes of, and does/do not constitute, an offer or invitation, nor is it/are they circulated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised to provide any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied on as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees, advisers or affiliates or any other person or party involved in the Global Offering.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction, including but not limited to any restrictions on offers and sales of the Offer Shares described in this prospectus. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements under any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in (i) the Shares in issue, (ii) the Offer Shares, (iii) the Shares to be issued to China National Gold Hong Kong and Rapid Result upon the completion of the Skyland Acquisition and (iv) the Shares which may be issued upon the exercise of the Pre-IPO Share Options. All Shares currently in issue are admitted for trading on the TSX. We have also applied to list the Offer Shares on the TSX, which will be subject to approval of the TSX. Dealings in our Shares on the Stock Exchange are expected to commence on December 1, 2010. With the exception of the TSX, none of our Shares or loan capital are listed on or dealt in on any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(l) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by the Canadian Share Registrar. All Shares issued under the Global Offering are expected to be registered on our Hong Kong Share register to be maintained in Hong Kong. Further details of the interaction between the Canadian and Hong Kong share registers are set out under the section headed "Registration and Transfer of Shares between Registers" in this prospectus.

Dealings in the Shares registered on our Hong Kong Share register will be subject to Hong Kong stamp duty.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in Hong Kong dollars, CAD and Renminbi have been translated, for the purpose of illustration only, into US$, and vice versa, in this prospectus at the following rates:

HK$1.00 : US$0.1290

CAD1.00 : US$0.9805

RMB1.00 : US$0.1499

No representation is made that any amounts in CAD, RMB, US$ or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Sun, Zhaoxue (孫兆學) *(Chairman)*	410, Building 203 Hui Zhong Li Chao Yang District Beijing PRC	Chinese
Song, Xin (宋鑫)	207, Building 3 Qing Nian Hu North Avenue Dong Cheng District Beijing PRC	Chinese
Wu, Zhanming (吳占鳴)	Room 1006, Unit 2, Building 12 Xi Hua Shi Nan Li Chong Wen District Beijing PRC	Chinese
Jiang, Xiangdong (江向東)	Suite 1030(Note) One Bentall Centre 505 Burrard Street Vancouver British Columbia Canada	Canadian
Non-executive Directors		
Liu, Bing (劉冰)	4-701, Building 12A Bai Yun Lu Xi Li Xi Cheng District Beijing PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
He, Ying Bin Ian (赫英斌)	Suite 1030[(Note)] One Bentall Centre 505 Burrard Street Vancouver British Columbia Canada	Canadian
Chen, Yunfei (陳雲飛)	Flat 40A, Tower 1, Robinson Place 70 Robinson Road Hong Kong	Chinese
Hall, Gregory Clifton	Suite 1030[(Note)] One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	Australian
Burns, John King	Suite 1030[(Note)] One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	American

Note:
We have applied for, and the SFC has granted, an exemption from strict compliance with Paragraph 6 of Part I of the Third Schedule to the Companies Ordinance in relation to the disclosure of the residential addresses of the relevant Directors for the following reasons:

(a) As advised by our Canadian legal adviser, disclosure in the prospectus of the residential addresses of the relevant Directors, namely, Mr. Jiang, Xiangdong, Mr. He, Ying Bin Ian, Mr. Hall, Gregory Clifton, and Mr. Burns, John King, will breach the Personal Information Protection and Electronic Documents Act. Therefore, the privacy legislation in Canada limits our ability to strictly comply with such disclosure requirements and consents from the relevant Directors are required to override such restriction;

(b) We have requested consents from the relevant Directors for full disclosure of all details required in order to comply with the requirements under Paragraph 6 of Part I of the Third Schedule to the Companies Ordinance. However, the relevant Directors have refused to give consents to the disclosure of their residential addresses in a public document (such as this prospectus) due to concerns of personal safety and harassment from demonstrators who have in the past held a series of protests at our offices in Canada relating to our mining operations in Tibet; and

(c) Based on the foregoing, our Board as a whole is of the view that the disclosure of the residential addresses of the relevant Directors in this prospectus would be inappropriate and unduly burdensome, as the disclosure of such information may expose them to potential safety risks and could lead to severe disruptions to their personal lives. Furthermore, non-disclosure of the residential addresses of the relevant Directors in this prospectus will not hinder us from providing an informed assessment of the character, experience and integrity of the relevant Directors to our potential investors, or cause any prejudice to the interests of the public.

Accordingly, the business address of our headquarters in Canada is disclosed in place of the residential addresses of the relevant Directors.

Sole Global Coordinator and Sole Sponsor	Citigroup Global Markets Asia Limited 50th Floor Citibank Tower 3 Garden Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Citigroup Global Markets Asia Limited 50th Floor Citibank Tower 3 Garden Road Central Hong Kong BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
Reporting accountants	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor One Pacific Place 88 Queensway Hong Kong
Legal advisers to our Company	*As to Hong Kong and United States law:* Morrison & Foerster 33rd Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* Haiwen & Partners 21/F, Beijing Silver Tower No.2 Dong San Huan North Road Chaoyang District Beijing 100027 China *As to Canadian law:* Goodmans 1900-355 Burrard Street Vancouver British Columbia V6C 2G8 Canada

Legal advisers to the Underwriters	*As to Hong Kong and United States law:* Skadden, Arps, Slate, Meagher & Flom 42nd Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* Commerce & Finance Law Offices 6th Floor, NCI Tower A12 Jianguomenwai Avenue Beijing 100022 PRC *As to Canadian law:* Lang Michener LLP Suite 1500, Royal Centre 1055 West Georgia Street P.O. Box 11117 Vancouver, B.C. V6E 4N7 Canada
Independent Technical Expert	Behre Dolbear Asia, Inc. 999 Eighteenth Street Suite 1500 Denver CO 80202 United States
Property valuer	Jones Lang LaSalle Sallmanns Limited 17th Floor, Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong
Receiving banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

Registered office	Suite 1030, One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada
Principal place of business in Hong Kong	8/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Headquarters of our Company	Suite 1030, One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada
Website	http://www.chinagoldintl.com*
Corporate secretary (Canada)	Xie, Quan Jerry
Company Secretary (Hong Kong)	Ma, Sau Kuen Gloria
Authorised representatives	Wu, Zhanming Room 1006, Unit 2, Building 12 Xi Hua Shi Nan Li Chong Wen District Beijing, PRC Ma, Sau Kuen Gloria 8/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Audit Committee	He, Ying Bin Ian (Chairman) Chen, Yunfei Hall, Gregory Clifton Burns, John King
Nominating and Corporate Governance Committee	He, Ying Bin Ian (Chairman) Chen, Yunfei Hall, Gregory Clifton Burns, John King

* Please note that no information, which is contained in or can be accessed via this website, constitutes a part of this prospectus.

Compensation and Benefits Committee	He, Ying Bin Ian (Chairman) Chen, Yunfei Hall, Gregory Clifton Burns, John King
Safety, Health and Environmental Committee	He, Ying Bin Ian (Chairman) Chen, Yunfei Hall, Gregory Clifton Burns, John King
Canadian Share Registrar	*Vancouver (Principal):* CIBC Mellon Trust Company Suite 1600 1066 West Hastings Street Vancouver British Columbia V6E 3X1 Canada *Toronto (Branch):* CIBC Melon Trust Company 320 Bay Street Toronto Ontario M5H 4A6 Canada
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal banks	Agriculture Bank of China Bank of China
Compliance adviser	Citigroup Global Markets Asia Limited 50th Floor Citibank Tower 3 Garden Road Central Hong Kong

Investors should note that Hatch, an experienced consultant in the metals and mining industry, was engaged to prepare the Hatch Report, for use in whole or in part in this prospectus. Hatch prepared its report based on its in-house database, independent third-party reports, publicly available data from reputable industry organizations and data provided by our Company (with respect to the gold resources of the CSH Mine and the copper resources of the Jiama Mine). Where necessary, Hatch contacts companies operating in the industry to gather and synthesize information about market, prices and other relevant information. Hatch has assumed that the information and data which it relied on are complete and accurate.

Hatch has provided part of the statistical and graphical information contained in this Industry Overview. Hatch has advised that (i) some information in its database is derived from estimates from industry sources or subjective judgments; and (ii) the information in the database of other mining data collection agencies may differ from the information in Hatch's database. The information contained herein has been obtained from sources believed by Hatch to be reliable, but there can be no assurance as to the accuracy and completeness of any such information.

Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

Upon the completion of the Global Offering, our mineral properties will include primarily the CSH Mine and the Jiama Mine. The CSH Mine is one of the largest gold mines in China in terms of mineral resources under the JORC Code, according to the CSH Technical Report. The main products from our CSH Mine are gold dore bars. According to the Jiama Technical Report, the Jiama Mine will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production and mineral resources under the JORC Code. The products of the Jiama Mine will include copper concentrate, molybdenum concentrate and lead concentrate. Gold and silver contained in our concentrates can be separated and smelted in downstream processing. The following is an overview of the gold, copper, molybdenum, silver, lead and zinc industries.

GOLD

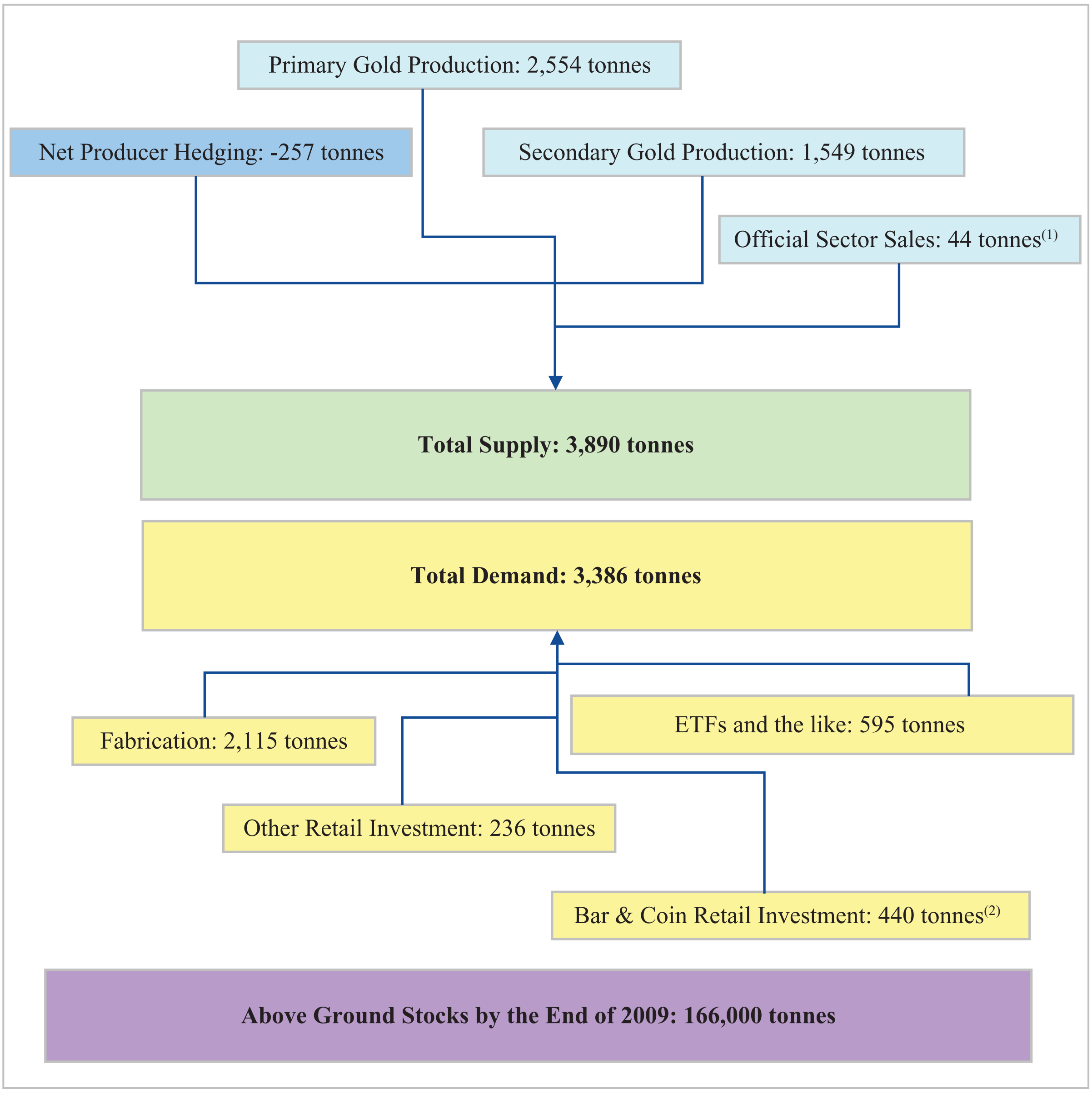
Gold (Au) is a precious metal commonly used for the making of jewellery, coinage, and other arts, and is found as nuggets or grains in rocks, in veins and in alluvial deposits. Gold extracting is most economical in large, easily mined deposits. Gold mining and extraction or recovery from its ores may require a combination of comminution, mineral processing, hydrometallurgical and pyrometallurgical processes to be performed on the ore. The detailed steps of the process vary from mine to mine depending upon ore characteristics and ore factors.

Gold produced at mine sites generally takes the form of gold dore bars with between 50% and 90% gold content. Gold dore bars are then sent to a refiner where silver and gold are parted and the gold is refined to commercial-grade gold bullion. Most gold is traded as refined gold (also known as gold bullion) in purity that ranges from 995 to 999 fineness which are produced by a chlorination process and that of higher fineness, by an electrolytic process. Gold is also produced in some mines as part of the process of mining and refining other metals, such as copper.

Historically, gold was used to back paper currencies in monetary systems known as "gold standards". In such money systems, currency issuers guaranteed to redeem notes for a fixed amount of gold. Today, gold is often held as part of an investment portfolio, as it is generally considered to maintain its value over the long term. Throughout history, gold has been particularly desirable during periods of weak economic confidence and inflation. In addition to its use in jewellery, coinage and as a standard for monetary exchange, gold is also an important industrial metal.

Global market flow for gold is illustrated in the following diagram.

Global Market Flow for Gold in 2009



Source: *GFMS*

(1) Excluding any delta hedging of central bank options.

(2) Equal to net retail investment.

Global Gold Industry

Global supply of gold

Global gold reserves totaled 47 thousand tonnes of gold content in 2009, according to the United States Geological Survey. World gold supply is generally divided into primary gold (i.e. gold produced from ore) supply, official sector sales and secondary gold (i.e. gold produced from gold scrap) supply. World gold supply was 3,513 tonnes and 3,890 tonnes in 2008 and 2009, respectively, representing an increase of 1.2% and 10.7% year-on-year, respectively according to the World Gold Council.

Primary gold supply was the largest source of gold, accounting for 58.6% and 59.0% of the world total supply in 2008 and 2009, respectively. Overall, world primary gold supply has been declining over the past few years. Secondary gold is also a significant source of gold, accounting for 34.6% and 39.8% of world total gold supply in 2008 and 2009, respectively. The remaining gold was supplied by official sector sales.

World Gold Supply and Demand 2004-2009

	2004	2005	2006	2007	2008	2009(1)
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Supply						
Primary gold production	2,463	2,522	2,481	2,476	2,409	2,554
Net producer hedging	-427	-86	-373	-444	-349	-257
Total primary gold supply	2,037	2,436	2,108	2,060	2,060	2,296
Official sector sales(2)	471	659	367	484	236	44
Secondary gold production	834	889	1,107	956	1,217	1,549
Total supply	**3,342**	**3,984**	**3,582**	**3,471**	**3,513**	**3,890**
Demand						
Fabrication						
Jewellery	2,618	2,704	2,283	2,405	2,187	1,747
Industrial & dental	410	429	458	462	436	368
Sub-total above fabrication	3,028	3,133	2,741	2,866	2,622	2,115
Bar & coin retail investment(3)	391	412	421	446	649	440
Other retail investment	-48	-24	-22	-14	213	236
ETFs and the like	133	208	260	253	321	595
Total demand	**3,504**	**3,729**	**3,400**	**3,552**	**3,806**	**3,386**
Inferred investment(4)	**-162**	**255**	**90**	**-81**	**-293**	**504**

Sources: GFMS, World Gold Council

(1) Provisional.

(2) Excludes any delta hedging of central bank options.

(3) Equal to net retail investment.

(4) Represents the difference between total supply and total demand.

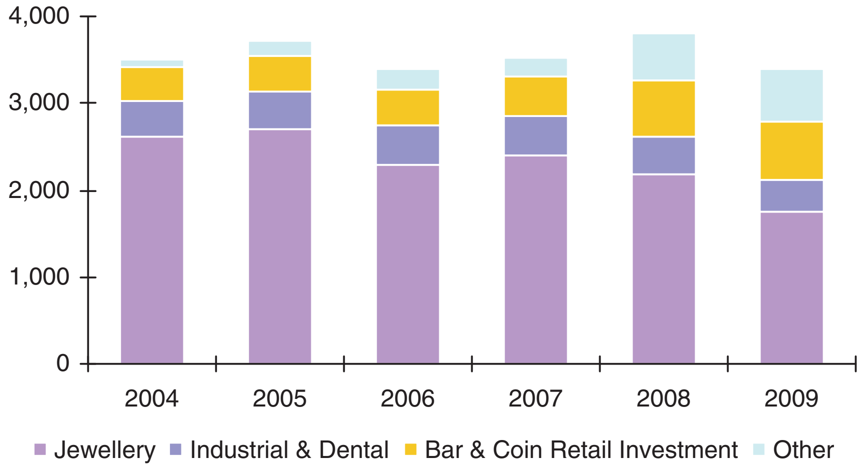
According to GFMS, global gold mine production grew by 6% in 2009 to a six year high, and China, the U.S., South Africa and Australia were the major primary gold producing countries which accounted for 38.1% of the world total output in 2009.

Global demand for gold

World gold demand is usually divided into categories such as fabrication, bar and coin retail investment, other retail investment and exchange traded funds and the like. The fabrication industry includes jewellery and industrial and dental. See the chart entitled "Breakdown of World Gold Demand 2004-2009" below.

In 2009, global demand for gold was 3,386 tonnes, representing an increase of 11.0% from 2008. The fabrication industry was the largest gold consuming sector, consuming 2,115 tonnes of gold, accounting for 62.5% of the world's total consumption. Bar and coin retail and other investment consumed 440 and 236 tonnes of gold, accounting for 13.0% and 7.0% of the world's total consumption, respectively.

Breakdown of World Gold Demand 2004-2009
(in tonnes)



Source: World Gold Council

In March 2003, the World Gold Council launched the first ever gold ETFs on the Australian Stock Exchange, providing investors with a new, easy and cost-effective way to access the gold market. Today, gold is traded in the form of securities on stock exchanges in Australia, France, Hong Kong, Japan, Mexico, Singapore, South Africa, Switzerland, Turkey, the United Kingdom and the U.S. Unlike derivative products, these securities are entirely backed by physical gold held mainly in allocated form. These securities have had a major impact on the gold market, representing an annual average of 32% of identifiable investment and 6.5% of total physical demand over the five years ended 2008.

The term "consumer demand" is generally used by the World Gold Council to describe each country's gold demand, which is slightly lower than total gold demand. Gold consumer demand represents gold bought by individuals, e.g. as jewellery and net retail investment.

In 2009, gold consumer demand was 2,424 tonnes, decreasing by 20.5% from 2008. India was the largest gold consuming country which consumed 480 tonnes, or 19.8% of the world's total gold consumption. China was the second largest gold consuming country, consuming 428 tonnes of gold, or 17.7% of the world's total consumer demand. The U.S., Turkey, Saudi Arabia were also large gold consuming countries, according to the World Gold Council.

International gold prices

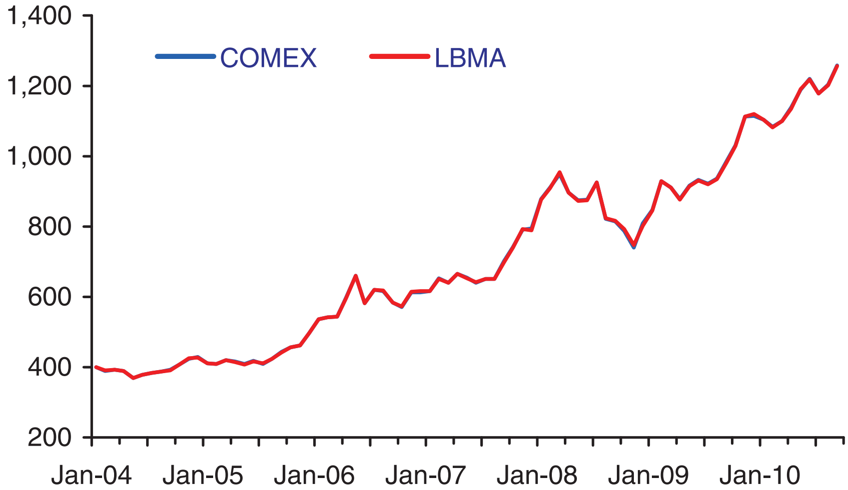
The world gold market comprises gold futures and the gold spot market. The most significant gold futures exchanges are New York Mercantile Exchange (NYMEX), Chicago Board of Trade (CBOT), Tokyo Commodity Exchange (TOCOM), Dubai Gold and Commodity Exchange (DGCX) and Bolsa De Mercadorias and Futuros (BM&F).

Over-the-counter transactions account for the majority of global gold trading. The over-the-counter market, where market makers trade with each other, trades on a 24-hour per day continuous basis and accounts for most global gold trading. Market makers include the ten market-making members of the LBMA, a trade association that act as the coordinator for activities conducted on behalf of its members and other participants in the London bullion market.

The market-clearing price of gold set twice a day in London is commonly referred to as the London fixing price (AM or PM). This price, which is the international benchmark price is set in U.S. dollars per fine troy ounce of gold.

Unlike other metals, international gold prices maintained a continuous upward trend from 2004 to early 2008, peaking at US$963 per troy ounce in March 2008. Affected by the recent global financial crisis, gold prices then fell to US$754 per troy ounce in November 2008. In early 2009, prices began to recover and moved back to its pre-crisis high in August 2009. Since then, gold prices have kept reaching record highs, with the new record of US$1,273 per troy ounce in September 2010. The recent strength in gold price is considered to have been driven by two major factors: the economic uncertainty and instability in certain regions and countries, and expectation of inflation.

Gold Spot Prices on COMEX and LBMA 2004-2010
(in US$ per ounce)



Sources: LBMA, COMEX

Key factors affecting the price of gold include:

- *Supply and demand*. Like all investments and commodities, the price of gold is ultimately driven by supply and demand. Unlike most other commodities, the hoarding and disposal plays a much more significant role in affecting the price, because most of the gold ever mined still exists and is potentially able to come in to the market for the appropriate price. At the end of 2008, it was estimated that all the gold ever mined totaled 163,000 tonnes.
- *Central bank sales and purchases*. Central banks and the International Monetary Fund perform an important role in the gold price. Although central banks generally do not announce gold purchases in advance, some, such as Russia, had expressed interest in growing their gold reserves again as of late 2005. In early 2006, China, which only holds 1.3% of its reserves in gold, announced that it was seeking avenues to improve the returns on its official reserves. Some analysts believe that this signals that China might reposition more of its holdings into gold in line with the central banks in other countries.

- *Devaluation of the U.S. dollar*. Devaluation of the U.S. dollar is believed to remain the main source of price support for gold. In light of the pessimism over major world currencies as a result of the global financial crisis, investors increasingly favor gold over U.S. dollars as investment.
- *Inflation expectation*. Gold prices have displayed a strong correlation with inflation expectations. Traditionally, gold is regarded as an effective hedge against inflation. Concerns that the current phase of monetary stimulation will eventually lead to inflation may be a factor driving recent gold price increases.
- *Low or negative real interest rates*. Historically, if the return on bonds, equities and real estate is not adequately compensating for risk and inflation, the demand for gold and other alternative investments such as commodities increases. For example, the period of stagflation that occurred during the 1970s led to an economic "bubble" forming in precious metals.
- *War, invasion, looting, crisis*. In times of national crisis, people fear that their assets may be seized and that paper currency may be devalued. They perceive gold as a solid asset which can always be used to make purchases such as food or transportation. As a result, in times of great uncertainty, particularly when war is feared, the demand for gold rises.

PRC Gold Industry

PRC supply of gold

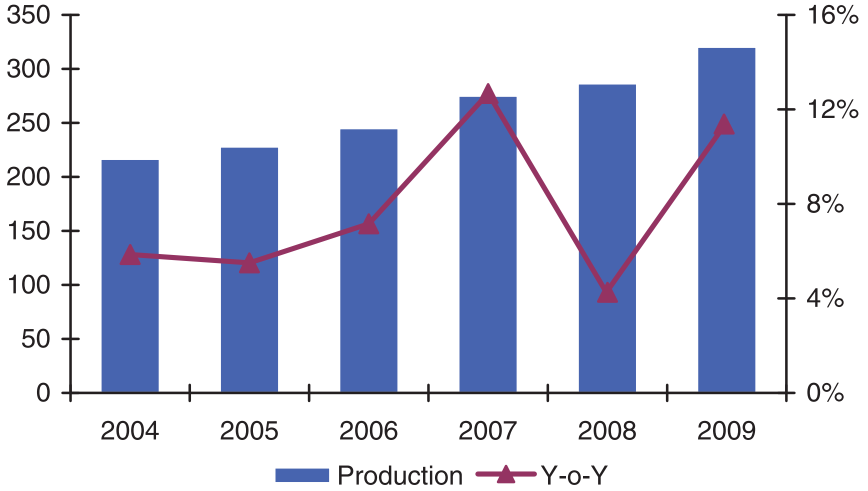
China is the world's largest gold producer in terms of total gold production and produced 417, tonnes of gold in 2009, increasing by 21.0% from 2008, according to GFMS and China Gold Association.

China also surpassed the United States and South Africa to become the largest primary gold producer since 2007. Chinese primary gold production grew at a CAGR of 8.1% during 2004 to 2009 and reached 324 tonnes in 2009 (see chart entitled "China Primary Gold Production Volume 2004-2009" below), accounting for 12.7% of world total (see table entitled "Primary Gold Production by Country 2004-2009" below).

Primary Gold Production by Country 2004-2009

Country	2004	2005	2006	2007	2008	2009
China	217	230	247	281	292	324
United States	260	262	252	238	235	210
South Africa	363	315	296	270	233	219
Australia	258	263	247	246	215	220
Russia	182	175	173	169	189	205
Peru	173	208	202	170	180	182
Canada	129	120	104	102	96	100
Indonesia	114	165	116	147	95	158
Ghana	58	63	70	77	80	90
Uzbekistan	84	76	74	75	77	85
Papua New Guinea	76	71	62	62	70	65
Brazil	43	45	49	57	59	67
Mexico	22	31	39	44	50	37
Others	484	498	550	535	543	592
World Total	**2,463**	**2,522**	**2,481**	**2,473**	**2,414**	**2,554**

China Primary Gold Production Volume 2004-2009
(in tonnes)



Source: GFMS

In 2009, China Gold Association reported that the top six primary gold from gold ore producing provinces in China were Shandong Province, Henan Province, Fujian Province, Shaanxi Province, Inner Mongolia Autonomous Region and Hunan Province, representing 19.7%, 11.1%, 7.3%, 5.1%, 5.1% and 4.5% of the national total, respectively.

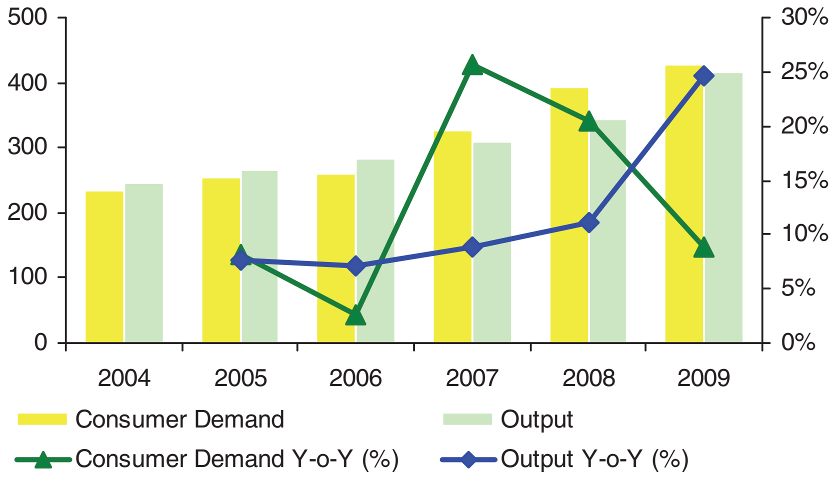
PRC demand for gold

China is one of the largest gold consuming countries. Chinese gold demand increased rapidly throughout 2008 and 2009 primarily due to a number of factors, including:

- relative stability in the local currency and hence the local gold price;
- the resilience of the Chinese economy to the global economic downturn; and
- the absence of large stocks of gold holding among consumers due to earlier market regulations restricting private gold ownership.

During 2008, the Chinese gold market exhibited a unique resilience to the pressure of the global economic crisis. Gold consumer demand in China was 393 tonnes in 2008, representing a CAGR of 13.8% from 2004, according to the World Gold Council. Gold consumer demand in China was 428 tonnes in 2009. Approximately 347 tonnes of gold were bought as jewellery, accounting for 81.2% of the total consumer demand.

China Gold Output[(1)] and Consumer Demand 2004-2009
(in tonnes)



Sources: World Gold Council, China Gold Association

(1) Output consists of primary gold and secondary gold.

In 2007, Chinese gold output was lower than consumer demand for the first time. Chinese gold output from 2004 to 2009 increased at a CAGR of 11.0%.

Chinese gold price

The price of Au9999 released by the Shanghai Gold Exchange is the standard gold price in China. The Shanghai Gold Exchange officially opened in October 2002. The market currently trades in units of one kilogram and three kilograms, for gold with purities of 99.99% and 99.95%, respectively, with prices quoted in RMB per gram. Initially, the Shanghai Gold Exchange primarily served the jewellery industry. On December 31, 2006, the Shanghai Gold Exchange began trading for individuals and as a result, PRC individual investors are able to participate in physical gold investment through the financial members of the Shanghai Gold Exchange and other membership clients approved by the People's Bank of China.

Gold Spot Price on Shanghai Gold Exchange 2004-2010
(in RMB per gram)

Source: Shanghai Gold Exchange

On the Shanghai Gold Exchange, the price trend of Au9995 is in line with that of Au9999. Generally, the price difference between Au9999 and Au9995 is less than one RMB per gram. Chinese gold prices follows the international gold price trend closely.

Competition

The Chinese gold industry experienced further consolidation through merger and acquisition activities in 2008 and 2009, with the total number of gold producing companies decreasing from over 1,200 in 2002 to approximately 700. In 2009, the top ten producers' gold output was 149 tonnes, accounting for 47.3% of the national total, and their gold resources also account for more than 60% of the national total according to the China Gold Association.

As resource integration remains the key focus of competition in the Chinese gold industry, large enterprises with competitive strength in operation expertise, technology, human resources, finance and government support, are expected to continue to dominate the competitive landscape and remain leaders of industry consolidation.

The following table lists the top gold producers in 2008 and 2009 that are listed in Hong Kong or PRC.

China Top Gold Producers(1) in 2008-2009

Company	Stock Code	Output (Tonne)		Y-o-Y	Resources by the End of 2009
		2008	2009		
Zhongjin Gold Corp., Ltd.	SH600489	78.6	82.3	4.5%	421
Zijin Mining Group Company Limited	SH60189	57.3	75.4	31.5%	715
Shandong Gold Mining Co., Ltd.	SH600547	15.6	17.7	11.9%	225
Real Gold Mining Limited	HK246	2.1	3.3	57.2%	120
Zhaojin Mining Industry Company Limited	HK1818	17.6	19.5	10.6%	308
Lingbao Gold Company Limited	HK3330	14.0	14.8	5.8%	108
Hunan Chenzhou Group Company Limited	SZ002155	2.5	4.4	74.6%	37

Sources: Annual reports of each respective company above and the China Gold Association

(1) Some of the producers in the table above have used a technical standard different from the JORC Code in calculating their resources. Therefore, their reported resources may not be directly comparable with the resources reported under the JORC Code.

Zhongjin Gold Corporation, a subsidiary of China National Gold, is the largest gold producer in China and is listed on the Shanghai Stock Exchange. According to Zhongjin Gold Corporation's annual report for 2009, it produced 82.3 tonnes of gold in 2009 and had gold resources of 421.2 tonnes of gold content at the end of 2009.

Gold Resources of
Major Chinese Gold Mines and the CSH Mine
(in tonnes of gold content)

Gold Mine	Company	Resources
Jinfeng Mine	Eldorado Gold	155.64
CSH Mine	China Gold International Resources Corp. Ltd. (formerly known as Jinshan Gold Mines Ltd.)	151.32(1)
Zijinshan Mine	Zijin Mining Group Company Limited	154.43
Dayingezhuang Mine	Zhaojin Mining Industry Company Limited	97.22
Shuguang Mine	Zijin Mining Group Company Limited	69.85
Shuiyindong Mine	Zijin Mining Group Company Limited	60.76
Nantaizi Mine	Real Gold Mining Limited	59.59
Tianjianshan Mine	Eldorado Gold	43.86
Dongping Mine	Zijin Mining Group Company Limited	38.41
White Mountain Mine	Eldorado Gold	36.95
Luotuochang Mine	Real Gold Mining Limited	34.90

Sources: Company annual reports or prospectus of each respective company above (except the CSH Mine, which is based on the CSH Technical Report)

(1) Based on estimated, indicated and inferred resources under the JORC Code as of June 30, 2010 as set out in the CSH Technical Report. The resource figures of other companies reflect the most recent publicly available estimates and under technical standards that might be different from the JORC Code. Therefore, their resources may not be directly comparable with the resources at the CSH Mine.

Gold Dore Bars

The principal purchasers of gold dore bars in China are gold smelting operators. The price of gold dore bars is affected by a number of factors, including:

- *market price of gold.* There is a strong positive correlation between the gold market price and gold dore bar prices. As gold market prices increase, gold dore bar prices increase;
- *supply and demand dynamics.* Such dynamics primarily include the availability of production capacity of gold smelting operators in China;
- *content and grade of gold.* Gold smelting operators pay the gold dore bar producer according to the content and grade of gold contained in the concentrate. Higher content and grade of the gold generally lead to higher prices for the gold dore bars; and
- *the level of impurities contained in the gold dore bars.* If the impurities contained in a gold dore bar comprise valuable minerals which can be profitably extracted by the gold smelting operator (e.g. silver, copper, lead and zinc), the gold dore bar producer may be able to obtain a higher price for the concentrate. However, if the impurities contained in the gold dore bars hold little or no value or make extraction of gold from the concentrate more expensive, the gold dore bar producer may receive a lower price for the concentrate.

COPPER

Copper (Cu) is usually found in nature in association with sulfur. Pure copper is generally produced from a multi-stage process, beginning with the mining and concentrating of low-grade ores containing copper sulfide minerals, and followed by smelting and electrolytic refining to produce a pure copper cathode. Copper is also produced from acid leaching of oxidized ores.

Copper is one of the oldest metals used and has been one of the important materials in the development of civilization. Copper is a major industrial metal, ranking third after iron and aluminum in terms of quantities consumed. Copper is mainly used in electrical industry, including power transmission and generation, building wiring, telecommunication, and electrical and electronic products. Copper by-products from manufacturing and obsolete copper products are readily recycled and contribute significantly to copper supply.

Major copper raw materials and products include:

- copper concentrate, which is produced from sulphide copper ore and usually contains around 30% of copper;
- blister copper (also called anode copper), which can be electrolyzed into refined copper and contains about 98.5% of copper; and
- refined copper (also called cathode copper), which can be used to produce copper products or copper alloy and contains at least 99.5% of copper. LME grade contains 99.99% copper. Primary refined copper refers to refined copper produced from copper ore. Secondary refined copper refers to refined copper produced from copper scrap.

Many elements are associated with copper ore, with some having value while others are detrimental and subject to penalties. Valuable elements include molybdenum, gold, silver, selenium and tellurium and Sulphur. Penalty elements include arsenic, antimony and bismuth.

Global Copper Industry

Global supply of copper

Global copper reserves were estimated to be 540 million tonnes of copper content in 2009, according to the United States Geological Survey.

Copper ore production

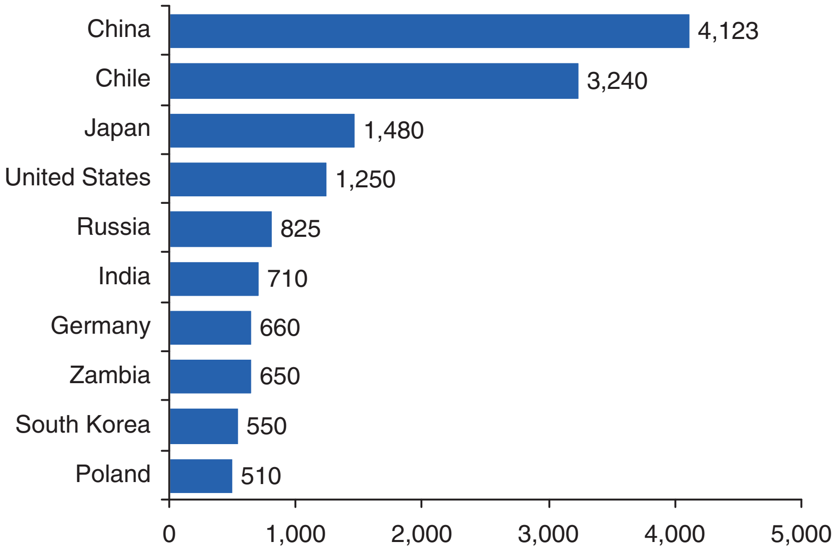
World copper ore production increased from approximately 16.1 million tonnes to approximately 17.3 million tonnes of copper content over the period from 2004 to 2009, representing a CAGR of 1.4%. According to ICSG, the Americas and Asia are the major copper ore producing regions which accounted for 80.0% of the world total copper ore output in 2008. In 2008, the combined output of the ten largest copper ore producing countries accounted for approximately 81.7% of the world's total output.

Refined copper production

World refined copper production increased from approximately 15.9 million tonnes to approximately 18.1 million tonnes at a CAGR of 2.7% between 2004 to 2009. According to ICSG, Asia, the Americas and Europe were the major refined copper producing regions which collectively produced 94.0% of the world's total refined copper in 2009. According to ICSG, in 2009, the combined output of the ten largest refined copper producing countries accounted for approximately 77.5% of the world's total output.

Refined copper includes primary refined copper and secondary refined copper. Globally, primary refined copper output accounted for 83.8% of total refined copper output in 2009.

Refined Copper Production of Top 10 Countries in 2009
(in thousand tonnes)



Sources: ICSG, CNIA

Global demand for copper

Copper ore consumption

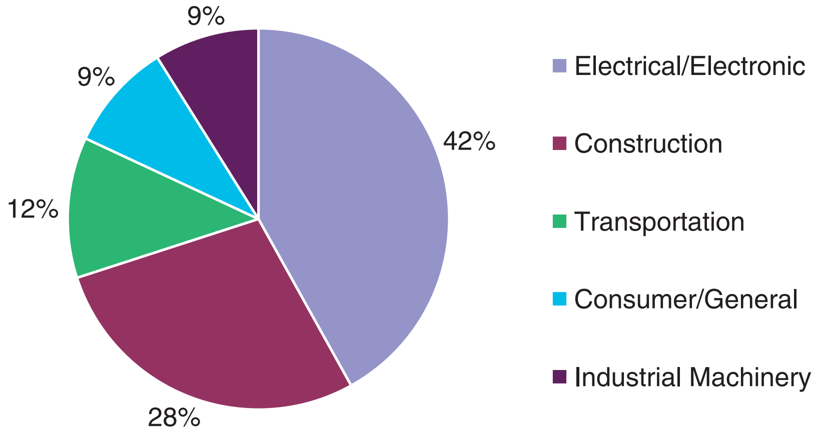
The demand for copper ores in China and other developing countries had increased steadily, resulting in a shortage of copper ores globally since 2005. The recent global economic crisis that alleviated the tight supply situation of copper ores. Driven by a strong demand of refined copper from China in 2009, the supply of copper ore is tightening again.

Primary refined copper output could be treated as an indication for global copper ore and concentrate demand. According to ICSG, global primary refined copper output increased from approximately 13.8 million tonnes to approximately 15.2 million tonnes from 2004 to 2009 at a CAGR of 1.9%.

Refined copper consumption

Globally, electrical or electronic, construction and transportation are the principal copper consuming sectors which collectively accounted for approximately 82% of copper consumption in 2009.

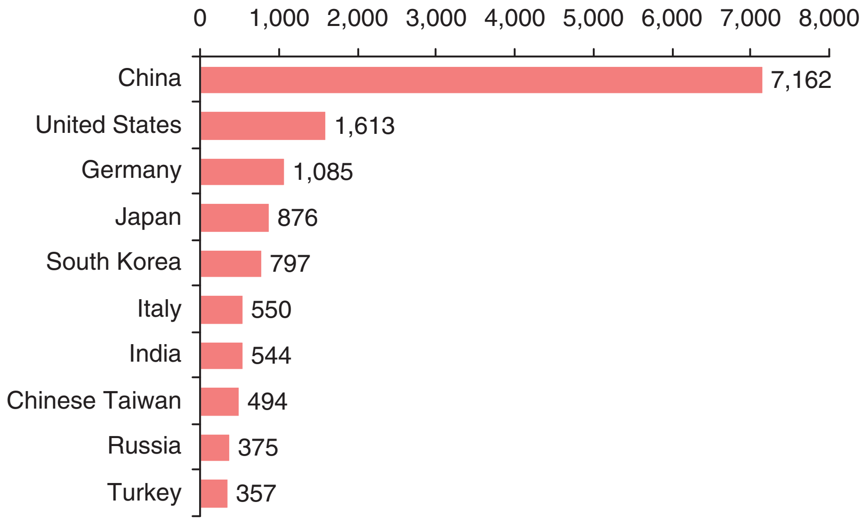
Breakdown of Global Copper Consumption by Sector in 2009



Source: ICSG

World refined copper consumption increased from approximately 16.7 million tonnes to approximately 18.2 million tonnes over the period from 2004 to 2009 at a CAGR of 1.7%. Refined copper consumption of the ten countries with the highest consumption accounted for 76.3% of the world's total consumption in 2009.

Refined Copper Consumption of Top 10 Countries in 2009
(in thousand tonnes)

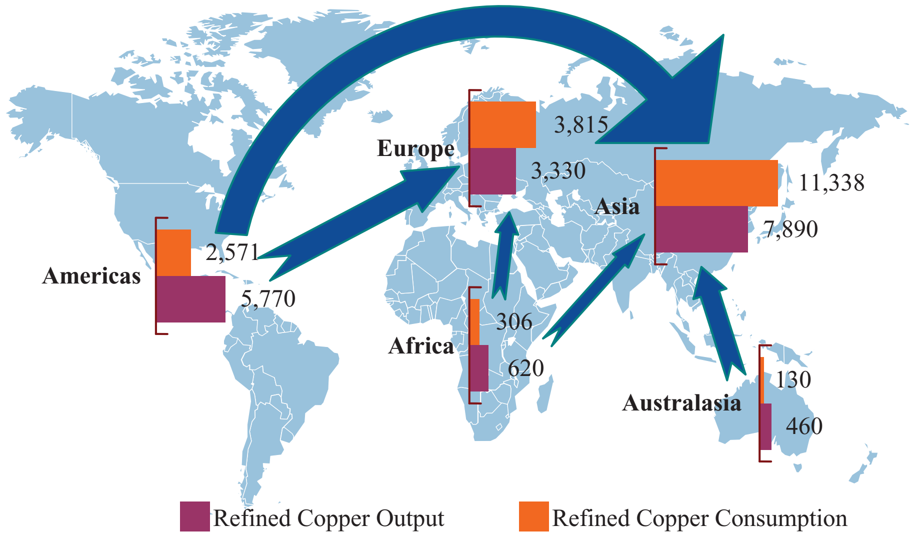


Sources: ICSG, World Bureau of Metal Statistics, CNIA

Global trade

According to ICSG, approximately 40% of the world's copper concentrate is traded globally. Chile, Indonesia, Peru, Australia, the U.S. and Canada are the main exporting countries and Japan, China, India, South Korea, Germany and Spain are the importing countries. Globally, copper ore flows mainly from the Americas, Oceania and Africa to Asia and Europe.

Global Copper Concentrate Trading Flow in 2009
(in thousand tonnes)



Sources: ICSG, American Bureau of Metal Statistics, World Bureau of Metal Statistics

The global refined copper trading flow direction is similar to that of copper concentrate.

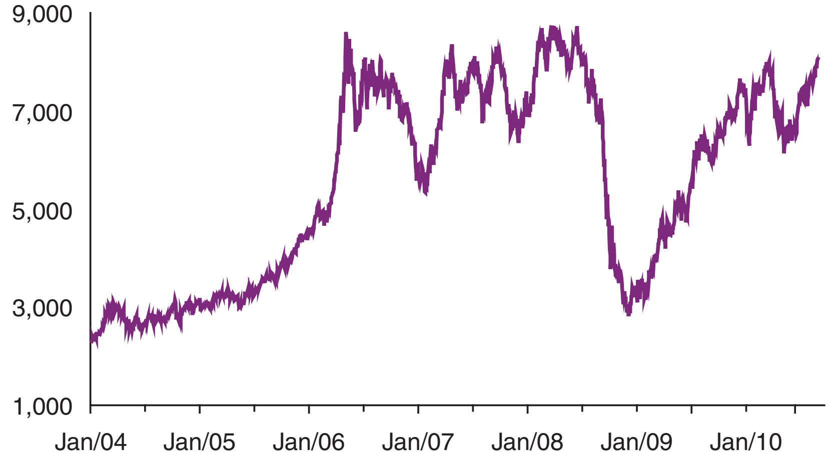
International copper prices

There are three main copper futures exchanges in the world: the LME based in London, the COMEX based in New York and Shanghai Futures Exchange based in Shanghai. The LME is the world's premier non-ferrous metals market.

Copper has been traded on the LME since it was founded in 1877. The copper contract was upgraded to high grade copper in November 1981 and again to today's Grade A contract in June 1986. The LME copper price is the primary global reference price for copper, with refined copper traded between industry participants at a price related to the LME price. Copper trades on the LME in units of 25 metric tons and the settlement price of copper for cash delivery is the price for the contract, expressed as U.S. dollars per metric ton and scheduled for same-day settlement.

The international copper futures price began to increase in 2005 and exceeded US$8,000 per tonne in mid-2006. Since then, such price continued to kept fluctuating within a certain range before declining sharply amid the global financial crisis in the second half of 2008, and slipped to below US$3,000 per tonne at the end of 2008. Driven by increasing demand from China, international copper price has been experiencing steady recovery since January 2009. As of September 2010, international copper price rose to a level of approximately US$7,700 per tonne.

LME 3-Month Copper Prices 2004-2010
(in US$ per tonne)



Source: LME

LME spot copper price has displayed a similar price trend to that of copper future price.

PRC Copper Industry

There is currently a shortage of copper raw materials in China, and the supply of copper products is inadequate to meet domestic demand. In 2009, Chinese net imports of copper concentrate (copper content), blister copper, refined copper (also known as cathode copper) were 1,838, 228 and 3,112 thousand tonnes, respectively, according to China Customs and China Chamber of Commerce of Metals Minerals and Chemicals Imports and Exports.

PRC supply of copper

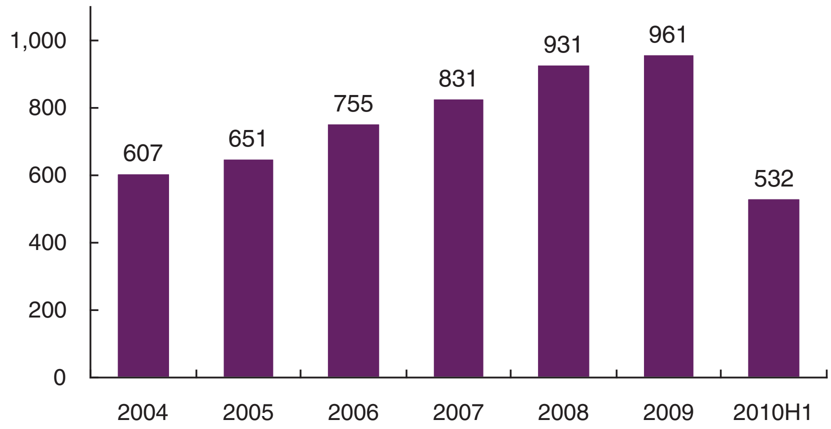
According to National Bureau of Statistics of China, Chinese copper ensured reserves are estimated to be approximately 28.9 million tonnes of copper content in 2008. Chinese copper reserves are mainly found in east, southwest and north China. The three regions account for 75.0% of Chinese copper reserves. In terms of deposit size, small- and medium-sized deposits are more commonly found than large and super-large deposits. Among the deposits explored, large and super-large sized deposits account for only 3%, medium-sized deposits account for 9%, while small-sized deposits account for 88%.

Copper ore production

China is the fifth largest copper ore producing country in the world. However, China still imports large quantities of copper concentrate. In recent years, over 50% of the Chinese copper concentrate consumption was imported. Chinese copper concentrate imports accounted for 65.7% of the total consumption in 2009.

Chinese copper concentrate production increased from 607 thousand tonnes in 2004 to 961 thousand tonnes of copper content in 2009, representing a CAGR at 9.6%, according to CNIA. In the first six months of 2010, Chinese copper concentrate output was 532,000 tonnes of copper content, an increase of 25.5% from the corresponding period of 2009.

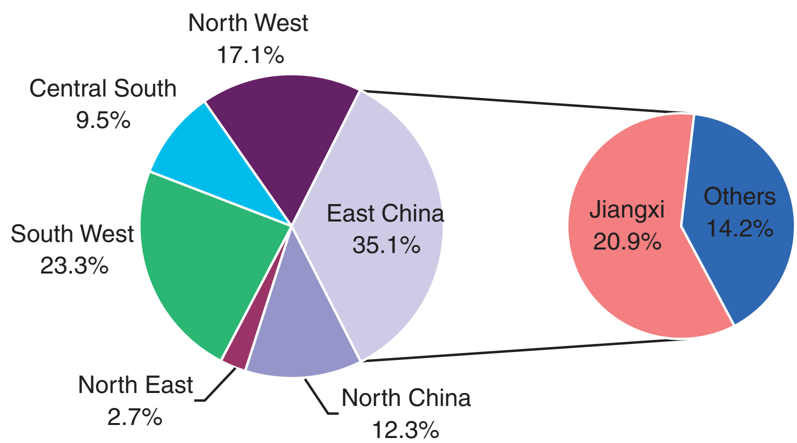
Chinese Copper Concentrate Output 2004-2010H1
(in thousand tonnes of copper content)



Source: CNIA

According to CNIA, eastern China was the largest copper concentrate producing region with copper concentrate production accounting for 35.1% of the national total output in 2009. Southwestern and northwestern China were also significant copper concentrate producing regions, representing 23.3% and 17.1% of the national total output, respectively, in 2009.

Breakdown of Chinese Copper Concentrate Output by Region in 2009



Source: CNIA

Refined copper production

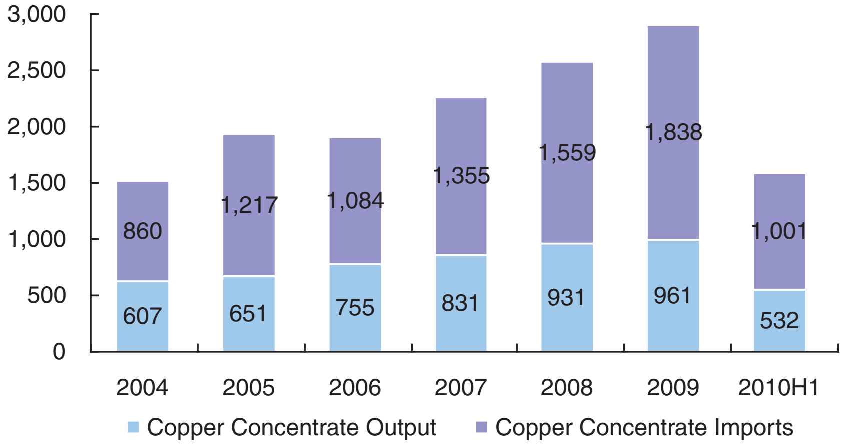
China is the world's leading producer of refined copper. Chinese refined copper output reached approximately 4.1 million tonnes in 2009, representing a CAGR of 14.8% from 2004 to 2009, according to CNIA. In the first three months of 2010, Chinese refined copper output was approximately 1.1 million tonnes, an increase of 17% from the corresponding period of 2009.

PRC demand for copper

Copper ore consumption

China is one of the fastest growing countries in terms of demand for copper concentrate and has been the main driver behind the growth of the copper concentrate sector globally. Chinese copper concentrate apparent consumption, which is the aggregate of copper concentrate output and imports, increased from approximately 1.5 million tonnes of copper content to approximately 2.8 million tonnes from 2004 to 2009 at a CAGR of 13.8%, according to CNIA and China Chamber of Commerce of Metals Minerals and Chemicals Imports and Exports. In 2009, net imports of Chinese copper concentrate (copper content) were approximately 1,838 thousand tonnes, accounting for 65.7% of Chinese copper concentrate apparent consumption while in the first half of 2010, such net imports were approximately 1,001,000 tonnes, accounting for 65.3% of Chinese copper concentrate apparent consumption.

Chinese Copper Concentrate Apparent Consumption 2004-2010H1
(in thousand tonnes of copper content)



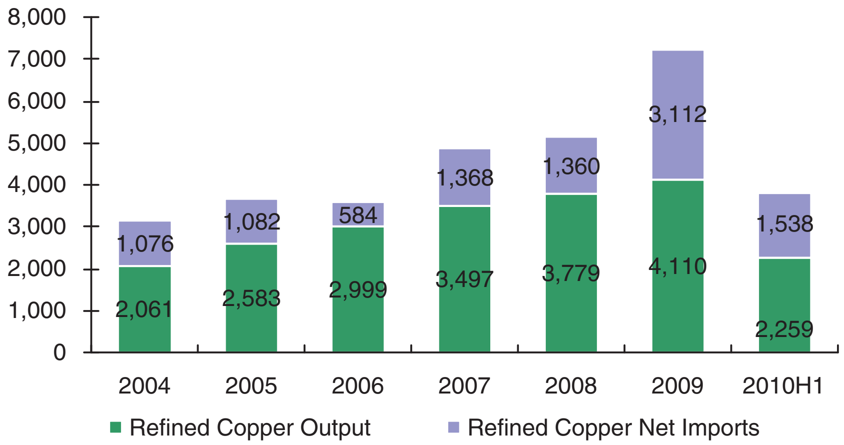
Sources: *CNIA, China Customs, China Chamber of Commerce of Metals Minerals and Chemicals Imports and Exports*

Refined copper consumption

According to CNIA, the power industry was the largest copper consuming sector, representing 47.7% of total consumption in China in 2009. Refrigeration equipment, transportation and electronic industries collectively accounted for 31.0% of the total copper consumption in China in 2008.

Chinese refined copper apparent consumption increased from approximately 3.1 million tonnes to approximately 7.2 million tonnes from 2004 to 2009 at a CAGR of 18.1%, according to CNIA. In the first six months of 2010, Chinese refined copper apparent consumption was approximately 3.8 million tonnes.

Chinese Refined Copper Apparent Consumption 2004-2010H1
(in thousand tonnes)

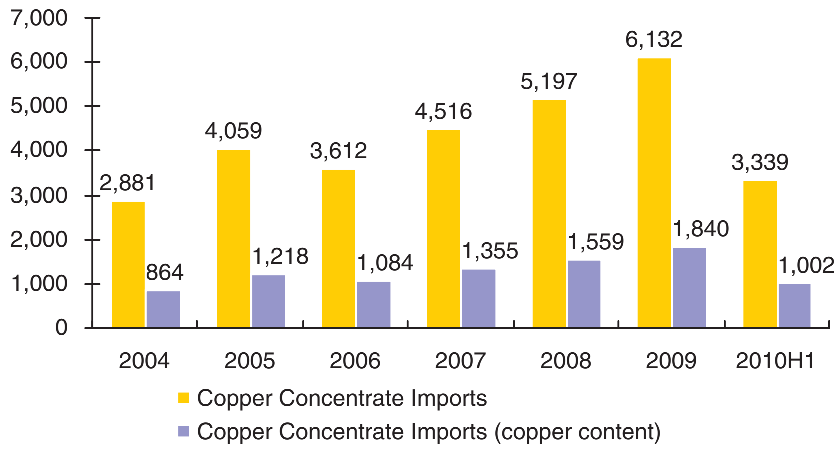


Sources: CNIA, China Customs

Chinese import of copper ore

China is the largest copper concentrate importing country in the world. China imported approximately 6.1 million tonnes of copper concentrate in 2009, according to China Customs. Such amount was equivalent of 1,840 thousand tonnes of copper content, according to China Chamber of Commerce of Metals Minerals and Chemicals Imports and Exports. Chinese copper concentrate imports increased to approximately 6.1 million tonnes in 2009, representing a CAGR of 16.3% from 2004.

Chinese Copper Concentrate Net Imports 2004-2010H1
(in thousand tonnes)



Sources: China Customs, China Chamber of Commerce of Metals Minerals and Chemicals Imports and Exports

Chinese refined copper prices

Chinese refined copper prices are primarily related to futures prices traded on the Shanghai Futures Exchange. As copper is negotiable in the global market, the trend of copper futures prices on the Shanghai Futures Exchange is in line with that on the LME.

Shanghai Futures Exchange 3-Month Copper Prices 2004-2010
(in RMB per tonne)

Source: Shanghai Futures Exchange

Spot copper prices in Shanghai have displayed a similar price trend to the three-month futures price on the Shanghai Futures Exchange.

Competition

The Chinese copper concentrate industry is highly fragmented, with a small number of producers that have an annual production capacity of over ten thousand tonnes of copper content.

Copper Concentrate Production and Resources of Chinese Major Copper Concentrate Companies 2004-2009[1]
(in thousand tonnes of copper content)

Company	2004	2005	2006	2007	2008	2009	Resources in 2009
Jiangxi Copper	157	158	154	160	159	167	15,380
Tongling Non-ferrous Metals	32	37	46	46	56	44	2,470
Yunnan Copper	74	83	80	130	138	113	7,560[2]
Jinchuan Group (JNMC)	39	44	34	50	N/A	N/A	3,495[2]
China Daye Non-ferrous Metal Mining Limited	20	21	21	21	20	20	1,788
Zhongtiaoshan Non-ferrous Metals Group	21	22	21	N/A	N/A	8	1,950[2]
Baiyin Non-ferrous Metals Group Co., Ltd.	8	8	7	N/A	N/A	8	N/A
Sub-total	**351**	**373**	**363**	**407**	**373**	**360**	**32,643**
Total China	**607**	**651**	**755**	**831**	**931**	**961**	**85,310[2]**

Sources: Antaike, company reports of each respective company above.

(1) For other companies listed above, the resources numbers represent the total resources of the whole company which may include more than one mine. As public information of the individual mines are not available, only the aggregate resources number of the other companies are listed.

(2) Refers to 2008 data.

Copper Concentrates

Pricing of copper concentrate

Unlike copper metal, there is no formal exchange for copper concentrates. Prices of copper concentrates are established through negotiations between buyers (typically smelting factories) and sellers (typically mining companies) on a yearly or bi-yearly basis. When the concentrates are sold to the buyers, the sellers are paid for a portion of the copper metal and any by-products and penalized for impurities contained in the concentrate. In addition, the buyers will generally impose a treatment charge and refining charge and retain some exposure to the copper price, when it is above or below a pre-specified value, through what is called price participation. Treatment and refining charges fluctuate based on the underlying balance in the copper concentrate market. They are either quoted on a spot basis or negotiated semi-annually in cases of long-term contracts. Treatment and refining cost contracts are generally six months in duration, known as a brick contract.

Price participation typically involves an extra payment to buyers when the price of copper exceeds a certain value (generally 90 cents a pound). The payment is equal to a certain percentage (generally 10 per cent) of the difference between the purchase price and the market price.

MOLYBDENUM

Molybdenum (Mo) is a silvery white, malleable metal with an exceptionally high melting point (2,625˚C) used principally as an alloying agent in steel, cast irons and superalloys to enhance hardness, strength, toughness and resistance to wear and corrosion.

Molybdenum has been found in various minerals. The molybdenum content of viable ore bodies ranges between 0.01% and 0.25%, often associated with the sulphide minerals of other metals, notably copper.

Molybdenum ore bodies and mines are generally classified in three types:

- primary mines, where the recovery of molybdenite is the sole objective;
- by-product mines, which separate molybdenite during copper recovery; and
- co-product mines, where commercial viability is dependent upon the extraction of both molybdenite and copper-bearing minerals.

Molybdenum production comprises mining and concentrating followed by conversion to molybdenum oxide by roasting. Some molybdenum oxide and molybdenum concentrates are then further processed to produce ferromolybdenum, molybdates and other chemicals, or molybdenum metal prior to consumption.

Molybdenum concentrate (MoS_2) usually contains 45-53% of molybdenum and a large number of impurities such as silicon, ferrum (iron), bismuth, tin, antimony and phosphorus. Molybdenum concentrate requires further processing into molybdenum oxide for uses. Molybdenum products include molybdenum oxide, ferromolybdenum, molybdenum metal as well as molybdenum chemicals. In terms of volume, molybdenum concentrate (MoS_2), molybdenum oxide (MoO_3) and ferromolybdenum (FeMo) dominate international trade for molybdenum.

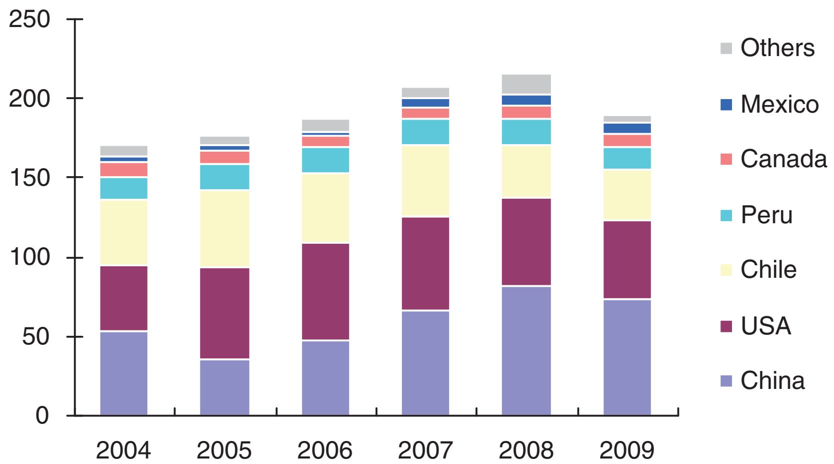
Global Molybdenum Industry

Global supply of molybdenum

Global molybdenum reserves were estimated to be 8.6 million tonnes with a reserve base of 19.0 million tonnes in 2008, measured by molybdenum metal contained, according to the United States Geological Survey. In 2009, the world molybdenum reserves slightly increased to 8.7 million tonnes, with 70 thousand tonnes newly found in Mongolia. Molybdenum reserves of China, the U.S. and Chile collectively account for approximately 82% of world molybdenum reserves.

Molybdenum production is usually derived from two sources: as a by-product of copper-porphyry mining and through the extraction of molybdenum from porphyry molybdenum deposits as the primary product. There is a small quantity of molybdenum recycled from waste and scrap. The production data of recycled molybdenum are not published officially. World molybdenum concentrate output (measured by molybdenum content) was 215 thousand tonnes in 2008, representing a CAGR of 6.0% from 2004, according to the estimates by Raw Materials Group. The principal supply countries of molybdenum concentrate were China, the United States, Chile, Peru, Canada and Mexico. The output of these six countries collectively accounted for around 97.2% of the world total molybdenum concentrate output in 2009, ten percentage points higher than that of 2008.

World Molybdenum Concentrate Production by Country 2004-2009
(in thousand tonnes of molybdenum content)



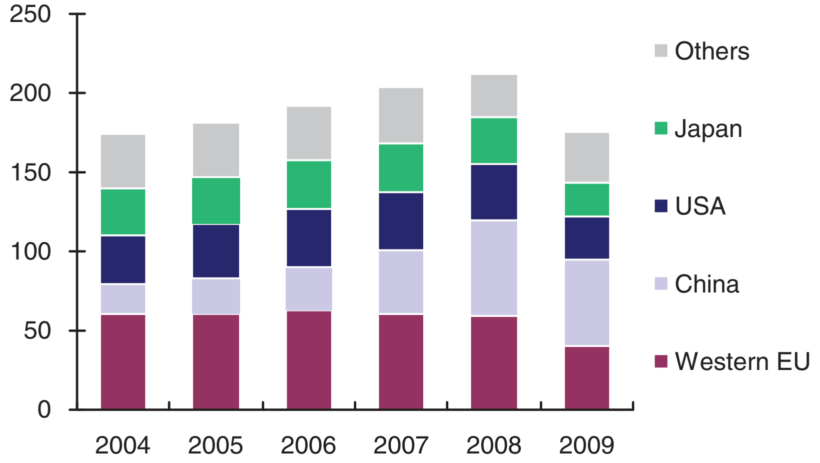
Sources: *Raw Materials Group, USGS, CNIA*

Global demand for molybdenum

World demand for molybdenum products has increased in recent years as a result of increasing energy investment and global economic growth, driven largely by the rapid expansion of the Chinese economy. In addition, steel manufacturers have applied greater use of molybdenum in some alloys in order to improve product performance.

According to Raw Materials Group's estimates, world molybdenum products consumption amounted to 212,600 tonnes (molybdenum content) in 2008, representing a CAGR of 5.0% from 2004. China, Western Europe, the U.S. and Japan consumed approximately 87% of the world's molybdenum consumption in 2008. In 2009, world molybdenum consumption (molybdenum content) declined year-on-year by 17.8% to 174,800 tonnes, according to CNIA.

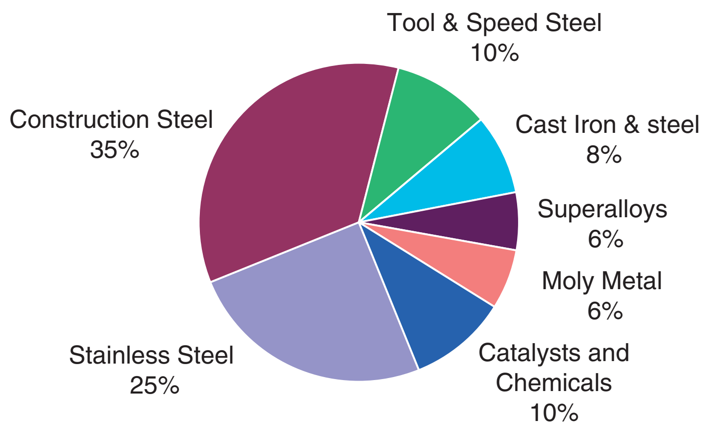
World Molybdenum Products Consumption 2004-2009
(in thousand tonnes of molybdenum content)



Sources: Raw Materials Group, CNIA

According to International Molybdenum Association, approximately 78% of the molybdenum products were used in steel production in the forms of molybdenum oxide or ferromolybdenum, while others are used in superalloys, molybdenummetal and molybdenum chemical industries. The end user sectors for molybdenum include construction, machinery manufacturing, automobile, shipbuilding, aerospace, oil pipelines and drilling platform and the production of catalyst, pigment, lubricants and other chemical products.

World Molybdenum Consumption Breakdown by Application in 2009



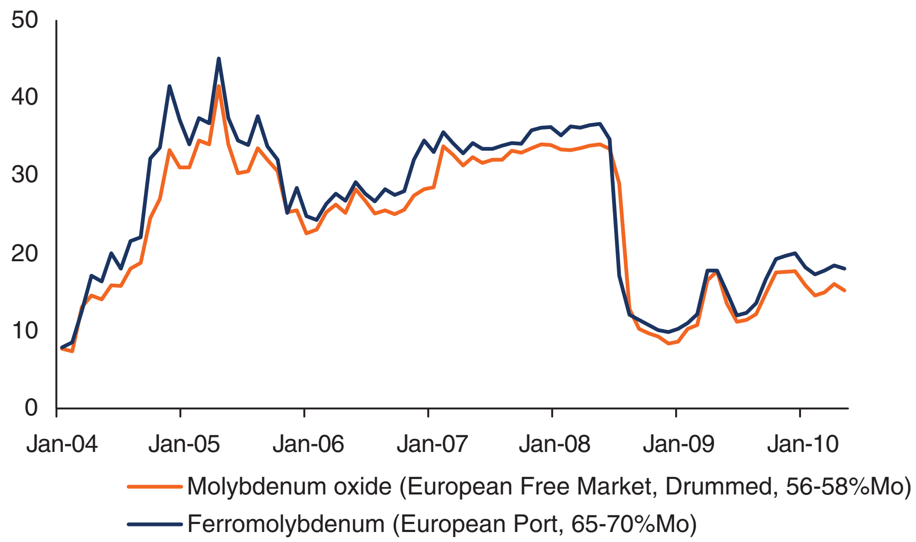
Source: International Molybdenum Association

International molybdenum prices

Molybdenum products are not traded on any exchange market. Therefore, no futures market exists for molybdenum products where producers, consumers and traders can set an official or settlement price. Molybdenum concentrate, molybdenum oxide and ferromolybdenum are sold, largely on a spot basis, by traders and dealers worldwide. Some transactions are entered into on the basis of long-term supply contracts between producers and consumers, and the major producers typically have a network of sales offices through which molybdenum products are bought.

Europe is the largest molybdenum consumption market. European molybdenum oxide prices are a key measure of molybdenum price and are widely used and typically quoted within the molybdenum industry and by industry specialists, commodity and equity analysts as a benchmark of molybdenum prices. Molybdenum oxide prices are typically used by industry participants as a benchmark to related molybdenum concentrate and ferromolybdenum prices. Prices of concentrate are no longer separately quoted as they are based on prices for molybdenum oxide, with penalties for deleterious elements. European prices are quoted in U.S. dollars per pound of contained molybdenum for molybdenum oxide, and U.S. dollars per kilogram of contained molybdenum for ferromolybdenum. Ferromolybdenum normally commands a price premium over oxide to reflect conversion costs.

International Prices of Molybdenum Oxide and Ferromolybdenum 2004-2010
(in US$ per pound)



Source: *Metal Bulletin*

Driven by strong growth in the steel and petroleum industries and limited global capacity for roasting and refining, European molybdenum oxide price showed a sharp rise in 2004 and peaked in May 2005 at between US$40 and US$50 per pound of molybdenum content, the highest level since 1979. In this period, the decrease in exports from China upheld the soaring international prices, as Chinese government tightened regulation on domestic molybdenum production. The European molybdenum oxide price stayed at US$30 to US$40 per pound of molybdenum content in 2007 and the first three quarters of 2008, and dropped to below US$10 per pound when the global economic downturn emerged. As the world's major producers reduced production output, the international molybdenum prices showed a recovery in the first half of 2009. Molybdenum oxide price and ferromolybdenum price fell by 50% during the two months of July and August of 2009. These prices turned to rise from November 2009 and the price of molybdenum oxide in September 2010 reached US$15.1 per pound of molybdenum content.

PRC Molybdenum Industry

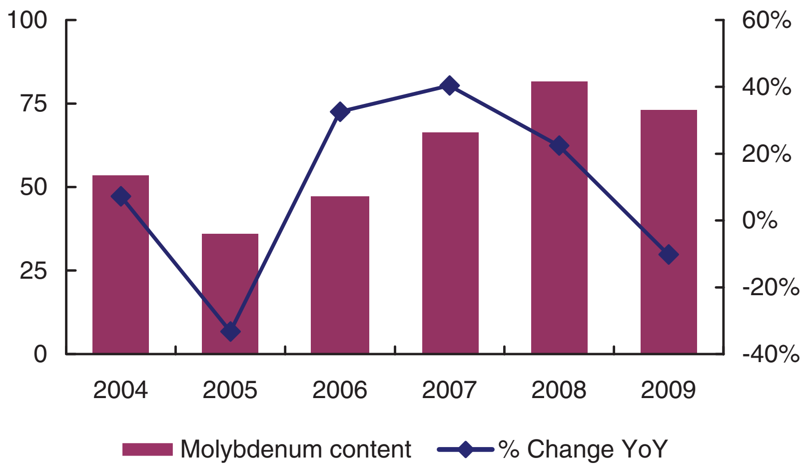
China is a major supplier of molybdenum oxide and ferromolybdenum to the world, and is itself also a large market for molybdenum products.

PRC supply of molybdenum

China has the largest molybdenum deposits in the world currently known. Approximately 38% of the world's molybdenum reserves and around 44% of the world's molybdenum reserve base are located in China.

Chinese molybdenum concentrate production has increased rapidly since 2005 and was driven by strong demand from the Chinese steel industry. China became the world's largest producer of molybdenum concentrate in 2007. According to the estimates by CNIA, Chinese molybdenum concentrate output (molybdenum content) reached 81,270 tonnes in 2008, representing a CAGR of 11.1% from 2004, and accounted for 36.2% of the world molybdenum concentrate output. As most mines in China reduced or suspended molybdenum production in 2009, Chinese molybdenum concentrate output was 73,000 tonnes in 2009, a 10% decrease as compared to 2008, according to Antaike, accounting for 38% of world total molybdenum concentrate output.

China Molybdenum Concentrate Production 2004-2009
(in thousand tonnes of molybdenum content)



Source: CNIA, Antaike
Note: 2009 data is quoted from Antaike

PRC demand for molybdenum

Driven by buoyant growth in demand for molybdenum from the steel industry in China, with respect to stainless steel and alloy steel in particular, Chinese molybdenum product consumption grew at a CAGR of 23.7% from 2004 to 2009. According to the estimates of CNIA, Chinese molybdenum products apparent consumption reached 54 thousand tonnes (molybdenum content) in 2009, increasing by 13.8% from 2008, accounting for 30.9% of the world's molybdenum consumption.

In recent years, Chinese molybdenum product exports to industrialized countries have decreased from 46 thousand tonnes (molybdenum content) in 2004 to 8 thousand tonnes in 2009, decreasing by 82.5%, as domestic demand for molybdenum grew rapidly.

Though it exports molybdenum products, China is a net importer of molybdenum concentrate. In 2009, China was a net importer of molybdenum products primarily due to the steady domestic consumption and comparatively low international molybdenum prices. Chinese imports of molybdenum products (exclude concentrate) reached 28 thousand tonnes (molybdenum content) in 2009.

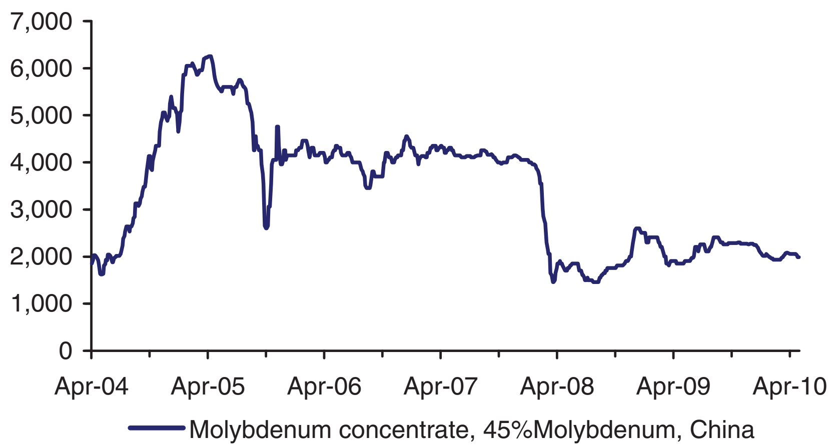
Competition

The molybdenum industry in China is highly fragmented although the reserves are concentrated in three provinces. Only Luoyang Luanchuan Molybdenum Mining (洛陽欒川鉬業) and Jinduicheng Molybdenum Mining (金堆城鉬業) have a molybdenum concentrate production capacity above 10 thousand tonnes per year (in terms of molybdenum content). In 2009, the collective molybdenum concentrate output of these two companies was 26,100 tonnes (in terms of molybdenum content), accounting for 36% of total national output. The remaining 64% of national output is contributed by a large number of smaller-scale producers who usually have comparably high production cost.

Chinese molybdenum prices

As a leading molybdenum producing country, China is expected to perform a more prominent role in global molybdenum supply and to have a significant impact in the global molybdenum market in the future. Chinese national standard for the grade of molybdenum concentrate ranges between 47%Mo and 53%Mo, with 45%Mo being the dominating grade and used as the key reference of domestic molybdenum concentrate.

Molybdenum Concentrate Market Price in China 2004-2010
(in RMB per metric tonne)



Source: Antaike

SILVER

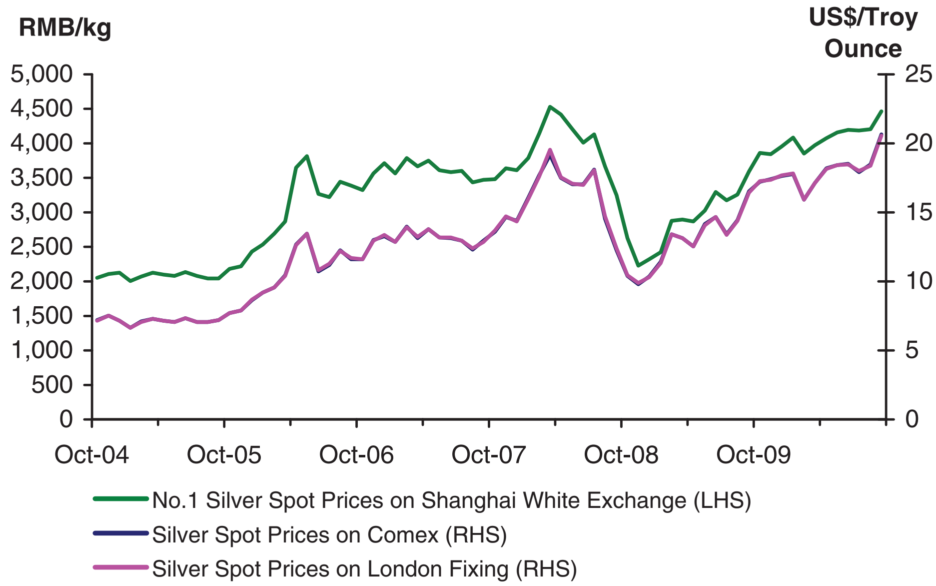
Silver (Ag) is the whitest and most ductile of all metals. With a number of unique properties, silver is widely used in traditional sectors (e.g. coinage, photography, silver jewelry, silverware and table settings), industrial sectors (e.g. batteries, bearings, brazing and soldering, catalysts and electronics) and other emerging sectors (e.g. medical applications, mirrors and coating, solar energy and water purification).

Approximately 25% of the silver produced comes from ores actually mined for their silver value, with the remaining 75% coming from ores that have as their major metal value either lead, copper, gold or zinc. As silver is always found associated with copper/zinc/lead sulphide ores, its main extraction method is through concentrating and extracting those heavy metals. The silver associated with gold is recovered in gold cyanidation process.

According to the United States Geological Survey, China's primary silver production in 2009 was 3,000 tonnes, or 11.7% of the world's total, and was the third largest silver producing country in the world. According to CNIA, Chinese total silver production in 2009 reached 10,348 tonnes. Most of its silver were produced from recycled silver and used silver scrap. In China, it is estimated that only half of the silver production is consumed domestically and the balance of the production is exported. Silver is exported as primary unwrought silver products mainly to other Asian countries.

The international trading market for silver was formed in the late 19th century, with the main trading vehicles located in London, New York, Chicago and Tokyo. Silver prices in London and New York are considered as benchmark prices for the world. The only official silver trading exchange in China, the Shanghai White Platinum and Silver Exchange, was launched in 2003. Silver spot prices on LBMA and COMEX are closely synchronized, while silver prices on the Shanghai White Platinum and Silver Exchange closely follow international price trend. Since the beginning of 2009, silver price rose gradually and nearly reached the pre-crisis level. In 2010, the price continued to move upward, except for a dip in early February and a slight decrease in July, to approximately US$20.6 per troy ounce in September. One of the key reasons for this price hike could be the impact of the Chilean earthquake at the end of February 2010. As the fourth largest silver producer in the world, Chile's earthquake had adversely affected silver supply.

Silver Monthly Average Spot on LBMA, COMEX and Shanghai White Platinum and Silver Exchange 2004-2010(1)



Source: LBMA, COMEX, Shanghai White Platinum and Silver Exchange

(1) No.1 Silver on Shanghai White Platinum and Silver Exchange is of 99.99% purity, while silver on COMEX and LBMA are of 99.9% purity.

(2) The line of Silver Spot Prices on COMEX overlaps with that of Silver Spot Prices on London Fixing.

LEAD

Lead (Pb) is a very corrosion-resistant, dense, ductile, and malleable blue-gray metal that has been used for at least 5,000 years.

Lead is usually found in ore with zinc, silver and copper and is extracted together with these metals. Lead ore is first processed to a fine suspension in water by grinding in ball or rod mills, then concentrated by selective froth flotation to produce lead concentrate. Lead concentrate is a widely traded mineral product as refined lead and lead alloy product.

The principal consumption of lead is for lead-acid batteries which are used in vehicles, and in emergency systems (such as hospitals) as well as in industrial batteries found in computers and fork lift trucks. Lead is also used in remote access power systems and load leveling systems as well as in compounds in the glass and plastics industries and for radiation shielding.

Global Lead Industry

Global supply for lead

World lead concentrate production increased from 3,129 thousand tonnes to 3,920 thousand tonnes over the period from 2004 to 2008 at a CAGR of 5.8%, according to International Lead and Zinc Study Group (ILZSG). In 2009, world lead concentrate production tallied 4,029 thousand tonnes of lead content, surpassing four million tonnes for the first time.

The increase of world lead concentrate output in 2009 was mainly driven by Chinese production.

From 2004 to 2008, global refined lead production increased at a CAGR of 5.5% from 7.0 million tonnes to 8.7 million tonnes. During 2004-2008, lead production in the rest of the world (excluding China) increased at an average of just 2% per annum from 5.2 million tonnes to 5.6 million tonnes. At the same time, the share of Chinese refined lead production of the world total lead output increased to 36% in 2008. In 2009, lead production in the rest of the world (excluding China) decreased by 8.9% to 5.1 million tonnes, which was lower than that of 2004, while the share of Chinese refined lead production of the world total lead output increased to 42%.

Global demand for lead

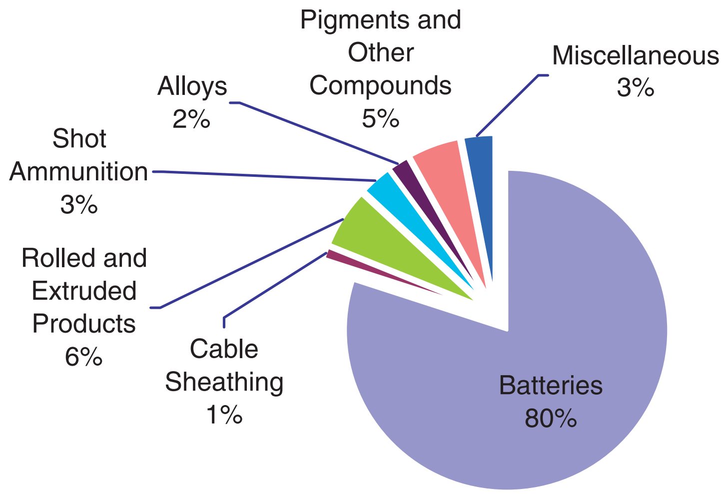
From 2004 to 2009, the world lead concentrate consumption increased by an average of 5.4% each year from 3.1 million tonnes to 4.0 million tonnes of lead content.

Global refined lead consumption increased at a CAGR of 3.7% from 7.3 million tonnes in 2004 to 8.8 million tonnes in 2009. The consumption increase of the world lead industry in the past 5 years came mainly from the growth of Chinese lead consumption. China's share in the world lead consumption increased from 16.7% in 2003 to 44.1% in 2009.

Around 80% of refined lead of the world is used to produce lead-acid batteries, which are used in motor vehicles, electric powered vehicles and electric bicycles. Meanwhile, lead-acid batteries are highly suitable for recycling and the major source for secondary lead production.

Lead is also used to manufacture lead sheet and pipe products for construction and chemical industries.

World Refined Lead Consumption by Sector in 2009



Source: ILZSG

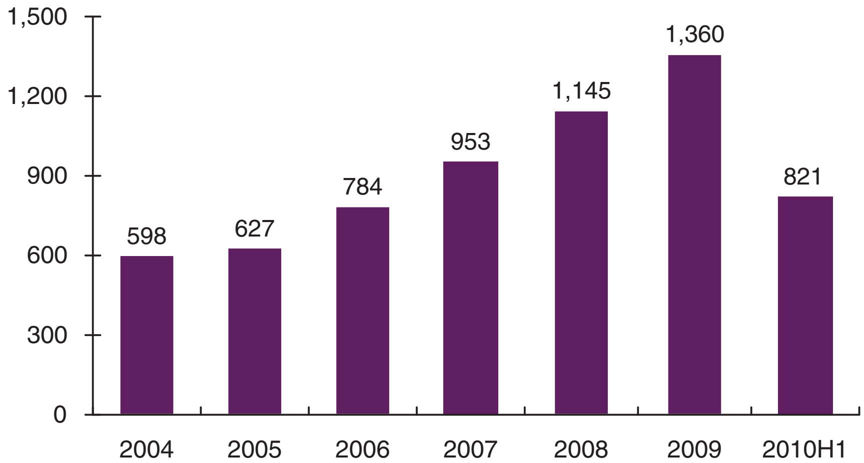
PRC Lead Industry

PRC supply of lead

China is the world's largest lead concentrate producer and refined lead producer; meanwhile, China is the world's largest importing country of lead concentrate and exporting country of refined lead (before 2008).

Chinese lead concentrate output reached 1,145 thousand tonnes of lead content in 2008, achieving a year-on-year rise of 20%, according to NBSC. In the first half of 2010, China produced 821 thousand tonnes of lead concentrate (lead content), a year-on-year increase of 55.8%.

China's Lead Concentrate Output 2004-2010H1 (Unit: thousand tonnes of lead content)



Source: NBSC, CNIA, Antaike

China was the largest refined lead exporter of the world before 2008. In 2006, Chinese total exports of refined lead and lead alloy reached 552 thousand tonnes. Since then, Chinese lead exports (refined lead and lead alloy) dropped significantly to 264 thousand tonnes in 2007, 45 thousand tonnes in 2008 and 65 thousand tonnes in 2009. On the other hand, Chinese imports of refined lead and lead alloy products increased from 45 thousand tonnes in 2007 to 59 thousand tonnes in 2008 and 210 thousand tonnes in 2009. Chinese net imports of lead and lead alloy products were 11.1 thousand tonnes in the first quarter of 2010.

PRC demand for lead

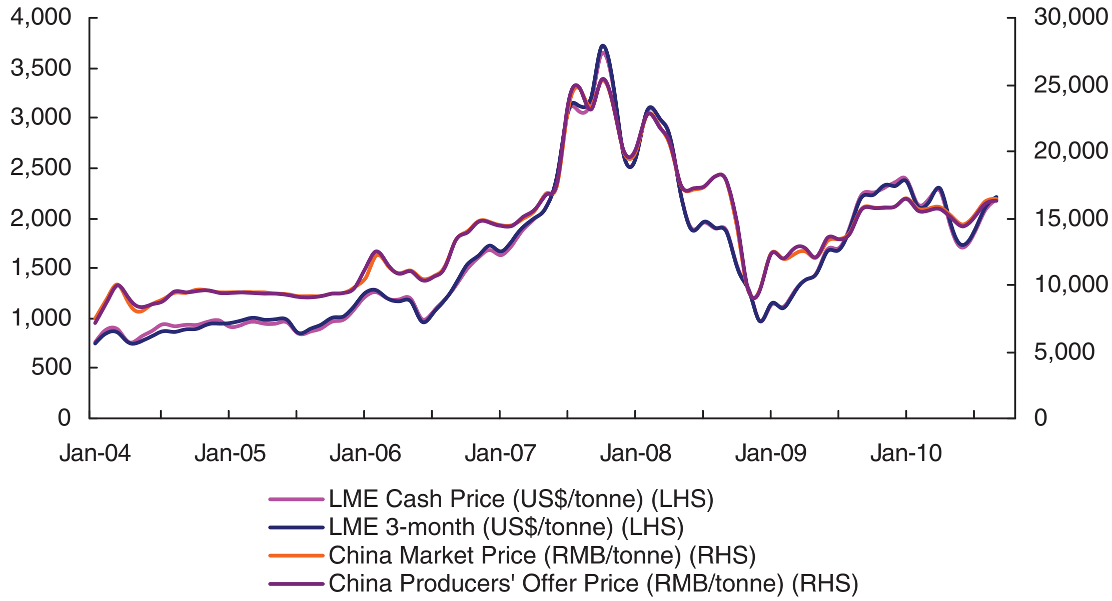
The total consumption of lead concentrate consists of domestic production and imports. China is the world's largest lead concentrate producing and importing country. Thus China is also the world's largest lead concentrate consuming country. From 2004 to 2009, Chinese lead concentrate consumption grew at CAGR of 15.2% from 1.1 million tonnes to over 2.3 million tonnes of lead content. In the first quarter of 2010, Chinese lead concentrate output, imports and consumption were 298, 187 and 485 thousand tonnes of lead content, respectively.

CNIA reported that Chinese refined lead consumption increased at a CAGR of 14% from 1.7 million tonnes in 2004 to 2.8 million tonnes in 2008. According to Antaike, Chinese refined lead consumption in 2009 reached 3.4 million tonnes, a year-on-year increase of 16.0%. As the largest lead consumer of the world, China's share in the world lead consumption increased from 16.7% in 2003 to 44.1% in 2008.

International and PRC lead prices

Lead is traded on the LME. The 3-month LME lead is the benchmark contract traded on the exchange. LME Lead prices peaked at US$3,890 per tonne in October 2007 and then dropped sharply to US$850 per tonne in December 2008. In the first 10 months of 2009, with the recovery of the lead consumption, lead prices increased steadily from US$850 per tonne to over US$2,200 per tonne on the LME. In January 2010, the lead price reached US$2,392 per tonne on the LME. The following chart shows the monthly price trend of refined lead from 2004 to the first nine months of 2010.

Chinese and LME Lead Prices 2004-2010



Source: LME, Antaike

There are no lead futures contracts in China. Chinese lead prices are generally in line with the LME lead price trend. See the above figure for the spot market prices in China and key Chinese producers' offer prices.

The lead concentrate pricing mechanism is similar to copper concentrate, (see copper "— Copper — Copper Concentrate — Pricing of copper concentrate" above). Lead concentrate price is determined by payable lead and treatment charge (with escalator/de-escalator based on LME price). The price trend of lead concentrate is similar to that of lead.

ZINC

Zinc (Zn) is a bluish-white, lustrous, diamagnetic metal. It is less dense than iron. Zinc is the fourth most common metal in use, trailing only iron, aluminum, and copper, with an annual global production of about 11 million tonnes.

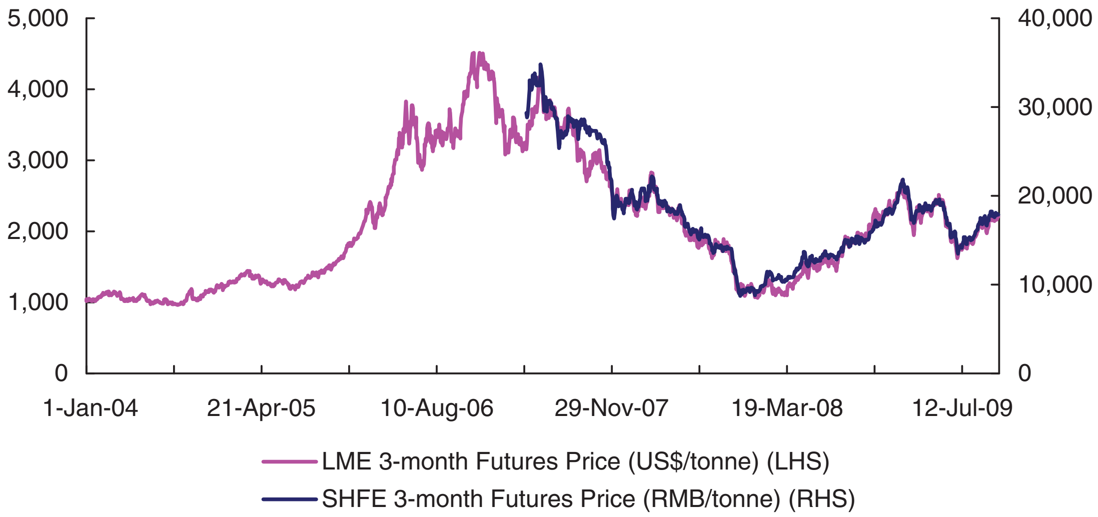
Approximately 95% of the world's zinc is mined from sulfidic ore deposits, in which sphalerite ZnS is nearly always mixed with the sulfides of copper, lead and iron. There are zinc mines throughout the world, with the main mining areas being China, Australia and Peru.

With good anti-corrosion capability, zinc is widely used as a coating material for steel products to produce galvanized steel. In addition, zinc is also used to make batteries, brass and bronze, zinc compounds and die casting zinc alloy materials.

China is not only the largest refined zinc producer but also the largest refined zinc consumer of the world. Chinese refined zinc production and consumption grew at CAGRs of 9.5% and 10.1% from 2.7 million tonnes and 2.7 million tonnes in 2004 to 3.9 million tonnes and 4.0 million tonnes in 2008, respectively, as reported by CNIA and Antaike. China continued to be the main destination for world zinc concentrate shipments, with 3.9 million tonnes (equivalent to approximately 2.1 million tonnes of zinc content) unloaded at Chinese ports in 2008, an increase of 61.5% from 2004. In the first quarter of 2010, Chinese total imports of zinc concentrate reached 857 thousand tonnes (equivalent to 471 thousand tonnes of zinc content).

Zinc trades on the LME in units of 25 tonnes and the settlement price of zinc for cash delivery is the price for the contract, expressed in U.S. dollars per tonne and scheduled for same-day settlement. Zinc is also traded on in the Shanghai Futures Exchange as a futures product. Three-month LME zinc is the benchmark contract traded on the LME.

Three-Month Zinc Prices on LME and Shanghai Futures Exchange(1) in 2004-2010



Source: LME, Shanghai Futures Exchange

(1) Shanghai Futures Exchange began zinc futures trade in March 2007.

SOURCES OF INFORMATION

Hatch Report

We have engaged Hatch, an experienced consultant in the mining and metals industry, to prepare the Hatch Report for use in whole or in part in this prospectus.

The research and writing of the Hatch Report was a desktop exercise carried out by experienced Hatch professionals who have extensive knowledge of the mining and metals sector. Hatch utilizes its in-house database, independent third-party reports, publicly available data from reputable industry organizations and data provided by our Company (with respect to the gold resources of the CSA Mine and the copper resources of the Jiama Mine) to prepare the Hatch Report. Where necessary, Hatch's researchers contact companies operating in the industry to gather and synthesize information about the market, prices and other relevant information.

In preparation of the Hatch Report, Hatch has assumed the completeness and accuracy of the information and data that it has relied on. Hatch has confirmed that it is not aware of anything which could possibly lead it to believe that this assumption is unfair, unreasonable or incomplete.

Hatch seeks to operate according to international standards of moral, legal and professional conduct to protect its reputation for independence and confidentiality. Hatch has more than 15 years of project experience in the PRC and has completed assignments on over 150 projects with a capital value in excess of US$3.0 billion.

We have paid Hatch a total of RMB495,000 for the preparation and update of the Hatch Report.

Others

We have not engaged Antaike, CNIA, COMEX, GFMS, ICSG, ILZSG, LBMA, LME, American Bureau of Metal Statistics, China Chamber of Commerce of Metals Minerals and Chemicals Imports and Exports, China Customs, China Gold Association, International Molybdenum Association, Metal Bulletin, National Bureau of Statistics of China, Raw Materials Group, Shanghai Gold Exchange, Shanghai Futures Exchange, Shanghai White Platinum and Silver Exchange, the United States Geological Survey, World Bureau of Metal Statistics or World Gold Council when preparing data cited in this prospectus. Data from these sources were not prepared on a commissioned basis by us.

LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES

The "Mineral Resources Law of the PRC" (中華人民共和國礦產資源法), which was first promulgated by the Standing Committee of the National People's Congress (the "NPC") on March 19, 1986 and became effective on October 1, 1986, was amended by the Standing Committee of the NPC on August 29, 1996 and became effective on January 1, 1997. Under the Mineral Resources Law of the PRC, all mineral resources of the PRC are owned by the State. The geology and mineral resources department of the State Council, which is now the Ministry of Land and Resources of the PRC, is responsible for the supervision and administration of the exploration and mining of mineral resources nationwide. The geology and mineral resources departments of the Chinese Government in the respective provinces, autonomous regions and municipalities are responsible for the supervision and administration of the exploration and mining of mineral resources within their own jurisdictions. Enterprises engaged in the mining or exploration of mineral resources must obtain mining permits and exploration permits, as the case may be, which are transferable for consideration only in certain circumstances as provided under PRC laws and regulations, subject to approval by relevant administrative authorities.

According to the "Mineral Resources Law of the PRC" (礦產資源法), the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey" (礦產資源勘查區塊登記管理辦法) and the "Administrative Measures on Registration of Mineral Resources Exploitation" (礦產資源開採登記管理辦法), before the exploration and mining activities relating to mineral resources can commence, the project company must first obtain the exploration permits and the mining permits, which generally entitle the project company to the exploration and mining rights attached to the relevant mining project. Furthermore, if the mining activities involve gold resources, in accordance with the "Provisions on the Administration of Obtaining the Letter of Approval for Mining of Gold Minerals" (辦理開採黃金礦產批准書管理規定), which became effective as of January 1, 2004, a Gold Operating Permit (開採黃金礦產批准書) issued by the National Development and Reform Commission must also be obtained.

Holders of exploration permits and of mining permits are subject to exploration right usage fees and mining right usage fees, respectively. In accordance with the "Administrative Measures on Registration of Mineral Resources Exploitation" (礦產資源開採登記管理辦法), mining right usage fees are payable on an annual basis. The annual rate of mining right usage fee is RMB1,000 per sq.km. of mining area. In accordance with the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey" (礦產資源勘查區塊登記管理辦法), exploration right usage fees are also calculated according to the size of the exploration area and are payable on an annual basis. The annual rate of exploration right usage fees for the first year to the third year of exploration is RMB100 per sq.km. of exploration area. From the fourth year of exploration onwards, the rate increases by RMB100 per sq.km. of exploration area per year and is subject to a maximum rate of RMB500 per sq.km. per year. In addition, according to the amended "Administration Regulation for Collection of Mineral Resource Compensation Fee" (礦產資源補償費徵收管理規定), which became effective as of July 3, 1997, holders of mining permits are subject to mineral resource compensation fees, which are to be calculated as a certain percentage of the sales revenue of such holders. The mineral resources compensation fee shall be paid for the first half of each year on or before July 31 of the year, and be paid for the second half of the year on or before January 31 of the following year.

In addition to the above laws and regulations, according to the "Catalogue for Guidance of Foreign Investment" (外商投資產業指導目錄) promulgated by the NDRC and MOFCOM, the mining or operation of certain types of minerals are classified as restricted or prohibited categories for foreign investment. For example, the exploration and mining of gold and silver fall within the catalogue of limited foreign investment industries and requires higher level of governmental approval than permitted category, while the exploration and mining of molybdenum fall within the prohibited category for foreign investment. However, according to the "Measures for the Administration of Foreign-Invested Mineral Exploration Enterprises" (外商投資礦產勘查企業管理辦法), where a mineral prohibited from being explored or mined by foreign invested enterprises is proved to exist as an associated mineral in the relevant mines, and the foreign invested enterprises have to explore and mine it together with the main mineral, the foreign invested enterprises may legitimately continue to mine it after obtaining the approval of the MOLAR and MOFCOM and after amending the relevant mining or exploration permits to include the prohibited type of mineral on such permits.

METHODS OF OBTAINING EXPLORATION PERMIT, MINING PERMIT AND GOLD OPERATING PERMIT

Methods of Obtaining Exploration Permit

In accordance with the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey" (礦產資源勘查區塊登記管理辦法), an applicant for the exploration permit must submit the following documents to the MOLAR (國土資源部) or its local branch:

- an application form for registration and a map indicating the geographical scope of the blocks to be explored;
- a copy of the certificate of qualification of the exploration unit;
- an exploration working plan and an exploration contract or other documents evidencing that the exploration unit is entrusted with the exploration work;
- an implementation plan for the exploration work and its appendixes;
- evidence of source of the funds for the exploration project; and
- other materials required by the geology and mineral resources department of the State Council.

The MOLAR (國土資源部) or its local branch must make a decision within 40 days after its receipt of the application documents, based on the principle of first-to-file, and notify the applicant of the result. If the application is approved, the applicant must pay the exploration right usage fee within 30 days of notification of approval. If the exploration right being applied for is based on a survey conducted using expenditures made by the State, the applicant must also reimburse the State for the expenditures of the survey, the amount of which is to be assessed by the MOLAR in cooperation with assessment agencies recognized by the SASAC.

The maximum valid period of the initial term of the exploration permit is three years. In the case where a renewal is needed, an application must be submitted to the competent authority for renewal of such exploration permit at least 30 days prior to the expiration date stipulated thereon. Each renewal of the valid term cannot exceed two years.

Methods of Obtaining Mining Permit

In accordance with the "Administrative Measures on Registration of Mineral Resources Exploitation" (礦產資源開採登記管理辦法), an applicant for the mining permit must submit the following documents to the MOLAR (國土資源部) or its local branch:

- an application form for registration and a map indicating the scope of the mining area;
- certificate of qualification of the applicant;
- a plan for development and utilization of the mineral resources;
- approval documents for the establishment of the mining enterprise;
- an environment impact evaluation report for the exploitation of the mineral resources; and
- other materials required by the geology and mineral resources department of the State Council.

The MOLAR (國土資源部) or its local branch must make a decision within 40 days after its receipt of the application documents and notify the applicant of the result. If the application is approved, the applicant must pay the mining right usage fee within 30 days of notification of the approval. In the case where the mining right being applied for is for an area that has been surveyed and where the mineral reserve has been confirmed using expenditures made by the State, the applicant must also pay the cost of the mining right, the amount of which is to be assessed by the MOLAR in cooperation with assessment agencies recognized by the SASAC.

The maximum valid period of the initial term of the mining permit is determined according to the scale of the mine and is up to 30 years for a large-scale mine, up to 20 years for a medium-scale mine and up to 10 years for a small-scale mine. In the case where a renewal is needed, an application must be submitted to the competent authority for renewal of such permit at least 30 days prior to its expiration date.

Methods of Obtaining Gold Operating Permit

According to the "Provisions on the Administration of Obtaining the Letter of Approval for Mining of Gold Minerals" (辦理開採黃金礦產批准書管理規定), the applicant for mining of gold minerals must submit the following documents to the NDRC:

- an application form for exploitation of gold minerals;
- a formal map specifically indicating the scope of the mining area;
- file records evidencing that the ore reverse report (地質儲量報告) which constitutes the basis of the construction has been appraised and filed; or documents evidencing the examination and approval of the ore reserves report;
- an environment impact evaluation report approved by competent environment protection authorities;
- where a boundary dispute concerning the mining area exists, the contract with respect to the boundary of the mining area that has been adjudicated by competent authorities; and
- the contract and the articles of association of the company and the approval for establishment of the company, if the applicant is a company limited by shares.

The NDRC must within 20 days upon receipt of all application documents decide whether or not to grant the permit. The review period may be extended by 10 days but the applicant has to be notified with the reasons for the extension.

The valid period for a Gold Operating Permit varies from 5 years to 15 years, depending upon the production scale of the mine. In the case where a renewal is needed, an application must be submitted to the NDRC for renewal of the Gold Operating Permit at least 30 days prior to the expiration date stipulated thereon.

According to the reform of government institutions of the PRC on March 5, 2008, the administration of the approval for mining of gold minerals has been delegated to MIIT with effect from June 29, 2008.

The holder of a Gold Operating Permit is entitled to exploit gold mineral resources in the areas specified in the Gold Operating Permit, subject to obtaining a corresponding mining permit.

RIGHTS AND OBLIGATIONS OF HOLDERS OF EXPLORATION PERMITS

The holder of an exploration permit has, among others, the following rights:

- right to carry out exploration of the designated subject in the designated area and within the prescribed time as recorded on the exploration permit;
- right to set up apparatus for power supply, water supply and communication channels in the exploration area and its adjacent areas, without prejudice to the original equipment for power supply, water supply and communication channels;
- access to the exploration area and its adjacent areas;
- right to temporarily use the land legally in accordance with the needs of the exploration project;
- priority in obtaining the mining right of mineral resources as specified on the exploration permit;
- priority in obtaining the exploration right of other newly discovered minerals within the designated exploration area;
- upon fulfilment of the prescribed minimum expenditure requirements, right to transfer the exploration right to a third party upon government approval; and
- right to sell the mineral products extracted from the surface of the land in the exploration area, except for those mineral products which are required by the State Council to be sold to designated entities.

The holder of an exploration permit has, among others, the following obligations:

- to commence and complete the exploration work within the term of the exploration permit;
- to carry out the exploration work in accordance with the exploration plan and to ensure that there is no occurrence of unauthorised mining activities in the designated area;
- to carry out integrated exploration and assessment activities on the para-genetic and associated mineral resources;

- to submit an exploration report of the mineral resources to the relevant government authority for approval;
- to file with the exploration result of mineral resources for record as required;
- to act in line with the laws and regulations relating to labour safety, land rehabilitation and environment protection; and
- to take steps to eliminate potential safety hazard upon the completion of the exploration work.

RIGHTS AND OBLIGATIONS OF HOLDERS OF MINING PERMITS

The holder of a mining permit has, among others, the following rights:

- to engage in mining activities in the designated area and within the term prescribed under the mining permit;
- to set up production facilities and amenities within the designated area;
- to sell the mineral products, except for those minerals which are required by the State Council to be sold to designated entities; and
- to acquire the land use rights legally based on the requirement of its production and construction.

The holder of a mining permit has, among others, the following obligations:

- to carry out mining activities in the designated area and within the term of the mining permit;
- to effectively protect and reasonably extract the mineral resources and integrate the use of the mineral resources;
- to pay resources tax and mineral resources compensation fees;
- to comply with laws and regulations relating to labour safety, soil and land conservation, land rehabilitation and environment protection; and
- to submit a report on the utilization of mineral resources to the relevant government authority.

LAWS AND REGULATIONS RELATING TO THE ADMINISTRATION OF GOLD

Under the "Administrative Regulations on Gold and Silver of the PRC" (中華人民共和國金銀管理條例) promulgated and implemented on June 15, 1983 (the "Administrative Regulations"), the State shall pursue a policy of unified control over, and monopoly purchase and distribution of gold and silver, and the People's Bank of China (the "PBOC") shall be the State organ responsible for the control of gold and silver. Purchase and sale of gold and silver were subject to the regulation of the PBOC. All gold and silver mined and refined by mining enterprises, rural communes, the armed forces and individuals engaged in the production of gold and silver (including those with ore exploration, mining, smelting and refining as their supplementary business), were required to be sold to the PBOC, and were not permitted to be retained for sale, exchange or use. Entities requiring gold and silver for use were required to submit a proposal to the PBOC on the use of gold and silver, which the PBOC would then examine and possibly approve.

On October 30, 2002, the Shanghai Gold Exchange commenced operation under the supervision of the State Council. Thereafter, the PBOC ceased its gold allocation and gold purchase operation. All PRC gold producers are now required to sell their standard gold bullion through the Shanghai Gold Exchange, and prices of gold on the Shanghai Gold Exchange are determined by market demand and supply, which essentially converge with the price of gold in the international market. On February 27, 2003, the State Council promulgated the "Decision of the State Council in relation to Termination of the Second Batch of Administrative Approval Projects and Amendment of the Management Method of Certain Administrative Approval Projects" (國務院關於取消第二批行政審批項目和改變一批行政審批項目管理方式的決定) and cancelled the approval requirements for the production and sale of gold and gold products. As a result, although the Administrative Regulations have not been abolished, the policy of "centralised purchase and allocation of gold" as stipulated under the Administrative Regulations has been terminated in practice.

Since the promulgation of the "Administrative Permission Law of the PRC" (中華人民共和國行政許可法) on August 27, 2003, which became effective as of July 1, 2004, the State Council reformed the administrative approval system and cleared the outstanding projects which were subject to administrative approval by its ministries and departments. The State Council promulgated the "Decision of the State Council on the Enactment of Administrative Permission for Certain Administrative Approval Projects Which Shall Be Retained" (國務院對確需保留的行政審批項目設定行政許可的決定) on June 29, 2004 which was later amended on January 29, 2009. According to the decision (as amended), the import and export of gold and gold products remain subject to administrative examination and approval. The authority responsible for such examination and approval is the PBOC.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The State Environment Protection Administration Bureau (環境保護部) is responsible for the supervision of environmental protection in, implementation of national standards for environmental quality and discharge of pollutants for, and supervision of the environmental management system of, the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The "Environmental Protection Law of the PRC" (the "Environmental Protection Law", 中華人民共和國環境保護法), which became effective as of December 26, 1989, requires entities that operate production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. The system includes the adopting of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must register with the relevant environmental protection authorities.

The "Environmental Protection Law" and the "Administrative Regulations on Environmental Protection for Construction Project" (建設項目環境保護管理條例) which became effective as of November 29, 1998 stipulate that prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project needs to be submitted to the relevant environmental protection authority. The newly constructed production facilities may not be operated until the relevant authority is satisfied that such facilities are in compliance with all relevant environmental protection standards.

Under the "Mineral Resources Law of the PRC", the amended "Land Administration Law of the PRC" (中華人民共和國土地管理法) which became effective as of August 28, 2004 and "Rules on Land Rehabilitation" (土地復墾規定) which became effective as of January 1, 1989, exploration of mineral resources must be in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. If any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as appropriate to the local conditions. If the rehabilitation is not possible or does not comply with the relevant requirements, the mining enterprise must pay a fee for land rehabilitation. Upon closure of a mine, a report in relation to land rehabilitation and environmental protection must be submitted for approval. Enterprises which fail to perform or satisfy the requirements on land rehabilitation may be penalised by the relevant land administration authority.

The State Environmental Protection Administration Bureau must formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. These local governments may formulate local standards which are more stringent than the national ones for items already specified in the national standards. Pursuant to the requirements under the amended "Law on Prevention of Water Pollution of the PRC" (中華人民共和國水污染防治法) which became effective as of June 1, 2008, the amended "Law on Prevention of Air Pollution of the PRC" (中華人民共和國大氣污染防治法), which became effective as of September 1, 2000, and "Administrative Regulations on Levy and Utilization of Sewage Charge" (排污費徵收使用管理條例) which became effective as of July 1, 2003, enterprises which discharge water or air pollutants must pay discharge fees pursuant to the types and volumes of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which must review and verify the types and volumes of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees must be issued to the relevant enterprises. In addition, enterprises which discharge sulphur dioxide at a level exceeding the prescribed standards are required to install "desulphurising devices" or adopting other "desulphurising" measures to control the emission of sulphur dioxide.

Under the amended "Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC" (中華人民共和國固體廢物污染環境防治法), which became effective as of April 1, 2005, entities and individuals collecting, storing, transporting, utilising or disposing of solid waste must take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures to prevent such solid waste from polluting the environment.

The penalties for breach of the environmental protection laws vary from warnings, fines, suspending production or operation to other administrative sanctions, depending on the degree of damage or the results of the incidents. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant damage to private or public property or personal injury or death.

As the environmental protection is under the administration and supervision of authorities that are distinct from the ones issuing the exploration and mining permits, the breach of the relevant environmental protection laws would not entail revocation of the exploration and mining permits directly. However, the environmental protection authorities may seek cooperation from the authorities in charge of the issuance of such permits, which are competent to revoke the exploration and mining permits pursuant to the Mineral Resources Law of the PRC.

See "Business — Environmental Protection and Community Development" regarding compliance by the Group with the above laws and regulations.

In addition to complying with all PRC laws and regulations, we strive to develop and operate our facilities in accordance with internationally accepted good management practices on environmental and social matters, such as the environmental and social standards set forth by the World Bank Group and the International Cyanide Management Code.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The PRC government has formulated a relatively comprehensive set of laws and regulations on production safety, including the "Law on Production Safety of the PRC" (中華人民共和國安全生產法), which became effective as of November 1, 2002, the "Law on Mine Safety of the PRC" (中華人民共和國礦山安全法), which became effective as of May 1, 1993, as well as "Regulations on the Implementation of the Law on Mine Safety of the PRC" (中華人民共和國礦山安全法實施條例), which became effective as of October 10, 1996, which pertain to the mining, processing and smelting operation of the mining industry. The State Administration of Work Safety (國家安全生產監督管理總局) is responsible for the overall supervision and management of the safety production nationwide while the departments in charge of safety production at the county level or above are responsible for the overall supervision and management of the safety production within their own jurisdictions.

The State implements a licensing system for production safety of mining enterprises under the "Regulations on Production Safety Permit" (安全生產許可證條例), which became effective as of January 13, 2004. No mining enterprise may engage in production activities without holding a valid production safety permit (安全生產許可證). Enterprises which fail to fulfil the production safety conditions may not carry out any production activity. Mining enterprises which have obtained the production safety permit may not lower their production safety standards, and are subject to the supervision and inspection by the licensing authorities from time to time. If the licensing authorities are of the opinion that the mining enterprises do not fulfil the production safety requirements, the production safety permit may be withheld or revoked.

The State has also formulated a set of national standards on production safety for the mining industry. In general, the mine design must comply with the production safety requirements and industry practice. Each underground mineshaft is required to have at least two safety exits and the mine must be equipped with transportation and communication facilities which connect the mine to the outside. The mine design must be approved in accordance with the requisite procedures.

A mining enterprise must establish a management body or a designated safety management team to be responsible for production safety matters. Education and training on production safety must be provided to workers to ensure that they fully understand the regulations on and the procedures required for production safety, and are able to master the necessary skills for operation safety for their own positions. Those who do not receive this education and training are not permitted to work at the mine.

Pursuant to the "Law on Mine Safety of the PRC" (中華人民共和國礦山安全法), the State has established safety supervision requirements for mines and established mine safety supervisory authorities. The responsibilities of such supervisory authorities include, among other things, the following: (i) to supervise the provision of safety education and training by mining enterprises; (ii) to approve mine design, and carry out examinations upon completion of mine construction; (iii) to monitor the status of the construction of safety facilities carried out by the mining enterprises; (iv) to inspect the safety of mines and to require, if necessary, the mining enterprises to amend or resolve any works which fall below the requisite safety standards within a particular time limit; (v) to investigate mining accidents and to supervise the handling of mining accidents; (vi) to impose fines or administrative sanctions against the mining enterprises, the management or any related staff thereof who have severely violated the Law on Mine Safety of the PRC; and (vii) to suggest that relevant authorities suspend or close the operation of mining enterprises which cannot meet the basic safety requirements.

Upon the occurrence of accidents, mining enterprises must immediately take measures to rescue their workers and report any personal deaths or injuries to the relevant authority. In the event of a minor accident, the mining enterprise is responsible for investigating and handling the case. In the event of a serious accident, the government, the relevant authority, the labour union and the mining enterprise must conduct an investigation and handle the case together. In addition, mining enterprises must pay compensation to any staff injured or killed in an accident in accordance with the relevant requirements. Such mining enterprises may only resume production after the relevant danger at the scene has been eliminated.

In addition, under the "Law on Production Safety of the PRC" and the "Law on Mine Safety of the PRC", the penalties for breach of production safety laws vary from warnings, fines, suspension of production or operation and other administrative sanctions, depending on the degree of damage and the natures of the incident. The person who is personally responsible for such incident may be subject to demotion or termination of employment, or criminal liabilities for serious breaches resulting in significant incidents. The State has implemented an accountability system over incidents relating to production safety.

As the production safety is under the administration and supervision of authorities that are different from the ones issuing the exploration and mining permits, the breach of the relevant production safety laws would not entail revocation of the exploration and mining permits directly. However, the production safety authorities may seek cooperation from the authorities in charge of the issuance of such permits, which have the authority to revoke the exploration and mining permits according to the Mineral Resources Law of the PRC.

See "Business — Occupational Health and Safety" regarding compliance by the Group with the above laws and regulations.

LAWS AND REGULATIONS RELATING TO TAXATION

The State encourages the development of the gold industry by implementing preferential treatment on taxation. "Circular Relating to Tax Policies on Gold" (關於黃金稅收政策問題的通知) issued by the Ministry of Finance (the "MOF", 中華人民共和國財政部) and the State Tax Bureau of the PRC in 2002 provides that gold production enterprises engaged in the sales of standard gold and gold sand (containing gold content), are exempted from VAT. Transactions made by gold trading enterprises and intermediaries, which are members of the Shanghai Gold Exchange, on the Shanghai Gold Exchange without physical settlement are exempted from VAT, and transactions with physical settlement are subject to VAT levying and immediate refund.

Enterprises engaged in the mining of mineral resources must pay resources tax in accordance with relevant regulations of the State. In accordance with the "Provisional Regulations on Resources Tax of the PRC" (中華人民共和國資源稅暫行條例), which became effective as of January 1, 1994, for non-ferrous metal ores, the amount of resources compensation levy payable is computed by multiplying the sales or self-used volume of mineral products with the applicable rate of the resource tax ranging from RMB0.4 to RMB30 per tonne of mineral products. The MOF and the State Administration of Taxation (國家稅務總局) reserve the right to adjust the rate of the resource tax from time to time. According to the "Implementing Rules for the Provisional Regulations on Resources Tax of the PRC" (中華人民共和國資源稅暫行條例實施細則) which became effective as of December 30, 1993, resources tax is levied according to the grade of mines and the applicable amount of tax per tonne of ore produced as provided in the schedules attached to such implementing rules.

The MOF and the State Administration of Taxation (國家稅務總局) issued "Notice on Adjusting Policies with respect to Resource Tax of Rock Gold Ore" (關於調整岩金礦資源稅有關政策的通知), which became effective as of May 1, 2006. The notice is about the adjustment of tax, which among other things, adjusted upwards the rates of resource tax for various grades of rock and gold mines. The resource tax rates applicable to gold ore ranges from RMB1.5 per tonne to RMB7.0 per tonne.

On March 16, 2007, the National People Committee of the PRC enacted the "Enterprise Income Tax Law of the PRC" (the "EIT Law", 中華人民共和國企業所得稅法) which became effective as of January 1, 2008. On December 6, 2007, the State Council enacted the "Implementation Rules for the Enterprise Income Tax Law of the PRC" (中華人民共和國企業所得稅法實施條例) which also became effective as of January 1, 2008.

According to this law and its implementation rules, foreign invested enterprises in the PRC are subject to the enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived by such establishment or premises inside the PRC and income that is sourced outside the PRC but is actually connected with the said establishment or premises, unless it is a dividend income where an exemption may apply. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from inside the PRC.

OTHER RELEVANT LAWS AND REGULATIONS

Laws regarding Construction Permits in the PRC

Under the "Construction Law of the PRC" (中華人民共和國建築法) entities which start construction without a construction permit (施工許可證) may be ordered to rectify such default. The construction administrative authorities may order projects that do not meet the requirements for commencement of construction to cease construction or operation, and impose a fine.

Investment System Survey

Under the "Decision of the State Council on the Reform of Investment System" (國務院關於投資體制改革的決定) which came into effect on July 16, 2004, significant changes have been made to the government approval regime for major investment projects in the PRC. The State Council abolished the requirements of government examination and approval for investment projects not utilising government funds, and replaced such requirements with a verification and filing system. With respect to non-government funded projects, verification would only be required for major or restricted projects while other projects, irrespective of size, are only subject to a filing requirement. According to the "Catalogue of Investment Projects Requiring Government Verification and Approval" (2004 Version) (政府核准的投資項目目錄(2004年版)), mining development projects of non-ferrous metal mines such as copper mines with an aggregate investment of RMB500 million or above are subject to approval by the department of investment under the State Council while other mine development projects are subject to the department of investment at the provincial level. Foreign investments on gold mining projects with an aggregate investment (including capital increase) of US$50 million or above are subject to approval by the department of investment under the State Council while those with an aggregate investment (including capital increase) of US$50 million or below are subject to the approval by department of investment at the provincial level.

Laws and Regulations relating to Foreign Investment in Gold

Pursuant to the "Catalogue of Industries for Guiding Foreign Investment (Revised 2007)" (外商投資產業指導目錄（2007年修訂)), exploration and mining of precious metals (gold, silver and platinum) is regulated as restricted industry. The "Verification and Approval of Foreign-Invested Projects Tentative Administrative Procedures" (外商投資項目核准暫行管理辦法), which became effective as of October 9, 2004, provides that a project within the restricted catalogue must be:

- submitted to and approved by provincial-level development and reform departments if it has a total investment amount of less than US$50 million;
- submitted to and approved by the central NDRC if it has a total investment amount of US$50 million or more; and
- first submitted to and examined by the NDRC and following such examination must be submitted to and approved by the State Council if it has a total investment amount of US$100 million or more.

Laws and Regulations Relating to CJVs

A CJV is a form of foreign investment permitted in the PRC. Under the amended "PRC Sino-Foreign CJV Law" (中華人民共和國中外合作經營企業法), which became effective as of October 31, 2000, and the "Implementing Rules For the PRC Sino-Foreign CJV Law" (中華人民共和國中外合作經營企業法實施細則) which became effective as of September 4, 1995, a CJV may be a Chinese legal person with limited liability or, alternatively, a non-legal person entity. To establish a CJV, the Chinese and foreign parties must submit documents such as the CJV agreement and the articles of association, to the Ministry of Commerce of the PRC or its authorized local branch (the "Approval Authority") for examination and approval. The Approval Authority must, within 45 days upon accepting the application, decide whether or not to grant the approval. Within 30 days upon receipt of the approval certificate issued by the Approval Authority, the parties must apply to the competent administration for industry and commerce for registration to obtain the business licence of the CJV. The issuance date of the business licence is the establishment date of the CJV. The investments in a CJV are not necessarily calculated in monetary units. The CJV agreement may require one party to contribute certain specified "cooperative conditions". The earnings are not necessarily distributed pro rata in accordance with the registered capital paid by each of the parties. In addition, the options for sharing risks and losses, management and post-termination assets may also be determined by the parties.

A CJV may be managed by a board of directors or, alternatively, by a joint management committee. The CJV Rules require a CJV to obtain unanimous board (or management committee) approval on the following decisions:

- amendment of the CJV's articles of association;
- termination or dissolution of the CJV;
- reduction or increase of the registered capital of the CJV;
- merger, division or change in the organizational form of the CJV;
- mortgage of assets of the CJV; and
- other matters agreed to by the parties to the CJV.

According to the relevant PRC rules, a transfer of an equity interest in the CJV shall comply with PRC laws and regulations, and be approved by approval departments and submitted for alteration registration with registration departments. A transfer without approval from the relevant approval departments is invalid.

Laws and Regulations Relating to Geological Environment Protection

Pursuant to the "Provisions on the Protection of the Geologic Environment of Mines" (礦山地質環境保護規定) promulgated by the MOLAR (國土資源部) on March 2, 2009 and becoming effective on May 1, 2009, (a) the land and resources administrative departments shall be responsible for the protection of the geologic environment of mines; (b) a mining right applicant shall make a plan on the protection, control and restoration of the geologic environment of a mine (礦山地質環境保護與治理恢復方案), and report it to the competent authority when applying for a mining permit, or when applying to expand the exploitation scale or change the scope of mining area or exploitation manner; and (c) a mining right holder shall, pursuant to the relevant provisions of the state, pay a security deposit for the control and restoration of the geologic environment of a mine (礦山地質環境治理恢復保證金), the amount of which shall not be less than the expenses necessary for the control and restoration of the geologic environment of the mine.

Pursuant to the "Inner Mongolia Autonomous Region Regulations on the Management of Security Deposits for Ecological Restoration in Mines" (內蒙古自治區礦山地質環境治理保證金管理辦法), which became effective as of August 1, 2008, and the "Inner Mongolia Autonomous Region Implementation Plan for Ecological Restoration in Mines" (內蒙古自治區礦山地質環境治理實施方案), which became effective as of September 18, 2009, a holder of mining rights shall prepare a plan on the environmental protection and comprehensive management for the relevant mine, execute a letter of responsibilities for the geological restoration for the relevant mine with the municipal land and resources administration authority on the basis of the plan, and pay a security deposit therefor. The security deposit may be paid in a lump sum or in installments if the term of the mining permit held by such holder is more than three years. It is emphasized that a plan of environmental protection and comprehensive management, a letter of responsibilities for geological restoration, and a certificate of the payment of security deposit for the relevant mine are the requisite documents for the registration of mining rights and for completing the procedures of annual inspection and renewal of the mining permit. If a mining enterprise fails to pay a security deposit or prepare a plan of environmental protection and comprehensive management for the relevant mine as required, the competent authority will not proceed with the procedures of annual inspection, renewal, alteration and mortgage registration in respect of the enterprise's mining permit. If the enterprise fails to make control according to the approved plan, the competent authority shall order the enterprise to carry out geological restoration within a prescribed time limit; if the enterprise fails to do so within the prescribed time limit, the competent authority may suspend the enterprise's mining permit or order it to stop production. However, a mining right holder who already prepared a special plan of environmental protection and comprehensive management, made a special provision of funds and implemented a restoration project for the relevant mine before August 1, 2008 may apply for exemption from paying any security deposit after evaluation by the competent municipal land and resources administration authority and approval by the autonomous region's provincial land and resources administration authority on the condition that the special plan and the restoration project meet the aims and requirements for ecological restoration in mines.

In accordance with the Tibet Autonomous Region Regulations on Ecological Management (西藏自治區地質環境管理條例), which became effective as of May 1, 2003, an applicant for mining rights shall execute a letter of responsibilities for ecological restoration in mines with the land and resources administration authority under the people's government of the autonomous region, and the amount of security deposit for ecological restoration in mines shall be determined according to the result of the evaluation of expenses actually required for ecological restoration. At the same time, a special ecological impact assessment report shall be prepared indicating the payment of security deposit for ecological restoration in the relevant mine for examination and approval by the competent land and resources administration authority under a people's government at municipal level or higher.

As a mining company, we endeavor to comply with applicable laws and regulations relating to geological environment protection, including submission of rehabilitation undertakings and payment of security deposit. As provided in the relevant laws and regulations discussed above, if we fail to pay the security deposit or to prepare a plan of environmental protection and other rehabilitation undertaking for the relevant mine, the competent government authorities may decide not to proceed with administrative procedures on our related mining permits, including annual inspection, renewal, alteration and mortgage registration. If we fail to fulfill our obligations under the relevant rehabilitation undertaking, we may be ordered by the competent government authorities to carry out geological restoration of the mine within a prescribed time limit; and if we fail to do so, the competent government authorities may suspend our mining permit or order us to cease production. In addition, under the relevant PRC regulations, the rehabilitation deposits we paid with respect to any of our mines will not be refunded if we fail to comply with the relevant rehabilitation undertakings. We believe we have set up effective compliance mechanisms to ensure our compliance with applicable PRC laws and regulations on rehabilitation.

LAWS AND REGULATIONS RELATING TO LAND

Pursuant to the "Land Administration Law of the PRC" (中華人民共和國土地管理法) promulgated on June 25, 1986, becoming effective on January 1, 1987 and amended on August 28, 2004, land owned by the State and land collectively-owned by collective economic entities may be allocated and used by units or individuals according to law. The ownership of land and land use rights registered according to the relevant laws shall be protected by law. In the case of short-term use of State-owned land or land collectively-owned by farmers for construction projects or for geological exploration purposes, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural collective organizations or village committees for the short-term use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the short-term use of land shall generally not exceed two years.

HISTORY AND DEVELOPMENT

Our History

Our Company was incorporated pursuant to the Company Act (British Columbia) (the predecessor statute to the BCBCA) as Pacific Minerals Inc. on May 31, 2000 and was listed on TSX Venture Exchange on April 23, 2001. We changed our name to Jinshan Gold Mines Inc. and have been listed on the Toronto Stock Exchange since October 6, 2006. On July 9, 2010 we then changed our name to China Gold International Resource Corp. Ltd. We were initially incorporated as a subsidiary of Global-Pacific Minerals Inc. (a company incorporated in Canada, then a publicly traded mineral exploration company) and subsequently underwent various changes in our shareholding structure. Our current controlling shareholder is China National Gold, and through our interests in the CSH CJV, we currently own and control the CSH Mine in China.

Our Company's key milestones are as follows:

2000 In May, we were incorporated as Pacific Minerals Inc., a subsidiary of Global-Pacific Minerals Inc.

2001 In April, we were listed on TSX Venture Exchange(1).

2002 In April, we formed a joint venture with Ningxia Nuclear (formerly known as Brigade 217) for the CSH Mine.

2003 In April, we formed a joint venture with Yunnan Geological for the Xinjiang Project.

2004 In March, we changed our name from Pacific Minerals Inc. to Jinshan Gold Mines Inc.

2006 In September, we formed a joint venture with NINETC for the Dadiangou Project.

In October, we commenced trading on the Toronto Stock Exchange(1) and concurrently delisted from the TSX Venture Exchange.

2007 In July, we commenced pre-commercial gold production at the CSH Mine.

2008 In May, China National Gold Hong Kong, a wholly-owned subsidiary of China National Gold, purchased all of the 67,520,060 Shares held by Ivanhoe(2), representing approximately 42.0% of our issued share capital and a promissory note with a principal amount of CAD7.5 million (US$7.0 million), for a total consideration of approximately CAD217.7 million (US$200.5 million) in cash.

In July, we commenced commercial production at the CSH Mine.

2009 In September, the Company entered into a memorandum of understanding with China National Gold Hong Kong and Rapid Result to acquire all of the interest of Skyland.

2010 In July, we changed our name to China Gold International Resources Corp. Ltd.

In August, we signed the Sale and Purchase Agreement in relation to the Skyland Acquisition.

In September, Skyland commenced commercial production at the Jiama Mine.

In October, disinterested shareholders approved the Skyland Acquisition at a special shareholder meeting of our Company.

(1) Haiwen & Partners, our PRC legal advisers, have advised us that as our Company was incorporated in Canada, and its listings on the TSX Venture Exchange and the TSX in April 2001 and October 2006, respectively, took place before the acquisition by China National

Gold of its interest in us in May 2008 and the equity interest in the Company was not controlled by any PRC entity, such listings were not subject to the approval of the CSRC or any other PRC government authorities as required by "Notice of the State Council Regarding the Further Strengthening of the Administration of the Share Issuance and Listing of Joint Stock Companies Outside the Mainland" .

(2) Ivanhoe acquired its interest in our Company through a series of financing and corporate transactions, commencing with an initial private placement in June 2002 and culminating in a reorganization transaction completed in December 2005 that resulted in Ivanhoe holding an aggregate of 67,520,060 common shares.

On November 5, 2010, China National Gold granted to us a non-competition undertaking which will become effective upon the Listing. Under such non-competition undertaking, China National Gold has undertaken not to compete with us in the International Mining Business and has granted to us call options and rights of first refusal for business opportunities relating to the International Mining Business. Meanwhile, with respect to any mineral assets located in China that are held directly or indirectly by an off shore company, in the event that Zhongjin Gold Corporation decides not to take up the business opportunity, China National Gold will refer such opportunity to us. China National Gold's non-competition undertaking to us represents the granting of the mandate to us to focus on the International Mining Business and to grow into a leading international mining company after the Listing. The implementation of such mandate upon or following the Listing will signify a change from the historical business strategy and focus of the Company, which is to actively advance its portfolio of gold exploration properties in China, to focusing on the International Mining Business. See "Relationship with Controlling Shareholder" for details of the terms of the non-competition undertaking and the deed of non-competition.

Notwithstanding China National Gold's non-competition undertaking to us and our efforts to seek and acquire International Mining Businesses, with a particular focus on gold, we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future.

Cooperative Joint Ventures

As a foreign company, we have elected to establish cooperative joint ventures (the "CJV(s)") with our Chinese partners to engage in the exploration and mining of gold in compliance with PRC law, as opposed to equity joint ventures, because we believe a CJV allows for a more flexible framework of management structure, profit and loss sharing, and division of assets upon dissolution of the CJV. We hold our interests in the CJVs through our wholly-owned investment holding company incorporated in the BVI, which in turn holds our wholly-owned subsidiaries that are incorporated in Barbados. Set out below are details of each of the CJVs:

CSH CJV

Inner Mongolia Pacific Mining Co. Limited (內蒙古太平礦業有限公司) (the "CSH CJV") was established on April 29, 2002 by us and our Chinese partner, Ningxia Nuclear (formerly known as Brigade 217), an independent third party. The CSH CJV has been primarily engaged in exploration and mining activities. Pursuant to the CJV agreement and subsequent supplements, we contributed US$10 million in a series of payments to CSH CJV, and paid a consideration of US$750,000 to our Chinese partner to obtain our 96.5% interest in the CJV in April 2005. Further, our Chinese partner was entitled to two additional payments of US$1 million each as part of the CJV arrangement, which we duly paid in May 2007 and February 2008. Since April 2005, we have held a 96.5% equity interest in the CSH CJV, with Ningxia Nuclear holding the remaining 3.5% equity interest through its contribution in the form of exploration rights. Pursuant to the CJV agreement, it was agreed that after we have obtained our 96.5% equity interest in the CJV, we will be responsible for payment of all future increase in registered capital and total investment while the equity interest of Ningxia Nuclear in CSH CJV will continue to remain at 3.5%. The registered capital of CSH CJV is currently US$45 million, with US$37.5 million being paid up registered capital as of June 30, 2010. Upon the approval of the relevant PRC authority, the due date for payment of the remaining registered capital of US$7.5 million has been deferred to December 28, 2010. The CSH CJV has a term of 25 years.

The application for establishment of the CSH CJV was submitted to the Department of Commerce of Ningxia in compliance with the relevant PRC laws and regulations. The Department of Commerce of Ningxia granted the approval in April 2002, instead of forwarding our application to the Ministry of Commerce of the PRC for its examination and approval as required under the PRC laws and regulations then in effect. In October 2004, the rules that required approval from the Ministry of Commerce for the establishment of a company such as CSH CJV were abolished, and as a result, it was no longer necessary to obtain the approval from the Ministry of Commerce. In addition, since its establishment, CSH CJV has not been challenged by the government authorities with respect to the legality of its establishment. Accordingly, Haiwen & Partners, our PRC legal advisers, are of the view that this matter has no material implication on the valid existence of CSH CJV.

The approval for postponement of payment of registered capital to December 2010 was granted by the relevant PRC governmental authority at the municipal level, rather than that of Inner Mongolia pursuant to the relevant PRC rules and regulations. As confirmed by the relevant PRC governmental authority at the municipal level, the approval granted at the municipal level was given after communication with such governmental authority. Therefore, Haiwen & Partners, our PRC legal advisers, are of the view that the approval is valid and effective and shall not be subject to the challenge of any PRC governmental authority at higher level.

Dadiangou CJV

Gansu Pacific Mining Company Limited (甘肅太平礦業有限公司) (the “Dadiangou CJV”) was established on September 18, 2006 by us and NINETC, an independent third party. We hold a 71% equity interest in Dadiangou CJV, while NINETC holds the remaining 29% equity interest through its contribution to be injected in the form of exploration rights. Dadiangou CJV has been primarily engaged in the exploration of gold resources. The registered capital of Dadiangou CJV is currently RMB52.5 million, with approximately RMB30.4 million being paid up as of June 30, 2010. Upon the approval of the relevant PRC authority, the due date for injection of the remaining registered capital of approximately RMB22.1 million (RMB7.1 million in the form of cash and RMB15 million in the form of exploration rights) has been deferred to December 31, 2010. Based on the CJV contract of the Dadiangou CJV and the approval on the deferred payment of the capital contribution by the Department of Commerce in Gansu, NINETC shall be responsible for the payment of RMB15.0 million of the remaining registered capital and we shall be responsible for the remainder. The Dadiangou CJV has a term of 30 years.

After we and NINETC completed further exploration on the Dadiangou Project, we determined that the Dadiangou Project has less expansion and economic potential than required to meet our overall business strategies. Therefore, as agreed with NINETC, both parties to the Dadiangou CJV decided to discontinue the exploration work at the Dadiangou Project and sought to sell the project. On November 24, 2009, we entered into a supplemental agreement with NINETC to discontinue the exploration work at the Dadiangou Project and to seek the possible sale of the project to a third party. Given the actual capital contribution made by the Group so far is not yet sufficient to acquire the full 71% interests, and in consideration of the actual capital contribution by both parties, the Group and NINETC agreed in the supplemental agreement that we will be entitled to 53% and NINETC will be entitled to 47%, of the proceeds from the sale of the Dadiangou Project, respectively. On April 28, 2010, following an auction process as well as review and consideration by the independent members of the board of the Company, the Dadiangou CJV and NINETC entered into a transfer agreement with Gansu Zhongjin Gold Mining Co. Ltd., a 96% owned subsidiary of Shaanxi Taibai Gold Mine Co., Ltd., which in turn is an entity 66.8% owned and controlled by Zhongjin Gold Corporation. The remaining 4% equity interest of Gansu Zhongjin Gold Mining Co. Ltd. is owned by NINETC. Pursuant to the transfer agreement, we and NINETC agreed to sell the Dadiangou Project to Gansu Zhongjin Gold Mining Co. Ltd. at the transfer price of RMB88.0 million based on a valuation provided by an independent valuer, of which the Group will be entitled to RMB46.6 million, representing 53% of the total consideration of RMB88.0 million. A deposit of RMB15.0 million and the first installment of the transfer price in the sum of RMB64.2 million were paid to the Dadiangou CJV in December 2009 and June 2010, respectively. According to the transfer agreement, the remaining portion of the transfer price of RMB8.8 million shall be paid to the Dadiangou CJV within 20 business days following the completion of the registration of the transfer of exploration rights. The necessary application documents relating to the registration of the transfer of exploration rights were submitted to the relevant PRC approval authorities in May 2010 pursuant to the transfer agreement and the relevant PRC rules and regulations.

On May 16, 2010, we and NINETC entered into a termination agreement thereby agreeing to terminate the CJV contract and the articles of associations of the Dadiangou CJV before its expiration. On July 12, 2010, the commerce authority of Gansu province granted its approval of the termination of the CJV contract and the articles of associations of Dadiangou CJV, and agreed to commence the liquidation procedures of the Dadiangou CJV which are expected to be completed by the end of 2010.

Disposed CJV

Yunnan Xindian Mining Co. Limited (雲南鑫滇銅礦礦業有限公司) (the "Xinjiang CJV") was established on April 18, 2003 by us and Yunnan Geological, an independent third party. Prior to the disposal of all the respective interest in the Xinjiang CJV in May 2010 and June 2010, respectively, we held a 99% equity interest in the Xinjiang CJV and Yunnan Geological held the remaining 1% equity interest through its contribution in the form of exploration rights, relevant documents and data. Xinjiang CJV has been primarily engaged in exploration activities.

All of the exploration permits of Xinjiang CJV expired in or before June 2009, and because we had no plan to conduct further exploration at the Xinjiang Project nor expected to derive significant revenue from this project, we decided that it would be beneficial to the Company to dispose of the project. Therefore, on April 26, 2010, we executed a sale and purchase agreement pursuant to which Yunnan Southern Copper, which in turn holds 99% equity interest in Xinjiang CJV, was transferred to, an independent third party, Red Harvest Limited, a BVI incorporated company, at the consideration of US$20,000.

Key common terms of the CJV agreements

Under each CJV agreement for CSH CJV and Dadiangou CJV, respectively, profits are to be shared on a pro-rata basis according to the respective participation ratios and equity interests as prescribed in the respective CJV agreement (where relevant, as amended). In terms of management, with respect to the CSH Mine, we act as the operator of the project, and supervise the conduct of all aspects of mining and process operations. With respect to the Dadiangou Project, we only supervise exploration work as there is no mining or production on these properties.

We also focus on offshore related matters such as procuring equipment and machines and recruitment of technical specialists from overseas. Meanwhile, each Chinese partner is mainly responsible for liaison with PRC local government authorities, sourcing of auxiliary materials and recruitment of local staff. Either party is entitled to terminate the agreement prior to the expiration of the term of the CJV agreement by giving 30 days prior notice to the other party on the occurrence of certain events such as in the event of force majeure or if the Group's economic benefits under the agreement are adversely and materially affected by the promulgation or amendment of any laws in the PRC. Either party may terminate the agreement forthwith on the occurrence of certain events such as default of payment or material breach of terms in the agreement, in which case the aggrieved party may commence buyout procedures. Upon the dissolution of each CJV, the remaining assets shall be distributed on a pro rata basis according to the respective equity interest as prescribed in the respective CJV agreement (where relevant, as amended).

Regulatory compliance

Other than disclosed herein, Haiwen & Partners, our PRC legal advisers, have confirmed that all the approvals required under PRC laws and regulations in respect of the establishment of each of the CSH and Dadiangou CJVs had been obtained and both CJVs are validly existing except that Dadiangou CJV is currently in the process of completing liquidation procedures.

ACQUISITION OF SKYLAND

Skyland, a company incorporated in the Cayman Islands, holds 100% interest of the Jiama Mine through its wholly-owned PRC subsidiary, Huatailong. China National Gold Hong Kong, a wholly owned subsidiary of China National Gold, and Rapid Result currently hold 51% and 49% interests in Skyland, respectively. See "Business — Jiama Mine". On August 30, 2010, we entered into the Sale and Purchase Agreement with China National Gold Hong Kong and Rapid Result to acquire a 100% interest in Skyland and to assume the shareholders' loan in the aggregate amount of approximately US$42.3 million advanced to Skyland by China National Gold Hong Kong and Rapid Result, and in consideration, we agreed to issue 86,828,670 new Shares and 83,423,624 new Shares to China National Gold Hong Kong and Rapid Result, respectively, at a price of US$4.36 per Share, representing a total consideration of US$742.3 million. The Shares for both the Skyland Acquisition and the Global Offering will be issued concurrently on the Listing Date.

A special committee of independent non-executive Directors of our Company (the "Special Committee") was established to review the Skyland Acquisition, analyze the valuation and consideration and to engage in negotiation of the Sale and Purchase Agreement with the vendors being China National Gold Hong Kong and Rapid Result. In accordance with Canadian securities laws, the Special Committee also retained Haywood Securities Inc. to perform a valuation of Skyland and our Shares in order to assess the consideration and to provide a fairness opinion. The total consideration was considered fair from a financial point of view according to the fairness opinion issued by Haywood Securities Inc. on August 26, 2010. Further, a special meeting of shareholders (in which the controlling shareholder had abstained from voting) was held on October 14, 2010, at which disinterested shareholders approved the acquisition transaction.

The consideration we will pay for the Skyland Acquisition is subject to a working capital adjustment mechanism to be determined within 30 days following the Completion Date, whereby additional Consideration Shares will be issued to China National Gold Hong Kong and Rapid Result if the working capital deficit of Skyland is less than the target amount of US$786,728, and Consideration Shares will be returned to our Company if the working capital deficit of Skyland exceeds US$786,728. If all Shares under the working capital adjustment mechanism up to the maximum approved by TSX, amounting to 4,747,706 additional Consideration Shares, are issued, the number of Consideration Shares held by China National Gold Hong Kong and Rapid Result upon the Completion will be 89,250,000 and 85,750,000, respectively. In such event, China National Gold Hong Kong and Rapid Result will hold 39.13% and 21.40% of the issued share capital of our Company, respectively, upon completion of the Global Offering and the Skyland Acquisition, assuming that none of the Over-allotment Option and the Pre-IPO Share Options is exercised. Whereas, if no Shares are issued under the working capital adjustment mechanism, China National Gold Hong Kong and Rapid Result will hold 38.98% and 21.07% of the issued share capital of our Company, respectively, upon completion of the Global Offering and the Skyland Acquisition, and assuming that none of the Over-allotment Option and the Pre-IPO Share Options is exercised. The diluting effect pursuant to the working capital adjustment mechanism, if any, will be immaterial.

The acquisition of Skyland and the related share issuance by our Company are conditional upon, and will be completed concurrently with, the completion of the Global Offering. We will make an announcement of the completion of the Skyland Acquisition on the day of the completion of the Global Offering. The new Shares to be issued to China National Gold Hong Kong and Rapid Result will be subject to a non-disposal lockup undertaking of a term of six months following the completion of the Global Offering. Further information is set forth in “Appendix IX — Summary of the Terms of the Skyland Acquisition” to this prospectus.

In order to induce China National Gold Hong Kong to enter into the Sale and Purchase Agreement and in consideration of the non-competition undertaking granted by China National Gold to us, on the Completion Date, our Company will provide a deed of non-competition in favor of China National Gold to agree not to compete with China National Gold by acquiring and operating gold or other non-ferrous mining operations or assets located in the PRC, provided that, with respect to any mineral assets located in China that are held directly or indirectly by an offshore company, in the event that Zhongjin Gold Corporation decides not to take up the business opportunity, we will be able to take up such opportunity. Further information is set forth in “Relationship with Controlling Shareholder — Non-Competition Undertaking from our Company to China National Gold”.

Save for customary post-closing filings with TSX, as of the date of this prospectus, all the governmental and third party approvals and consents for the Skyland Acquisition have been obtained.

The consents for the Skyland Acquisition and the Global Offering were granted by SASAC on January 27, 2010 and the consent for the Global Offering was granted by CSRC on September 1, 2010. Haiwen & Partners, our PRC legal advisers, have advised us that no other consent or approval is required pursuant to relevant PRC laws and regulations in respect of the Skyland Acquisition and the Global Offering.

Set out below are certain details of Skyland and its wholly-owned subsidiaries:

Skyland

Skyland is an investment holding company which holds a 100% interest in Jia Ertong which in turn owns a 100% interest in Huatailong. Skyland was incorporated on October 6, 2004 in the Cayman

Islands as a limited liability company. On February 7, 2008, Rapid Result acquired 100% of the issued shares in Skyland from its sole shareholder, N7C Resources Inc., which was at the time beneficially owned by an independent third party, Continental Minerals Corporation, a company incorporated in British Columbia, Canada, whose shares are listed on TSX Venture Exchange. The total consideration for Rapid Result's acquisition of Skyland in February 2008 was US$250,000. Such consideration was agreed among the parties on normal commercial basis with reference to the financial statements of Skyland as of August 31, 2007 and the existing business and financial conditions of Skyland. When the parties reached the agreement relating to the acquisition in November 2007, Skyland only owned Jia Ertong, which had not acquired any interest in the Jiama Mine.

The Jiama Mine was identified as a potential acquisition target by the Resources Development Department of China National Gold through its extensive network in the mining industry. Subsequent to various site visits at the Jiama Mine, on April 10, 2008, China National Gold Hong Kong entered into a sale and purchase agreement with Rapid Result to acquire ultimately 51% interest in Skyland. China National Gold Hong Kong completed the acquisition through two stages, by (i) acquiring a 13% equity interest in Skyland in April 2008, and (ii) exercising an option to acquire an additional 38% equity interest from June 2008 to February 2009. The initial amount of consideration payable by China National Gold Hong Kong was fixed at approximately RMB775.2 million (US$113.4 million), determined by reference to the assessed value of the mining right to the Jiama Mine as of June 30, 2007. Pursuant to the price adjustment provisions in the sale and purchase agreement, China National Gold Hong Kong paid Rapid Result an additional amount of approximately RMB703.5 million (US$102.9 million) in December 2009, determined by reference to the assessed value of the exploration and mining rights to the Jiama Mine as of December 31, 2008. The parties have obtained the required approvals from NDRC and MOFCOM for the initial amount of consideration and the later adjustment.

Jia Ertong

Jia Ertong has directly owned a 100% interest in Huatailong since January 2008. Jia Ertong was established on October 13, 2003 in the PRC as a limited liability company and was held by Wang Zhi and Du Yanguang as to 95% and 5%, respectively, both of whom are independent third parties. Pursuant to a share purchase agreement dated January 18, 2005, Skyland acquired the entire share capital in Jia Ertong from Wang Zhi and Du Yanguang. Jia Ertong subsequently obtained a WFOE business license on April 29, 2005.

Huatailong

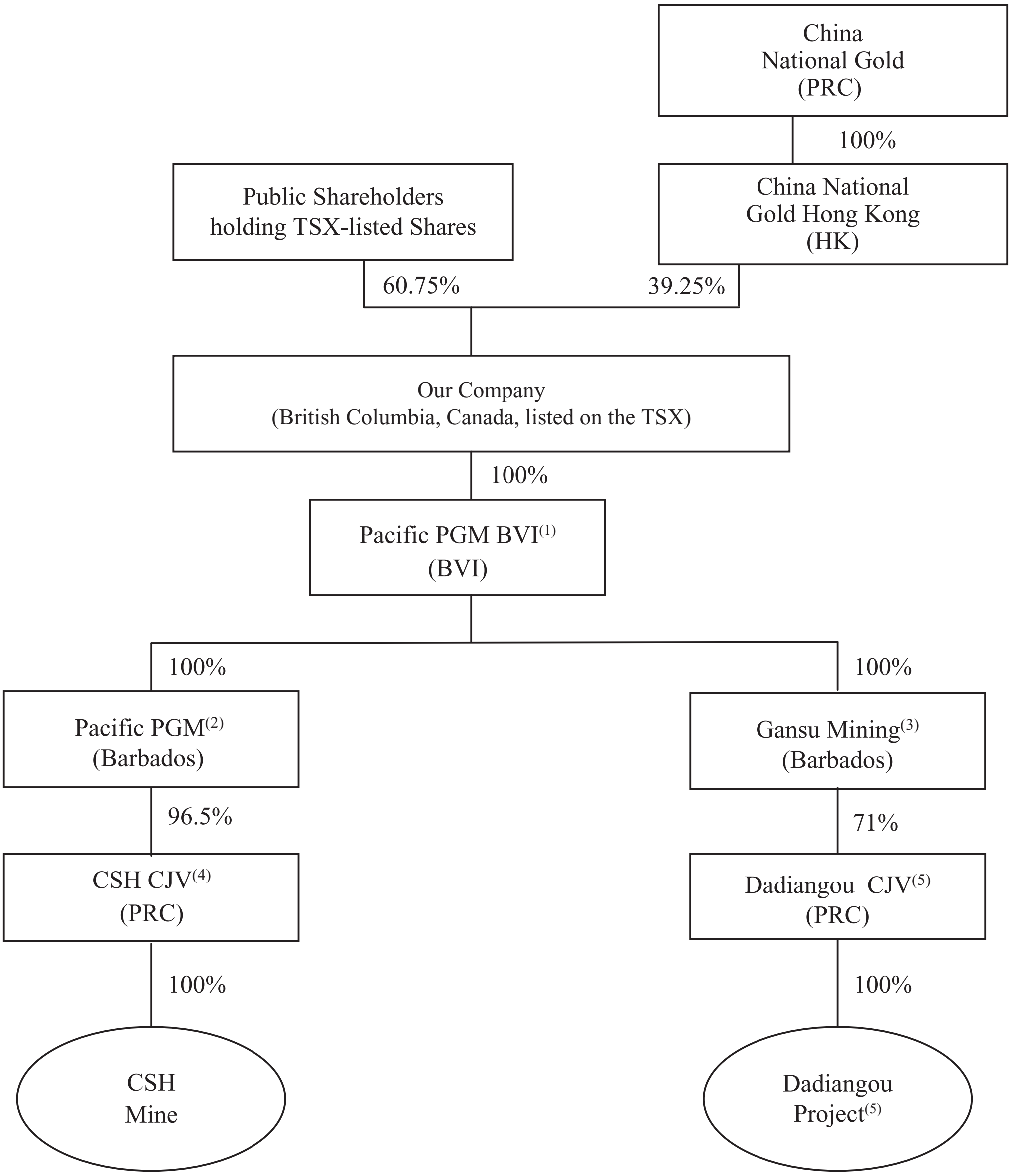
Huatailong owns and operates the Jiama Mine. Huatailong was established on January 11, 2007 in the PRC as a limited liability company by Beijing Honglu and Brigade 6 as to 60% and 40%, respectively, both of whom are independent third parties. On September 11, 2007 and November 30, 2007, Beijing Honglu and Brigade 6 entered into the agreement to transfer 60% and 40% equity interests, respectively, to Honglu Investment, an independent third party. On January 25, 2008, Honglu Investment sold the entire equity interest in Huatailong to Jia Ertong.

On December 1, 2009, Huatailong and the Jiama Economic Cooperative of Metrorkongka County ("Jiama Economic Cooperative"), an independent third party, established Metrorkongka County Jiama Industry and Trade Co., Ltd. ("Jiama Industry and Trade") in the PRC as a limited liability company, to primarily engage in mining transport and logistics business. Huatailong and Jiama Economic Cooperative hold 51% and 49% equity interest, respectively, in Jiama Industry and Trade.

Haiwen & Partners, our PRC legal advisers, have confirmed that all the approvals required under PRC laws and regulations in respect of the establishment of, each of Jia Ertong, Huatailong and Jiama Industry and Trade had been obtained and each of these entities is validly existing.

OUR CORPORATE STRUCTURE

The corporate structure of our Group as of the Latest Practicable Date was as follows:



(1) Pacific PGM BVI is a limited liability company formed on May 17, 2001 under the laws of BVI. It is an investment holding company, through which we hold our interest of CSH CJV and Dadiangou CJV, respectively.

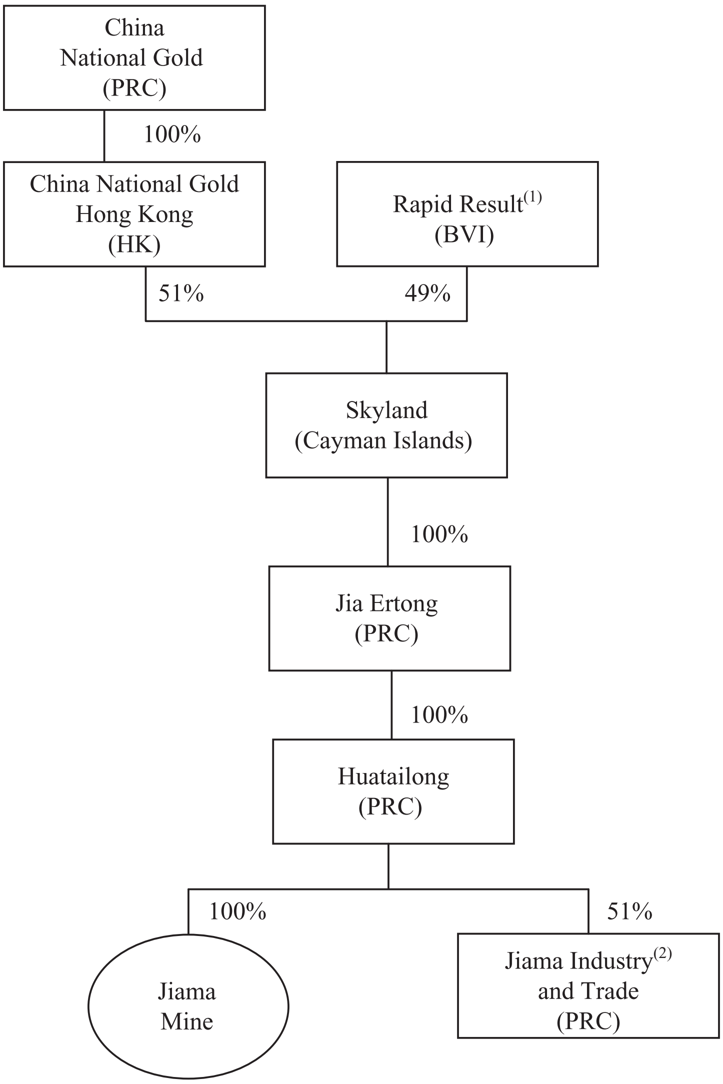
(2) Pacific PGM is a company incorporated in Barbados with limited liability on September 6, 2007, wholly owned by us. It is an investment holding company, through which we hold a 96.5% interest of CSH CJV.

(3) Gansu Mining is a company incorporated in Barbados with limited liability on September 7, 2007, wholly owned by us. It is an investment holding company, through which we hold the right to a 71% interest of Dadiangou CJV.

(4) The remaining 3.5% interest of CSH CJV is held by Ningxia Nuclear (formerly known as Brigade 217). Ningxia Nuclear is a public institution established in the PRC on September 20, 1956.

(5) The right to the remaining 29% interest of Dadiangou CJV is held by NINETC. NINETC is a public institution established in the PRC on November 9, 1992 under the relevant PRC laws and regulations or the Administrative Regulation on Governing the Registration of Legal Corporation. Dadiangou CJV has commenced the liquidation procedures, which are expected to be completed by the end of 2010. On December 1, 2009, we and NINETC executed the Letter of Intent relating to the sale of the Dadiangou Project, and the Dadiangou Project is in the process of being transferred to Gansu Zhongjin Gold Co., Ltd.

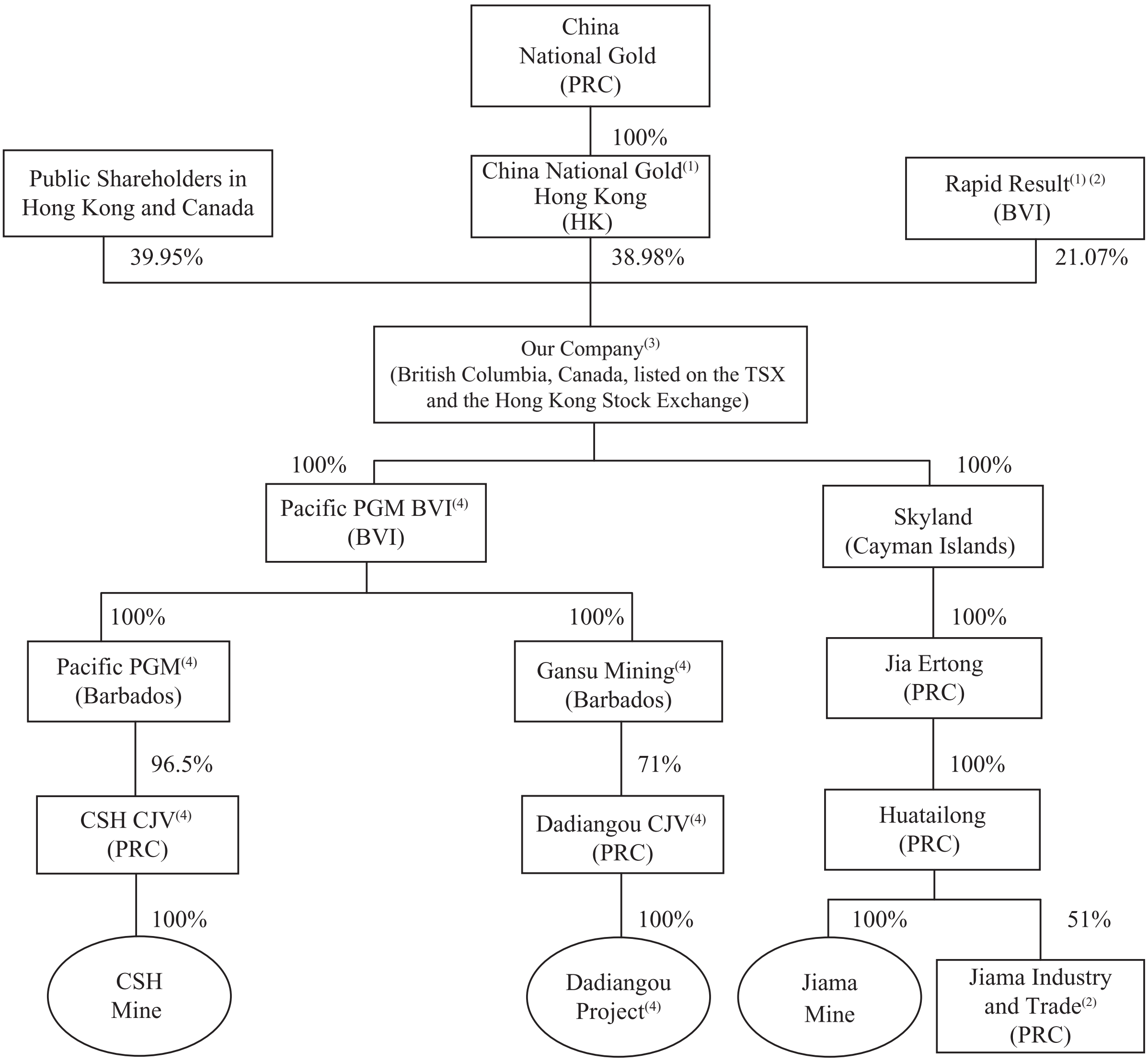
The corporate structure of Skyland and its subsidiaries as of the Latest Practicable Date was as follows:



(1) Rapid Result is beneficially owned by various individuals and a family trust, all of whom are independent third parties to our Group.

(2) The remaining 49% equity interest in Jiama Industry and Trade is held by an independent third party. Jiama Industry and Trade is engaged in mining logistics and transport business.

The shareholding structure of our Group immediately upon completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised, will be as follows:



(1) Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

(2) See notes 1 to 2 to the corporate structure of Skyland and its subsidiaries as of the Latest Practicable Date on the immediately preceding page.

(3) The issuance of new Shares under the Global Offering is subject to the approval of the TSX. The TSX is primarily concerned with ensuring that the Offer Price shall be no less than TSX market price calculation (determined by reference to the five-day weighted average trading price of the Shares on the TSX prior to the date of announcement of the Offer Price or the date of application to the TSX for the Global Offering, with a permitted discount of up to 10% from that price calculation). Upon receipt of the application for the Global Offering, with the Offer Price set in accordance with the relevant TSX rules and regulations, the TSX will grant conditional approval, which constitutes effective approval subject to delivery of customary post-closing filings. The TSX will issue a final approval letter after the issuance of new Shares under the Global Offering, upon delivery of customary post-closing filings. In addition, a conditional discretionary exemption order has been granted by the British Columbia Securities Commission approving the Offer Shares to be issued pursuant to the Global Offering and freely tradeable through the Stock Exchange and TSX, subject to the filing of this prospectus in Canada on SEDAR for continuous disclosure purposes. Save for the above, Goodmans, our Canadian legal advisers, have advised us that no further approvals in respect of the Global Offering are required under Canadian securities laws or the laws of British Columbia or by our Shareholders.

(4) See notes 1 to 5 to the corporate structure of our Group as of the Latest Practicable Date on the first page of "— Our Corporate Structure" above.

Assuming the Over-allotment Option is fully exercised and no Pre-IPO Share Option is exercised, China National Gold Hong Kong and Rapid Result will hold 38.21% and 20.65%, respectively, of our share capital immediately upon completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently).[1]

(1) Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement. If all of our Shares under the working capital adjustment to the maximum set by the TSX approval are to be issued, amounting to 4,747,706 additional Consideration Shares (as to 2,421,330 Shares to China National Gold Hong Kong and 2,326,376 Shares to Rapid Result, respectively), the number of Consideration Shares held by China National Gold Hong Kong and Rapid Result following the completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), will be 89,250,000 and 85,750,000, respectively. In such event, immediately upon completion of the Global Offering and the Skyland Acquisition, (i) assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised, China National Gold Hong Kong and Rapid Result will hold 39.13% and 21.40% of the issued share capital of our Company, respectively, and (ii) assuming that the Over-allotment Option is fully exercised and no Pre-IPO Share Option is exercised, China National Gold Hong Kong and Repaid Result will hold 38.36% and 20.98% of the issued share capital of our Company, respectively.

OVERVIEW

We are the only overseas listing vehicle of China National Gold, the largest gold producer in China in 2009 by gold output*, according to the China Gold Association (中國黃金協會). Incorporated in British Columbia, Canada, we are listed on the Toronto Stock Exchange and are seeking a dual primary listing on the Stock Exchange. Our principal business is to explore, develop, mine and process gold and other non-ferrous metals. We currently own and operate the CSH Mine, which, according to the CSH Technical Report, is one of the largest gold mines in China in terms of mineral resources under the JORC Code. In addition, upon the completion of the Global Offering, we will acquire and own the Jiama Mine, which, according to the Jiama Technical Report, will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production and mineral resources under the JORC Code. Among all the metal and mining enterprises that are ultimately controlled by the PRC government, we are among a limited number of companies that are incorporated and listed overseas.

As of June 30, 2010, according to the CSH Technical Report, the CSH Mine's gold resources (inclusive of reserves) and reserves, using a gold cutoff grade of 0.30 g/t, are as follows:

JORC Mineral Resource Category(1)(2)	Tonnage	Grade	Gold Content
	(million tonnes)	(g/t)	(Moz)
Measured	100.8	0.68	2.196
Indicated	135.9	0.61	2.663
Total Measured and Indicated	**236.7**	**0.64**	**4.858**
Inferred	**0.5**	**0.43**	**0.007**

JORC Ore Reserve Category(1)(3)	Tonnage	Grade	Gold Content
	(mt)	Au (g/t)	Au (koz)
Proved	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	**131.9**	**0.67**	**2,843**

(1) JORC resources and reserves set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the CSH Technical Report for further details.

(2) The procedures and parameters used for resource modelling are set out in Item 17.1 of the CSH Technical Report.

(3) The procedures and parameters used for reserve modelling are set out in Item 17.2 of the CSH Technical Report.

The CSH Mine commenced commercial production in July 2008 with a design processing capacity of 20,000 tonnes of ore per day. For the year ended December 31, 2009 and the nine months ended September 30, 2010, the total gold production was approximately 83,570 ounces and 75,707 ounces, respectively. In September 2010, monthly production volume reached 14,307 ounces. We are currently implementing a series of steps to achieve additional production growth. In particular, we have installed a new ore crushing facility which ramped up to its design processing capacity of 30,000 tonnes of ore per day in March 2010. It is expected that the rate of leaching as well as gold recovery will improve as a result of the installation of the crushing facility. According to the CSH Technical Report, the total gold production is forecast to be approximately 116,000 ounces and 146,570 ounces in 2010 and 2011, respectively.

The Jiama Mine is a large copper-polymetallic deposit and will be developed into a combined open-pit and underground mining operation. The mine consists of skarn-type and hornfels-type mineralization.

* Gold output is calculated based on total output of finished gold produced from mines and from gold smelters.

As of June 30, 2010, according to the Jiama Technical Report, the Jiama Mine's resources (inclusive of reserves) and reserves of copper, molybdenum, gold, silver, lead and zinc are as follows:

JORC Mineral Resource Category(1)(2)	Tonnage	Grades						Contained Metals					
	(Kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Skarn-Type(3)													
Measured	82,928	0.83	0.042	0.30	16.0	0.06	0.05	686.9	34.42	25.11	1,326	51.9	38.7
Indicated	102,187	0.68	0.041	0.22	13.7	0.10	0.05	691.6	42.07	22.33	1,396	100.6	55.4
Total Measured and Indicated	**185,116**	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,378.5**	**76.49**	**47.44**	**2,722**	**152.5**	**94.1**
Inferred	**165,763**	**0.64**	**0.053**	**0.21**	**13.1**	**0.14**	**0.06**	**1,068.0**	**88.57**	**35.42**	**2,179**	**239.0**	**106.9**
Hornfels-Type(4)													
Inferred	655,000	0.23	0.045	0.02	1.17	0.00	0.01	1,500	290	13	770	—	—

JORC Ore Reserve Category(1)(2)(5)	Tonnage	Grades						Contained Metals					
	(Kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Total Reserve													
Proved	53,541	0.83	0.038	0.32	16.3	0.06	0.04	442.8	20.31	17.1	874	29.6	21.3
Probable	52,358	0.85	0.040	0.29	16.5	0.11	0.05	442.8	20.96	15.2	864	55.4	27.2
Total	**105,899**	**0.84**	**0.039**	**0.31**	**16.4**	**0.08**	**0.05**	**885.6**	**41.27**	**32.3**	**1,738**	**85.0**	**48.6**

(1) JORC resources and reserves set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the Jiama Technical Report for further details.

(2) Cutoff grade for the estimate is 0.3% copper, 0.03% molybdenum, 1% lead or 1% zinc.

(3) The procedures and parameters used for the skarn-type resource modelling are set out in Item 17.1.2 of the Jiama Technical Report.

(4) The procedures and parameters used for the hornfels-type resource modelling are set out in Item 17.1.3 of the Jiama Technical Report.

(5) Please refer to Item 17.2.5 of the Jiama Technical Report for a description of the cutoff unit economic values for the reserve estimate.

Following the completion of its first phase of development, which primarily involves the Tongqianshan open-pit infrastructure, ore processing facilities, and underground ore transportation system, the Jiama Mine commenced commercial production in September 2010. The second phase of development, which primarily involves the Niumatang open-pit infrastructure, development and equipping of underground mine and expansion of ore processing facilities, is expected to commence at the end of 2010. We expect to ramp up the processing capacity at the Jiama Mine to 3.6 million tonnes of ore per annum (or 12,000 tonnes per day) at the beginning of 2012 after completion of the whole second phase development of the Jiama Mine.

In addition to our development plan, we are seeking to significantly increase the reserve base of our existing mines through further exploration efforts. With respect to the Jiama Mine, compared to two current mining permits, which only cover an area of approximately 2.9 square kilometers, two exploration permits of the Jiama Mine covered an area of approximately 76.9 square kilometers and 66.4 square kilometers, respectively. According to the Jiama Technical Report, the major mineralized body at the Jiama Mine is open along the dip direction, representing significant potential to discover more mineral resources after additional exploration in that area. The Independent Technical Expert also believes that with additional drilling and sampling, a significant portion of the inferred mineral resources at the Jiama Mine can be upgraded into the measured and indicated resource categories, which in turn can be used for ore reserve estimation. With respect to the CSH Mine, our mining permit covers an area of approximately 10.1 square kilometers, compared to our exploration permit which covers an area of approximately 25.9 square kilometers. The mineralization zone at the CSH Mine is generally open at depth, and the gold grade tends to increase with depth. The Independent Technical

Expert believes that there is significant potential to discover additional mineral resources at depth and in other areas within the exploration permit where gold anomalies have been identified.

Our principal product from the CSH Mine is gold dore bars, which we sell to China National Gold at prevailing market prices pursuant to a long-term agreement. For the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, our total revenue was US$29.4 million, US$81.0 million and US$37.7 million, respectively. The products of the Jiama Mine consist of copper concentrate, molybdenum concentrate and lead concentrate. Gold and silver contained in our concentrates can be separated and smelted in downstream processing.

China National Gold, our Controlling Shareholder, will hold approximately 38.98% of our outstanding Shares immediately after the Global Offering and the Skyland Acquisition. It is the only enterprise directly supervised by the State Council that focuses on the exploration, mining, processing, smelting, refining and sale of gold. Under the terms of China National Gold's non-competition undertaking to us, we will have a mandate from China National Gold to focus on International Mining Businesses and to grow into a leading international mining company. China National Gold has undertaken not to compete with us in International Mining Businesses. As part of its undertaking, China National Gold has also granted us preferential rights on future International Mining Business opportunities as well as a right of first refusal and a call option right relating to such businesses. Meanwhile, with respect to any mineral assets located in China that are held directly or indirectly by an offshore company, in the event that Zhongjin Gold Corporation decides not to take up the business opportunity, China National Gold will refer such opportunity to us. Furthermore, China National Gold has also undertaken to procure all Controlled Entities to abide by its non-competition undertaking to us. However, as none of the Controlled Entities is a party to, or otherwise legally bound by, China National Gold's non-competition undertaking to us, there can be no assurance that the Controlled Entities will not compete with us for International Mining Business opportunities in the future. See "Risk Factors — Risk relating to Our Business and Industry—If our relationship with China National Gold materially changes, our growth prospects and results of operations may be materially and adversely affected" and "Relationship with Controlling Shareholder — Our Controlling Shareholder, China National Gold" and "— Non-competition Undertaking from China National Gold to Our Company".

Notwithstanding China National Gold's non-competition undertaking to us and our efforts to seek and acquire attractive International Mining Businesses with a particular focus on gold, we will own and focus on operating the CSH Mine and the Jiama Mine located in China immediately after the Global Offering which we believe have the potential to generate significant future growth through production ramp-up and resources upgrade and expansion. While we have been a Canadian listed company since April 23, 2001 and our management team is experienced in overseas acquisitions and capital market activities and we believe we are well-positioned to pursue the strategy of focusing on overseas gold and other non-ferrous business opportunities, we do not yet have any experience in operating any mines located outside of China. We are still in the process of identifying any mines or projects as potential acquisition targets outside of China and we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future.

COMPETITIVE STRENGTHS

We believe the following competitive strengths distinguish us from our competitors:

- ***We benefit from our close relationship with China National Gold.*** We have been controlled by China National Gold since May 2008 and have benefited from our close relationship with China National Gold in various respects.

  — *Technology and management expertise.* We draw on China National Gold's extensive technology in gold exploration mining and processing and management resources, including a research institute and a metal mine design institute. We have accessed China National Gold's technology resources to resolve technical problems and enhance operation efficiencies. This relationship has expedited our commercial production schedule at the CSH Mine. We have also leveraged China National Gold's management human resources to build up our strong operation management team in a time and cost effective manner.

  China National Gold owns Changchun Gold Research Institute which is the only national-level institute specialized in research that focuses on the gold industry in the PRC, and Changchun Gold Design Institute which is the only national-level gold engineering institute in the PRC. From 2000 to 2007, among the inventions and other technological achievements of the two institutes, 42 were registered or under application as patents, 81 were recognized as major scientific achievements, and 17 were granted other recognitions. In particular, we believe that China National Gold has reached an international advanced standard with respect to its refractory gold ore-related exploration and mining technologies and gold refining techniques. We expect to continue benefiting from China National Gold's extensive technology and management resources in our operations.

  — *Procurement and outsourcing savings.* As China's largest gold producer in 2009 in terms of gold output (calculated based on total output of finished gold produced from mines and from gold smelters), through its strong market position and name recognition, and due to its bulk volume purchases and industry contacts, China National Gold has strong negotiating power, which enables China National Gold to obtain competitive price and stable supply from, and exercise effective quality control over, its suppliers. Due to our close relationship with China National Gold, we have been able to establish stable relationship with many of these suppliers and obtained similar terms from such suppliers.

  — *Preferential opportunities to acquire mineral resources.* China National Gold has undertaken not to compete with us in International Mining Businesses. As part of its undertaking, China National Gold has granted us preferential rights on future International Mining Business opportunities as well as a right of first refusal and a call option right relating to such businesses. Meanwhile, with respect to any mineral assets located in China that are held directly or indirectly by an offshore company, in the event that Zhongjin Gold Corporation decides not to take up the business opportunity, China National Gold will refer such opportunity to us. These rights enhance our ability to effect acquisitions of additional large-scale mineral assets.

  — *Effective communication with government regulators*. As the only enterprise directly supervised by the State Council that focuses on the exploration, mining, processing, smelting, refining and sale of gold, China National Gold has extensive relationships with the Chinese government agencies regulating the mining industry. Effective communication with the government is crucial due to stringent and extensive regulations of the mining industry in China. We are able to leverage China National Gold's relationships to obtain timely and effective communication with government regulators.

- ***Our overseas incorporated and listed status provides us benefits not yet available to many other metal and mining enterprises that are ultimately controlled by the PRC government.*** Among all the metal and mining enterprises that are ultimately controlled by the PRC government, we are one of the few companies that are incorporated and listed overseas. Our overseas corporate structure facilitates access to international capital markets and timely execution of overseas acquisitions. Our ability to capitalize on these favorable positions is enhanced through our on-the-ground international management team.

- ***Our mines have substantial mineral reserves and growth prospects***. The CSH Mine is one of the largest gold mines in China in terms of mineral resources under the JORC Code, according to the CSH Technical Report. The mineralization zone at the CSH Mine is generally open at depth, and the gold grade tends to increase with depth. Therefore, the Independent Technical Expert believes there is significant potential to discover additional mineral resources at depth and in other areas within the exploration permit where gold anomalies have been identified.

  The Jiama Mine will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production and mineral resources under the JORC Code, according to the Jiama Technical Report. According to the Jiama Technical Report, there are significant resources and reserves of copper, molybdenum, gold, silver, lead and zinc at the Jiama Mine. The major mineralized body at the Jiama Mine is open along the dip direction, representing significant potential to discover more mineral resources after additional exploration in that area. Our Independent Technical Expert believes it is also possible to find other similar mineralized bodies at the Jiama Mine. In addition, our Independent Technical Expert believes there is additional resource upgrade potential beyond the currently defined measured and indicated mineral resources at the Jiama Mine.

- ***Our mines are positioned for strong production growth.*** Gold production at the CSH Mine is forecast to realize a significant increase to 116,000 ounces and 146,570 ounces in 2010 and 2011, respectively, due to a series of steps we are implementing. We have installed a crushing facility to process the ore before loading it on the leach pad. The reduced ore size is expected to improve the efficiency of the leaching process and increase the overall gold recovery rate. During the first half of 2010, crushed ore achieved a gold recovery rate of 69.4% compared with 40% for uncrushed ore. The recovery rate is expected to reach an average of over 70%, according to the CSH Technical Report. The crushing facility ramped up to the design processing capacity of 30,000 tonnes of ore per day in March 2010.

  Jiama Mine is under development to become a large-scale combined open-pit and underground mining operation. Following the completion of its first phase of development, which primarily involves the Tongqianshan open-pit infrastructure, ore processing facilities and underground ore transportation system, the Jiama Mine commenced commercial production in September 2010 with the total ore production expected to reach approximately 448 thousand tonnes in 2010. The second phase of development, which primarily involves the Niumatang open-pit infrastructure, development and equipping of underground mine and expansion of ore processing facilities, is expected to commence at the end of 2010. We expect to ramp up the processing capacity at the Jiama Mine to 3.6 million tonnes of ore per annum (or 12,000 tonnes per day) at the beginning of 2012 after completion of the whole second phase development of the Jiama Mine.

- ***We are positioned to enjoy favorable cost efficiencies***. We expect to achieve significant cost efficiency improvements. According to the Independent Technical Reports, operating cash costs for the CSH Mine were US$805 per ounce for 2008, US$638 per ounce for 2009 and US$800 per ounce for the first half of 2010, and are forecast to decrease to US$586 per ounce in the second half of 2010 and US$573 per ounce in 2011. Operating cash costs for the Jiama Mine are forecast to be US$38.2 per tonne of ore, US$36.5 per tonne of ore and US$33.9 per tonne of ore, respectively, for 2010, 2011 and 2012. We believe the cost efficiency improvements are achieved through:

  — *Large-scale operations*. We conduct our operations through large-scale mining. The processing facilities at the CSH Mine have a design processing capacity of 30,000 tonnes of ore per day. Upon the completion of the whole second phase development of the Jiama Mine at the beginning of 2012, we expect the mine to reach the design processing capacity of 3.6 million tonnes of ore per annum (or 12,000 tonnes per day). We are well positioned to derive economies of scale from our large-scale operations.

  — *Favorable geological conditions.* The gold mineralization at the CSH Mine forms a large, near-surface and bulk-tonnage gold deposit, which enables us to derive cost efficiency by using open-pit mining techniques and conducting large-scale single heap leaching mining operations.

  — *Improved recovery rate.* We have installed a new crushing facility to process the extracted ore to a size of nine millimeters before loading it on the leach pad. The crushing facility ramped up to the design processing capacity of 30,000 tonnes of ore per day in March 2010. The crushing of the ore is expected to greatly improve the gold recovery. Historically, uncrushed ROM ore was put under leach. We have ceased all the ROM processing operations and started to process all extracted ore at the crushing facility in July 2010.

  — *Unified mineral processing at the Jiama Mine.* Due to the polymetallic content of the ore at the Jiama Mine, we are able to separate and produce three categories of concentrates simultaneously through a single and unified production process. As a result, we are able to enjoy the benefit of significant cost efficiencies in the production process and derive economic value from the products produced from the same production process.

- ***We are led by a distinguished integrated PRC and international management team***. We have a senior management team that combines strong PRC-based leadership with an on-the-ground international management team. Their collective experience covers the full spectrum in the mining industry value chain, ranging from exploration, mining to processing, smelting and refining.

Our Chairman Mr. Sun Zhaoxue brings to us his extensive industry contacts and approximately 27 years of industry experience, which we believe sets us apart from many of our PRC-based competitors. A management team led by Mr. Sun successful executed the acquisition of our Company, expedited the commercial production of the CSH Mine. In addition, the team also identified the potential growth opportunity in the Jiama Mine and brought the Jiama Mine into commercial production in two years. Our Chief Executive Officer Mr. Song Xin has approximately 26 years experience in the mining industry and has held various senior management positions in the government and mining companies. Our executive Director and vice president of production Mr. Jiang Xiangdong was a senior geologist and project manager with several major international mining companies, including First Quantum Minerals Ltd., Kluane Drilling Ltd. and Cyprus Amax Minerals. Mr. Jiang has approximately 24 years of industry experience with extensive experience in overseas mining operation. We believe that our distinguished senior management team has contributed to the significant growth of our business and will continue to drive our growth in the future.

BUSINESS STRATEGIES

We intend to continue to grow our business into a leading international mining company by pursuing the following strategies:

- ***Leverage our relationship with China National Gold.*** We intend to continue to leverage our relationship with China National Gold to drive growth. We will focus our efforts primarily on collaborating with China National Gold to identify acquisition opportunities and capitalizing on the strong support from China National Gold.
- ***Expand production at our mines.*** We have achieved significant production growth in the past and are also expanding our processing facilities on the back of our substantial resources to achieve further production growth. Additionally, as part of our strategy to increase production, we will continue to upgrade our operation equipment and processing technology in order to increase operational efficiencies and improve the mineral recovery rates.
- ***Upgrade and expand mineral resources in our mines.*** According to the Independent Technical Reports, there is potential to identify additional resources in the areas covered by the mining permits and exploration permits for the CSH Mine and Jiama Mine. In addition, according to the Jiama Technical Report, it is highly likely a significant portion of the current inferred mineral sources at the Jiama Mine can be upgraded into measured and indicated resources with additional drilling. With a view to increasing our overall mineral resources and upgrading the inferred mineral sources at the Jiama Mine, we plan to conduct additional substantial drilling work at an increased drilling density in the vicinity and at depth of both mines.

- ***Acquire high-quality mineral resources.*** To complement our existing resources, we intend to actively seek acquisition opportunities, with a priority on gold resources, to the extent such opportunities are available to us, by focusing on advanced mining projects and operating mines with high growth prospects. We believe we should be able to successfully integrate the mineral resources we acquire due to our substantial management and acquisition experience and strong technical capability. We believe we are well positioned to pursue the strategy of focusing on the exploration and exploitation of gold and other non-ferrous mining assets outside the PRC due to various factors, including:

  (i) our overseas corporate structure and listing status which facilitates access to international capital markets and timely execution of overseas acquisitions;

  (ii) our management team which has significant experience on overseas acquisitions and/or possesses experience in the development and operation of International Mining Businesses. Such experience of our management team includes, among others:

  — our executive Director, Mr. Sun Zhaoxue's experience in managing overseas mining operation while employed by Aluminum Corporation of China Limited and supervising China National Gold's acquisition of the controlling interest in our Company in 2008 and Skyland in 2009;

  — our executive Director, Mr. Song Xin's experience in managing China National Gold's acquisition of the interest in Skyland in 2009;

  — our executive Director, Mr. Wu Zhanming's experience while working on corporate finance at Deutsche Bank AG (Securities Business) Beijing Representative Office and in managing China National Gold's acquisition of the controlling interest in our Company in 2008;

  — our executive Director, Mr. Jiang Xiangdong's experience while engaged as a geologist in various overseas mining and exploration companies, including Cyprus Amax Minerals and its division Cyprus Canada Inc., Kluane Drilling Ltd. and First Quantum Minerals Ltd.; and

  — our chief financial officer, Mr. Law Chi Yung, and our vice president of finance, Ms. Heather King's substantial experience in finance related matters and corporate reporting of international companies. See "Director and Senior Management — Board of Directors" for details of the experience of our Directors and senior management in the International Mining Business.

  (iii) we have already taken steps with a view to implementing the international business expansion strategy. In December 2009, our Company entered into a memorandum of understanding with a Mongolian company, Monnis International Inc. ("Monnis"), to jointly explore and develop gold projects in Mongolia. Pursuant to the memorandum of understanding, our Company and Monnis will hold 51% and 49% equity interests, respectively, in any such acquired projects and our Company will control and manage such acquired projects. We and Monnis have commenced the process of identifying potential gold projects for joint exploration and development in Mongolia. The business and financing arrangements between our Company and Monnis with respect to any acquired projects will be subject to due diligence, negotiation and execution of definitive agreements.

- ***Continue to undertake best international environmental and cultural practices.*** We believe that maintaining high standards in environmental protection and cultural sensitivity is critical to our long-term success. Both of our mines are designed as zero-discharge sites. We have put in place advanced cyanide leakage prevention and monitoring system. We have adopted advanced technologies such as the recycling and reuse of water in the flotation process as well as dry heaping of tailings at the Jiama Mine to minimize the impact of our operations on the environment. We have also made substantial efforts to integrate with the local population in the areas where our mines are located and assisted them in advancing social and economic development. Such efforts are recognized by the local government and population in Inner Mongolia and Tibet, both of which are autonomous regions with a large minority ethnic population. We intend to continue to undertake best international environmental and cultural practices.

MINERAL PROPERTIES

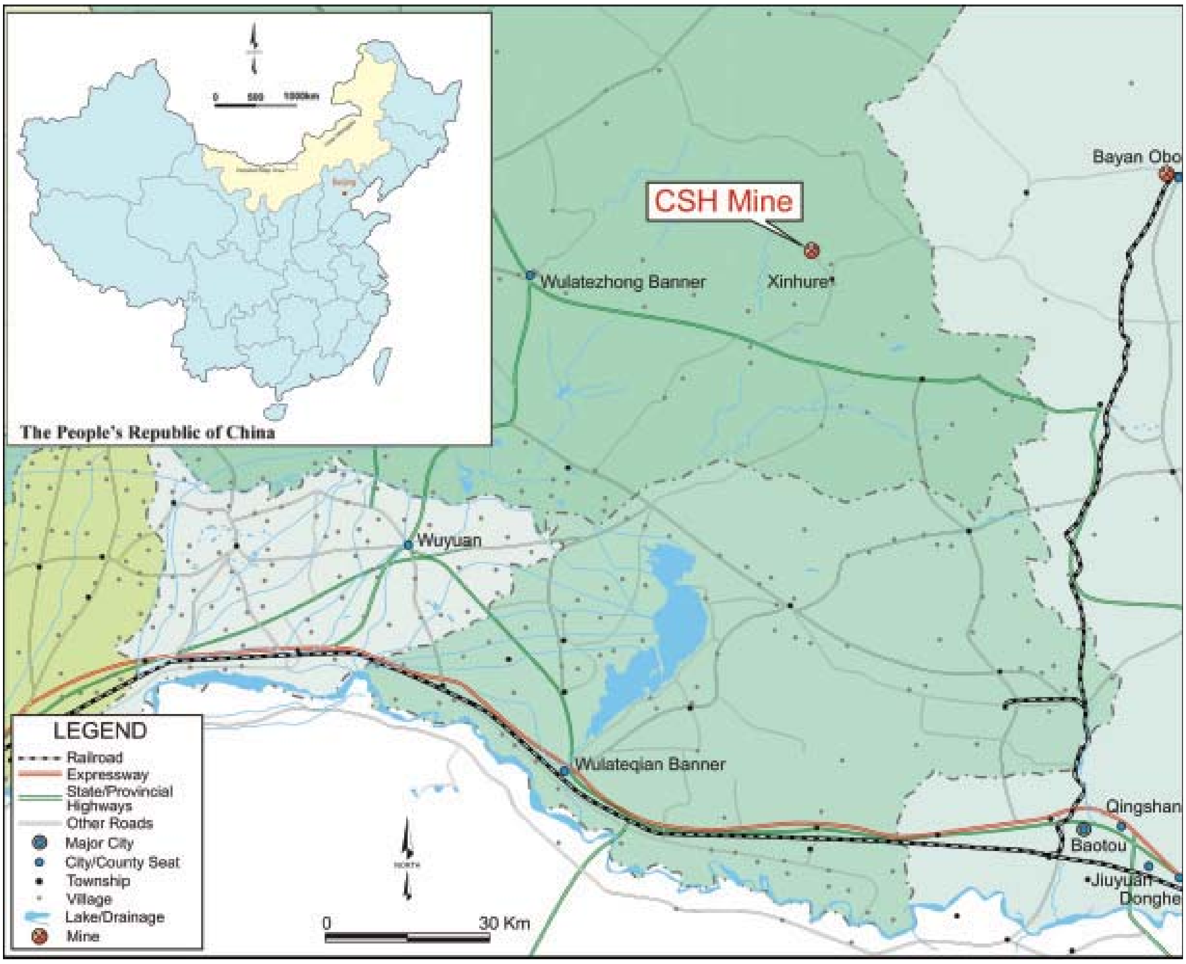
Upon the completion of the Global Offering and the acquisition of Skyland, our mineral properties will include primarily the CSH Mine and the Jiama Mine. We own a 96.5% interest in the CSH Mine located in Inner Mongolia, which is one of the largest gold mines in China in terms of mineral resources under the JORC Code, according to the CSH Technical Report. Upon the completion of the Global Offering and the Skyland Acquisition, we will fully own the Jiama Mine located in Tibet, which will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production and mineral resources under the JORC Code, according to the Jiama Technical Report.

CSH Mine

We own and operate the CSH Mine through the CSH CJV, a cooperative joint venture in which we hold a 96.5% interest and Ningxia Nuclear holds the remaining 3.5% interest.

The CSH Mine is located in Inner Mongolia. It is approximately 650 kilometers northwest of Beijing and approximately 126 kilometers northwest of the city of Baotou, a major industrial city in Inner Mongolia and the central service and supply point for the CSH Mine.

The map below illustrates the location of the CSH Mine in Inner Mongolia.



History of the mine

In the 1970s, gold mineralization associated with extremely narrow quartz veins at the CSH Mine area was discovered. In 1991, Brigade 217 acquired the CSH Mine and explored the property from 1992 to 1998.

In 1999, Brigade 217 entered into a joint venture with a Canadian consortium, Southwestern-Global Pacific Joint Venture ("SWGP"), to conduct exploration work with a coverage extending to the surrounding area of the CSH Mine. The exploration work completed in 1999 confirmed the presence of a major low grade gold mineralization system zone and suggested a significant potential for a bulk-tonnage, low-grade, open-pit gold target. The SWGP joint venture agreement was terminated in 2000 largely due to the downturn in the gold mining industry as a consequence of low gold prices.

In 2002, Brigade 217 formed the joint venture with our Company, and a major drilling program (comprising 4,997 meters of drilling in 23 diamond drilling holes) was completed in the same year. After the completion of several phases of drilling and metallurgical testing during 2003 to 2005, a positive feasibility study for a conventional open-pit mining, heap-leach processing operation was completed in May 2006.

Construction at the CSH Mine started in January 2006, and commercial production of the mine commenced in July 2008.

Mineral resources and ore reserves

The CSH Mine is an open-pit mine. Gold mineralization at the CSH Mine is divided into a Northeast Zone and a Southwest Zone. The following table, which is based on Table 17.7 in the CSH Technical Report, provides information on the gold resources (inclusive of reserves) at the CSH Mine as of June 30, 2010 using a gold cutoff grade of 0.30 g/t.

JORC Mineral Resource Category(1)(2)	Tonnage	Grade	Gold Content
	(million tonnes)	(g/t)	(Moz)
Measured	100.8	0.68	2.196
Indicated	135.9	0.61	2.663
Total Measured and Indicated	**236.7**	**0.64**	**4.858**
Inferred	**0.5**	**0.43**	**0.007**

(1) JORC resources set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the CSH Technical Report for further details.

(2) The procedures and parameters used for resource modelling are set out in Item 17.1 of the CSH Technical Report.

The following table, which is based on Table 17.8 in the CSH Technical Report, provides information on the ore reserves at the CSH Mine as of June 30, 2010.

JORC Ore Reserve Category(1)(2)	Tonnage	Grade	Gold Content
	(mt)	Au (g/t)	Au (koz)
Proved	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	**131.9**	**0.67**	**2,843**

(1) JORC reserves set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the CSH Technical Report for further details.

(2) The procedures and parameters used for reserve modelling are set out in Item 17.2 of the CSH Technical Report.

According to the CSH Technical Report, a portion of the defined mineral resources and reserves as of June 30, 2010 for the CSH Mine are located below the lower elevation limit of the current mining permit. We are applying for a confirmation from the relevant government authority in the form of the modification of the renewed exploration permit for the CSH Mine that such exploration permit will also cover the mineral resources and mineral reserves below this lower elevation limit.

The mineralization zone at the CSH Mine is generally open at depth, and the ore grade tends to increase with depth. Therefore, the Independent Technical Expert believes there is significant potential to discover additional mineral resources at depth.

As of the Latest Practicable Date, no material changes have occurred in our mineral resources and reserves since the effective date of the CSH Technical Report included in Appendix V-A to this prospectus.

Exploration and mining rights

We hold an exploration permit and a mining permit in respect of the CSH Mine through Inner Mongolia Pacific Mining Co. Limited (內蒙古太平礦業有限公司), a CJV we formed with our PRC partner to develop and operate the CSH Mine. Our PRC legal advisers, Haiwen & Partners, have reviewed the copies of the exploration permit and the mining permit of the CSH Mine provided by the Company and are of the view that they are valid exploration and mining permits issued by the competent PRC authorities. The particulars of those permits are summarized in the following table.

Type of permit	Exploration/ mining area (sq. km.)	Elevation range (m)	Validity period of exploration/mining rights
Exploration permit	25.9	None	From August 4, 2010 to August 3, 2012
Mining permit	10.1	1,436-1,696	From October 25, 2009 to August 30, 2013

In 2009, we successfully renewed the mining permit for the CSH Mine for a four-year term. If any of our mines have a residual proved and probable reserve upon expiration of our mining permits, we will submit a renewal application. Under PRC laws and as advised by our PRC legal advisers, if residual reserves remain after the term of the mining rights expires, the holders of such mining rights are entitled to apply for extensions for additional terms. According to the "Administrative Measures on Registration of Mineral Resources Exploitation" (礦產資源開採登記管理辦法), the maximum duration of the initial term of a mining permit is determined based on the scale of the mine and may be up to 10 years for a small-scale mine, 20 years for a medium-scale mine and 30 years for a large-scale mine. Application for renewal of a mining permit must be made at least 30 days prior to expiration date. There is no specific restriction or limitation on the number of times the permits may be renewed. However, the new mining permit will be subject to the same maximum duration limit as the initial term.

In accordance with the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey" (礦產資源勘查區塊登記管理辦法), the maximum duration of a exploration permit for mineral resources (other than petroleum and natural gas) is three years. When a renewal of exploration permit is needed, an application must be submitted to the competent authority for renewal of such exploration permit at least 30 days prior to the expiration date. Each renewal term cannot exceed two years. There is no specific restriction or limitation on the number of times an exploration permit may be renewed. We plan to conduct further exploration activities in the area covered by the exploration permit, and upon obtaining satisfactory exploration results and if we consider it beneficial to do so, we plan to apply to the PRC government for a mining permit for the relevant area.

Development and Expansion Plans

We are engaged in expansion projects at the CSH Mine and also plan to continue to conduct exploration work at the mine.

Production expansion

The CSH Mine commenced commercial production in July 2008, with the original designed ore production capacity of 20,000 tonnes of ore per day or 6.6 million tonnes per annum. We plan to increase its ore production to 12.0 million tonnes per annum (including a significant portion of uncrushed ore) in 2010 and 10.65 million tonnes per year thereafter. Historically, uncrushed run-of-mine ore was put under leach. A three-stage crushing plant was installed in August 2009 and it ramped up to the designed processing capacity of 30,000 tonnes of ore per day in March 2010. The additional ore production capacity of 10,000 tonnes of ore per day is for the exploitation of ore below the cut-off grade of 0.5 g/t in order to increase the utilization of available mineral resources and reserves and the capacity of the CSH Mine could be increased without expanding the permitted construction scale of the mine. Based on consultations with the relevant officials of the MIIT, we do not expect that an updated mining permit will be required.

In 2009, the CSH Mine loaded 7.5 million tonnes of uncrushed run-of-mine ore with an average gold grade of 0.63 g/t and 2.2 million tonnes of crushed ore with an average gold grade of 0.60 g/t on the lead pad. The observed gold recovery from the uncrushed run-of-mine ore based on gold poured as of December 31, 2009 has been 37.3%. Since the total leach time is expected to be at least five years, it is estimated in the CSH Technical Report that the eventual recovery rate for the uncrushed ROM ore already on pad may reach 53%. As the new crusher has ramped up to the design capacity of 30,000 tonnes of ore per day, it is expected that the gold recovery will be greatly improved. According to the CSH Technical Report, the overall heap leach gold recoveries for the crushed ore are estimated to reach an average of over 70%. These recoveries are expected to be achieved in a period of five years after placing the ore on the leach pad.

We have constructed an extension to the leach pad at the CSH Mine to support the increased scale of operations. The construction commenced in June 2009 and was completed in June 2010. Upon completion of the construction, the leach pad loading capacity doubled to approximately 71 million tonnes of ore. We estimate the capital expenditure for the leach pad expansion to be approximately US$8.0 million.

According to the CSH Technical Report, the throughput at our ore processing facilities at the CSH Mine is forecast to be 12.0 million tonnes and 10.65 million tonnes in 2010 and 2011, respectively, and the gold production is expected to be approximately 116,000 ounces and 146,570 ounces in 2010 and 2011, respectively.

Resources/Reserve expansion

The CSH Mine includes an area of approximately 25.9 square kilometers covered by an exploration permit held by the CSH CJV and another area of approximately 10.1 square kilometers covered by a mining permit held by the CSH CJV. The area under the exploration permit continuously surrounds the area covered by the mining permit, as warranted. The mineralization zone at the CSH Mine is generally open at depth, and the gold grade tends to increase with depth. As a result, the Independent Technical Expert believes that there is significant potential to discover additional mineral resources at depth.

We plan to conduct further exploration activities in the areas covered by the exploration permits. Upon the completion of such efforts, we may apply to the PRC government for mining permits for the relevant areas. Pursuant to relevant PRC laws and regulations and as advised by our PRC legal advisers, we have a right of priority in the grant of the relevant mining permit for the area covered by our exploration permit.

Products

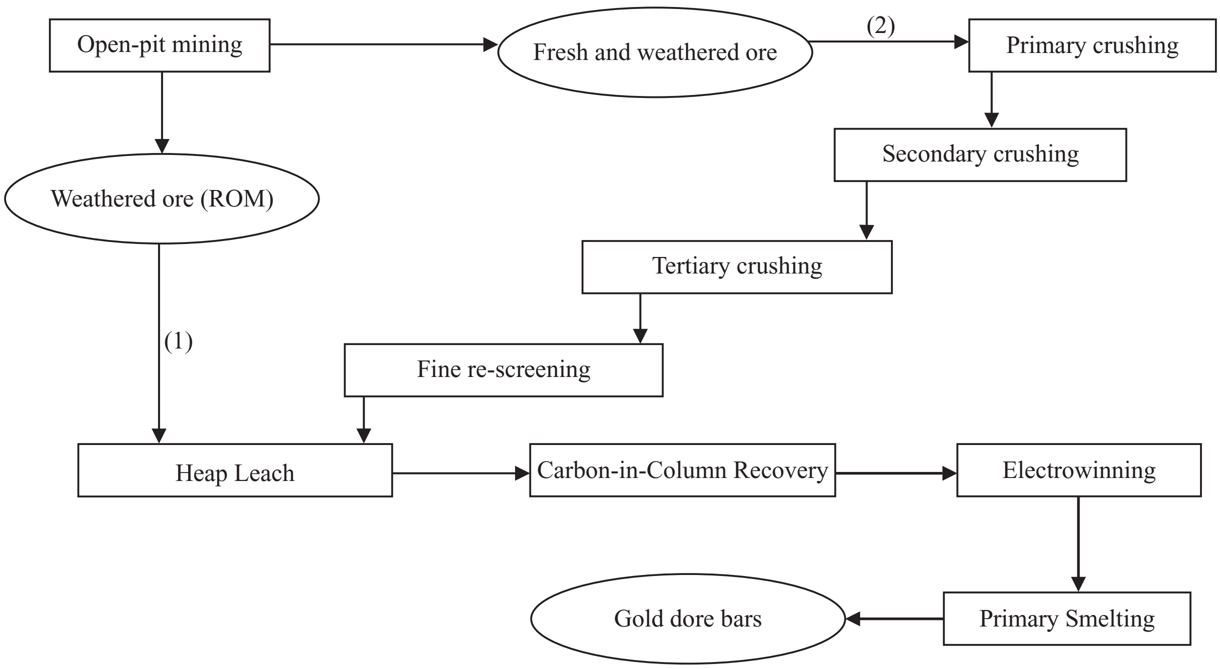
We commenced pre-commercial gold production in July 2007 and commercial production in July 2008 at the CSH Mine. Our principal product is gold dore bar that contains silver as a by-product. We also sell gold contained in foul carbon from our production process. Such sales accounted for a small portion of our total sales during the Track Record Period.

The following table, which is based on Table 21.2 in the CSH Technical Report, provides information on the actual and forecast milled ore and gold dore bars production at our CSH Mine for the periods indicated.

	Actual			Forecast	
	2008	2009	2010(1st H)	2010(2nd H)	2011
Milled gold ore					
Tonnage (kt)	5,786	9,699	6,883	5,117	10,650
Average Au grade (g/t)	0.59	0.59	0.61	0.65	0.61
Cumulative mill recovery					
Au (%)	40.3%	42.7%	38.6%	44.7%	51.1%
Final products					
Au (koz)	57.5	83.6	36.2	79.7	146.6
Ag (koz)	23.1	29.8	15.4	21.9	51.3

Production processes and facilities

The production process at the CSH Mine consists of mining and processing. The following chart illustrates the production processes at the CSH Mine.



(1) This represents the process before the installation of the new crushing facility.

(2) This represents the process after the installation of the new crushing facility.

Mining

The ore deposits at the CSH Mine include weathered ore (or oxide and mixed ore) and fresh ore (or sulphide ore). The weathered ore (i.e., uncrushed run-of-mine ore) is amenable to ROM processing (i.e., placed directly on the heap leach pad without being crushed) while fresh ore needs to be crushed first to allow efficient heap leach recovery of gold. The ore deposits at the CSH Mine contain significantly more fresh ore than weathered ore. We commenced mining operation by extracting the weathered ore. Following the installation of the crushing facility in August 2009, we commenced extracting fresh ore as well. We have ceased all ROM processing operations and started to process all extracted ore at the crushing facility in July 2010.

We conduct open-pit mining at the CSH Mine using blasting, loading and hauling techniques. The extracted ore and waste are loaded to trucks and hauled from the open pits to the heap leach pad (for weathered ore) or the crushing facility (for fresh ore) and waste dumps, respectively.

We entered into a 10-year outsourcing contract in November 2006, as amended in November 2008, and outsourced all of the mining work at the CSH Mine to China Railway 19 Bureau Group Co., Ltd. (中鐵十九局集團有限公司), a major mining contractor in China. Under the terms of the outsourcing contract, our Group retains ultimate right of supervision over the mine site and conducts all gold processing operations through employees of the CSH CJV. We are also responsible for obtaining all relevant permits, licenses and certifications in relation to the mine. China Railway 19 Bureau is responsible for daily mining operations such as delivery of ore to the heap leach pad and the crusher, maintaining construction security guards and compliance with operational rules at the mining site. We agreed to pay the contractor a monthly service fee based on a fixed unit price determined on an arm's length basis for the amount of the work performed during each month. During the two years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, we paid total service fees of RMB177.0 million, RMB232.4 million and RMB133.8 million, respectively, to China Railway 19 Bureau Group Co., Ltd.

The contractor works under the supervision and management of our onsite engineer. We require the contractor to carry out its work according to our design and plan and in accordance with the applicable safety and environment protection requirements under the PRC laws and regulations. Any loss and liability that arise in respect of material safety incidents shall be borne by the party who is responsible for such incidents. The 10-year outsourcing contract will expire on March 22, 2018 unless terminated earlier by either party pursuant to the grounds specified in the outsourcing contract. In the event that the contract is terminated due to the fault of China Railway 19 Bureau Group Co., Ltd., it shall, in addition to paying damages, offer to sell to us all equipment and related materials used in the operations at a price lower than their market value at the time of the sale, subject to our right to reject the sale of such equipment and related materials to us. On the other hand, in the event that China Railway 19 Bureau Group Co., Ltd. terminates the contract due to our fault, we shall (i) purchase from China Railway 19 Bureau Group Co., Ltd. all equipment and related materials used in the operations at a price higher than their market value at the time of the purchase and (ii) pay China Railway 19 Bureau Group Co., Ltd. a lump sum of RMB5 million if the contract is terminated within the first four years of its signing, RMB2.5 million if the contract is terminated after the fourth year but before the eighth year of its signing, or RMB1 million if the contract is terminated after the eighth year of its signing, subject to the right of China Railway 19 Bureau Group Co., Ltd. to reject the sale of such equipment and related materials.

Processing

The processing method at the CSH Mine is conventional heap leaching, which is widely and successfully used for the recovery of gold from large tonnage low-grade ores. The processing comprises crushing, heap leaching and gold extraction.

Our processing facilities are located close to the open pits at the CSH Mine and include a crushing facility, a leach pad and a carbon adsorption-desorption-recovery plant. The processing facilities are designed to be environmentally friendly and have a design processing capacity of 30,000 tonnes per day. The crushing facility is equipped with international standard crushers and screens purchased from Metso Minerals, a leading manufacturer of mining equipment.

The crushing facility reached the design processing capacity in March 2010. We have started to process fresh ore at this facility before placing them on the leach pad. The crushed ore is then transported by trucks to the heap and stacked on the leach pad for leaching of the gold. Weathered ore is hauled directly to leach pad for ROM processing without being crushed. We have ceased all ROM processing operations and started to process all extracted ore at the crushing facility in July 2010.

The heap leach operation utilizes a multiple-lift and single-use leach pad. Our leach pad was designed by Golder Associates, a well-known Canadian engineering company, and is lined with a synthetic liner to maximize solution recovery and minimize the potential for impacting underground water. We have identified two adjacent leach pad sites close to the main ore deposit on relatively flat terrain. The leach pad originally had a surface area of approximately 390,000 square meters. We completed an expansion to the leach pad in June 2010 to provide additional 460,000 square meters of surface area and double the leach pad loading capacity to approximately 71 million tonnes of ore. The capacity of the heap leach pad is based on an average stacked ore density of 1.65 tonnes per cubic meter and a maximum heap height of 80 meters.

Our leach solution to leach the gold from the ore is distributed by a buried drip irrigation system during the winter months and a drip meter leaching system placed on the top of the stacked ore during the remaining months. The buried drip irrigation system is designed to operate in the harsh conditions of northern China and to reduce water loss due to evaporation. Gold-bearing pregnant solution is collected by a drainage system placed above the synthetic pad liner, which in turn directs the pregnant solution to flow to a pregnant pond constructed within the leach pad. Ore placed within the pond serves to insulate pregnant solution during cold winter months to prevent freezing of the solution. The gold-bearing pregnant solution is then pumped from the pregnant pond to the adsorption-desorption-recovery plant to recover gold and silver from the solution.

The gold extraction from the pregnant solution involves carbon-in-colum adsorption, carbon elution, stripping, refining and smelting. The adsorption-desorption-recovery plant hosts a total of two parallel trains each containing five adsorption columns in series. Each column contains five to six tonnes of active carbon that is replenished as required. Pregnant solution flows through the adsorption columns, and precious metals (gold and silver) are adsorbed onto the carbon. They are then stripped off the loaded carbon and recovered through electronwinning onto stainless steel cathodes. The gold plated cathodes are then washed with high-pressure water hose, and the washed off gold sludge is then filtered and dried. The dried product is melted in an induction furnace and then poured into a cascaded series of molds to produce gold dore bars.

Jiama Mine

The Jiama Mine is currently owned and operated by Huatailong, a wholly-owned subsidiary of Skyland. Skyland is 51% owned by China National Gold Hong Kong and 49% owned by Rapid Result. Jiama Mine is located approximately 68 linear kilometers northeast of Lhasa, Tibet in China. Elevations of the Jiama Mine area are in the range of approximately 4,100 meters to 5,300 meters above sea level. The ore deposit at the Jiama Mine is located on a large-scale copper-polymetallic mineral bed.

The map below illustrates the location of the Jiama Mine in Tibet.

History of the mine

Geological work conducted from 1951 to 1990 at the Jiama Mine area delineated a 3,600 meter long copper-lead-zinc mineralization zone by mostly surface trenching. Preliminary estimation was also conducted. More detailed exploration work was conducted by the No. 6 Geological Brigade of Tibet Geology and Mineral Resources Bureau between 1991 and 1999.

Based on the Brigade 6's exploration work, four mining permits within the current Jiama Mine mining permit boundary were issued to different mining operators and four mining operations were established. These mining activities were stopped by the Tibet government on April 1, 2007 in an attempt to encourage better utilization of resources through large scale, modern and environmental-friendly mining operation. With the approval of the Tibet government, Huatailong consolidated the previously issued mining and exploration permits at the Jiama Mine in late 2007.

After acquiring the consolidated mining and exploration permits, Huatailong conducted an extensive exploration program in 2008, with additional drilling made in 2009. The 2008-2009 drilling programs have significantly expanded and upgraded the mineral resources of the project. Because of the significant increase in mineral resources, the Jiama project started first phase construction in June 2008. The currently proposed mining operation is able to be planned at a much larger scale which is expected to increase to 3.6 million tonnes of ore per annum (for 12,000 tonnes per day) after completion of the whole second phase development of the mine. According to the Jiama Technical Report, when it is fully developed, the Jiama Mine will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production and mineral resources under the JORC Code.

Mineral resources and ore reserves

The Jiama Mine is being developed into a large-scale combined open-pit and underground mining operation. As of June 30, 2010, the Jiama Mine had measured and indicated skarn-type resources (inclusive of reserves) of copper, molybdenum, gold, silver, lead and zinc of 1,378,500 tonnes, 76,490 tonnes, 47.4 tonnes, 2,722 tonnes, 152,500 tonnes and 94,100 tonnes, respectively and inferred skarn-type resources of 1,068,000 tonnes, 88,570 tonnes, 35.4 tonnes, 2,179 tonnes, 239,000 tonnes and 106,900 tonnes, respectively. As of June 30, 2010, the Jiama Mine also had inferred hornfels-type resources of copper, molybdenum, gold and silver of 1,500,000 tonnes, 290,000 tonnes, 13 tonnes and 770 tonnes, respectively.

The following table, which is based on Table 17.8 in the Jiama Technical Report, provides information on the skarn-type copper-polymetallic resources (inclusive of reserves) at the Jiama Mine as of June 30, 2010 using a cutoff grade of 0.3% copper, 0.03% molybdenum, 1% lead or 1% zinc.

JORC Mineral Resource Category(1)(2)	Tonnage	Grades						Contained Metals					
	(Kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Measured	82,928	0.83	0.042	0.30	16.0	0.06	0.05	686.9	34.42	25.11	1,326	51.9	38.7
Indicated	102,187	0.68	0.041	0.22	13.7	0.10	0.05	691.6	42.07	22.33	1,396	100.6	55.4
Total Measured and Indicated	**185,116**	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,378.5**	**76.49**	**47.44**	**2,722**	**152.5**	**94.1**
Inferred	**165,763**	**0.64**	**0.053**	**0.21**	**13.1**	**0.14**	**0.06**	**1,068.0**	**88.57**	**35.42**	**2,179**	**239.0**	**106.9**

(1) JORC resources set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the Jiama Technical Report for further details.

(2) The procedures and parameters used for the skarn-type resource modelling are set out in Item 17.1.2 of the Jiama Technical Report.

The following table, which is based on Table 17.10 in the Jiama Technical Report, provides information on the inferred hornfels-type copper-polymetallic resources at the Jiama Mine as of June 30, 2010 using a cutoff grade 0.3% copper, 0.03% molybdenum, 1% lead or 1% zinc.

JORC Mineral Resource Category(1)(2)	Tonnage	Grades						Contained Metals					
	(Kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Inferred	655,000	0.23	0.045	0.02	1.17	0.00	0.01	1,500	290	13	770	—	—

(1) JORC resources set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the Jiama Technical Report for further details.

(2) The procedures and parameters used for the hornfels-type resource modelling are set out in Item 17.1.3 of the Jiama Technical Report.

As of June 30, 2010, the Jiama Mine had proved and probable skarn-type reserves of copper, molybdenum, gold, silver, lead and zinc of 885,600 tonnes, 41,270 tonnes, 32.3 tonnes, 1,738 tonnes, 85,000 tonnes and 48,600 tonnes, respectively, according to the Jiama Technical Report. The following table, which is based on Table 17.11 in the Jiama Technical Report, provides information on the skarn-type copper-polymetallic reserves at the Jiama Mine as of June 30, 2010.

JORC Ore Reserve Category(1)(2)(3)	Tonnage	Grades						Contained Metals					
	(kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Total Reserve													
Proved	53,541	0.83	0.038	0.32	16.3	0.06	0.04	442.8	20.31	17.1	874	29.6	21.3
Probable	52,358	0.85	0.040	0.29	16.5	0.11	0.05	442.8	20.96	15.2	864	55.4	27.2
Total	**105,899**	**0.84**	**0.039**	**0.31**	**16.4**	**0.08**	**0.05**	**885.6**	**41.27**	**32.3**	**1,738**	**85.0**	**48.6**

(1) JORC reserves set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the Jiama Technical Report for further details.

(2) The procedures and parameters used for the hornfels-type resource modelling are set out in Item 17.2 of the Jiama Technical Report.

(3) Please refer to Item 17.2.5 of the Jiama Technical Report for a description of the cut-off unit economic values for the reserve estimate.

All the currently defined mineral resources and ore reserves are covered by the existing mining and exploration permits.

According to the Jiama Technical Report, the currently defined reserves of the Jiama Mine are expected to support approximately 29.4 years of mine production based on an assumed production rate of 3.6 million tonnes of ore per year. In addition, according to the Jiama Technical Report, the Independent Technical Expert expects that a significant portion of the inferred resources can be upgraded to the measured and indicated categories with additional drilling and sampling, which in turn can be used for additional ore reserve estimation. Meanwhile, exploration potential exists both in the current mineralized body and in discovery of similar and other types of mineralization within the area covered by mining and exploration permits.

As of the Latest Practicable Date, no material changes have occurred in the mineral resources and reserves of the Jiama Mine since the effective date of the Jiama Technical Report included in Appendix V-B to this prospectus.

Exploration and mining rights

Huatailong currently holds two exploration permits and two mining permits for the Jiama Mine. Our PRC legal advisers, Haiwen & Partners, have reviewed copies of the mining permits of the Jiama Mine provided by our Company and are of the view that they are valid mining permits issued by the competent PRC authorities. The exploration permits for the Jiama Mine expired in early October and the relevant renewal application has been submitted to the relevant PRC authority. Huatailong is using its best endeavors to obtain the renewed permits for the Jiama Mine. Based on the current communications with the relevant PRC authority, we expect Huatailong to obtain such permits before the end of 2010. Our PRC legal advisers are of the view that, as long as we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws and requests of the relevant authority, there will be no material substantive impediment in renewing such permits. Certain key information relating to these permits is summarized in the table below.

Type of permit	Exploration/mining area (sq. km.)	Elevation Range (m)	Validity period of exploration/mining rights/ mining method
Exploration permit	66.4	None	From October 3, 2009 to October 3, 2010[1]
Exploration permit	76.9	None	From October 3, 2009 to October 3, 2010[1]
Mining permit	2.2	4,100 – 5,300	From July 2, 2008 to July 2, 2013; underground mining
Mining permit	0.7	4,100 – 5,000	From July 15, 2010 to July 15, 2015; open-pit mining

(1) As noted above, such exploration permit has expired and the relevant renewal application has been submitted to the relevant PRC authority.

Currently, a small-scale open-pit operation is planned for the Tongqianshan mining area. Such operation is mainly to construct surface infrastructure as well as to provide sufficient waste rock for establishing an operational work area at the level of the planned entrance to the underground mine. This small-scale open-pit operation is within the area covered by the underground mining permit for the Jiama Mine. In addition, a larger scale open-pit and underground mining operation will be developed in the Niumatang mining area at the Jiama Mine. In July 2010, Huatailong obtained an open-pit mining permit for the Niumatang mining area to cover the open-pit mining operations in that area.

As for the mining of the associated molybdenum with the main mineral in Jiama Mine, Huatailong has obtained the approval of MOLAR and MOFCOM, respectively, and is now in the process of amending its relevant mining permits to denote molybdenum on such permits.

We plan to conduct further exploration activities in the areas covered by the exploration permits. Upon obtaining satisfactory exploration results and if we consider it beneficial to do so, we plan to apply to the PRC Government for the relevant mining permits.

Development and expansion plans

There are a number of ongoing or planned expansion projects at the Jiama Mine and it is also planned that exploration will continue to be conduced at the mine.

Production expansion

The Jiama Mine's development consists of the open-pit mine and the underground mine. The first phase primarily involves the Tongqianshan open-pit infrastructure, ore processing facilities and underground ore transportation system. The Jiama Mine commenced commercial production in September 2010 with the total ore production expected to reach approximately 448 thousand tonnes in 2010 and 2,430 thousand tonnes in 2011.

The second phase development of the Jiama Mine is planned to commence at the end of 2010. It primarily involves the Niumatang open-pit infrastructure, development and equipping of underground mine and expansion of ore processing facilities. We expect to ramp up the processing capacity at the Jiama Mine to 3.6 million tonnes of ore per annum (or 12,000 tonnes per day) at the beginning of 2012 after completion of the whole second phase development of the Jiama Mine.

We expect the production rate at the Jiama Mine to increase as mining and processing operations continue to ramp up.

Resource/Reserve expansion

Huatailong has obtained two mining permits covering an area of approximately 2.9 square kilometers and two exploration permits to conduct exploration activities in the adjacent areas to the northeast and southwest of the area covered by the mining permits. The two exploration permits covered an area of approximately 76.9 square kilometers and 66.4 square kilometers, respectively. Through past drilling work at the Jiama Mine, the reported mineral resources and reserves have been identified. However, the drilling work has been limited to approximately 6.2 square kilometers as of September 30, 2010 among the total area of 145.5 square kilometers covered by the mining and exploration permits. According to the Jiama Technical Report, the major mineralized body at the Jiama Mine is open along the dip direction, representing significant additional exploration potential in that area. Our Independent Technical Expert believes it is also possible to find similar and other types of mineralized bodies at the Jiama Mine.

In addition, our Independent Technical Expert believes there is additional resource upgrade potential beyond the currently defined measured and indicated mineral resources at the Jiama Mine. As of June 30, 2010, there were approximately 1,068,000 tonnes of copper, 88,570 tonnes of molybdenum, 35.4 tonnes of gold, 2,179 tonnes of silver, 239,000 tonnes of lead and 106,900 tonnes of zinc resources in the inferred skarn-type category. Moreover, as of June 30, 2010, the Jiama Mine also had inferred hornfels-type resources of copper, molybdenum, gold and silver of 1,500,000 tonnes, 290,000 tonnes, 13 tonnes and 770 tonnes, respectively. According to the Jiama Technical Report, the Independent Technical Expert expects that a significant portion of such inferred resources, with additional drilling and sampling, can be upgraded into the measured and indicated resource categories, and the economic portion of the upgraded resource can be used for additional ore reserve estimation. With a view to increasing our overall mineral resources and mineral reserves at the Jiama Mine, we plan to conduct additional substantial drilling work at an increased drilling density in the vicinity of the Jiama Mine.

Upon the completion of exploration activities in the relevant areas covered by Huatailong's exploration permits, we may apply to the PRC government for mining permits for the relevant areas.

Award

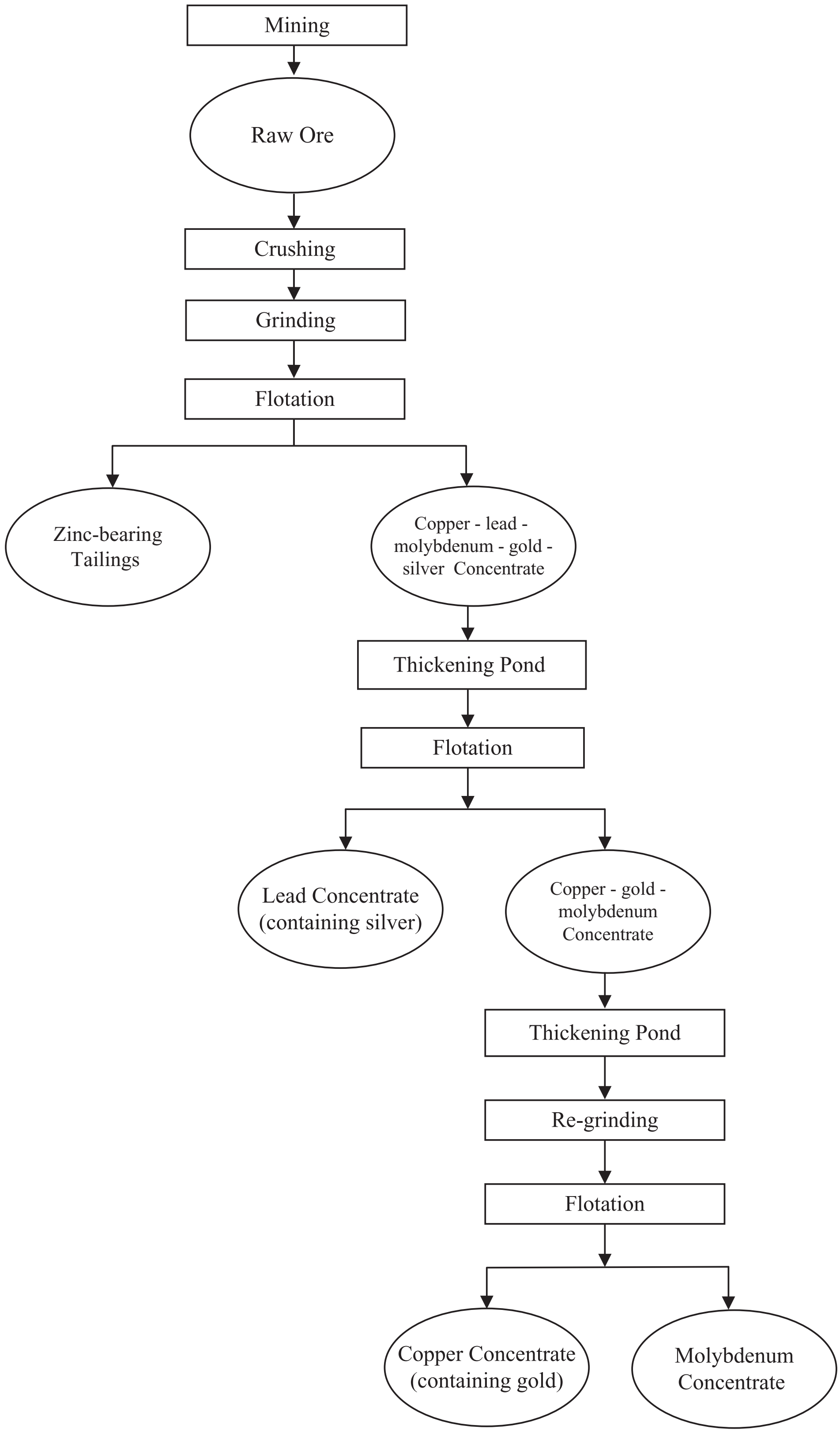
Huatailong was awarded the 2009 Chinese Mining Industry International Cooperation Prize — Best Mine Development Prize (2009 中國礦業國際合作獎最佳開發獎) for its development of the Jiama Mine. The prize was granted by the MOLAR and the Tianjin Municipal Government at the China Mining Congress & Expo (中國礦業大會) in 2009. In January 2010, Huatailong was awarded the Top 10 Mine Exploration Achievements award by the Geological Society of China (中國地質學會). It was also awarded the "2009 Top 10 Scientific Developments" award by the Chinese Academy of Geological Science (中國地質科學院). In addition, the Jiama Mine was also designated by the Tibet government as one of the "Top Eight Projects of Tibet" in 2008, which were eight prioritized industrial development projects in Tibet.

Products

Jiama Mine commenced commercial production in September 2010. The products of the Jiama Mine include copper concentrate, molybdenum concentrate and lead concentrate. Gold and silver contained in our concentrates can be separated and smelted in downstream processing.

Production processes and facilities

The production processes at the Jiama Mine involve mining (both open-pit and underground mining) and processing, which in turn includes crushing, grinding and flotation. The following chart illustrates the major steps of the production processes at the Jiama Mine.



The main production facilities for the first phase of the Jiama Mine include the open-pit, an ore processing plant, a waste dump, a tailings storage facility and ore transportation system for the underground mine. The development of the second phase of the Jiama Mine is expected to provide a larger open-pit underground mining infrastructure and expand the current processing facilities, waste dump and tailing storage facility.

Mining

Open-pit mining at the Jiama Mine uses conventional mining methods, using hydraulic excavators and trucks for loading and haulage of ore and waste. The open-pits at the Jiama Mine are located in close proximity to the processing facilities and the waste dump. The raw ore extracted from the open-pits is hauled by truck to a crusher and ore pass within close proximity to the Niumatang pit, which connects to an internal underground rail to haul the ore to the processing plant, while wastes are hauled to the waste dump using another internal rail.

The underground mine is accessed through two inclined shafts and a ramp for trackless equipment. The mining method planned for both the steeply-dipping and flatter thick zones is open stope mining with variations based on access, stope dimensions and sublevel intervals. Stopes within the flatter section are planned to be backfilled with classified tailings, with and without cement depending on the requirements for accessing ore adjacent to each stope. Trackless electric load-haul-dump units are used to extract ore from the stopes and tipped to intermediate level rail haulage that transports the ore to the main ore pass connecting to the main internal rail to the processing plant. Trackless equipment is also used for development, production drilling, and blasting, as well as for the provision of services. For zones where open stoping mining methods are not appropriate due to ore dimensions, room-and-pillar or shrinkage stoping mining methods are used depending on the thickness of the ore zone and the dip.

We outsource all of the mining work at the Jiama Mine to third-party contractors. The mining work at the Jiama Mine currently is conducted by two third party contractors, namely, The 2nd Engineering Co., Ltd. of China Railway 17 Bureau Group Corporation (中鐵十七局集團第二工程有限公司) and China 10th Metallurgy Group Limited Corporation (中十冶集團有限公司). These two contactors undertook the construction projects for the first phase of development at the Jiama Mine and, pursuant to their project construction contracts with Huatailong, have performed the mining work for the related projects at the initial phase of their production operations in Tongqianshan area and Niumatang area, respectively.

The contractors work under the supervision and management of the onsite engineers of Huatailong. They are required to carry out their work according to the project design and production plan and in accordance with the applicable safety and environment protection requirements under the PRC laws and regulations. Any loss and liability that arise in respect of material safety incidents shall be borne by the party who is responsible for such incidents.

Processing

Extracted ore is processed and final products are produced by a unified flotation method in an integrated processing plant near our mines. First, raw ore is put through a primary crushing machine and a secondary crushing machine and is grinded into smaller particles. Water is then added to the particles to form a slurry and the slurry is pumped to a series of floatation machines for the extraction of lead concentrate, copper concentrate and molybdenum concentrate. The slurry is first pumped to the first floatation machine for extraction of copper-lead-molybdenum-gold-silver concentrate. Chemicals are added to the slurry, and air is added to the bottom of the thickening pond and rises through the slurry. The chemicals added to the slurry attach themselves to the metal-bearing ore and to the passing air bubbles and float to the top of the pond, where they form a copper-lead-molybdenum-gold-silver concentrate froth. This copper-lead-molybdenum-gold-silver froth is then collected and dewatered. The resulting product is lead-silver concentrate that can be sold to downstream refineries. The material that does not float is placed into the second floatation machine for extraction of copper-gold-molybdenum concentrate. This process is repeated until molybdenum concentrate has been collected from the fourth floatation machine. The remaining tailings are then pumped to a tailings storage facility.

The ore processing at the Jiama Mine is designed to be environmentally friendly. In addition, the water discharged from the processing plant is recycled for ore grinding. Therefore the processing plant does not discharge wastewater. The Jiama Mine has also adopted the technology of pressure filtration and dry heaping of tailings, which reduces the size of the tailings and demand for fresh water. See "— Environmental Protection and Community Development" for further information.

OTHER PROJECTS

Dadiangou Project

The Dadiangou Project covers an area of 14.9 square kilometers and is located in the southeast portion of Gansu Province, China. We established the Dadiangou CJV with NINETC to develop the Dadiangou Project. The exploration permit for the Dadiangou Project is held by NINETC and is valid from February 12, 2008 to February 12, 2010. The Dadiangou CJV and NINETC entered into a transfer agreement with Gansu Zhongjin Gold Mining Co. Ltd. on April 28, 2010 for the transfer of the Dadiangou Project. See "History and Corporate Structure — History and Development — Cooperative Joint Ventures — Dadiangou CJV" for further details.

We had incurred a total of approximately US$6.1 million in exploration expenditures for the Dadiangou Project as of December 31, 2009. As the exploration work for the project has been suspended and the project is expected to be sold to a third party, we do not expect to incur any significant additional costs on the project. All the exploration expenditures for the Dadiangou Project have been charged as expenses when incurred. No expenditure in connection with the exploration of the Dadiangou Project was capitalized and recorded as assets. Accordingly, no significant impairment charge is expected to be recognized for such expenditures.

Disposed Project

Prior to the disposal of our interest in Xinjiang CJV, we held twelve exploration permits covering 433.3 square kilometers in Xinjiang, through Xinjiang CJV, a CJV in which we previously held a 99% interest and Yunnan Geological previously held the remaining 1% interest. All of the twelve exploration permits have expired. We entered into a sale and purchase agreement on April 26, 2010 to transfer our 99% interest in Xinjiang CJV. The completion of such transfer took place on May 15, 2010. See "History and Corporate Structure — History and Development — Cooperative Joint Ventures — Disposed CJV" for further details.

We had incurred a total of approximately US$5.1 million in exploration expenditures for the Xinjiang Project as of December 31, 2009. As the exploration work for the project has been suspended and the project was sold to a third party, we have not incurred any significant additional costs on the project since December 31, 2009. All the exploration expenditures for the Xinjiang Project have been charged as expenses when incurred. No expenditure in connection with the exploration of the Xinjiang Project was capitalized and recorded as assets. Accordingly, no significant impairment charge was recognized for such expenditures.

SALES AND CUSTOMERS

Our principal product from the CSH Mine is gold dore bars which also contain silver as a by-product. Between July 2008 and October 2008, we sold our gold dore bars to Inner Mongolia Qiankun Gold and Silver Refinery Corporation (內蒙古乾坤金銀精煉股份有限公司), which is an independent third party. In October 2008, we entered into a three-year non-exclusive sale agreement with China National Gold with a view to achieving better payment settlement and mitigate counterparty credit risk, as we believed the business reputation and creditworthiness of China National Gold should allow us to avoid the delay in payment of gold dore bar purchase prices we had previously experienced with Inner Mongolia Qiankun Gold and Silver Refinery Corporation. Since then, we have sold all of our gold dore bars to China National Gold and encountered no delay in its payment of purchase prices to us.

Under the sale agreement, China National Gold has agreed to purchase not less than 50 kilograms of gold dore bars per delivery from us upon our notification and we are entitled to designate one delivery per week. The purchase price consists of a market price for gold multiplied by the weight of gold contained in the gold dore bars, plus a market price for silver multiplied by the weight of silver contained in the gold dore bars, and minus flat rate refinery expenses. The market price for gold is the average daily price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange on the date of our notification of delivery. The market price for silver is the average daily price of No. 2 silver as quoted on the Shanghai Huatong Platinum & Silver Exchange. China National Gold pays an estimate sale price calculated on the basis of the estimated weight of gold and silver contained in the gold dore bars within two days before delivery. After delivery of the gold dore bars, the parties will finalize the weight of the gold and silver delivered in accordance with the weighing and sampling procedures specified in the sale agreement. The final sale price will then be settled accordingly. China National Gold is responsible for transporting gold dore bars. Title to gold dore bars passes at our gold vault door when gold dore bars are stowed into China National Gold's transporting vehicle. The term of the sale agreement is from October 24, 2008 to December 31, 2011. However, either party may terminate the sale agreement by giving not less than six month prior written notice to the other party. In the event of a material breach of the contract, the non-defaulting party is entitled to submit the dispute to arbitration or claim for default payment, provided that it is not entitled to any anticipated profit or consequential loss or damage of whatsoever nature. Starting from December 2008, we also sell gold contained in foul carbons from our production process. Such product has been sold to an independent party and accounted for less than 5% of our revenue during the Track Record Period.

We started to record revenue in 2008. We had sales to three customers in 2008. Sales to two of these three customers, Inner Mongolia Qiankun Gold and Silver Refinery Corporation and China National Gold, accounted for 50.9% and 47.7% of our revenue, respectively, for the year ended December 31, 2008. In 2009 and the first half of 2010, we had sales to China National Gold and another customer. Sales to China National Gold accounted for 95.9% and 91.6% of our total revenue for the year ended December 31, 2009 and the six months ended June 30, 2010, respectively. As of the Latest Practicable Date, none of our Directors, their respective associates or any of the Shareholders (which to the knowledge of our Directors own more than 5% of the issued share capital of our

Company) had any interests in any of the top five customers of our Group apart from those that serve as directors or officers of China National Gold, and solely in such capacity.

Our target customers for the copper, molybdenum and lead concentrates produced at the Jiama Mine are major refineries in China. In line with the industry practice, the sale prices of the concentrates are primarily based on the prevailing market prices of the relevant minerals contained in the concentrates, with refinery expenses deducted. In February 2010, Huatailong entered into a copper concentrate purchase and sale contact with Jinchuan Group Ltd. (an independent third party), a large state-owned non-ferrous metal refinery in Gansu Province of China. Pursuant to the contract, Huatailong shall supply copper concentrates to Jinchuan Group Ltd. for the period from January 1, 2010 to January 15, 2011 with pricing referenced to the daily average price of copper quoted on the Shanghai Futures Exchange and shall deliver the first lot of 500 tonnes of copper concentrates on or before June 30, 2010, while Jinchuan Group Ltd. paid the sum of RMB250 million as advance payment. China National Gold has agreed to guarantee for the performance and fulfilment of all of the obligations of Huatailong under the copper concentrate purchase and sale contract. In addition, under the copper concentrate purchase and sale contract: (i) Huatailong has agreed to sell all copper concentrates produced at the Jiama Mine for the year 2010 to Jinchuan Group Ltd.; (ii) it is agreed that Jinchuan Group Ltd. will provide technical assistance to Huatailong in various areas such as mining and processing of mineral resources; and (iii) Huatailong shall promptly notify Jinchuan Group Ltd. of matters such as (a) any incident of breach of contract relating to third parties which may hinder the return of the advance payment; (b) any material incident such as litigation or arbitration, which may hinder the supply of copper concentrates and the return of the advance payment; and (c) cease of development of the Jiama Mine or any disposal of material assets of the Jiama Mine.

THIRD-PARTY CONTRACTORS

In line with the industry practice, we outsource all of our mining and exploration work (such as drilling) and most of our mine construction work to reputable third-party contractors such as China Railway 19 Bureau Group Co., Ltd. and China Metallurgical Chenggong Construction Co., Ltd. Our Directors believe that these outsourcing arrangements, if managed properly, can lower our operational costs and reduce our capital expenditures for equipment and machinery. For the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we paid aggregate fees of US$11.3 million, US$42.1 million, US$42.3 million and US$21.3 million, respectively, to third-party contractors while Skyland Group paid aggregate fees of nil, US$13.2 million, US$5.7 million and US$1.4 million, respectively, to third-party contractors. See "Risk Factors — We rely on third-party contractors to conduct a substantial portion of our exploration, mine construction and mining activities".

We select contractors through a tendering process taking into accounting the contractors' skills and experience. All of our contractors must possess the requisite qualifications for undertaking the work for which they are commissioned. We generally retain control over project design, production planning, on-site work monitoring and quality inspection. We have not experienced any material dispute with our contractors during the Track Record Period.

We require third-party contractors to carry out their work according to the design and plan of the relevant assignment and in accordance with our quality standards and production safety requirements. Pursuant to the agreements we entered into with our third-party contractors, third-party contractors shall maintain insurance over the safety and casualty of their own employees that perform work for us. We are not responsible for and do not carry any insurance for the employees of third-party contractors.

In accordance with the Mineral Resources Law (礦產資源法), the Safe Production Law and the Implementation Rules therefor (安全生產法及其實施條例), the Mine Safety Law (礦山安全法) and other relevant laws and regulations, and on the basis of the provisions on safety responsibility in the outsourcing contracts between the Group and the third-party contractors, our PRC legal advisers are of the view that:

(1) pursuant to the outsourcing contract between the Group and each of the third-party contractors, the contractor shall bear all legal liabilities and all economic losses that may arise out of an accident resulting from the deficiency of the safety protections adopted by the contractor or from the contractor's breach of the relevant safety laws or operating rules. In the event that a dispute arises in relation to liability on an incident, the matter should be dealt with by the relevant government authorities; and

(2) as the relevant PRC laws and regulations impose a statutory obligation on the owner of an exploration or mining permit to ensure safe production, the Group may be held directly liable or liable for compensation to the extent of its fault, regardless of any contractual provisions to the contrary; however, if the liability is incurred as a result of the contractor's fault, the Group may claim for indemnification from the contractor in accordance with the relevant outsourcing contract.

INFRASTRUCTURE, SUPPLIES AND EQUIPMENT

Electricity and Water

We have not experienced any material interruption in our operations due to shortage or suspension of our power supply. At the CSH Mine, we rely on the local power grids to supply electricity to meet our requirements. The Jiama Mine has been granted priority in electricity supply as it was designated by the government as one of the "Top Eight Projects of Tibet" in 2008, which were eight prioritized industrial development projects in Tibet. In addition, we expect to have a more stable electricity supply for the Jiama Mine in the future as the Tibet's local power grid is expected to be integrated with China's national power grid. However, the Jiama Mine may experience power shortage until the central power grid of Tibet is connected to the national power grid. See "Risk Factors — We may not be able to maintain an adequate and timely supply of electricity, water, auxiliary materials, equipment, spare parts and other critical supplies at reasonable prices or at all".

Water supply for our CSH Mine is derived from two major aquifers located within nine kilometers of the CSH Mine site. Water for the Jiama Mine is provided by the Chikang River, a tributary of the Lhasa River in Tibet. Water recycling facilities have also been installed at the Jiama Mine. There was no material water supply interruptions or shortages at the CSH Mine or Jiama Mine during the Track Record Period.

Raw Materials and Auxiliary Materials

Raw material for the processing operations at the CSH Mine and Jiama Mine is the mineral ore extracted from the mines. Neither mine purchases raw materials from third parties.

Ore processing at the CSH Mine and Jiama Mine consumes many types of auxiliary materials including forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, pipes, rubber products and fuel such as diesel oil. Most of the auxiliary materials are sourced from domestic suppliers.

Machinery and Equipment

We purchase major machinery and equipment at our mines through a selective tendering process. The suppliers of the major ore processing machinery and equipment for the CSH Mine and Jiama Mine include leading international manufacturers such as Metso Minerals.

SUPPLIERS

Our five largest suppliers during the Track Record Period included third-party contractors and suppliers of machinery and equipment and auxiliary materials. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, purchases from our five largest suppliers accounted for approximately 76.3%, 83.6%, 70.6% and 65.7% of our total purchases, respectively. During the same periods, purchases from our largest supplier accounted for approximately 37.6%, 43.5%, 39.0% and 38.0% of our total purchases, respectively. As of the Latest Practicable Date, none of our Directors, their respective associates or any of the Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of the top five suppliers of our Group.

RESEARCH & DEVELOPMENT

Our research and development activities are primarily directed towards providing technical support to our exploration, mining, processing and operations. Huatailong has entered into joint technology cooperation agreements with certain academic and research institutes to improve and develop technologies for exploration, mining, processing and smelting. Those agreements generally provide that Huatailong would share with its partners the intellectual property rights arising from the cooperation.

INTELLECTUAL PROPERTY

We hold a trademark 中国黄金国际资源有限公司 China Gold International Resources Corp. Ltd registered under our name. We have also registered the domain names chinagoldintl.com and jinshanmines.com. Skyland Group has registered a domain name, http://www.xzhtl.com. Details of our owned and licensed trademarks are set out in "Statutory and General Information — Further Information about Our Business — Intellectual Property Rights".

CUSTODY OF ASSETS AND ACCESS CONTROL

We keep the gold dore bars we produce in the storage facilities located in our own mines with access restricted to authorized persons. Each storage facility is attended by security guards and is equipped with stringent security systems, including electronic security and alarm systems. Transportation of gold-bearing materials to the smelting plant is guarded by our mine personnel. Our customer China National Gold is responsible for delivering gold dore bars, and therefore we do not insure against losses arising from thefts or misappropriation that may take place during the delivery of gold dore bars or our concentrate products.

OCCUPATIONAL HEALTH AND SAFETY

We operate in a responsible manner to ensure the health and safety of our employees, contractors and the communities in which we operate. We are committed to meeting applicable legal requirements and where possible seek to implement leading international industry standards in our operations. Our commitment to occupational health and safety extends to our highest levels of management, as we have established a Safety, Health and Environmental Committee reporting directly to our Board of Directors. This committee is responsible for formulating appropriate workplace health and safety-related policies and standards.

We are subject to PRC national and local production and mine safety laws and regulations as described in "PRC Laws and Regulations Relating to the Industry — Laws and Regulations Relating to Production Safety". Production safety permit has been obtained for the CSH Mine.

A comprehensive set of internal occupational health and safety policies has been adopted for the CSH Mine and Jiama Mine. The safety and environmental protection department at each of the CSH Mine and Jiama Mine conducts staff training, reviews internal safety procedures, carries out site safety inspections on a regular basis and continuously monitors the implementation of safety policies. We have adopted an internal safety and management procedures handbook, which contains guidelines with respect to occupational safety, covering safety production measures, procedures for handling chemicals and explosive materials and emergency plans. Relevant PRC occupational safety laws and regulations are also set out in this handbook.

We conduct occupational safety training for our new hires as well as existing staff. All of our equipment operators must be properly licensed, and our safety management staff members are certified by the relevant safety regulatory authorities. We conduct annual health examinations for our mining personnel. Protective equipment and clothing are regularly provided to our mine personnel, and we regularly check proper usage of such equipment.

We require our contractors to possess appropriate qualifications in their contracted tasks and in production safety. We provide regular training to our contractors, who work under the supervision of our safety and environmental protection department. In addition, we require our contractors to enter into production safety contracts with us pursuant to which our contractors shall undertake appropriate safety measures.

We have been in compliance with relevant occupational health and safety laws and regulations in all material aspects. Up to the Latest Practicable Date, the CSH Mine and the Jiama Mine had not had any major or catastrophic incidents related to the health or safety of our employees, contractors or communities in which it operates, except for one fatal incident at the CSH Mine in July 2008 arising at the fault of a third-party contractor. This incident did not involve any breach of safety production regulations or other fault on our part. As a result of this incident, we have required our contractors to enhance employee safety training and implementation of their operating procedures.

ENVIRONMENTAL PROTECTION AND COMMUNITY DEVELOPMENT

Our operations are subject to various PRC laws and regulations with respect to environmental protection and environmental rehabilitation as described under "PRC Laws and Regulations Relating to the Industry — Laws and Regulations Relating to Environmental Protection". Our policy is to develop and manage operations with a view to minimizing pollution and environmental impact and maintaining sensitivities to local cultural and community expectations. Three of the major environmental issues in the mining industry are management of wastewater, tailings and dust. We have implemented various measures to address those environmental issues and minimize the impact of our operations on the environment. Our PRC legal advisers have advised us that, up to the Latest Practicable Date, other than the rehabilitation undertaking and rehabilitation deposits described below, each of the CSH Mine and Jiama Mine has been in compliance with relevant environmental laws and regulations in all material respects.

Cyanide Leakage Prevention and Monitoring

We have installed leakage prevention system under the leach pads at the CSH Mine to prevent leakage of sodium cyanide. In addition, we have drilled various holes around the leach pad sites to monitor quality of ground water and detect leakage of sodium cyanide.

Recycling and Reuse of Water

Water reuse and recycling systems have been installed at the CSH Mine to recycle water discharged from the processing plant for use in mineral processing and dust suppression. Similarly, the Jiama Mine is being developed as a zero discharge operation and all used process and tailings storage facility drainage waters are to be recycled. Under the water reuse and recycling system, top-up water is drawn from bores and any mine pump-out water is recycled and reused for processing and dust suppression in the mine. Monitoring of water quality will be undertaken regularly to ensure the pH and other measures are at an acceptable level. With the annual evaporation rate higher than national average in Tibet, this system is especially valuable in that it not only saves water and protects the environmental by discharging zero wastewater but also lowers our production costs.

Dry Heaping of Tailings

At the Jiama Mine, pressure filtration and dry heaping of tailings are employed whereby tailings are pressed and filtered into dry tailings and the water is recycled and reused. This technology reduces the size of the tailings and reduces the demand for fresh water.

Dust Mitigation

The ore processing facilities at the CSH Mine and Jiama Mine are designed to be environmentally friendly. Dust collectors and exhaust fans fitted with filters have been installed at the CSH Mine and Jiama Mine processing facilities, and water is regularly sprayed to reduce dust. In addition, special chemicals will be sprayed on the top of the tailings to mitigate dust at the Jiama Mine.

Rehabilitation

Rehabilitation includes measures such as covering tailing dams with clay and rock, back filling slopes and planting vegetation to stabilize the area and to prevent erosion. Our PRC legal advisers have advised us that in accordance with the applicable PRC laws and regulations, each of CSH Mine and Jiama Mine is required to submit rehabilitation undertakings and pay rehabilitation deposits to the Department of Land and Resources of Inner Mongolia and Tibet, respectively.

The relevant national regulation on the submission of rehabilitation undertakings and payment of rehabilitation deposits became effective on May 1, 2009, while the Tibet and Inner Mongolia local rules were promulgated in 2003 and 2008, respectively. See "PRC Laws and Regulations relating to the Industry — Other Relevant Laws and Regulations — Laws and Regulations relating to Geological Environment Protection". CSH CJV became aware of the relevant requirement in 2008, shortly after the promulgation of the local rules, and initiated the contact with the Department of Land and Resources of Inner Mongolia regarding the amount and payment schedule of rehabilitation deposits.

On January 21, 2010, CSH CJV submitted rehabilitation undertakings as approved by the Department of Land and Resources of Inner Mongolia and paid the rehabilitation deposits of RMB5,421,219 as specified in the undertakings. Another instalment of the same amount will be due in three years thereafter. As CSH CJV obtained its mining right before the relevant rules were promulgated, we believe there is no late submission on the part of CSH CJV.

Shortly after China National Gold acquired Huatailong in April 2008, China National Gold procured Huatailong to contact the Department of Land and Resources of Tibet regarding the amount and payment schedule of rehabilitation deposits. Huatailong submitted proposed rehabilitation undertakings in respect of the Jiama Mine and on December 26, 2009, it received the approval of such submission from the Department of Land and Resources of Tibet. Pursuant to the approval, Huatailong is required to pay rehabilitation deposits in a total amount of RMB34,980,000 in installments within five years after the approval date. Pursuant to the approval, the Department of Land and Resources of Tibet did not impose any penalty in relation to the late submission of the undertakings by Huatailong. Huatailong paid the first installment of RMB1,500,000 in January 2010. We will continue to pay the remaining installments when they become due after we acquire Skyland Group. Huatailong has undertaken to make full payment of the remaining installments within five years from the approval date as required by the Department of Land and Resources of Tibet. During such period, Huatailong is to determine the amount and timing of each installment of the remaining rehabilitation deposits. The payment of the remaining rehabilitation deposits will be funded with Huatailong's operating cash flow.

According to the relevant PRC law and regulations, the rehabilitation deposits are the special fund for the rehabilitation works of a specific mine. When the mining enterprise has discharged its obligation of environmental and geological rehabilitation as provided for in its environmental and geological rehabilitation plan and when such rehabilitation work has passed the inspection of the local land and resources authority, the local land and resources authority will refund the deposits and interest thereon based on the performance of the rehabilitation obligations by such mining enterprise.

Both the CSH Mine and Jiama Mine have in place internal handbooks on environmental management, which set out, among other things, the environmental protection controls and measures adopted by the management and assign the duties in relation to environmental issues to different responsible departments. The safety and environmental department of each of IMPM and Huatailong conducts regular inspection of the implementation of environmental protection control policies and measures. For the years ended December 31, 2007, 2008 and 2009, we expended US$0.9 million, US$0.8 million and US$0.7 million on environmental protection and Skyland Group expended nil, US$0.4 million and US$1.8 million on environmental protection. The environmental protection costs of our Company and Skyland Group are budgeted at US$4.6 million and US$1.1 million, respectively, for the year ending December 31, 2010, and US$0.5 million and US$1.9 million, respectively, for the year ending December 31, 2011.

Community Development

We have a policy of protecting local social heritage and culture, assisting community and social development and supporting the public interest initiatives in the local community. At the CSH Mine, more than half of our work forces are hired locally, and at least half of the local employees are female. The Jiama Mine has also employed a significant number of local residents. The non-Tibetan employees at the Jiama Mine are encouraged to learn the Tibetan language. According to the Jiama Technical Report, the operations at the Jiama Mine have provided the local community with new employment opportunities and improved transportation, communication, drinking water supply and other infrastructure.

REAL PROPERTIES

Our Group

Land

As of September 30, 2010, we held granted land use rights to a parcel of land with a site area of approximately 99,535.0 square meters.

We have also leased a parcel of collectively-owned land in China with an area of approximately 12,261,395.0 square meters, of which we hold a state-owned land use right certificate for a portion of the land with a site area of approximately 99,535.0 square metres and a short-term land use right for a term of two years for an area of approximately 909,958.0 square metres. We have used the land with a site area of approximately 99,535.0 square meters primarily for an office building, a processing plant and staff quarters and the land with a site area of approximately 909,958.0 square meters primarily for our heap leaching facility. We have not occupied or constructed, nor do we have any current plans to occupy or construct, any buildings or structures on the remaining portion of the land with a site area of approximately 11,251,902.0 square meters. Accordingly, we believe that the title defects with respect to this site area of 11,251,902.0 square meters will not have a material and adverse effect on our business operations. CSH CJV signed the lease agreement with the site area in excess of its current needs for the purposes of ensuring that CSH CJV will have adequate land for future expansion. CSH CJV has no current plan to use the land. If any parcel of the land needs to be used for production expansion in the future, CSH CJV will apply for the short-term land use rights in accordance with the relevant legal procedures and other requirements.

Buildings

As of September 30, 2010, we owned 70 buildings in China with a total gross floor area of approximately 39,939.4 square meters. We have obtained building ownership certificates for 69 buildings with a total gross floor area of approximately 39,863.8 square meters. Among those 69 buildings, nine buildings (all of which were vacant) with a total gross floor area of approximately 1,769.1 square meters were constructed on a parcel of land for which no state-owned land use right certificate has been issued. With respect to the nine buildings, our PRC legal advisers have advised us that, as these buildings are currently vacant and as we have no plans to occupy such buildings, the title defects with respect to these nine vacant buildings will not likely have a material and adverse effect on our business operations. For the other building used for office purposes with a gross floor area of approximately 75.6 square meters, we have applied for a state-owned land use right certificate and a building ownership right certificate. Our PRC legal advisers have advised us that, if we follow the required legal procedures in applying for the state-owned land use right certificate and building ownership certificate, there shall be no legal impediment for us to obtain those certificates.

As of September 30, 2010, we also leased a unit with a gross floor area of approximately 146 square meters, which is located in China. The unit is used for office purpose. Our PRC legal advisers have advised us that the relevant lessor has not obtained valid title certificate for the office unit with a gross floor area of approximately 146 square meters. The lessor, however, has provided a written undertaking to us to confirm that it has valid title to the leased property and indemnify us from any losses we may incur as a result of any dispute relating to the title of the leased property.

We also leased office space with a gross floor area of approximately 333.0 square meters in Canada.

Details of all of the above properties are set out in "Appendix IV — Property Valuation" to this prospectus.

The Directors of our Company are of view that the lack of title certificates of the defective properties owned or leased by our Company, either on an individual or aggregated basis, are not crucial to our Company's operations primarily for the following reasons:

- ***Properties with defective titles that are owned by our Company***
  - In respect of 9 buildings (all of which were vacant) which were constructed on a parcel of land without state-owned land use rights certificate, the Company's PRC legal advisers have advised that, as these buildings have been vacant since 2007 and as CSH CJV has no plans to occupy such buildings, the title defects with respect to these 9 vacant buildings will not likely have a material and adverse effect on CSH CJV's business operations.
  - In respect of an office unit, CSH CJV has applied for relevant state-owned land use right certificate and building ownership certificate. The Company's PRC legal advisers have advised that, if CSH CJV follows the required legal procedures in applying for the state-owned land use right certificate and the building ownership certificate, there shall be no legal impediment to obtain those certificates. And CSH CJV has been applying for those certificates in compliance with required legal procedures.
- ***Properties with defective titles leased by our Company***
  - In respect of a portion of leased collectively-owned land with a site area of approximately 11,251,902 sq.m., CSH CJV has no plan to use it at present. If it is required to use it for the purpose of enlarging production scale in the future, CSH CJV will apply for the short-term land use rights in compliance with required legal procedures in advance.
  - In respect of the office unit leased by Dadiangou CJV, the lessor has provided a written undertaking to confirm that it has valid title to the leased property and indemnify Dadiangou CJV from any losses as a result of any dispute relating to the title of the leased property; and Dadiangou CJV can search for new location easily at any time if it is required to relocate related operations.

We believe that with respect to those defective properties owned or leased by our Company for which we do not expect to obtain the relevant title certificates in the near future and which are currently in use, the related operations could be easily relocated at no significant costs, if needed.

Skyland Group

Land

As of September 30, 2010, Huatailong held granted land use rights to six parcels of land in China with a total site area of approximately 517,991.7 square meters. All of these parcels of land are used for industrial purposes.

Huatailong also leased 10 parcels of collectively-owned land in our mine sites with a total site area of approximately 2,091,820.22 square meters, for which we have obtained short-term land use rights approvals issued by the Mozhugongka County Programming Bureau of Land and Resource for a term of two years. Huatailong currently does not have any above-ground buildings. It is legal for Huatailong to use the 10 parcels of land according to the terms, conditions and the use of the land as approved by the competent PRC authorities. Also, Huatailong can apply for extending the term of land use rights one month before the expiry date of relevant short-term land use rights approvals on the condition of compliance with relevant PRC laws.

Buildings

As of September 30, 2010, Huatailong owned 35 buildings in China with a total gross floor area of approximately 45,273.82 square meters. Huatailong currently does not possess the building ownership certificates with respect to these buildings. With respect to the 2 buildings with a total gross floor area of approximately 4,096.8 square meters, our Directors believe that because (i) such buildings are used for temporary storage and thus not essential for Huatailong's operations and (ii) as Huatailong plans to demolish the building upon completion of its mine construction in the future, the lack of building ownership certificates will not likely have a material and adverse effect on Huatailong's business operations. With respect to the 33 newly completed buildings with a total gross floor area of approximately 41,177 square meters, Huatailong has obtained all requisite construction permits, and there shall be no material legal impediment to obtain relevant Building Ownership Certificates on condition that these buildings have passed the completion and acceptance inspection and Huatailong can follow the required legal procedures in applying for title registration.

Huatailong also leased and occupied five buildings with a total gross floor area of approximately 3,790.2 square meters. The relevant lessors have obtained the building ownership certificates for two buildings with a total gross floor area of approximately 412.2 square meters. The relevant lessors have not obtained building ownership certificates for the remaining three buildings with a total gross floor area of approximately 3,378.0 square meters. These three buildings are used as ancillary facilities or for office or residential purposes. The relevant lessors for three buildings with a total gross floor area of approximately 3,378.0 square meters have each provided a written undertaking to Huatailong to confirm that it has valid title to the leased property and indemnify Huatailong from any losses it may incur as a result of any dispute relating to the title of the leased property.

Details of all of the above properties are set out in "Appendix IV — Property Valuation" to this prospectus.

The Directors of our Company are of view that the lack of title certificates of the defective properties owned or leased by Skyland, either on an individual or aggregated basis, are not crucial to Skyland's operations primarily for the following reasons:

- Properties with defective titles owned by Skyland
  - In respect of 33 newly completed buildings without building ownership certificates, Huatailong has obtained all requisite construction permits, and there shall be no material legal impediment to obtain relevant Building Ownership Certificates on condition that these buildings have passed the completion and acceptance inspection and Huatailong can follow the required legal procedures in applying for title registration. Huatailong expects to obtain the certificates in 2011.

- Properties with defective titles leased by Skyland
  - In respect of Huatailong's 3 leased properties without valid title certificates. The lessors have provided 3 written undertakings to confirm that they have valid titles to the leased properties and indemnify Huatailong from any losses as a result of any dispute relating to the titles of these leased properties; and Huatailong can search for new location easily at any time if it is required to relocate related operations.

We believe that with respect to those defective properties owned or leased by Skyland Group for which Skyland Group do not expect to obtain the relevant title certificates in the near future and which are currently in use, the related operations could be easily relocated at no significant costs, if needed.

EMPLOYEES

As of the Latest Practicable Date, we had a total of 365 full-time employees. The following table shows a breakdown of our employees by function:

Functions	Employees as of the Latest Practicable Date
Operations(1)	281
Administration	62
Accounting/finance	15
Management	7
Total	**365**

(1) Less than 30 of these employees were engaged in exploration and mining related work, as we have outsourced all exploration and mining work. The remaining employees were engaged in processing and other related works.

As of the Latest Practicable Date, the Skyland Group had 640 full-time employees. The following table shows a breakdown of the Skyland Group's employees by function:

Functions	Employees as of the Latest Practicable Date
Operations(1)	488
Administration	135
Accounting/finance	9
Management	8
Total	**640**

(1) Less than 20 of these employees were engaged in exploration and mining related work, as the Skyland Group has outsourced all exploration and mining work. The remaining employees were engaged in processing and other related works.

We recognize the importance of a good relationship with our employees. The remuneration payable to the our employees includes salaries and allowances. We continue to provide training for our staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards.

During the Track Record Period, we have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. We believe that we have a good working relationship with our employees.

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our employee costs (including Directors' and senior management's emoluments) were US$3.9

million, US$4.2 million, US$1.0 million and US$0.7 million, respectively, and Skyland's employee costs (including directors' and senior management's emoluments) were nil, US$3.0 million, US$6.6 million and US$4.5 million, respectively.

We and Skyland make contributions to mandatory social security funds for the employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our employee benefit contributions were approximately US$84,000, US$0.2 million, US$35,000 and US$19,000, respectively, and Skyland's employee benefit contributions were nil, US$25,000, US$0.2 million and US$82,000, respectively.

Dadiangou CJV has not arranged for registration of employment insurance nor paid the relevant expense for its only two employees. According to the relevant PRC law and regulations, our PRC legal advisers are of view that, as a consequence of the non-registration and our non-payment of employment insurance, the Dadiangou CJV may be ordered to pay all the outstanding employment insurance premium for its employees or to make the compensation to its unemployed former employee who is unable to receive the unemployment insurance payments as a result of such non-compliance. Based on the advice of Haiwen & Partners, our PRC legal advisers, and given the fact the Dadiangou CJV currently only has two employees, we are of the view that the aggregate maximum compensation payable to the affected employees is immaterial.

Save as disclosed above, we are in compliance with the PRC laws and regulations relating to mandatory social security funds and housing funds in all material aspects.

INSURANCE

Consistent with the PRC industry practice, our Company and Huatailong maintain property insurance for certain of their assets as well as business interruption and liability insurances.

In addition, pursuant to the PRC Work-Related Injury Insurance Regulations (工傷保險條例), PRC employers of all types of enterprises shall participate in work-related injury insurance and pay work-related injury insurance premiums for all employees in their work unit in accordance with the regulations. We have maintained such personal injury insurance for our relevant PRC employees. We are also in compliance with the applicable PRC laws and regulations relating to work-related injury insurance in all material aspects.

INTERNAL CONTROL

We focus on enhancing our internal control and risk management systems. Our Board of Directors and senior management assume the overall responsibilities for overseeing the implementation of our internal controls and procedures. Our management discovered a material weakness in internal control over financial reporting as of December 31, 2008. Such material weakness related to the following aspects:

(a) Control environment: we did not have sufficient communication with and education for some of the incoming personnel about the Company's Code of Conduct, whistle blowing procedures, and the internal control and regulatory financial reporting requirements as a Canadian public company. This was identified as part of the process in which the management and board changes occurred in later 2008;

(b) Management override: certain management members of the CSH CJV circumvented and overrode internal control over financial reporting procedures on several occasions; and

(c) Fraud risk assessment: we had not conducted a comprehensive fraud risk assessment.

While each of these factors represented a procedural weakness in the internal control reporting environment of our Company, there was no evidence of actual loss or misstatement in the financial affairs of our Company resulting from such deficiencies. A thorough review of our internal control system was conducted by management as part of audit process and specifically by independent consultants retained to review internal controls. There was no evidence of actual malfeasance, misstatement or loss. Since December 31, 2008, our Company has taken and, in certain cases, is continuing to take appropriate steps in an effort to enhance its overall internal control over financial reporting and to address the material weakness identified above. These measures included (a) we together with our Canadian legal counsel held special sessions to communicate and educate new board members and employees about our Company's Code of Conduct, whistle blowing procedures, and the internal control and regulatory financial reporting requirements of a Canadian public company, and will reaffirm these procedures on an annual basis or as needed, (b) we have enhanced the reporting responsibilities of our subsidiaries to the corporate head office to strengthen oversight and monitoring of their activities, (c) we held training sessions for management at the CSH CJV to enhance their understanding of the importance of complying with its existing procedural and other requirements for the delegation of management authority, (d) appropriate disciplinary actions were taken against the individuals involved in the management override described above, (e) we have undertaken a comprehensive fraud risk assessment to identify and evaluate the risk of fraud, and (f) our audit committee will review and monitor on a quarterly basis the progress of the above efforts to improve internal control over financial reporting. We believe that these measures would improve our risk management and internal control systems and prevent material weakness over financial reporting of our Company in the future. See "Risk Factors — Our risk management and internal control systems many not be adequate or effective".

The Directors have not declared a material weakness in the design of the internal controls of the Group since December 31, 2008. In addition, our auditors have considered the Company's internal control relevant to the Group's preparation and true and fair presentation of the financial statements 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. No material weakness in the Company's system design of internal control has come to the attention of the auditors during the 2009 audit.

To further enhance the Group's internal control, an independent internal control consultant was engaged to review and assess the internal control procedures of the Group. An initial review was conducted in October 2009 with some deficiencies identified and a follow-up review was performed in May 2010. The Directors confirmed that none of such deficiencies has caused material adverse effect on, or serious disruption to, the business operations and finance of the Group. The Group has taken remedial measures to address such deficiencies and no further internal control deficiencies were identified during the follow up review.

LEGAL PROCEEDINGS AND COMPLIANCE

As of the Latest Practicable Date, we were not a party to any legal or administrative proceedings that would have a material adverse impact on our operations and financial condition and there were no claims in relation to exploration rights made or notified either by third parties against us or vice versa.

As of the Latest Practicable Date, the Skyland Group was not a party to any legal or administrative proceedings that would have a material adverse impact on its operations and financial condition and there were no claims in relation to exploration rights made or notified either by third parties against the Skyland Group or vice versa.

We are subject to a wide variety of laws and regulations in the ordinary course of our business operations and other activities. See "PRC Laws and Regulations relating to the Industry." We have established a committee to supervise our overall legal compliance. We have also established a safety, health and environment committee, which has the responsibility to ensure that appropriate performance targets and benchmarks are in place for the fulfillment of the health, safety and environmental obligations of the Group and to ensure on-going compliance with the relevant regulatory requirements. We also from time to time provide training on regulatory requirements to our employees, and remain in close contact with the relevant regulatory authorities with the view to keeping abreast of any major regulatory developments that may have a significant impact on our business and operations. Except for certain property title defects and the non-registration and non-payment of employment insurance for Dadiangou CJV disclosed under "— Real Properties" and "— Employees" and the exploration permits for the Jiama Mine which have recently expired and the renewal applications of which have been submitted to the relevant PRC authority, and the production safety permits of Jiama Mine which are in the process of being obtained, our PRC legal advisers are of view that we are in compliance with the relevant PRC laws and regulations and have maintained all the permits and licenses necessary for our operations in all material aspects.

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board consists of nine Directors, including four executive Directors, one non-executive Director and four independent non-executive Directors.

The following table sets forth certain information in respect of members of our Board.

Executive Directors:

Name	Age	Position in the Group
Sun, Zhaoxue	47	Chairman and executive Director
Song, Xin	47	Chief executive officer and executive Director
Wu, Zhanming	35	Executive director and vice president of business development
Jiang, Xiangdong.	51	Executive Director and vice president of production

Non-executive Director:

Name	Age	Position in the Group
Liu, Bing	47	Non-executive Director

Independent non-executive Directors:

Name	Age	Position in the Group
He, Ying Bin Ian	48	Independent non-executive Director
Chen, Yunfei	39	Independent non-executive Director
Hall, Gregory Clifton	60	Independent non-executive Director
Burns, John King	59	Independent non-executive Director

Mr. Sun, Zhaoxue (孫兆學), aged 47, the chairman of our Board and an executive Director, is in charge of overall strategic planning and business planning. Mr. Sun joined our Company in May 2008 as a Director and the chairman of our Board. He was appointed as the chief executive officer of our Company in September 2008 and resigned from such position in October 2009.

Mr. Sun has been a director of Zhongjin Gold Corporation since March 2007. Since October 2006, he has also been the president of China National Gold, a large-scale state-owned enterprise in the PRC, which engages in gold operations all over China. He is responsible for the overall strategic planning and business development of China National Gold and its subsidiaries. From October 2005 to October 2006, Mr. Sun was the vice general manager of Aluminum Corporation of China, a large-scale state-owned enterprise and an industry leader in processing non-ferrous minerals. From June 2004 to October 2005, Mr. Sun was the vice president of Aluminum Corporation of China Limited. Mr. Sun was the general manager of Shanxi Branch of Aluminum Corporation of China Limited from February 2002 to June 2004. From August 1983 to January 2002, Mr. Sun worked at Shanxi Aluminium Plant and was appointed as the factory manager in 2001 in charge of the overall operation of the plant. Mr. Sun has acquired approximately 27 years of experience in various aspects of mining operation, which is valuable and would contribute to, the continuing development of our Group. Mr. Sun completed professional courses in law and economics in Party School of Central Committee of Communist Party of China, and graduated from China University of Geosciences, with a doctorate degree in resources economics.

Mr. Song, Xin (宋鑫), aged 47, the chief executive officer of our Company and an executive Director, is in charge of the implementation of the decisions made by our Board, our strategic planning and overall day-to-day business operations. Mr. Song joined our Company in October 2009 as chief executive officer and a Director and has approximately 26 years of experience in the mining industry. Since December 2007, he has been the chairman of the board of Huatailong, and since April 2008, he has been the chairman of the board of Skyland and Jia Ertong.

Mr. Song was the chairman of the board of Zhongjin Gold Corporation from September 2003 to March 2007, and has been a director of Zhongjin Gold Corporation since March 2007. Since June 1997, he has also been the vice general manager of China National Gold Corporation (the predecessor of China National Gold) and is currently a vice president of China National Gold, in charge of resources development. Mr. Song was a vice county mayor of Zhenyuan County, Yunnan Province from November 1996 to November 1997. During 1993 to 1996, Mr. Song was the chief of the production and construction department of the Gold Bureau of the Ministry of Metallurgical Industry. From 1988 to 1993, he acted as deputy chief of infrastructure construction department of the State Gold Administration Bureau. Mr. Song first joined the production department of China National Gold Corporation (the predecessor of China National Gold) in August 1983 and was promoted as senior staff member from 1986 to 1988. During the aforesaid period, Mr. Song worked in various mines including, the Zhaoyuan Gold Mine, Handaqi Gold Mine and Shandong Jiaojia Gold Mine, and also attended a training course in Shenyang Institute of Gold Technology. Mr. Song graduated from the Central-South Institute of Mining and Metallurgy, with a bachelor's degree in mineral processing engineering, and from the University of Science and Technology, Beijing, with a master's degree in mining engineering, and from the China Europe International Business School, with a master's degree in business administration.

Mr. Wu, Zhanming (吳占鳴), aged 35, an executive Director and the vice president of business development of our Company, is in charge of our corporate finance and investment matters. Mr. Wu joined the Company in May 2008 as a Director. Since April 2008, he has also been a director of Jia Ertong and Skyland.

Since September 2007, Mr. Wu has acted as a manager of the capital markets department of China National Gold, whose main duties are to oversee the corporate finance and investment matters of the China National Gold and its subsidiaries in general. From January 2006 to August 2007, Mr. Wu was the director of strategic investment of Digital China Financial Service Holdings Limited and he was in charge of mergers and acquisitions, private placement, listing and relevant capital market transactions, and investment management in its subsidiaries. From 2004 to 2005, Mr. Wu was an assistant general manager in charge of capital market transactions and strategic planning for Great Wall Computer Software and Systems Limited. From May 2001 to January 2004, Mr. Wu worked as an analyst in the corporate finance team of Deutsche Bank AG (Securities Business) Beijing Representative Office. Mr. Wu graduated from Tsinghua University with a bachelor's degree in information management and systems, and a master's degree in management science and engineering.

Mr. Jiang, Xiangdong (江向東), aged 51, an executive Director and the vice president of production of our Company, is in charge of production operations of our Company. Mr. Jiang joined our Company in July 2002 as a manager in charge of projects in China and was subsequently promoted to the vice president of business development, vice president of production and technology and vice president of production in May 2004, September 2008 and March 2009, respectively. Since August 2007 and September 2008, Mr. Jiang has been a general manager and a director at CSH CJV, respectively. Mr. Jiang has approximately 24 years of experience in the mining industry.

From 2004 to 2008, Mr. Jiang acted as the vice president of business development of our Company and during that period, he was primarily responsible for furthering business development, undertaking property review and evaluation and exploring business opportunities for our Company. Mr. Jiang led to the successful acquisition of the Dadiangou project as well as a number of other projects in Guizhou Province and Yunnan Province. From 2002 to 2004, Mr. Jiang was in charge of technical supervision of all exploration projects of our Company, including supervising the establishment of the gold exploration and drilling program at the CSH Mine in accordance with the international standards, directing the platinum palladium exploration project at Jinbaoshan and leading a copper exploration program in Yunnan that covers over 3000 square kilometers of land. During the years from 1995 to 2002, Mr. Jiang acquired extensive mining experience through working as geologist for various mining and exploration companies, such as Cyprus Amax Minerals and its division Cyprus Canada Inc., where he worked primarily on the Axel Gold project and a copper project in Zambia, Kluane Drilling Ltd., a drilling company in Whitehorse, Yukon Territory, Canada as project manager responsible for designing, supervising and carrying out exploration drilling program on the Whitehorse Copper Belt, and First Quantum Minerals Ltd., a minerals company engaging in mineral exploration, development and mining, where he worked as senior contract geologist for the bankable feasibility drilling study of the Kansanshi project. From 1989 to 1991, Mr. Jiang worked with the Ministry of Northern Development and Mines, Government of Ontario, Canada, and his main responsibilities included geological mapping in northern Ontario, application of the Ontario Mining Act and the implementation and formulation of mineral incentive programs. Mr. Jiang acted as an assistant geological engineer from 1982 to 1985 and subsequently geological engineer from 1986 to 1989 for Shandong Provincial Bureau of Geology and Mineral Resources and worked for over seven years on gold exploration and regional geological reconnaissance and technical management. Mr. Jiang graduated from Changchun College of Geology majoring in Geology and Mineral Exploration, with a bachelor’s degree.

Mr. Liu, Bing (劉冰), aged 47, a non-executive Director, is in charge of the supervision of our finance related matters and overall strategic planning. Mr. Liu joined our Company in May 2008 as a Director and has approximately 10 years of experience in the mining industry.

Since March 2007, he has been a director of Zhongjin Gold Corporation. Since November 1999, Mr. Liu has been a vice president of China National Gold Corporation (the predecessor of China National Gold), and he is currently the vice general manager and chief accountant of China National Gold. He also worked as a senior secretary of China Textile General Association from October 1997 to March 1998. During the periods from April 1992 to October 1997 and from March 1998 to November 1999, he worked with the National Economy and Trade Commission of China as a senior secretary. Mr. Liu worked with the accounting department and general manager office of China Automobile Industry Investment and Development Co., from July 1987 to April 1992. Mr. Liu graduated from the Department of Finance and Trade Economics, Chinese Academy of Social Science, with a certificate of completion, and from the Department of Business Administration, Asia International Open University (Macau) with a master’s degree.

Mr. He, Ying Bin Ian (赫英斌), aged 48, an independent non-executive Director, is the chairman of the Audit Committee, Nominating and Corporate Governance Committee, Compensation and Benefits Committee and Safety, Health and Environmental Committee. Mr. He joined our Company in May 2000 as a Director and he has been a member of the Audit Committee since November 2001, where he has obtained approximately nine years of experience in reviewing and analysing the financial statements of our Company. Mr. He has approximately 27 years of experience in the mining industry.

Since October 2006 and July 2007, Mr. He has been a director and the president of Tri-River Ventures Inc. (TSX.V: TVR); and since October 2006 and May 2007, respectively, a director and chairman of audit committee of Jiulian Resources Inc. (TSX.V: JLR), both being listed companies on the TSX Venture Exchange. Mr. He was previously the president and a director of Spur Ventures Inc. (TSX.V: SVU) from August 1995 to June 2006 and was a member of the audit committee from May 1998 to May 2003. Mr. He had over six years of experience in overseeing internal control compliance as well as over 11 years of experience in preparing, reviewing, and analyzing the financial statements of Spur Ventures Inc. From December 1992 to August 1995, he was an engineer and subsequently promoted to a senior process metallurgist of Process Research Associates Ltd., Vancouver, Canada. Mr. He graduated from the Heilongjiang Mining Institute, Jixi, China with a bachelor's degree in coal preparation. He also obtained a master's degree in applied science and a Ph.D. doctorate degree from the Department of Mining Engineering of the University of British Columbia, Vancouver, Canada. Mr. He has appropriate financial management expertise pursuant to Rule 3.10 of the Listing Rules.

Mr. Chen, Yunfei (陳雲飛), aged 39, is an independent non-executive Director and he joined the Company in May 2008 as Director.

Mr. Chen joined the Hong Kong Branch of Deutsche Bank in July 2001 and was the managing director in charge of metals and mining for Asia when he departed in August 2007. Mr. Chen was previously an associate at Sullivan & Cromwell from March 1997 to July 2001. Mr. Chen is also an executive director and the chairman of Asia Coal Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 835). Mr. Chen graduated from Southern Illinois University, Carbondale, with a juris doctor degree.

Mr. Hall, Gregory Clifton, aged 60, is an independent non-executive Director. Mr. Hall joined the Company in October 2009 as Director and has over 35 years of experience in the mining industry.

Mr. Hall currently holds directorships in three listed companies, namely, Triton Gold Limited (ASX: TON), Laurentian Goldfields Ltd. (TSX.V: LGF) and Colossus Minerals Inc. (TSX: CSI) since August 2009, May 2008 and March 2008, respectively, and three private companies, namely, Oryx Mining and Exploration Limited, Golden Phoenix Resources Ltd. and Golden Phoenix International Pty. Ltd. In his career, Mr. Hall has been involved in the discoveries of Barrick's Granny Smith and Keringal gold mines and Rio Tinto's Yandi iron ore mine in Western Australia. He joined Placer Dome Inc. as exploration manager of Western Australia and was subsequently promoted to exploration manager of Australia and finally chief geologist of the Placer Dome Group from 1988 to 1992, from 1993 to 1999 and from 2000 to 2006, respectively. Mr. Hall joined CSR Limited as a cadet in January 1968. In 1973, he was employed as exploration geologist in CSR Limited's exploration and mining subsidiary Pacminex Pty. Ltd., and was posted to Western Australia. In 1979, Mr. Hall was transferred to Queensland and was appointed as supervising geologist. He was promoted to district manager of Western Australia for the minerals and chemical division when he departed in 1988. Mr. Hall graduated from the University of New South Wales, Australia, with a bachelor of science in applied geology.

Mr. Burns, John King, aged 59, is an independent non-executive Director. Mr. Burns joined the Company in October 2009 as Director and has approximately 14 years of experience in the mining industry.

Mr. Burns has been director of Gold Star Resources Corporation (TSX.V: GXX) (OTC BB: GXXFF) and director of NovaDx Ventures Corp (TSX.V: NDX) since September 2009 and March 2006, respectively. Mr. Burns has also held positions at various private companies, such as vice president, senior vice president and managing director of Frontier Risk Management LLC in Chicago and is currently director of NuCoal Energy Corp., a private Saskatoon-based energy company and non-executive director of Hunter Energy LLC, Centennial, Colorado, a private oil and gas exploration company. Mr. Burns has been director and member of the audit committee of Athabasca Potash Inc. (TSX: API) from October 2007 to September 2009, director and member of the audit committee of Emgold Mining Corporation (TSX.V: EMR) from June 2003 to May 2007, director and president of MR3 Systems Inc. (OTC: MRMR) from November 2003 to April 2004 and director and member of the audit committee of Northern Orion Resources Inc. (TSX: NNO) (AMEX: NTO) from May 1995 to August 2007. Mr. Burns graduated from the University of Pennsylvania, with a bachelor of arts degree majoring in economics.

Save as disclosed above, none of the Directors has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus or has been involved in any events which would require disclosure under Rule 13.51 (2)(h)-(w) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information concerning the Group's senior management.

Name	Age	Position in the Group
Song, Xin	47	Chief executive officer
Wu, Zhanming	35	Vice president of business development
Xie, Quan Jerry	49	Executive vice president, corporate secretary and secretary to the Board
Jiang, Xiangdong.	51	Vice president of production
Law, Chi Yung	38	Chief financial officer
King, Heather	48	Vice president of finance
Ma, Sau Kuen Gloria	52	Hong Kong company secretary

For information relating to Mr. Song, Mr. Wu and Mr. Jiang, see "— Board of Directors" above.

Mr. Xie, Quan Jerry, aged 49, the executive vice president and corporate secretary of our Company and the secretary to the Board, is in charge of our corporate secretarial matters and the daily operation of our Vancouver office under the supervision of the Chief Executive Officer. Mr. Xie joined the Company in March 2009 as a vice president and the secretary to the Board.

Prior to joining the Company, Mr. Xie was the senior piping stress analyst of WorleyParsons MEG (a division of WorleyParsons Canada Ltd.), a resource and energy engineering support company in Canada, from February 2006 to March 2009 and he was in charge of managing and supervising team work, monitoring engineering deliverable schedule and quality, estimating and forecasting manpower requirement and conducting critical engineering tasks. He worked for Tri Ocean Engineering Ltd., an engineering, procurement and construction management company in Canada from August 2003 to March 2006 and was promoted to senior staff piping stress specialist in August 2005. He was in charge of design verification, stress analysis, material requisition and evaluation of large oil & gas projects such as the Sakhalin II project in Russia. Mr. Xie worked for CDI Professional Services, Ltd., a technical services company in Canada as a pipe stress engineer from January 2001 to October 2002. For the period from 1981 to 2000, Mr. Xie worked at Luoyang Petro-chemical Engineering Corporation and during that period, he was promoted from chief of piping department and then to assistant to general manager. Mr. Xie obtained a diploma from the Mechanical Department of Shanghai Institute of Chemical Industry, graduated from the Beijing University of Science & Technology, with a master's degree in engineering and the University of Calgary, with a master's degree in engineering.

Mr. Law, Chi Yung, aged 38, the chief financial officer of our Company, is in charge of planning and management of accounting, finance related matters and corporate reporting of our Company. Mr. Law joined the Company in March 2010 as chief financial officer.

Prior to joining the Company, Mr. Law was a senior audit manager of an international audit firm. Mr. Law joined the international audit firm as an audit officer in August 1994, and was promoted as senior audit officer, audit manager and senior audit manager in July 1997, October 1999 and October 2002, respectively. Mr. Law obtained a bachelor of accountancy from the City Polytechnic of Hong Kong. Mr. Law is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Ms. King, Heather, aged 48, the vice president of finance of our Company, is in charge of finance, management of finance related matters and corporate reporting of our Company. Ms. King joined the Company in January 2009 as a consultant and was subsequently appointed as the vice president of finance in November 2009.

Ms. King was previously the vice president of finance at Creation Technologies Inc. from November 2006 to June 2008 and a financial controller at Verb Exchange Inc. from March 2003 to August 2004. She also worked with the Auditor General of British Columbia from February 1987 to January 1991 and subsequently as a senior auditor on project basis from October 2001 to January 2003. She is a chartered accountant of the Institute of Chartered Accountants of British Columbia since 1990. Ms. King graduated from the University of Alberta, Canada, with a bachelor's degree in commerce.

HONG KONG COMPANY SECRETARY

Ms. Ma, Sau Kuen Gloria, aged 52, is the company secretary of our Company. Ms. Ma has almost 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange, setting up companies in different jurisdictions such as Hong Kong, the Cayman Islands and the British Virgin Islands. She also has extensive knowledge and experience in attending corporate restructuring and legal compliance issues.

Ms. Ma is a director of KCS Hong Kong Limited's Corporate Secretarial Department. She holds a master's degree in business administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During the three years ended December 31, 2007, 2008 and 2009, the aggregate amount of compensation (including basic salary, stock-based compensation and retirement based contribution) paid by us to the five highest paid individuals were approximately US$1,427,939, US$1,642,000 and US$898,113, respectively.

Our executive Directors are also employees of our Company and receive, in their capacity as employees of our Company, compensation in the form of salaries and other allowances and benefits in kind. We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

During the three years ended December 31, 2007, 2008 and 2009, the aggregate amount of compensation paid (including basic salary, stock-based compensation and retirement benefit contribution) to our Directors were US$725,447, US$897,607 and US$85,917, respectively.

During the three years ended December 31, 2007, 2008 and 2009, the aggregate amount of retirement benefit contribution to our Directors were US$3,053, US$3,346 and US$1,090, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the Track Record Period, by our Group to our Directors.

PRE-IPO SHARE OPTIONS

We have established the 2006 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme. On May 9, 2007, our Directors resolved (i) not to grant any further option pursuant to the 2006 Pre-IPO Share Option Scheme, and (ii) to grant all options which could be granted under the 2007 Pre-IPO Share Option Scheme. Upon Listing, no further option will be granted pursuant to the 2007 Pre-IPO Share Option Scheme.

For further details of the Pre-IPO Share Options, see "Appendix VIII — Statutory and General Information — Pre-IPO Share Options" to this prospectus.

AUDIT COMMITTEE

We have established an audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has existed since our Company was listed on TSX Venture Exchange in 2001 and its charter was adopted on November 18, 2003. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system and provide advice and comments to the Board. The audit committee consists of four members, namely Mr. He, Ying Bin Ian, Mr. Chen, Yunfei, Mr. Hall, Gregory Clifton and Mr. Burns, John King.

COMPENSATION AND BENEFITS COMMITTEE

We have established a compensation and benefits committee which consists of four members, namely Mr. He, Ying Bin Ian, Mr. Chen, Yunfei, Mr. Hall, Gregory Clifton and Mr. Burns, John King. The compensation and benefits committee was constituted and its charter was adopted on November 18, 2003. The primary duties of the compensation and benefits committee are to review and give recommendations to our Board in relation to the compensation, remuneration and other benefits paid by us to our Directors and the senior management. The compensation and remuneration of all our Directors and the senior management is subject to regular monitoring by the compensation and benefits committee to ensure that the levels of their remuneration and compensation are appropriate.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

We have established a nominating and corporate governance committee which consists of four members, namely Mr. He, Ying Bin Ian, Mr. Chen, Yunfei, Mr. Hall, Gregory Clifton and Mr. Burns, John King. The nominating and corporate governance committee was constituted and its charter was adopted on May 20, 2004. The primary duty of the nominating and corporate governance committee is to make recommendations to our Board regarding candidates to fill vacancies in our Board, the chief executive officer and the senior management and to monitor our conduct of corporate governance in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

SAFETY, HEALTH AND ENVIRONMENTAL COMMITTEE

We have established a safety, health and environmental committee which consists of four members, namely Mr. He, Ying Bin Ian, Mr. Chen, Yunfei, Mr. Hall, Gregory Clifton and Mr. Burns, John King. The safety, health and environmental committee was constituted on October 27, 2009 and its charter was adopted on March 28, 2010. The primary duties of the safety health and environmental committee are to ensure that appropriate performance targets and benchmarks are in place for our health, safety and environmental obligations, as well as to monitor potential liabilities, changes in regulations, community expectations and technological changes which relate to safety, health and environmental issues.

COMPLIANCE ADVISER

We have appointed Citi as its compliance adviser (the "Compliance Adviser") pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise us on the following matters:

(1) the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction (as defined under the Listing Rules), is contemplated including share issues and share repurchases;

(3) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in the prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in the prospectus; and

(4) where the Stock Exchange makes an inquiry of us regarding unusual movements in our price or trading volume.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and ends on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

So far as the Directors are aware, immediately following completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), assuming that none of the Over-allotment Option and the Pre-IPO Share Options is exercised, the following persons will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name	Number of Shares directly or indirectly held	Approximate percentage of interest in our Company
China National Gold[(1)]	154,348,730	38.98
China National Gold Hong Kong[(1),(2)]	154,348,730	38.98
Rapid Result[(3)]	83,423,624	21.07

(1) China National Gold Hong Kong is directly wholly owned by China National Gold. Accordingly, the interest attributable to China National Gold above represents its indirect interest in our issued share capital through its equity interest in China National Gold Hong Kong.

(2) Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement. If all of our Shares under the working capital adjustment to the maximum set by the TSX approval amounting to 4,747,706 additional Consideration Shares are issued, the number of Consideration Shares held by China National Gold Hong Kong and Rapid Result will be 89,250,000 and 85,750,000, respectively. In such event, China National Gold Hong Kong and Rapid Result will hold 39.13% and 21.40% of issued share capital of our Company, respectively, upon completion of the Global Offering and the Skyland Acquisition, assuming that none of the Over-allotment Option and the Pre-IPO Share Options is exercised.

(3) Rapid Result is beneficially owned by various individuals and a family trust, each of whom is an independent third party to our Group and no such individual/family trust holds one-third or more of the equity interest of Rapid Result, and therefore none of the individuals/family trust will be deemed to be interested in the Shares held by Rapid Result under the SFO.

Save as disclosed herein, we are not aware of any other person who will, immediately following completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised, be entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the Company.

During the Track Record Period, there were changes to the ownership of the Company and the substantial shareholders of the Company. See the section headed "History and Corporate Structure" of this prospectus.

All of the issued Shares in the Company comprise fully paid common shares. Under the BCBCA, companies incorporated in British Columbia typically have an unlimited authorised capital, and do not generally attribute a "par value" in respect of classes of shares. All Shares are recorded in the Company's financial statements at their issue price less issue costs.

Details of the Company's issued capital are as follows:

Fully paid Shares as of the Latest Practicable Date	**172,019,459**
Shares issuable pursuant to the Global Offering, assuming no exercise of the Over-allotment Option	53,660,000
Shares issuable pursuant to the Skyland Acquisition(Note)	170,252,294
Fully paid Shares immediately following completion of the Global Offering and the Skyland Acquisition(Note), assuming no exercise of the Over-allotment Option or the Pre-IPO Share Options	**395,931,753**
Shares issuable upon full exercise of the Over-allotment Option	8,049,000
Fully paid Shares immediately following completion of the Global Offering and the Skyland Acquisition(Note), assuming full exercise of the Over-allotment Option and no exercise of any outstanding Pre-IPO Share Options	**403,980,753**
Shares issuable upon exercise of all the outstanding Pre-IPO Share Options	975,000
Fully paid Shares immediately following completion of the Global Offering and the Skyland Acquisition(Note), assuming full exercise of the Over-allotment Option and all the outstanding Pre-IPO Share Options	**404,955,753**

Note:
Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement. If all of our Shares under the working capital adjustment to the maximum set by the TSX approval are to be issued, an aggregate of 4,747,706 additional Consideration Shares will be issued to China National Gold Hong Kong and Rapid Result.

The Offer Shares, including the Shares to be issued on exercise of the Over-allotment Option, will be the ordinary shares in the share capital of our Company and will rank equally with all Shares currently in issue or to be issued as mentioned in this prospectus, and, in particular, will rank in full for all dividends and other distributions, declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus.

Save as disclosed in this prospectus, no share or loan capital of the Company or any of its subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

The following table sets forth for the periods indicated the reported high, low and period end of the closing trading prices on the TSX for the Shares from October 6, 2006 (the date the Shares were listed on the TSX) until the Latest Practicable Date. Historical Share prices may not be indicative of the price at which the Shares will trade following the completion of the Global Offering. See “Risk Factors — Risks relating to the dual primary listing and the Global Offering — The characteristics of the Canadian share market and Hong Kong share market are different”.

Calendar Period	High	Low	Period End
	CAD	CAD	CAD
Annual			
Year ended December 31			
2006	1.69	0.55	1.53
2007	3.22	1.35	2.74
2008	3.05	0.39	0.44
2009	3.03	0.44	3.03
2010 (up to October 31, 2010)	6.26	2.50	5.02
Quarterly			
Third Quarter 2006	1.45	1.01	1.26
Fourth Quarter 2006	1.69	1.14	1.53
First Quarter 2007	2.64	1.35	2.49
Second Quarter 2007	2.50	1.85	1.98
Third Quarter 2007	2.37	1.45	2.25
Fourth Quarter 2007	3.22	2.27	2.74
First Quarter 2008	3.05	2.46	2.72
Second Quarter 2008	3.00	2.25	2.60
Third Quarter 2008	2.60	0.80	1.05
Fourth Quarter 2008	1.08	0.39	0.44
First Quarter 2009	0.83	0.45	0.60
Second Quarter 2009	1.14	0.53	0.95
Third Quarter 2009	1.75	0.95	1.42
Fourth Quarter 2009	3.17	1.40	3.17
First Quarter 2010	5.29	2.50	5.29
Second Quarter 2010	6.26	3.60	3.60
Third Quarter 2010	5.01	2.84	4.73
Fourth Quarter 2010 (up to October 31, 2010)	5.29	4.52	5.02
Monthly			
July 2006	1.25	1.01	1.16
August 2006	1.37	1.09	1.20
September 2006	1.45	1.17	1.26
October 2006	1.31	1.14	1.23
November 2006	1.58	1.17	1.54
December 2006	1.69	1.42	1.53
January 2007	2.04	1.35	1.96
February 2007	2.25	1.58	2.01
March 2007	2.64	1.70	2.49
April 2007	2.50	2.08	2.23
May 2007	2.35	1.85	1.98
June 2007	2.30	1.91	1.98
July 2007	2.37	1.97	2.25
August 2007	2.34	1.45	1.95
September 2007	2.25	1.82	2.25
October 2007	2.90	2.27	2.70
November 2007	3.22	2.52	2.93
December 2007	2.96	2.40	2.74

Calendar Period	High CAD	Low CAD	Period End CAD
January 2008	3.05	2.52	2.82
February 2008	3.02	2.50	2.58
March 2008	2.89	2.46	2.72
April 2008	3.00	2.25	2.51
May 2008	3.00	2.34	2.83
June 2008	2.88	2.36	2.60
July 2008	2.60	2.06	2.30
August 2008	2.30	1.05	1.33
September 2008	1.34	0.80	1.05
October 2008	1.08	0.39	0.50
November 2008	0.55	0.40	0.48
December 2008	0.69	0.40	0.44
January 2009	0.64	0.45	0.57
February 2009	0.83	0.52	0.59
March 2009	0.65	0.47	0.60
April 2009	0.75	0.53	0.68
May 2009	0.77	0.63	0.75
June 2009	1.14	0.72	0.95
July 2009	1.49	0.95	1.35
August 2009	1.75	1.15	1.49
September 2009	1.59	1.32	1.42
October 2009	2.03	1.39	1.76
November 2009	2.93	1.74	2.68
December 2009	3.20	2.39	3.17
January 2010	3.45	2.40	2.70
February 2010	4.02	2.50	3.90
March 2010	5.38	3.85	5.29
April 2010	6.60	5.30	5.59
May 2010	5.65	3.60	4.19
June 2010	4.44	3.56	3.60
July 2010	4.25	2.75	3.97
August 2010	5.09	3.91	4.75
September 2010	4.96	4.00	4.73
October 2010	5.36	4.52	5.02
November 1, 2010 — November 10, 2010	6.00	4.92	5.64

OUR CONTROLLING SHAREHOLDER, CHINA NATIONAL GOLD

Overview

China National Gold, a Chinese State-Owned Enterprise (SOE), held approximately 39.25% of our issued share capital immediately prior to the Global Offering. China National Gold also held a 51% interest in Skyland immediately prior to our acquisition of Skyland. After giving effect to the Global Offering and the Skyland Acquisition, but excluding the exercise of the Over-allotment Option, China National Gold will hold approximately 38.98% of our issued share capital.[1]

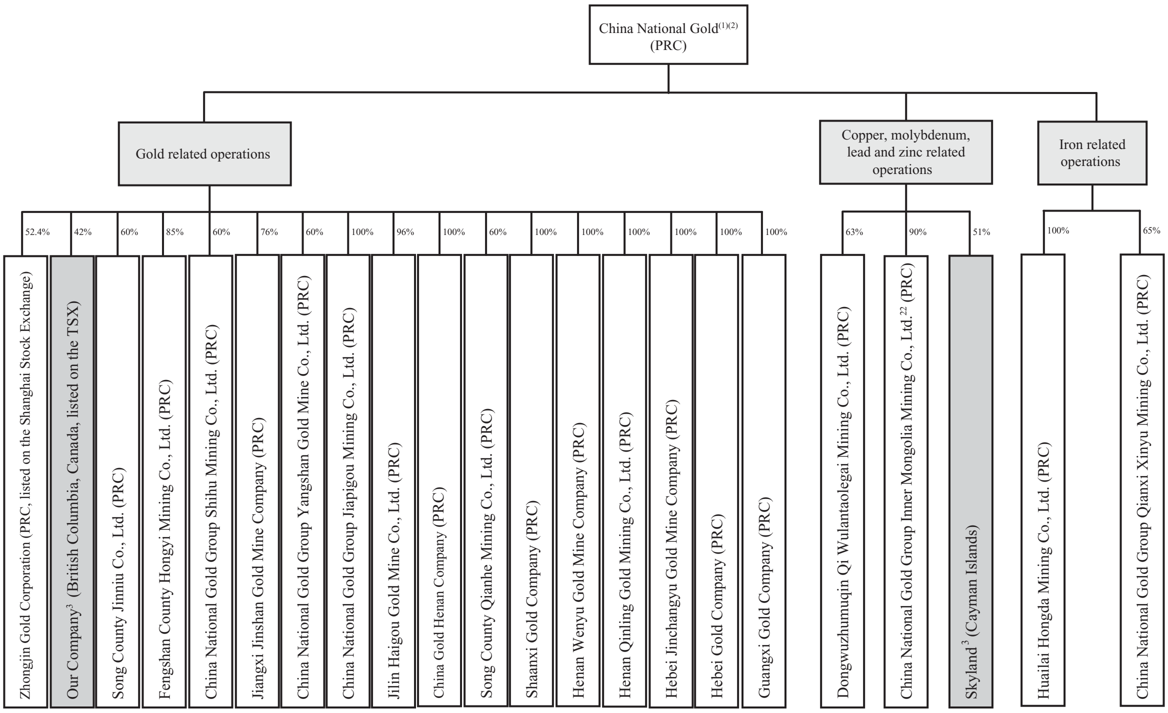
China National Gold is the only enterprise directly supervised by the State Council that focuses on the exploration, mining, processing, smelting, refining and sales of gold. It also operates other non-ferrous mineral assets related business. The predecessor of China National Gold was China National Gold Corporation (中國黃金總公司), which was established in 1979 and headquartered in Beijing. It was one of the first Chinese enterprises to focus on the exploration of gold. Pursuant to the approval of the State Council, China National Gold was formed as a SOE in November 2002 with a management committee reporting directly to the SASAC of the State Council. China National Gold was the largest gold producer in China in 2009 by gold output[2], according to the China Gold Association (中國黃金協會). It is also the only enterprise in the gold industry in China that explores, produces and processes gold with a grade of Au99999.

(1) Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

(2) Gold output is calculated based on total output of finished gold produced from mines and from gold smelters.

Major subsidiaries of China National Gold

China National Gold operates gold and other non-ferrous mineral assets related business through various direct and indirect subsidiaries that it wholly owns or otherwise controls. Among these subsidiaries, Zhongjin Gold Corporation is a PRC incorporated company and has been listed on the Shanghai Stock Exchange since August 2003. The businesses of our Company and Skyland are the only businesses controlled by offshore subsidiaries of China National Gold. China National Gold acquired 42% and 51% equity interests in our Company and Skyland in May 2008 and February 2009, respectively. Following is a corporate structure chart of China National Gold which lists its major subsidiaries:



1. China National Gold has a total of 152 subsidiaries. The major subsidiaries listed above are: (i) in control by China National Gold, (ii) principally engaged in gold and non-ferrous mineral assets mining business, and (iii) those subsidiaries whose total assets and/or revenue contributed to 1% or more of the total assets and/or revenue of China National Gold. Except our Company and Skyland, China National Gold's interests in these major subsidiaries are not held by it through any offshore intermediate holding companies.

2. The principal place of operations of China National Gold and its subsidiaries is in China:

   (1) The principal place of operation of Zhongjin Gold Corporation is in Beijing.

   (2) The principal place of operation of each of Song County Jinniu Co., Ltd., China Gold Henan Company, Song County Qianhe Mining Co., Ltd., Henan Wenyu Gold Mine Company and Henan Qinling Gold Mining Co., Ltd. is in Henan Province.

   (3) The principal place of operation of each of Fengshan County Hongyi Mining Co., Ltd. and Guangxi Gold Company is in Guangxi Zhuang Autonomous Region.

   (4) The principal place of operation of each of China National Gold Group Shihu Mining Co., Ltd., Hebei Jinchangyu Gold Mine Company, Hebei Gold Company, Huailai Hongda Mining Co., Ltd. and China National Gold Group Qianxi Xinyu Mining Co., Ltd. is in Hebei Province.

   (5) The principal place of operation of Jiangxi Jinshan Gold Mine Company is in Jiangxi Province.

   (6) The principal place of operation of China National Gold Group Yangshan Gold Mine Co., Ltd. is in Gansu Province.

   (7) The principal place of operation of each of China National Gold Group Jiapigou Mining Co., Ltd and Jilin Haigou Gold Mine Co., Ltd. is in Jilin Province.

   (8) The principal place of operation of Shaanxi Gold Company is in Shaanxi Province.

   (9) The principal place of operation of each of Dongwuzhumuqin Qi Wulantaolegai Mining Co., Ltd. and China National Gold Group Inner Mongolia Mining Co., Ltd. is in Inner Mongolia.

3. China National Gold controls our Company and Skyland through its intermediate wholly owned offshore subsidiary, China National Gold Hong Kong. The businesses of our Company and Skyland are the only businesses controlled by China National Gold through its offshore subsidiaries.

China National Gold held gold resources of approximately 1,280 tonnes as of December 31, 2009. In addition, China National Gold held various non-ferrous mineral assets (excluding gold), all of which are located in China. According to China National Gold, these non-ferrous mineral assets (excluding gold) collectively contain copper resources of approximately 8.0 million tonnes, molybdenum resources of approximately 610,400 tonnes, lead and zinc resources of approximately 721,300 tonnes, silver resources of approximately 2,143.5 tonnes and iron resources of approximately 89.1 million tonnes as of December 31, 2008(1)(2)(3). In the fiscal years 2007, 2008 and 2009, China National Gold produced approximately 72, 78 and 108 tonnes of gold, respectively. China National Gold's revenues for the fiscal years 2007, 2008 and 2009 were RMB16,366 million, RMB23,314 million and RMB34,543 million, respectively. As of December 31, 2009, China National Gold had RMB34,760 million in total assets.

CNG Oversea and the consultancy agreement between CNG Oversea and Jackin

China National Gold Investment Oversea Holdings Limited ("CNG Oversea") is a wholly-owned subsidiary of China National Gold Group Investment Co., Ltd. (中國上海黃金集團投資有限公司) which in turn is 60% owned by China National Gold. CNG Oversea was incorporated in Hong Kong on April 8, 2008 as a limited liability company. Jackin International Holding Limited ("Jackin") is a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00630).

CNG Oversea entered into a consultancy agreement with Jackin on December 18, 2009 (the "Consultancy Agreement"). Under the Consultancy Agreement, upon fulfillment of all preconditions, CNG Oversea will be engaged as a technical consultant for a term of 10 years after the completion of the conditional agreement dated the same date in relation to the proposed acquisition of the entire issued share capital of SE Metal Resource Corp., a company incorporated in the BVI with limited liability (the "Acquisition Agreement"), to provide consultancy services to Jackin including but not limited to: (i) the provision of technical support by CNG Oversea to Jackin in respect of its investment in certain mines in the United States, including a copper-gold mine, a gold mine and an iron-ore mine all located in Southern California (the "Three Mines") and other mining projects; and (ii) the assignment of senior technical personnel from CNG Oversea to Jackin to assist and advise Jackin in respect of its investment in the Three Mines and other mining projects. In addition, while engaged as a technical consultant by Jackin, CNG Oversea shall be obliged to take all reasonable steps to first refer any business opportunity regarding the Three Mines to Jackin as early as possible, and not to refer such business opportunity to any other party prior to referring such business opportunity to Jackin in all circumstances, provided that should the disclosure of such business opportunity to Jackin leads to a breach of confidentiality or trust obligations on the part of CNG Oversea, such obligation shall not be applicable. The Three Mines had been referred to Jackin by CNG Oversea.

As mentioned in the announcement (the "Announcement") dated January 8, 2010 of Jackin relating to the Consultancy Agreement, commencement of the engagement of CNG Oversea pursuant

(1) The PRC mineral resources reporting standard is different from the JORC Code in calculating the resources and reserves. Therefore, the resources of China National Gold disclosed in this section may not be directly comparable with the resources and reserves of the CSH Mine and Jiama Mine, which are reported under the JORC Code in this prospectus.

(2) The mineral resources of China National Gold disclosed in this section are calculated on a basis proportionate to its share of equity in the relevant subsidiaries that it owns or controls.

(3) The mineral resources of China National Gold disclosed in this section include those of the Company and Skyland.

to the Consultancy Agreement is conditional upon a number of conditions precedent, including completion of the Acquisition Agreement which, among other things, requires provision of an independent valuation report which values the Three Mines at no less than HK$800 million on or before December 31, 2010. In the event that any of the conditions precedent in the Consultancy Agreement is not fulfilled, the Consultancy Agreement shall lapse and be of no further effect, and no party to the Consultancy Agreement shall have any liability to any other party, save in respect of any antecedent breaches.

On August 23, 2010, as it was expected that the completion of the Acquisition Agreement will not occur by December 31, 2010, Jackin and CNG Oversea entered into a termination agreement, pursuant to which Jackin and CNG Oversea have irrevocably and unconditionally agreed to terminate the Consultancy Agreement and the related referral agreement and the parties are discharged from their respective agreements, undertakings, duties, obligations, rights and/or, if applicable, liabilities under the Consultancy Agreement and the related referral agreement.

ZHONGJIN GOLD CORPORATION

China National Gold owns 52.4% of the registered capital of Zhongjin Gold Corporation. Zhongjin Gold Corporation was listed on the Shanghai Stock Exchange in August 2003 and is principally engaged in the exploration, mining and smelting of gold and related by-products in the PRC. Zhongjin Gold Corporation holds interests in approximately 20 gold mines all of which are located in China, according to its annual report for the year ended December 31, 2009, the gold mines contain resources of approximately 421.18 tonnes under the applicable PRC mineral reserve reporting standards.

China National Gold provided three separate undertakings in favor of Zhongjin Gold Corporation in February 2002, August 2007 and January 2008, respectively. In the 2002 undertaking, China National Gold undertook to Zhongjin Gold Corporation that other than the existing gold mining business of China National Gold at the time of the undertaking, China National Gold will not engage in any other gold and other non-ferrous metal exploration business nor develop any new gold mine. In the two additional undertakings in 2007 and 2008, China National Gold undertook that should it acquire any gold mines, Zhongjin Gold Corporation would be entitled to a right of first refusal to acquire such gold mine from China National Gold.

Zhongjin Gold Corporation has issued a public statement by way of a public announcement to its shareholders on August 31, 2010 confirming that (i) the acquisitions by China National Gold through China National Gold Hong Kong of the controlling interests in us in May 2008 and Skyland in February 2009 as well as the Skyland Acquisition are acquisitions of equity interest in offshore companies as part of its overseas restructuring, and do not fall within the scope of any of these undertakings provided by China National Gold to Zhongjin Gold Corporation; and (ii) China National Gold has reiterated its adherence to the existing three undertakings and its support of Zhongjin Gold Corporation's gold business, while with respect to the Group, China National Gold will use the Group as its platform for overseas expansion to focus on international gold and non-ferrous mining business. Based on this confirmation, Haiwen & Partners, our PRC legal advisers, are of the view that the acquisitions by China National Gold of our interest in May 2008 and that in Skyland in February 2009, respectively, do not fall within the scope of these undertakings to Zhongjin Gold Corporation, and as a result, China National Gold was not in breach of these undertakings to Zhongjin Gold Corporation or the relevant CSRC rules, including the regulations governing corporate governance applicable to

A share listed companies. Also, as the public announcement has been approved by the board of directors of Zhongjin Gold Corporation, which is merely a clarification of the real intent of the parties to the undertakings, Haiwen & Partners, our PRC legal advisers, are of the view that such public announcement does not vary or amend the terms of the undertakings.

OUR CURRENT BUSINESS AND THE BUSINESS OF CHINA NATIONAL GOLD

We believe that the current business operations of our Enlarged Group do not compete with the business of China National Gold based on the following reasons:

- ***Exploration and mining***

  The exploration and mining operations of the existing mine of our Enlarged Group are specific to a particular property and are localized activities in a defined geographical area. As the existing mines of our Enlarged Group and those of China National Gold are located in different regions in China, the exploration and mining activities of our Enlarged Group do not compete with those of China National Gold.

- ***Procurement of resources***

  The exclusive exploration and mining permits of the CSH Mine and the Jiama Mine covered significant areas in Inner Mongolia and Tibet, respectively. More particularly, the exploration permit and the mining permit of the CSH Mine cover an area of 25.9 sq. km. and 10.1 sq. km., respectively, while the exploration permits and mining permits of the Jiama Mine covered an aggregate area of 143.3 sq. km. and 2.9 sq. km., respectively. As a result, our Enlarged Group has the exclusive rights to the defined mineral resources and reserves in the areas and develop the mines of our Enlarged Group in accordance with our business plans. In addition, the only two gold mines owned by Zhongjin Gold Corporation in Inner Mongolia are located at approximately 380 km and approximately 126 km from the CSH Mine, respectively. We believe that these two mines are not located in close proximity to the CSH Mine, and that they do not compete with us for resources. Save as disclosed in this prospectus, China National Gold (including Zhongjin Gold Corporation) does not own any other gold mining assets in Inner Mongolia, or any gold or other non-ferrous mining assets in Tibet.

- ***Processing, smelting and refining operations***

  We process and smelt mineral ores extracted from our own mines into gold dore bars for sale to refineries, whereas China National Gold and Zhongjin Gold Corporation process, smelt and refine raw materials supplied from their own mines or by third parties into gold ingots for sale at the Shanghai Gold Exchange. We believe that no competition exists for our processing and smelting operations. Firstly, our Enlarged Group does not engage in any refining activities, while China National Gold and Zhongjin Gold Corporation engage in refining activities in addition to processing activities. Secondly, our Enlarged Group only processes and smelts mineral ores extracted from the mines of our Enlarged Group, while China National Gold and Zhongjin Gold Corporation process, smelt and refine ores and gold dore bars supplied from their own mines as well as from third parties.

- ***Sale of products***

  Gold, molybdenum, lead and copper are commodity products with a readily available market. In China, gold products are traded at prevailing market price reflected in the daily trading prices on an open market platform operated by the Shanghai Gold Exchange, which follows the international gold price trend closely. Molybdenum, lead and copper are also traded with reference to prevailing PRC market prices. Our Enlarged Group therefore faces little competition with China National Gold in terms of sale of products.

While our Enlarged Group currently does not operate gold and non-ferrous mining assets located outside of China, going forward, we believe that our Enlarged Group is better positioned than many other Chinese gold mine operators to pursue the strategy of focusing on the International Mining Businesses, including the exploration and exploitation of gold and other non-ferrous mining assets located outside the PRC, although there cannot be assurance that such International Mining Business Opportunities will be available to us in the near future or at all. See "Business — Business Strategies — Acquiring high-quality mineral resources".

NON-COMPETITION UNDERTAKING FROM CHINA NATIONAL GOLD TO OUR COMPANY

On November 5, 2010, China National Gold has provided a non-competition undertaking in favor of our Company ("the Non-Competition Undertaking") to the effect that:

(i) none of China National Gold and its Controlled Entities currently engage in the International Mining Business;

(ii) it will not compete with our Enlarged Group, directly or indirectly, in the International Mining Business;

(iii) China National Gold will procure any Controlled Entity not to compete with our International Mining Business; and

(iv) China National Gold grants us:

(a) Options for Competing Business Opportunity

With respect to any future business opportunity ("Competing Business Opportunity") that may directly or indirectly compete with the International Mining Business, China National Gold has undertaken in the Non-Competition Undertaking that:

(1) if China National Gold becomes aware of Competing Business Opportunities, China National Gold will notify us in writing immediately upon becoming aware of such business opportunities and provide us with all information which is reasonably necessary for us to consider whether or not to acquire such Competing Business Opportunities. China National Gold is also obliged to use its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable; and

(2) China National Gold shall procure any Controlled Entity to first offer to us any Competing Business Opportunities.

Our independent non-executive Directors will be responsible for reviewing and considering whether or not to take up a Competing Business Opportunity referred to by China National Gold or any Controlled Entity and such decision will be made by our independent non-executive Directors.

(b) Call Option and Right of First Refusal

With respect to any Competing Business Opportunity not taken up by us, and continue to be developed by China National Gold or any Controlled Entity, China

National Gold has undertaken in the Non-Competition Undertaking that it will grant us:

(1) a call option to purchase at a fair and reasonable price, and subject to any relevant laws and applicable listing rules; and

(2) a right of first refusal to purchase on no less favourable terms, if China National Gold or any Controlled Entity intends to transfer or sell to any third party.

Our independent non-executive Directors will be responsible for reviewing and considering whether or not to exercise the call option or right of first refusal and such decision will be made by our independent non-executive Directors.

(c) Additional Right to Review and Take Up Certain Business Opportunity with Underlying Mineral Assets Located in China

With respect to any business opportunity where the underlying mineral assets are located in China that are directly or indirectly held through an offshore company, China National Gold will first refer such business opportunity to Zhongjin Gold Corporation pursuant to China National Gold's existing non-competition undertakings to Zhongjin Gold Corporation. See "— Zhongjin Gold Corporation." However, in the event that Zhongjin Gold Corporation decides not to take up such business opportunity, our Company will be entitled to review and take up such business opportunity. Upon becoming aware of Zhongjin Gold Corporation's decision not to take up such business opportunity, China National Gold will notify us of such business opportunity and provide us with all information as though such business opportunity constitutes a Competing Business Opportunity under the Non-Competition Undertaking.

Our independent non-executive Directors will be responsible for reviewing and considering whether or not to take up such business opportunity and such decision will be made by our independent non-executive Directors.

Notwithstanding the undertakings granted by China National Gold to the Company, pursuant to the terms and conditions under the Non-Competition Undertaking:

(i) China National Gold or its Controlled Entity may:

(a) hold and/or be interested in any shares or other securities in any company which engages or is involved in the International Mining Business, provided that such shares or securities are listed on a recognized stock exchange and the total shareholdings of China National Gold and any of its Controlled Entity in such company does not exceed three per cent. of such listed company's issued share capital and provided further that at all times there is a shareholder holding more shares in such listed company than the aggregate shareholdings of China National Gold and any of its Controlled Entity;

(b) hold shares and other securities in our Group; and/or

(c) engage in the International Mining Business, acquire and hold a business opportunity that is primarily related to the International Mining Business and in which China National Gold or a Controlled Entity has an actual or potential opportunity to invest or otherwise acquire an interest, to the extent permitted under the Non-Competition Undertaking.

Pursuant to the Non-Competition Undertaking, China National Gold is obligated not to, and to procure any Controlled Entity not to, compete with our Enlarged Group in the International Mining Business; otherwise it will be in breach of the Non-Competition Undertaking. We believe that China National Gold, in the capacity of a controlling shareholder, through exercising voting rights in the directors' meetings and/or shareholders' meetings of its Controlled Entities, as appropriate, will use its best endeavors to procure its Controlled Entities (including Zhongjin Gold Corporation), not to engage in the International Mining Business in order to prevent any breach of the Non-Competition Undertaking on its part. Furthermore, as the existing operations of such Controlled Entities (including Zhongjin Gold Corporation) are in the PRC whereas our Enlarged Group is designated as the only overseas flagship company of China National Gold to focus on International Mining Businesses after the Listing, we believe that such Controlled Entities (including Zhongjin Gold Corporation) are not expected to compete with our Enlarged Group in the International Mining Business that will eventually render their controlling shareholder, China National Gold, to be in breach of the Non-Competition Undertaking.

In addition, China National Gold has undertaken to us that all the business opportunities to be referred to us and all the businesses or assets to be transferred to us pursuant to the Non-Competition Undertaking will be free from any rights or claims of any Controlled Entity or any third party and China National Gold has agreed to indemnify us against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses incurred in connection with defending or investigating any such actions or claims) arising out of, relating to, or based on any actions or claims of any Controlled Entity or any third party in relation to such business opportunities, businesses or assets.

In the event of a breach of the Non-Competition Undertaking by China National Gold (including a breach arising from actions of its Controlled Entities), the Company is entitled to take appropriate legal proceedings against China National Gold to claim for damages for the losses suffered, if any, and may also seek other forms of remedies (legal, equitable or both) such as injunctive relief, where appropriate. Our independent non-executive Directors will be responsible for considering and determining what actions to take in order to address the breach of the Non-Competition Undertaking by China National Gold. In carrying out such responsibility, our independent non-executive Directors are required to take actions that are in our best interests and fully protect our rights under the Non-Competition Undertaking. Such actions, depending on the nature of the matter involved, could include, among others, (i) demanding for an accounting of the asset and for China National Gold to unwind the inappropriate transaction, and/or (ii) commencing legal proceedings against China National Gold for damages and seek injunctive reliefs and other legal or equitable remedies.

Compliance by China National Gold with the Non-Competition Undertaking

Under the Non-Competition Undertaking, China National Gold will not have any discretion with respect to the International Mining Business opportunities that it is required to present to our Company, or the call option or right of first refusal we may exercise with respect to any Competing Business Opportunities.

To assist the Company in monitoring ongoing compliance with the terms of the Non-Competition Undertaking, China National Gold has further undertaken that:

(i) subject to the request of a committee formed by our independent non-executive Directors, it will provide all information necessary for our independent non-executive Directors to review China National Gold's compliance with and enforcement of the Non-Competition Undertaking and the performance of the International Mining Business held by China National Gold (if any) or any Controlled Entity;

(ii) it will provide to our Company all information in respect of its compliance with and enforcement of the Non-Competition Undertaking necessary for us to disclose the decision made by the above-mentioned committee in our continuous disclosure, or by way of announcement; and

(iii) it will make a declaration to confirm to our Company and our independent non-executive Directors on its compliance with the Non-Competition Undertaking in our annual report including, it has given priority to the Group in selecting any Competing Business Opportunity.

Our Company will also adopt the following procedures to monitor that the undertakings under the Non-Competition Undertaking are being observed:

(i) we will provide to our independent non-executive Directors proper notice and information on any Competing Business Opportunity or right of first refusal and the related International Mining Business, as the case maybe, within one week of receipt;

(ii) our independent non-executive Directors will regularly review the performance of the International Mining Business held by China National Gold (if any) or any Controlled Entity;

(iii) our independent non-executive Directors will report their findings on the compliance by China National Gold of the Non-Competition Undertaking, and the Company will disclose the views and the decisions, with basis, of the independent non-executive Directors for accepting or declining any Competing Business Opportunity or exercising the call option or right of first refusal in our annual reports and interim reports; and

(iv) our Directors consider that our independent non-executive Directors have sufficient experience in assessing whether or not to take up any Competing Business Opportunity or exercise the call option or right of first refusal. In any event, the committee formed by our independent non-executive Directors may appoint financial adviser or professional expert to provide advice, at the cost of our Company, in connection with the exercise or non-exercise of the option, call option or right of first refusal under the Non-Competition Undertaking.

The Non-Competition Undertaking will remain in full force and be terminated upon the earlier of:

(i) China National Gold and its subsidiaries, directly or indirectly, holding less than 30% of our total share capital; or

(ii) our Shares no longer being listed on the Stock Exchange.

Notwithstanding China National Gold's non-competition undertaking to us as described above, there remains potential risk that we may face competition for future International Mining Business opportunities from the Controlled Entities. While, pursuant to the Non-Competition Undertaking, China National Gold has undertaken to procure all Controlled Entities to abide by its non-competition undertaking to us, none of the Controlled Entities is a party to, or otherwise legally bound by, the Non-Competition Undertaking. Therefore, there can be no assurance that the Controlled Entities will not compete with us for International Mining Business opportunities in the future. See "Risk Factors — Risk relating to Our Business and Industry — If our relationship with China National Gold materially changes, our growth prospects and results of operations may be materially and adversely affected."

In addition, notwithstanding China National Gold's non-competition undertaking to us and our efforts to seek and acquire International Mining Businesses with a particular focus on gold, we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future.

NON-COMPETITION UNDERTAKING FROM OUR COMPANY TO CHINA NATIONAL GOLD

In order to induce China National Gold Hong Kong to enter into the Sale and Purchase Agreement and in consideration of the non-competition undertaking granted by China National Gold to us, our Company will provide a deed of non-competition in favor of China National Gold undertaking that we will not, and will not cause any of our Controlled Entities to, acquire any gold or other non-ferrous mining operations or assets located in the PRC without first receiving the written consent of China National Gold, provided that, with respect to any business opportunity where the underlying minerals are located in China that are directly or indirectly held through an offshore company, in the event that Zhongjin Gold Corporation decides not to take up the business opportunity, our Company will be able to take up such opportunity. For the avoidance of doubt, the CSH CJV and the Jiama Mine as well as any additions, accretion and expansion thereof do not fall within the scope of this deed of non-competition, which will remain in place until the earlier of such time as the Company's shares are no longer listed on the Stock Exchange or the date on which China National Gold, directly or indirectly, ceases to be a "controlling shareholder" of the Company within the meaning of the Listing Rules of the Stock Exchange.

INDEPENDENCE FROM CHINA NATIONAL GOLD

Having considered the matters described above and the following factors, our Directors confirm that we are able to operate independently of our Controlling Shareholders and its associates.

Financial Independence

We have an independent accounting and financial system and we make financial decisions according to our own business needs. Pursuant to Canadian securities laws, our Audit Committee is comprised solely of independent non-executive directors, none of whom holds director or senior management position in China National Gold, thus increasing our financial independence from China National Gold.

The following table presents the details of the financial assistance provided by China National Gold to our Group and the Skyland Group, respectively, as of the Latest Practicable Date:

To our Company(1),(2):

Date	Parties	Nature and amount of financial assistance	Duration	Key terms	Proposed/actual use of proceeds
September 10, 2009	China National Gold, Agricultural Bank of China	Guarantee of the bank loan for the sum of RMB290.0 million (US$42.3 million) advanced by the Agricultural Bank of China to us	Five years	• Unconditional guarantee of loan • Principal loan to mature in September 2014	To fund the expansion of the CSH Mine
December 7, 2009	China National Gold Hong Kong, the Company	Term loan for the sum of US$40.0 million	Two years	• Maturity on December 6, 2011 • Interest at the rate of 6% to be repayable quarterly • Early repayment is permitted	To redeem outstanding promissory notes for the sum of CAD42.5 million held by various third parties

(1) A promissory note issued by our Company for the principal amount of CAD7.5 million was assumed by China National Gold Hong Kong when it acquired its interest in the Company in May 2008.

(2) Pursuant to the financial service agreement dated June 22, 2009 entered into between China National Gold and the Company, China National Gold received US$0.4 million in exchange for providing the financial assistance.

To Skyland:

Date	Party	Nature and amount of financial assistance	Duration	Key terms	Proposed/actual use of proceeds
March 16, 2009	China National Gold, Bank of China	Guarantee of the loan facility for the sum of RMB650.0 million (US$95.1 million) was advanced by Bank of China to Huatailong	Approximately two years and nine months to five years and nine months	● Unconditional guarantee of loan ● Principal loan to be repaid in four installments of RMB200 million, RMB200 million, RMB150 million and RMB100 million on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014, respectively	To fund construction of Jiama Mine
July 27, 2009	China National Gold Hong Kong, Skyland	Loan for the sum of RMB60.0 million (US$8.8 million)	Approximately two years(3)	● Maturity on July 26, 2011(3) ● Interest at the rate of 7.56% per annum	To fund construction of Jiama Mine
November 2, 2009	China National Gold Hong Kong, Skyland	Shareholder loan for the sum of US$1,020,000	Approximately two years(4)	● Maturity on November 2, 2011(3) ● Nil interest payable	To fund part of listing expenditure
January 27, 2010	China National Gold, Bank of China	Guarantee of the loan facility for the sum of RMB50.0 million (US$7.3 million) provided by Bank of China to Huatailong	Approximately two years	● Unconditional guarantee of loan ● Principal loan to be repaid on December 28, 2011	To fund working capital of Jiama Mine
February 4, 2010	China National Gold, Jinchuan Group Ltd.	Guarantee for performance and fulfillment of obligations of Huatailong under the copper concentrate purchase and sales contracts with Jinchuan Group	From January 1, 2010 to January 15, 2011	● Supply all copper concentrates produced at Jiama Mine to Jinchuan for the term with pricing referenced to the daily average copper price on the Shanghai Futures Exchange ● Deliver the first lot of 500 tonnes of copper concentrates on or before June 30, 2010 ● Jinchuan Group to pay RMB250 million as advance payment	N/A
March 16, 2010	China National Gold Hong Kong, Skyland	Loan for the sum of US$12.0 million	Approximately two years(3)	● Maturity in March, 2012(3) ● Interest at the rate of 5.40% per annum	To fund the repayment of the Jia Ertong Loan
June 7, 2010	China National Gold, Bank of China, Postal Savings Bank of China, Agricultural Bank of China	Guarantee of the loan facility for the sum of RMB750.0 million was advanced by Bank of China, Postal Savings Bank of China and Agricultural Bank of China to Huatailong	Approximately eight years	● Unconditional loan ● Principal loan to be repaid in four installments of RMB100.0 million, RMB150.0 million, RMB200.0 million and RMB300.0 million on the anniversary date of the first draw-down in 2013, 2014, 2015 and 2016, respectively	To fund the upgrade of technology of Jiama Mine

(3) Pursuant to the Sale and Purchase Agreement, the loans will be assumed by our Company upon the completion of the Skyland Acquisition. They will be fully settled upon Listing and will thereby cease to be outstanding.

(4) It is expected that the loan will be waived by China National Gold Hong Kong upon the completion of the Skyland Acquisition.

With respect to the financial assistance provided by China National Gold to the Enlarged Group as set forth in the table above, as of September 30, 2010,

- the total amount of guarantee provided by China National Gold to the Enlarged Group (including its guarantee with respect to the customer advance (amounting to approximately RMB206.7 million as of September 30, 2010)) under the Jinchuan copper concentrate purchase and sales agreement) amounted to approximately RMB1,513.6 million;

- the total amount of guarantee provided by China National Gold (including its guarantee with respect to the customer advance) to the Enlarged Group represented approximately 78.3% of the total borrowings of the Enlarged Group (including such customer advance);

- the total amount of loans provided by China National Gold to the Enlarged Group amounted to approximately RMB418.9 million; and

- the loans provided by China National Gold to the Enlarged Group represented approximately 24.3% of the total borrowings of the Enlarged Group.

It is expected that all outstanding loans provided by China National Gold to the Enlarged Group will be repaid by the Group using a portion of the net proceeds of the Global Offering or with a portion of the Consideration Shares, except that the shareholder loans from China National Gold Hong Kong to Skyland to fund part of the listing expenditure will be waived by China National Gold upon or immediately after the Completion. See the sections "Financial Information — Financial Information of our Group — Indebtedness" and "Financial Information — Financial Information of Skyland Group — Indebtedness" in this prospectus for further information.

In relation to the guarantees provided by China National Gold to our Enlarged Group, we believe that the premature release of such guarantees is not cost effective, and it is in the interest of the Company and the Shareholders to arrange for an orderly release of the guarantees. Our Enlarged Group is at an advanced stage of negotiation with the relevant banks on the release of the guarantees in light of the current stage of operation at our CSH Mine and/or the Jiama Mine. We expect that all guarantees will be released within six months from the Listing Date. With respect to the guarantee provided by China National Gold in favor of Jinchuan Group under the Jiama Contract for Purchase and Sale of Copper Concentrates, it was provided in relation to Jinchuan Group's advance payment of purchase price at a time when the Jiama Mine was still at a pre-production stage and such guarantee will not be a standard business practice for the Jiama Mine. As the Jiama Contract has only a one-year term, Huatailong and Jinchuan Group have been in discussions regarding renewal of the contract. We confirm that upon the expiry of the Jiama Contract for Purchase and Sale of Copper Concentrates on January 15, 2011, the guarantee provided by China National Gold in favor of Jinchuan Group for the performance and fulfillment of all obligations of Huatailong under such contract shall cease to be effective and no guarantee will be required for any new purchase and sales contract with Jinchuan Group. Moreover, as the Jiama Mine commenced commercial production in September 2010 and its production continues to ramp up, the Company confirms that no additional guarantee from China National Gold will be required for the on-going operations of the Jiama Mine. Going forward, it is expected that our Enlarged Group is in a position to obtain financing independently without guarantee from China National Gold.

With respect to all loans provided by China National Gold, our Group had obtained indicative term sheets and expression of interests from several financial institutions for a comparable loan prior to entering into such loans. Also, the term loan for the sum of US$40.0 million advanced by China National Gold to us is expected to be repaid by part of the net proceeds to be received by us from the Global Offering. The promissory note was purchased by China National Gold Hong Kong concurrently with their acquisition of 42.0% of our equity interest in May 2008 and is expected to be repaid by part of the net proceeds to be received by us from the Global Offering. Our Company has no immediate plan to issue further promissory note upon the expiration of the promissory note in June 2011.

As such, we believe that we are able to obtain new financings and extend existing financings from commercial banks on comparable terms without guarantee and security from China National Gold following the Listing. Therefore, our Directors confirm that there is no financial dependence on China National Gold or its associates after the Listing.

Upon completion of the Global Offering, we do not expect to rely on any new guarantee, loan or other financial assistance from China National Gold.

Management Independence

China National Gold (including its subsidiary, Zhongjin Gold Corporation) and our Company have boards of directors that function independently of each other. In addition, we have our own internal control and accounting system, accounting and finance departments and independent treasury function for cash receipts and payments.

The following table presents the details of the directorships and senior management of our Company and China National Gold (including its subsidiary, Zhongjin Gold Corporation):

Name	Director/senior position in our Company	Directorship/Management position in China National Gold[(1)] (including its subsidiary, Zhongjin Gold Corporation[(2)])
Sun, Zhaoxue	Chairman and Executive Director	General Manager of China National Gold Director of Zhongjin Gold Corporation[(3)]
Song, Xin	Chief Executive Officer and Executive Director	Deputy General Manager of China National Gold Director of Zhongjin Gold Corporation[(3)]
Wu, Zhanming	Executive Director and vice president of business development	Manager of Capital Markets department of China National Gold
Jiang, Xiangdong	Executive Director and vice president of production	None
Liu, Bing	Non-executive Director	Deputy General Manager and Chief Accountant of China National Gold Director of Zhongjin Gold Corporation[(3)]
He, Ying Bin Ian	Independent non-executive director	None
Chen, Yunfei	Independent non-executive director	None
Hall, Gregory Clifton	Independent non-executive director	None
Burns, John King	Independent non-executive director	None
Xie, Quan Jerry	Executive vice president, corporate secretary and secretary to the Board	None
Law, Chi Yung	Chief financial officer	None
King, Heather	Vice president of finance	None
Ma, Sau Kuen Gloria	Hong Kong company secretary	None

(1) The management committee of China National Gold consists of eight members.

(2) The board of directors of Zhongjin Gold Corporation consists of nine members.

(3) Performing a non-executive role.

Our Board comprises four executive Directors, one non-executive Directors and four independent non-executive Directors. Two of our executive Directors, being Mr. Zhaoxue Sun and Mr. Xin Song, and one of our non-executive Directors, being Mr. Bing Liu, also hold senior management positions in China National Gold, and are directors of Zhongjin Gold Corporation. One of our executive Directors, being Mr. Wu Zhanming, is a manager of the capital markets department of China National Gold. Their duties and responsibilities are as follows:

Sun Zhaoxue: Mr. Sun is the Chairman and Executive Director of the Company and is expected to spend at least 50% of his time managing the business operation of the Company. The balance of his time will be spent on his responsibility as the general manager of China National Gold. His role as the director of Zhongjin Gold Corporation is in the form of a non-executive role, primarily to attend board meetings, and he is not involved in the daily operations of Zhongjin Gold Corporation.

Song Xin: Mr. Song is the Executive Director and the Chief Executive Officer of the Company. He expects to spend the majority of his time as full-time executive overseeing the operations of the Company. His role as the director of Zhongjin Gold Corporation is in the form of a non-executive role, primarily to attend board meetings, and he is not involved in the daily operations of Zhongjin Gold Corporation.

Wu Zhanming: Mr. Wu is the Executive Director and the vice president of business development of the Company. He expects to spend the majority of his time as full-time executive overseeing the operations of the Company. Mr. Wu will also assume the executive position of vice-president, business development with responsibility for the Company's strategic business planning and investor relations. Mr. Wu expects to continue to spend a small amount of his time as the manager of the capital market department but he does not expect such commitment to conflict with his overall full-time management responsibility for the affairs of the Company. Following the overall business strategies of China National Gold, as the manager of its capital market department, Mr. Wu formulates and implements capital market development plans, develops capital market operation proposals and operates investment projects of China National Gold, with a focus on overseas strategies and projects.

Liu Bing: Mr. Liu is a Non-executive Director of the Company and expects to spend a substantial portion of his time in the operations of China National Gold. His role as the director of Zhongjin Gold Corporation is in the form of a non-executive role, primarily to attend board meetings, and he is not involved in the daily operations of Zhongjin Gold Corporation.

During the Track Record Period, Mr. Sun, Mr. Song, Mr. Wu and Mr. Liu derived all of their remuneration from China National Gold. After the Listing, the remuneration of Mr. Sun and Mr. Liu, being an executive Director and a non-executive Director, respectively, will continue to be paid by China National Gold.

As senior officials of China National Gold, Mr. Sun and Mr. Song were invited to serve as directors (performing non-executive role) of Zhongjin Gold Corporation to represent the interest of China National Gold in the affairs of Zhongjin Gold Corporation. Likewise, Mr. Sun and Mr. Wu were appointed to join the board of the Company after China National Gold acquired approximately 42.0% of the issued share capital of the Company in May 2008, to represent the interest of China National Gold in the affairs of the Company.

As the chairman of Skyland since April 2008, Mr. Song was invited to join the board of the Company in October 2009 to promote synergy of operation of our Group in contemplation of the completion of the Skyland Acquisition upon the Listing.

Mr. Liu expects to continue to spend the majority of his time as the deputy general manager and chief accountant of China National Gold primarily responsible for finance-related matters of China National Gold, in addition to his role as a director of Zhongjin Gold Corporation. Notwithstanding his responsibility in China National Gold and his position as a director of Zhongjin Gold Corporation, the Company has invited Mr. Liu to serve as one of its non-executive directors to benefit from his more than 10 years' experience in strategic financial planning for mining companies.

Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and avoids any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, the interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only. In the event that our Board is required to consider whether or not to acquire a Competing Business Opportunity, or otherwise, such that the overlapping Directors are required to abstain from attending our Board meetings, our Board can function effectively given the qualifications, expertise and experience of the independent Directors in the International Mining Business. Our independent non-executive Directors, Mr. Ying Bin Ian He, Mr. Yunfei Chen, Mr. Gregory Clifton Hall and Mr. John King Burns each have approximately 17 years, nine years, 35 years and 14 years, respectively, of experience in the mining industry, largely accrued while working for overseas mining companies in Canada, Australia, the United States or Asia. See "Directors and Senior Management — Board of Directors" for details of international mining experience of our independent non-executive Directors. We are satisfied that the independence of our Board is not compromised with the common directorship of the aforementioned Directors.

In addition, the Listing Rules and the Canadian securities laws impose disinterested shareholder approval requirements for connected transactions, thus imposing independence from China National Gold for connected transactions of our Company.

Our Directors who hold common directorship or senior management positions do not perform the role as an executive director or an executive personnel in Zhongjin Gold Corporation. As a result, they are able to substantially devote their time to the management and operation of our Group.

Pursuant to Canadian securities laws, our Audit Committee, Compensation and Benefits Committee, Nominating and Corporate Governance Committee, and Safety, Health and Environmental Committee are comprised solely of independent non-executive directors, none of whom holds director or senior management position in China National Gold, thus increasing our management independence from China National Gold.

Considering all the foregoing factors, we are satisfied that our Board is capable to properly discharge its duties and to act in the best interest of our Shareholders as a whole.

Operational Independence

Our senior management is experienced in the mining industry, in particular, Sun Zhaoxue, Song Xin and Jiang Xiangdong have over 20 years of experience in the mining industry. They have accumulated strong technology and management expertise in the mining industry. We are familiar with advanced technology in the mining industry and possess the know-how to operate our business. We are thus capable of operating our mines and expanding our resource base independent of China National Gold.

Customer and Supplier Independence

We have sold substantially all of our gold dore bars to China National Gold since October 2008 under the terms of a three-year sale agreement based on an agreed formula. During the Track Record

Period, our sales to China National Gold accounted for 47.7% and 95.9% of our total sales for the years ended December 31, 2008 and 2009, respectively. Our sales arrangement with China National Gold is to achieve better payment settlement and mitigate counterparty risk. We are not dependant on China National Gold for the sale of our gold dore bars as gold is a commodity product with a readily available market. In China, gold is traded at a prevailing market price reflected in the average daily trading prices at the Shanghai Gold Exchange. There are currently over 160 members of the Shanghai Gold Exchange which are qualified to perform gold trading on the Shanghai Gold Exchange and authorised to purchase gold dore from gold manufacturers. We therefore believe we are able to sell our gold dore to other members of the Shanghai Gold Exchange at comparable pricing and commercial terms. In addition, there is a significant number of alternative third-party refiners which undertake refinement of gold dore. Likewise, there is a substantial number of third party customers of copper concentrate, molybdenum concentrate and lead concentrate. We believe the Skyland Group is able to sell its products to third party customers. Our Enlarged Group is thus not dependent on China National Gold as our customer source.

Our Group does not purchase raw material from third parties as our raw material is the mineral ore extracted from our mines. Our Group has extensive network of sourcing suppliers of auxiliary materials, who are independent suppliers not related to China National Gold. Our Group is thus not dependent on China National Gold for sourcing our suppliers.

The Skyland Group's principal raw material is the mineral ore extracted from the Jiama Mine. The Skyland Group has extensive network of sourcing suppliers of auxiliary materials, who are independent suppliers not related to China National Gold. The Skyland Group is thus not dependent on China National Gold for sourcing suppliers.

Business Opportunity Independence

Our senior management has extensive industry contacts and management experience. Our Enlarged Group is capable of identifying projects and assets, for the exploration and exploitation and production of gold and other non-ferrous metals, which have potential growth opportunity. Our Enlarged Group is thus not dependent on the option granted by China National Gold under the Non-Competition Undertaking to purchase its projects or assets, for the exploration and exploitation and production of gold and other non-ferrous metals outside the PRC in enhancing the development and growth of our business.

OVERVIEW

Following the completion of the Global Offering, we will continue to engage in certain transactions that constitute connected transactions and a continuing connected transaction within the meaning of the Listing Rules. Upon the completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised, China National Gold, through its wholly-owned subsidiary, China National Gold Hong Kong, will hold over 30% of our issued share capital, and will be our Controlling Shareholder; and hence will be a connected person under the Listing Rules. Set out below is a summary of these transactions and, where applicable, the waiver from strict compliance with the relevant requirements of the Listing Rules that we have received from the Stock Exchange.

Nature of Transaction	Applicable Listing Rule	Waiver Sought	Annual Cap (in million) for the year ending 31 December		
			2010	2011	2012
1. CNG Promissory Note	14A.65(4)	N/A	N/A	N/A	N/A
2. BOC Guarantee	14A.65(4)	N/A	N/A	N/A	N/A
3. ABC Guarantee	14A.65(4)	N/A	N/A	N/A	N/A
4. CGIR Loan	14A.65(4)	N/A	N/A	N/A	N/A
5. Jiama Contract for Purchase and Sale of Copper Concentrates	14A.65(4)	N/A	N/A	N/A	N/A
6. Three Banks Guarantee	14A.65(4)	N/A	N/A	N/A	N/A
7. CGIR Contract for the Purchase and Sale of Dore	14A.14, 14A.35, 14A.42(3)	Full waiver from Chapter 14A	RMB1,200.0	RMB1,300.0	N/A

Our Directors confirm that upon Listing, other than the transactions described in this section, there are no other connected transactions with connected persons. In the event that we enter into any new transaction or agreement with any connected person in the future, our Company will comply with the provisions of Chapter 14A of the Listing Rules.

EXEMPTED CONNECTED TRANSACTIONS

1. CNG Promissory Note

On May 8, 2008, China National Gold Hong Kong assumed from Ivanhoe a promissory note ("CNG Promissory Note") dated June 26, 2007 issued by our Company in the principal amount of CAD7.5 million (US$7.0 million) together with the accrued interest, as part of the consideration for the acquisition of approximately 42.0% of our issued Share capital. The CNG Promissory Note will mature on June 26, 2011. The proceeds of the CNG Promissory Note were primarily for the purpose of funding various capital requirements at the CSH Mine. China National Gold Hong Kong is our Controlling Shareholder and is thus a connected person. The Directors are of the view that the CNG Promissory Note, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold Hong Kong for our benefit, was on normal commercial terms where no security over our Company's assets was granted in respect of such financial assistance, and as such, the CNG Promissory Note will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4).

2. BOC Guarantee

On March 16, 2009, Huatailong entered into a loan agreement with an aggregate loan facility amount of RMB700.0 million (RMB650.0 million and RMB50.0 million were drawn down by Huatailong in March 2009 and January 2010, respectively) with Bank of China, Tibet Branch, which shall be repayable in four installments of RMB200.0 million, RMB200.0 million, RMB150.0 million and RMB150.0 million, which will be due on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014, respectively. The loan was for the purpose of funding the construction of facilities at the Jiama Mine, and as working capital of Huatailong. In support of the loan, on March 16, 2009, China National Gold entered into a guarantee (the "BOC Guarantee") with Bank of China, Tibet Branch for the entire outstanding loan amount, accrued interest, penalty and other expenses arising from the loan. China National Gold is our Controlling Shareholder and is thus a connected person. Immediately upon the completion of the Skyland Acquisition (which will be completed concurrently with the completion of the Global Offering), Huatailong will become one of our subsidiaries and the provision of the BOC Guarantee will become a connected transaction. The Directors are of the view that the BOC Guarantee, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold for our benefit, was on normal commercial terms where no security over our Company's assets was granted in respect of such financial assistance, and as such, the BOC Guarantee will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4).

3. ABC Guarantee

On September 10, 2009, we received an unsecured bank loan in the principal amount of RMB290.0 million from the Agricultural Bank of China which shall be repayable within five years from the date of the first draw-down. The loan was for the purpose of funding various capital requirements at the CSH Mine. In support of the loan, on September 10, 2009, China National Gold entered into a guarantee (the "ABC Guarantee") with Agricultural Bank of China for the entire outstanding loan amount, accrued interest, penalty and other expenses arising from the loan. China National Gold is our Controlling Shareholder and is thus a connected person. The Directors are of the view that the ABC Guarantee, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold for our benefit, was on normal commercial terms where no security over our Company's assets was granted in respect of such financial assistance, and as such, the ABC Guarantee will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4).

4. CGIR Loan

On December 7, 2009, China National Gold Hong Kong and our Company entered into a loan facility agreement, pursuant to which a loan in the sum of US$40.0 million (the "CGIR Loan") was advanced by China National Gold Hong Kong to our Company. This loan shall be repayable within two years from the date of the loan agreement. The proceeds of the loan were used by us in redeeming a CAD30.0 million (US$25.9 million) promissory note and a CAD12.5 million (US$18.7 million) promissory note. China National Gold Hong Kong is our Controlling Shareholder and is thus a connected person. The Directors are of the view that the CGIR Loan, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold Hong Kong for our benefit, was on normal commercial terms where no security over our Company's assets was granted in respect of such financial assistance, and as such, the CGIR Loan will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.65(4).

5. Jiama Contract for Purchase and Sale of Copper Concentrates

On February 4, 2010, Huatailong as seller, Jinchuan Group Ltd. (an independent third party) as purchaser ("Jinchuan") and China National Gold as guarantor entered into a contract for purchase and sale of copper concentrates to be extracted from the Jiama Mine (the "Jiama Contract for Purchase and Sale of Copper Concentrates"), pursuant to which Huatailong shall supply copper concentrates to Jinchuan pursuant to the terms and conditions specified therein for the period from January 1, 2010 to January 15, 2011 (the "Term"), with pricing referenced to the daily average price of copper as quoted on the Shanghai Futures Exchange. Pursuant to the contract, it was further agreed, inter alia, that: (i) Jinchuan shall pay the sum of RMB250 million (such sum was duly paid) as advance payment; (ii) Huatailong shall deliver the first lot of 500 tonnes of copper concentrates on or before June 30, 2010, and if Huatailong defaults on such delivery obligation, it shall be liable for interest for the advance payment at the rate of 5.31% per annum until the first lot of copper concentrates has been delivered; (iii) Huatailong has agreed to sell all copper concentrates produced at the Jiama Mine for the year 2010 to Jinchuan; (iv) in the event of a breach of the terms and conditions relating to the delivery of copper concentrates, liquidated damages for the sum of RMB20 million shall be payable by the party in default; (v) Jinchuan has priority right to purchase copper concentrates to be extracted from the Jiama Mines upon the expiration of the Term and (vi) China National Gold shall guarantee for the performance and fulfilment of all of the obligations of Huatailong under the contract. See "Business — Sales and Customers".

China National Gold is our Controlling Shareholder and is thus a connected person. Immediately upon the completion of the Skyland Acquisition (which will be completed concurrently with the completion of the Global Offering), Huatailong will become one of our subsidiaries and the provision of guarantee under the Jiama Contract for Purchase and Sale of Copper Concentrates will become a connected transaction. The Directors are of the view that the provision of guarantee under the Jiama Contract for Purchase and Sale of Copper Concentrates, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold for our benefit, was on normal commercial terms where no security over our Company's assets was granted in respect of such financial assistance, and as such, the provision of guarantee under the Jiama Contract for Purchase and Sale of Copper Concentrates will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.65(4).

6. Three Banks Guarantee

On June 4, 2010, Huatailong entered into a loan agreement with an aggregate loan facility of RMB750.0 million with the Bank of China, Tibet Branch, the Postal Savings Bank of China, Tibet Branch and the Agricultural Bank of China, Tibet Branch, which shall be repayable in four installments of RMB100.0 million, RMB150.0 million, RMB200.0 million and RMB300.0 million, to be due on the anniversary date of the first draw-down in 2013, 2014, 2015 and 2016, respectively. The loan was for the Qianshan mining construction project and the upgrading of the tailings storage facilities at the Jiama Mine. In support of the loan, on June 7, 2010, China National Gold entered into a guarantee (the "Three Banks Guarantee") with the Bank of China, Tibet Branch, the Postal Savings Bank of China, Tibet Branch and the Agricultural Bank of China, Tibet Branch for the entire outstanding loan amount, accrued interest, penalty and other expenses arising from the loan. See "Financial Information — Summary Historical Financial Information of Skyland Group — Indebtedness".

China National Gold is our Controlling Shareholder and is thus a connected person. Immediately upon the completion of the Skyland Acquisition (which will be completed concurrently with the completion of the Global Offering), Huatailong will become one of our subsidiaries and the provision of the Three Banks Guarantee will become a connected transaction. The Directors are of the view that the Three Banks Guarantee, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold for our benefit, was on normal commercial terms where no security over our Company's assets was granted in respect of such financial assistance, and as such, the Three Banks Guarantee will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4).

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction will, upon Listing, constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules:

CGIR Contract for Purchase and Sale of Dore

On October 24, 2008, China National Gold and CSH CJV entered into a non-exclusive contract for purchase and sale of dore (the "CGIR Contract for Purchase and Sale of Dore"), pursuant to which CSH CJV shall sell and China National Gold shall purchase gold dore bars from time to time through to December 31, 2011, with pricing referenced to the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of No. 2 silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period, pursuant to the terms and conditions of the CGIR Contract for Purchase and Sale of Dore.

For each of the years ended December 31, 2008 and 2009, payments made by China National Gold to us were approximately RMB97.3 million and RMB531.9 million, respectively, which accounted for 47.7% and 95.9% of our total sales for the two respective years:

Based on the following factors, we estimate that the annual aggregate payments made by China National Gold to us will not exceed RMB1,200.0 million and RMB1,300.0 million for the two years ending December 31, 2010 and 2011, respectively:

(i) For the years ended December 31, 2008 and December 31, 2009, the total gold production at the CSH Mine was approximately 57,400 ounces and 83,570 ounces, respectively. According to the CSH Technical Report, the total gold production is forecast to be approximately 116,000 ounces and 146,570 ounces in 2010 and 2011, respectively.

(ii) Assuming the continued growth in the production of gold at the CSH Mine as projected in the CSH Technical Report and continued growth in the demand of gold by China National Gold, the Directors expect that the sales volume to China National Gold for the two years ending December 31, 2010 and 2011, respectively, will increase in line with the forecast total gold production for the two corresponding years.

(iii) The price of gold dore bars to be purchased by China National Gold will be referenced to the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange prevailing at the time of each purchase order. Taking into account the steadily increasing gold price from 2004 to 2009 (despite the temporary drop in gold prices during the recent global financial crisis in 2008), the Directors estimate that the selling price for our gold dore bars to China National Gold will remain relatively stable with possible upward adjustments for the two years ending December 31, 2010 and 2011.

APPLICATION FOR WAIVER FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Based on the annual transaction value for the non-exempt continuing connected transaction described above, the applicable percentage ratios as stated in Rule 14.07 of the Listing Rules will, on an annual basis, exceed 25%. Therefore, the non-exempt continuing connected transaction described above is subject to the reporting, announcement and independent shareholders' approval requirements applicable to non-exempt continuing connected transaction under Rule 14A.35 of the Listing Rules.

As the above non-exempt continuing connected transaction is expected to continue on a recurring basis and is expected to extend over a period of time, the Directors consider that strict compliance with the reporting, announcement and the independent shareholders' approval requirements would be impractical and would add unnecessary administrative costs to the Company. Accordingly, the Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.42(3) of the Listing Rules from compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including the proposed annual caps set out above, and will re-comply with the relevant rules of Chapter 14A of the Listing Rules (including independent shareholders' approval requirements) if the waiver from the Stock Exchange expires or any of the respective annual caps set out above are exceeded, or when the relevant agreement expires or is renewed or when there is a material change to the terms of the relevant agreement.

The Directors (including the independent non-executive Directors) consider that the non-exempt continuing connected transaction described above was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and on arm's length basis, and is fair and reasonable and in the interests of the Company and our Shareholders as a whole. The Directors also confirm that each of the proposed annual caps for the non-exempt continuing connected transaction disclosed above is fair and reasonable.

CONFIRMATION FROM THE SPONSOR

The Sponsor is of the view that (i) the non-exempt continuing connected transaction described above for which waiver is sought is on normal commercial terms and has been entered into in the ordinary and usual course of business of the Group and (ii) the proposed annual caps of the non-exempt continuing connected transaction is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules or the Companies Ordinance.

BASIC CONDITIONS IN RELATION TO QUALIFICATIONS FOR LISTING

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. Chapter 18 of the Listing Rules applies to mineral companies. Under Rule 18.04 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and management of the issuer have sufficient and satisfactory experience of at least five years in mining and/or exploration activities. Three of our four executive Directors have more than five years of experience in mining and/or exploration activities. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.05 of the Listing Rules in accordance with the reasoning under Rule 18.03 of the Listing Rules.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that, as our headquarters are in Canada and our principal business operations are located in the PRC, our management is best able to attend to its functions by being based in the PRC and/or Canada. We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorized representatives are Mr. Wu Zhanming, our executive Director, and Ms. Ma, Sau Kuen Gloria, our Hong Kong company secretary. Our Hong Kong company secretary is an ordinary resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or e-mail;

(b) both the authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. We will implement a policy whereby each Director will provide his mobile phone number, office phone number, fax number and e-mail address to the Stock Exchange;

(c) each Director, who is not an ordinary resident in Hong Kong has confirmed that he possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required; and

(d) in compliance with Rule 3A.19 of the Listing Rules, we shall retain a qualified institution as compliance adviser for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules to provide us with advice on compliance with the Listing Rules, as well as all other applicable laws, rules, codes and guidelines. Our compliance adviser will act as an additional channel of communication between the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which constitute continuing connected transactions of our Company under the Listing Rules, one of which is a non-exempt continuing connected transaction for the purposes of the Listing Rules. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.42(3) the Listing Rules for such non-exempt continuing connected transaction. Further details are set out under "Connected Transactions" of this prospectus.

ARTICLES OF ASSOCIATION

Appendix 3 of the Listing Rules states that the articles of association or equivalent document must conform with the provisions set out in that appendix (the "Articles Requirements"). The Company's Articles do not comply with some of the Articles Requirements. In many cases an Articles Requirement may not strictly be met but is covered by a broadly commensurate provision in the Articles or under the BCBCA and TSX Listing Policies. We have not applied for a waiver from strict compliance in these cases. Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the following Articles Requirements:

Paragraph 1(2) of Appendix 3 of the Listing Rules requires that fully-paid shares shall be free from all liens. Our Company undertakes that it will not utilize this lien while it is a public company.

Paragraph 2(1) of Appendix 3 of the Listing Rules requires that (i) all certificates for capital shall be under seal, which shall only be affixed with the authority of the directors, and (ii) the seal shall only be affixed with the authority of the directors. With regard to (i), the compulsory affixing of seals on certificates is inconsistent with Canadian practice and adequate security measures are provided by the TSX, and (ii) our Company undertakes that it will obtain authority of the directors when affixing the seal.

Paragraph 4(1) of Appendix 3 of the Listing Rules requires that any director so prohibited from voting shall not be counted in the quorum present at the meeting. The HK requirement is not consistent with Canadian corporate law or practice, in which a director prohibited from voting would still be counted as quorum for the meeting. Our Company believes that strict compliance with the Rule may result in situations where our Company will be unable to approve matters put to the board. The Sole Sponsor confirms that shareholder rights will not be prejudiced in that shareholder protection is available from three sources: (i) the disclosure requirement under the BCBCA will provide Shareholders with information about the extent of the interest of each Director in a transaction; (ii) the general overriding duty that Directors are required to act honestly and in good faith with a view to the best interests of our Company; and (iii) the related party rules require shareholder approval and formal valuations of certain transactions with related parties.

Paragraph 4(4) of Appendix 3 of the Listing Rules requires that the minimum length of the period, during which notice to the issuer of the intention to propose a person for election as a director and during which notice to the issuer by such person of his willingness to be elected may be given, will be at least 7 days. This is inconsistent with Canadian corporate practice and we believe that it may be perceived by institutional shareholders to be detrimental to the fundamental right of Shareholders in Canada to nominate Directors at meetings without notice to our Company.

Paragraph 4(5) of Appendix 3 of the Listing Rules requires that the period for lodgment of the notices referred to in sub-paragraph 4(4) will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting. See discussion under paragraph 4(4) of Appendix 3 of the Listing Rules above.

Paragraph 5 of Appendix 3 of the Listing Rules requires that a copy of either (i) the directors' report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account, or (ii) the summary financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member. Our Company seeks a partial waiver so that the requirements of this paragraph apply with respect to Shareholders with a registered address in Hong Kong. In accordance with Canadian rules and regulations, financial statements are available to Shareholders on SEDAR and are also available for inspection at the annual general meeting.

Paragraph 6(2) of Appendix 3 of the Listing Rules requires that the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class. Our Company seeks a waiver from strict compliance with the requirement to include paragraph 6(2) in the Articles on the basis that such a quorum requirement is common in Canada, and other stock exchanges, such as Nasdaq and NYSE, will defer to the home jurisdiction's quorum. The quorum for such a meeting is two Shareholders represented in person or by proxy holding no less than 5% of the issued Shares from that class.

Paragraph 7(2) of Appendix 3 of the Listing Rules requires that an overseas issuer whose primary listing is or is to be on the Stock Exchange shall give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice. If the overseas issuer's primary listing is on another stock exchange, the Stock Exchange will normally be satisfied with an undertaking by the issuer to do so and will not normally request the issuer to change its articles to comply with this paragraph where it would be unreasonable to do so. Our Company undertakes to the Stock Exchange to provide sufficient notice to Hong Kong Shareholders to exercise their rights or comply with the terms of the notice.

Paragraph 8(2) of Appendix 3 of the Listing Rules requires that where the issuer has the power to purchase for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price; and if such a purchase is made by tender, tenders must be available to all shareholders alike. Our Company undertakes to make the same offer to all Shareholders in the event of an issuer bid.

Paragraph 11(1) of Appendix 3 of the Listing Rules requires that where provision is made in the articles as to the form of proxy, this must be so worded as not to preclude the use of the two-way form. Our Company cannot amend the Articles to override Canadian securities laws which preclude the use of two-way voting for the appointment of an auditor and the election of Directors.

Paragraph 14 of Appendix 3 of the Listing Rules requires that where any shareholder is, under these Stock Exchange Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. Our Company undertakes to the Stock Exchange that votes cast by a Shareholder in contravention of these requirements will not be counted.

The partial waiver from the Stock Exchange covers certain provisions under Chapter 13 of the Listing Rules that overlap with the requirements under Appendix 3 of the Listing Rules, including, inter alia, Rules 13.38, 13.43 and 13.44 of the Listing Rules.

Further details of the Articles are set out under "Appendix VI — Summary of Articles, Canadian Corporate and Securities Laws, Certain TSX Listing Policies and Shareholder Protection Matters" to this prospectus.

DEALINGS IN SECURITIES

Pursuant to Rule 9.09 of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer (except as permitted by Rule 7.11 of the Listing Rules) from four clear business days before the expected hearing date until listing is granted. We do not contemplate that we will satisfy the strict requirement under Rule 9.09 of the Listing Rules, and the exception to Rule 9.09 of the Listing Rules under Rule 7.11 of the Listing Rules is inapplicable. We have accordingly applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09 of the Listing Rules.

In support of the waiver application, we confirm and undertake as follows:

(a) we confirm that we are incorporated in British Columbia and listed on the TSX, we have no control over the investment decisions of our Shareholders, nor are in a position to be fully aware of the dealing of the Shares of the Shareholder;

(b) we confirm that the waiver is only applicable to the existing and future Substantial Shareholders whose investment decisions we do not have control over;

(c) we confirm that the Directors, Controlling Shareholder(s) and chief executive officers of our Company and its subsidiaries will not deal in our Shares from four clear business days before the expected hearing date until Listing is granted;

(d) we undertake that we shall notify the Stock Exchange of any dealing or suspected dealing by any connected persons of the Company of which we become aware; and

(e) we undertake that we shall release price sensitive information to the public as required by relevant laws, rules and regulations applicable to our Company so that anyone who may deal in the Shares as a result of this waiver will not be in possession of non-public price sensitive information.

INSPECTION OF LEGISLATION AND REGULATIONS

Rule 19.10(6) of the Listing Rules provides that an overseas issuer must offer for inspection a copy of any statutes or regulations which are relevant to the summary of the regulatory provisions of the jurisdiction in which the overseas issuer is incorporated. In the case of the Company, these include the TSX Listing Rules, the Insider Reporting Rules and the Related Party Transaction Regulation. These copies of legislation are lengthy and it would be difficult to deliver copies to Hong Kong in physical format. In addition, these copies of legislation can be readily accessed via the internet. For further details about how to access these copies of legislation via the internet, see "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection". The Company has sought, and the Stock Exchange has granted, a waiver from strict compliance with Rule 19.10(6) of the Listing Rules.

DISCLOSURE OF THE RESIDENTIAL ADDRESSES OF THE DIRECTORS

Paragraph 6 of Part I of the Third Schedule to the Companies Ordinance require the disclosure in this prospectus of the residential addresses of all of our Directors. We have applied for, and the SFC has granted, for an exemption from strict compliance with the requirements under Paragraph 6 of Part I of the Third Schedule to the Companies Ordinance in relation to the disclosure in this prospectus of the residential addresses of our Directors who currently reside in Canada. For further information, see the note to the addresses of the relevant Directors in the section headed "Directors and Parties Involved in the Global Offering" in this prospectus.

DISCLOSURE OF THE RESIDENTIAL ADDRESSES OF THE GRANTEES UNDER PRE-IPO SHARE OPTIONS

Paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance require the disclosure of the residential addresses of all the grantees under the Pre-IPO Share Option Schemes in this prospectus. We have applied for, and the SFC has granted, an exemption from strict compliance with requirements under Paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in relation to the disclosure in this prospectus of the residential addresses of certain grantees who reside in Canada. For further information, see "Appendix VIII — Statutory and General Information — Pre-IPO Share Options — Exemption".

SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

Listing Rule 10.04 requires that existing shareholders may only subscribe for securities provided no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of the securities. Our Company has applied for, and the Stock Exchange has granted, a partial waiver, to the extent necessary to include existing Shareholders in the "book-building" process described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus. The waiver is conditional on (i) no Offer Shares will be allocated to existing Shareholders who are pre-IPO investors of the Company, connected persons or their associates, or those who are able to exert any influence over the Company and in respect of the book building process and (ii) the existing Shareholder (if any) who will be allocated Shares will be subject to the same book building process and will be treated on the same basis applicable to other placees. The Company has also applied for, and the Stock Exchange has granted consent under paragraph 5(2) of Appendix 6 to the Listing Rules which states that no allocations will be permitted to be made to existing Shareholders of a listing application or their associates.

You should read this section in conjunction with consolidated financial information of our Group and the Skyland Group, including the notes thereto, as set forth in the accountants' reports in Appendix I-A and Appendix I-B to this prospectus. The audited consolidated financial statements were preferred in accordance with IFRS, and audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

The following discussion contains certain forward-looking statements relating to our plans, objectives, expectations and intentions, which are based on our current expectations and are subject to risks, uncertainties and changes in circumstances. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of our Group, please refer to the section entitled "Risk Factors" and to discussions elsewhere in this prospectus.

OVERVIEW

We are the only overseas listing vehicle of China National Gold, the largest gold producer in China in 2009 by gold output*, according to the China Gold Association (中國黃金協會). Incorporated in British Columbia, Canada, we are listed on the Toronto Stock Exchange and are seeking a dual primary listing on the Stock Exchange. Our principal business is to explore, develop, mine and process gold and other non-ferrous metals. We currently own and operate the CSH Mine, which is one of the largest gold mines in China in terms of mineral resources under the JORC Code. In addition, concurrently with the completion of the Global Offering, we will acquire the Jiama Mine, which, according to the Jiama Technical Report, will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production and mineral resources under the JORC Code.

As of June 30, 2010, according to the CSH Technical Report, the CSH Mine's gold resources (inclusive of reserves) and reserves, using a gold cutoff grade of 0.30 g/t, are as follows:

JORC Mineral Resource Category(1)(2)	Tonnage	Grade	Gold Content
	(million tonnes)	(g/t)	(Moz)
Measured	100.8	0.68	2.196
Indicated	135.9	0.61	2.663
Total Measured and Indicated	**236.7**	**0.64**	**4.858**
Inferred	**0.5**	**0.43**	**0.007**

JORC Ore Reserve Category(1)(3)	Tonnage	Grade	Gold Content
	(mt)	Au (g/t)	Au (koz)
Proved	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	**131.9**	**0.67**	**2,843**

(1) JORC resources and reserves set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the CSH Technical Report for further details.

(2) The procedures and parameters used for resource modelling are set out in Item 17.1 of the CSH Technical Report.

(3) The procedures and parameters used for reserve modelling are set out in Item 17.2 of the CSH Technical Report.

The CSH Mine commenced commercial production in July 2008 with a design processing capacity of 20,000 tonnes of ore per day. For the year ended December 31, 2009 and the nine months ended September 30, 2010, the total gold production was approximately 83,570 ounces and 75,707

* Gold output is calculated based on total output of finished gold produced from mines and from gold smelters.

ounces, respectively. In September 2010, monthly production volume reached 14,307 ounces. We have recently completed a series of steps to achieve additional production growth. In particular, we have installed a new ore crushing facility which ramped up to the design processing capacity of 30,000 tonnes of ore per day in March 2010. According to the CSH Technical Report, the total gold production is forecast to be approximately 116,000 ounces and 146,570 ounces in 2010 and 2011, respectively.

The Jiama Mine is a large copper-polymetallic deposit and will be developed into a combined open-pit and underground mining operation. The mine consists of skarn-type and hornfels-type mineralization.

As of June 30, 2010, according to the Jiama Technical Report, the Jiama Mine's resources (inclusive of reserves) and reserves of copper, molybdenum, gold, silver, lead and zinc are as follows:

JORC Mineral Resource Category(1)(2)	Tonnage	Grades						Contained Metals					
	(Kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Skarn-Type(3)													
Measured	82,928	0.83	0.042	0.30	16.0	0.06	0.05	686.9	34.42	25.11	1,326	51.9	38.7
Indicated	102,187	0.68	0.041	0.22	13.7	0.10	0.05	691.6	42.07	22.33	1,396	100.6	55.4
Total Measured and Indicated	**185,116**	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,378.5**	**76.49**	**47.44**	**2,722**	**152.5**	**94.1**
Inferred	**165,763**	**0.64**	**0.053**	**0.21**	**13.1**	**0.14**	**0.06**	**1,068.0**	**88.57**	**35.42**	**2,179**	**239.0**	**106.9**
Hornfels-Type(4)													
Inferred	655,000	0.23	0.045	0.02	1.17	0.00	0.01	1,500	290	13	770	—	—

JORC Ore Reserve Category(1)(2)(5)	Tonnage	Grades						Contained Metals					
	(Kt)	Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (kt)	Mo (kt)	Au (t)	Ag (t)	Pb (kt)	Zn (kt)
Total Reserve													
Proved	53,541	0.83	0.038	0.32	16.3	0.06	0.04	442.8	20.31	17.1	874	29.6	21.3
Probable	52,358	0.85	0.040	0.29	16.5	0.11	0.05	442.8	20.96	15.2	864	55.4	27.2
Total	**105,899**	**0.84**	**0.039**	**0.31**	**16.4**	**0.08**	**0.05**	**885.6**	**41.27**	**32.3**	**1,738**	**85.0**	**48.6**

(1) JORC resources and reserves set forth in this table are the same as those under the CIM Standards. See Item 17.5 of the Jiama Technical Report for further details.

(2) Cutoff grade for the estimate is 0.3% copper, 0.03% molybdenum, 1% lead or 1% zinc.

(3) The procedures and parameters used for the skarn-type resource modelling are set out in Item 17.1.2 of the Jiama Technical Report.

(4) The procedures and parameters used for the hornfels-type resource modelling are set out in Item 17.1.3 of the Jiama Technical Report.

(5) Please refer to Item 17.2.5 of the Jiama Technical Report for a description of the cutoff unit economic values for the reserve estimate.

Following the completion of its first phase of development, which primarily involves the Tongqianshan open-pit infrastructure, ore processing facilities and underground ore transportation system, the Jiama Mine commenced commercial production in September 2010. The second phase of development, which primarily involves the Niumatang open-pit infrastructure, development and equipping of underground mine and expansion of ore processing facilities, is expected to commence at the end of 2010. We expect to ramp up the processing capacity at the Jiama Mine to 3.6 million tonnes of ore per annum (or 12,000 tonne per day) at the beginning of 2012 after completion of the whole second phase development of the Jiama Mine.

Under the terms of the non-competition undertaking provided by our Controlling Shareholder, China National Gold, to us, we will have a mandate from China National Gold to focus on

International Mining Businesses and to grow into a leading international mining company. See "Relationship with Controlling Shareholder — Non-competition Undertaking from China National Gold to Our Company." To this end, we intend to exploit our existing mines, ramp up production, identify new resources through our exploration efforts and selectively acquire additional large-scale International Mining Businesses with a particular focus on gold. However, notwithstanding China National Gold's non-competition undertaking to us and our efforts to seek and acquire attractive International Mining Businesses, we will own and focus on operating the CSH Mine and the Jiama Mine located in China immediately after the Global Offering which we believe have the potential to generate significant future growth through production ramp-up and exploration of resources upside potential. We are still in the process of identifying any mines or projects as potential acquisition targets outside of China and we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section entitled "Risk Factors" in this prospectus and those set out below.

Prices of Products

Our principal product from the CSH Mine is gold dore bar. The sales prices of gold dore bars are primarily determined based on prevailing gold prices in the market, with reference to prices on the Shanghai Gold Exchange, which in turn have historically correlated with international gold prices. See "Business — Sales and Customers".

The following table sets forth the monthly weighted average sales price for the gold produced at the CSH Mine during the relevant period:

	Weighted average sales price (US$ per ounce)
July 2008	940.0
August 2008	852.6
September 2008	823.4
October 2008	789.7
November 2008	818.8
December 2008	828.8
January 2009	856.0
February 2009	948.0
March 2009	912.0
April 2009	870.4
May 2009	951.1
June 2009	937.4
July 2009	931.7
August 2009	952.9
September 2009	992.3
October 2009	1,027.0
November 2009	1,098.2
December 2009	1,063.0
January 2010	1,090.6
February 2010	1,115.9
March 2010	1,108.4
April 2010	1,097.9
May 2010	1,178.6
June 2010	1,215.5
July 2010	1,156.9
August 2010	1,224.3
September 2010	1,277.0

The products of the Jiama Mine consist of copper concentrate, molybdenum concentrate and lead concentrate. Gold and silver contained in our concentrates can be separated and smelted in downstream processing. The sales prices of those concentrates are determined primarily based on the market prices.

Historically, the market prices for these metals have fluctuated significantly. The prices may be influenced by numerous factors beyond our control such as world supply and demand, selling and purchase activities by central banks and other macro-economic factors such as expectations regarding inflation rates, interest rates, currency exchange rates, as well as general global economic conditions and political trends. We do not currently employ any financial instruments to hedge market fluctuations. Fluctuations in market prices will lead to fluctuations in our financial results. See "Industry Overview" for further information.

Production Volume

Our production volume is primarily determined by the reserves at our mines, our production capacity and our recovery rate with respect to the CSH Mine. We commenced pre-commercial production at the CSH Mine in July 2007 and commercial production in July 2008. The average monthly production volume at the CSH Mine for the six months ended December 31, 2007, the years ended December 31, 2008 and 2009, and the nine months ended September 30, 2010 was approximately 3,188.5 ounces, 5,612.0 ounces, 6,964.0 ounces and 8,412 ounces, respectively. For the nine months ended September 30, 2010, the total gold production was approximately 75,707 ounces, and in September 2010, monthly production volume of the CSH Mine reached 14,307 ounces.

For our reserves at the CSH Mine and the Jiama Mine, see "Business — Mineral Properties — CSH Mine — Mineral resources and ore reserves" and "Business — Mineral Properties — The Jiama Mine — Mineral resources and ore reserves".

The CSH Mine commenced commercial production in July 2008 with a design processing capacity of 20,000 tonnes of ore per day. Since then, we have installed a new ore crushing facility which ramped up to the design processing capacity of 30,000 tonnes of ore per day in March 2010. Following the completion of its first phase of development, which primarily involves the Tongqianshan open-pit infrastructure, ore processing facilities and underground ore transportation system, the Jiama Mine commenced commercial production in September 2010. The second phase of development, which primarily involves the Niumatang open-pit infrastructure, development and equipping of underground mine and expansion of ore processing facilities, is expected to commence at the end of 2010. We expect to ramp up the processing capacity at the Jiama Mine to 3.6 million tonnes of ore per annum (or 12,000 tonnes per day) at the beginning of 2012 after completion of the whole second phase development of the Jiama Mine.

The gold recovery rate from raw ore at the CSH Mine is primarily determined by the efficiency of the leaching process, which is affected by various factors including the grade and size of ore placed on the leach pad and the weather condition. We have installed a new crushing facility at the CSH Mine to process the extracted ore to a size where 80% of the ore passes through nine millimeter screens before being loaded onto the leach pad. Reduced ore particle size is expected to increase the gold recovery rate. The total recovery rate as of December 31, 2009 for the ROM (non-crushed ore) is approximately 42.3%; however, gold will continue to be leached out from the ROM material during 2010 and future years. From 2010 onwards, most of the ore mined is fresh and crushed with only small amounts of obviously well oxidized fined sized ore being hauled directly to the leach pad. For the crushed ore, the recovery rates range from 60% to 80%, depending on the gold grade as indicated by the recent column leach testing. We have experienced, and expect to continue to experience, lower production in the winter months, because the cold weather slows the leach solution flow and its reactive properties. The gold recovery rate generally increases significantly during the warmer months of the year.

Cost of Production

Our cost of production primarily includes mining costs, ore processing costs, other mine operating costs, relevant taxes, and depreciation and depletion.

Historically, mining costs have been the largest component of our cost of production at the CSH Mine. Mining costs are primarily affected by the amount of fees paid to third-party contractors. Ore processing costs are primarily affected by the prices of auxiliary materials (such as chemical products and grinding balls) and utilities and production staff costs. Additional capital expenditure will increase our depreciation and depletion, which will in turn increase our cost of production.

Finance Costs

Historically, our working capital and capital expenditure needs have been primarily funded with proceeds from the issuances of promissory notes and loans from commercial banks and China National Gold. Effective interest expense on such indebtedness has been significant during the Track Record Period. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our effective interest expense (including the amount capitalized) was US$6.4 million, US$9.1 million, US$9.9 million and US$3.1 million, respectively. Finance costs, as an item on our income statement, which excludes capitalized interest, has been significantly less than our effective interest. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our finance costs totaled US$1.7 million, US$3.6 million, US$6.3 million and US$2.2 million, respectively. See “Financial Information of Our Group — Indebtedness” for further information.

During 2008 and 2009, Skyland Group had borrowed loans from Bank of China, Rapid Result, China National Gold and China National Gold Hong Kong. The loan from China National Gold was fully repaid in April 2009. Subsequent to December 31, 2009, Skyland Group has borrowed additional loans, including a borrowing from Bank of China and a loan from China National Gold. See “Financial Information of Skyland Group — Indebtedness” for further information. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, Skyland Group’s effective interest expense (including amounts capitalized) was nil, US$1.4 million, US$5.1 million and US$4.1 million, respectively.

In the future, we expect our working capital and capital expenditure needs to continue to be partially met with bank loans and other borrowings. Although we intend to repay the outstanding promissory notes in principal amount of CAD7.5 million as of June 30, 2010 and our term loan of US$40 million as of June 30, 2010 from China National Gold with a portion of the proceeds of the Global Offering, the RMB290 million loan granted to the CSH CJV by the Agricultural Bank of China is expected to remain outstanding until it matures in September 2014. In addition, after we acquire Skyland Group, we will assume its outstanding loans, including, for example, the outstanding loans under the RMB750 million syndicate loan facility agreement with Bank of China and two other PRC banks, the last installment of which is due and is expected to be repaid in June 2016. Accordingly, we expect finance costs to continue to affect our results of operations. Fluctuations in interest rates will affect our finance costs, which may in turn affect our results of operations. For interest rate sensitivity analysis, see “Financial Information of Our Group — Quantitative and Qualitative Disclosures about Market Risks — Interest rate risk” and note 28 of the Accountants’ Report for Skyland Group in Appendix I-B to this prospectus.

Exchange Rate Fluctuations

Our functional currency is the U.S. dollar. During the Track Record Period, we had outstanding promissory notes denominated in Canadian dollars. In recent years, the exchange rate between the U.S. dollar and Canadian dollar has fluctuated significantly, leading to relatively substantial amounts of foreign exchange gains or losses recorded by us, which in turn had an impact on our net profit or loss.

The following table sets forth the noon buying rate for US$ in the City of New York for cable transfers in CAD as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon Buying Rate			
	Period End	Average[(1)]	High	Low
	(CAD per US$1.00)			
2007	0.9881	1.0742	1.1852	0.9168
2008	1.224	1.0660	1.2971	0.9717
2009	1.0532	1.1405	1.3012	1.0236
2010				
January	1.0693	1.0429	1.0469	1.0396
February	1.0525	1.0568	1.0610	1.0520
March	1.0153	1.0229	1.0421	1.0110
April	1.0179	1.0052	1.0199	0.9960
May	1.0445	1.0403	1.0776	1.0134
June	1.0639	1.0376	1.0606	1.0197
July	1.0297	1.0422	1.0647	1.0281
August	1.0656	1.0384	1.0640	1.0154
September	1.0293	1.0330	1.0520	1.0219
October	1.0199	1.0187	1.0321	1.0028

(1) Annual averages are calculated using the average of month-end rates of the relevant year, and monthly averages are calculated using the average of the applicable daily rates of the relevant month.

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we had US$3.3 million of foreign exchange loss, US$8.1 million of foreign exchange gain, US$5.9 million of foreign exchange loss and US$0.3 million of foreign exchange loss, respectively, largely attributable to the Canadian dollar denominated promissory notes. After redeeming Series A Note on December 14, 2009 and Series B Note on January 11, 2010, Series C Note for CAD7.5 million remains outstanding until it is redeemed on or prior to the new maturity date of June 26, 2011 as the original maturity date of June 26, 2010 was extended to the new maturity date under the same terms. Accordingly, we expect fluctuations in exchange rate between the U.S. dollar and Canadian dollar to continue to affect our results of operations but not to the degree they have in the past.

Fair Value Change on Warrant Liabilities

During the Track Record Period, we had outstanding warrants issued as part of a series of issuances of promissory notes. In December 2006, as part of our issuance of the Series A Notes, we issued 6,000,000 warrants with an exercise price of CAD1.60 per Share. In June 2007, as part of our issuance of the Series B and Series C Notes, we issued 4,000,000 warrants with an exercise price of CAD2.50 per Share. As of March 31, 2010, 910,000 of warrants with an exercise price of CAD1.60 per Share and 2,150,000 warrants with an exercise price of CAD2.50 per Share were outstanding. The fair value change on our warrant liabilities has been significant during the Track Record Period. In 2007, 2008, 2009 and the first half of 2010, we had a fair value loss of US$14.3 million, a gain of US$12.8 million, a fair value loss of US$7.2 million and a fair value loss of US$7.2 million, respectively, on our warrant liabilities. The fair values of our warrants were determined by applying the Black-Scholes option pricing model, which are based on a number of assumptions subject to change. The significant change in fair value change on our warrant liabilities from a loss in 2007 to a gain in 2008 was attributable to a number of factors affecting the fair value of the warrants, including lower share price, depreciation of Canadian dollar relative to U.S. dollar, lower interest rate, longer expected life of the warrants and high anticipated volatility in 2008 as compared to 2007. The losses on fair value change on warrant liabilities in 2009 and the first half of 2010 were primarily due to the higher share price, appreciation of Canadian dollar relative to U.S. dollar, lower interest rate and a shorter expected life of the warrants. As a result of our rising stock price, we were able to exercise the accelerated right for warrants with the exercise price of CAD1.60 per share on March 18, 2010 and all of these warrants had been exercised by April 22, 2010. Similarly, we were also able to exercise the accelerated expiry right for the warrants with the exercise price of CAD2.50 per share on April 16, 2010 and all such outstanding warrants were exercised prior to the expiry date by May 17, 2010.

Exploration Success

Our long-term success depends to a significant extent on our ability to locate and expand economically recoverable reserves at the CSH Mine, the Jiama Mine and any new mineral properties. Mineral exploration and development involves substantial expense and a high degree of risk, which may not be sufficiently mitigated through any combination of experience, knowledge and careful evaluation. In addition, exploration expenses are not capitalized until the mineral property is determined to contain economically recoverable reserves. Unsuccessful exploration activities will increase our operation costs and negatively affect our profitability.

HISTORICAL FINANCIAL INFORMATION OF OUR GROUP

Basis of Presentation of Our Group

The consolidated financial statements of our Group have consolidated the financial statements of our Company and our controlled subsidiaries (including our operating subsidiaries during the relevant periods, namely, the CSH CJV, the Dadiangou CJV and the Xinjiang CJV). Our financial statements are presented in U.S. dollars.

Critical Accounting Policies, Estimates and Judgments

The discussion and analysis of our operating results and financial condition are based on our audited consolidated financial information, which has been prepared in accordance with IFRS. Our operating results and financial condition are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates are based on our industry experience and various factors including management's expectations of future events which they believe to be reasonable. Actual results may differ from these estimates and assumptions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. Our significant accounting policies are summarized in note 4 in "Appendix I-A — Accountants' Report" in this prospectus. We believe that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the consolidated financial statements.

Fair value of inventories

We record the cost of mining ore placed on our leach pads and in process at our mine as gold-in-process inventory, and value gold-in-process inventory at the lower of cost and estimated net realizable value. These costs are charged to earnings and included in cost of sales on the basis of ounces of gold recovered. The assumptions used in the valuation of gold-in-process inventories include estimates of gold contained in the ore placed on leach pads, assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads and the amount of gold in the process plant and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove inaccurate, we could be required to write down the recorded value of our gold-in-process inventories. Although the quantities of recoverable gold placed on the leach pad are reconciled by comparing the grades of ore placed on the leach pad to the quantities recovered, the nature of the leaching process inherently limits our 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.

Property, plant and equipment

A significant portion of our property, plant and equipment is depreciated and amortized on either a unit-of-production basis or straight-line method over their estimated useful lives. Under the unit-of-production method, the calculation of depreciation of property, plant and equipment is based on the amount of reserves expected to be recovered from the mine. If the estimate of the reserves proves to be inaccurate, or if we revise our mining plan, due to reductions in the metal price forecasts or otherwise, to reduce the amount of reserves expected to be recovered, we could be required to write down the recorded value of our property, plant and equipment, or to increase the amount of future depreciation and depletion expense.

In addition, IFRS requires us to consider at the end of each reporting period whether there has been an impairment indicator of our property, plant and equipment. If we determine there has been an impairment because our prior estimates of future net cash flows have been inaccurate, due to reductions in the metal price forecasts, increases in the costs of production, reductions in the amount of reserves expected to be recovered or otherwise, or because we have determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, we would be required to write down the recorded value of our property, plant and equipment, which would reduce our earnings and net assets.

Fair value of environmental rehabilitation

Environmental rehabilitation costs have been estimated based on our interpretation of current regulatory requirements and have been measured at the net present value of expected future cash expenditures upon reclamation and closure. Environmental rehabilitation costs are capitalized as mineral assets costs and amortized over the life of the mine. Because the fair value measurement requires the input of subjective assumptions, including environmental rehabilitation costs, changes in subjective input assumptions can materially affect the estimate of the obligation.

Fair value of warrant liabilities

The fair value of our outstanding warrants are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by our management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

Principal Income Statement Components

Revenue

Revenue represents proceeds from the sales of gold dore bars produced at the CSH Mine to customers after the commencement of commercial production on July 1, 2008. During the Track Record Period, revenue was generated from the sales of gold dore bars to China National Gold and two independent third-party refineries in China. Proceeds from the sales of gold dore bars at the CSH Mine to customers prior to the commencement of commercial production were netted off against costs and were capitalized and included in mineral assets under property, plant and equipment. For information on the capitalization of costs, see notes 4(k) and 19 of the Accountants' Report in Appendix I-A to this prospectus.

Revenue from sales of gold dore bars is recognized when all significant risks and rewards of ownership pass to the customers, no further work or processing is required by us, the quantity and quality of the products has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. When sales are subject to adjustment based on an inspection of products by the customers, revenue is initially recognized on a provisional basis using our best estimate of contained metal and adjusted subsequently. As a result, we generally recognize revenue from the sales of gold dore bars on a provisional basis when gold dore bars are stowed into China National Gold's transporting vehicle and title to our gold dore bars passes. The initially recognized revenue is subject to subsequent adjustment at the time of settlement. The sale price of our gold is generally equal to the market price of gold with reference to the published gold prices on the Shanghai Gold Exchange, net of refining charges. Our sales of the silver by-product are used to offset cost of sales instead of being included in revenue.

Cost of sales

During the Track Record Period, cost of sales primarily consisted of mining costs (which primarily include fees paid to third-party contractors), ore processing costs (which primarily include costs of auxiliary materials used in the production process (such as chemical products), production staff costs and utilities costs), other mine operating costs (primarily operating expenses of the CSH CJV, such as administrative and management staff salaries and benefits and office expenses), taxes and depreciation and depletion. With respect to the CSH Mine, for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, we were subject to PRC resource tax at RMB3 per tonne of ore processed and resource compensation fee at a rate of 2.8% of the revenue of CSH CJV. The rates of these tax and fee are subject to adjustment by relevant PRC government authorities from time to time. Cost of sales is netted against sales of the silver by-product because the amount of proceeds from silver sales is insignificant. Fees paid to third-party contractors are primarily for the provision of mine construction work and mining services.

During the Track Record Period, depreciation and depletion primarily consisted of (i) depreciation of property, plant and equipment; and (ii) exploration expenditure incurred on sites within an existing mine or on areas within the boundary of a known mineral deposit which contains proved and probable reserves, provided that such exploration costs are economically recoverable and commercial production has already commenced at such sites. For the accounting treatment of exploration expenditure incurred at other stages, see "— Exploration and evaluation expenditure" below.

General and administrative expenses

During the Track Record Period, general and administrative expenses primarily consisted of administrative and management staff salaries, benefits and travel expenses of administrative and management staff of our head office in Canada, office expenses, investor relations expenses, professional fees and other miscellaneous expenses relating to general administration of our head office in Canada.

Exploration and evaluation expenditure

During the Track Record Period, exploration and evaluation expenditure primarily consisted of fees paid to third-party contractors for exploration activities such as drilling on sites other than an operating mine and on areas outside the boundary of a known mineral deposit which contains proved and probable reserves and preparing drilling reports, fees paid to obtain exploration permits and in-house exploration staff costs.

Exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income in the period incurred until such time when our management has determined that a mineral property has economically recoverable reserves. For the criteria our management uses when making assessment of economic recoverability, see note 4(k) in "Appendix I-A — Accountants' Report". Following the establishment of economic recoverability, exploration and evaluation expenditure is capitalized and included in the carrying amount of mineral assets under property, plant and equipment.

Foreign exchange (loss) gain

Our reporting currency and the functional currency of our operations is U.S. dollar. Transactions in currencies other than U.S. dollars are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in currencies other than U.S. dollars are retranslated at the functional currency rate of exchange at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a currency other than the U.S. dollar are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All gains and losses on translation of these foreign currency transactions are included in our consolidated statements of comprehensive income.

During the Track Record Period, foreign exchange (loss) gain primarily consisted of foreign exchange differences arising from the conversion of the balances of Canadian-dollar denominated promissory notes and bank deposit to U.S. dollars.

Interest income

During the Track Record Period, interest income primarily consisted of interest on bank deposits.

Finance costs

During the Track Record Period, finance costs consisted of effective interest accrued on our borrowings and accretion on environmental rehabilitation liabilities, net of capitalized interest. Interest expenses are capitalized if the borrowings underlying the interest expenses are for a specific project or mine development purposes.

Effective interest consisted of interest expenses and interest accretion on our borrowings. For information on accretion on environmental liabilities, see "— Selected Balance Sheet Items — Environmental rehabilitation".

Fair value change on warrant liabilities

During the Track Record Period, value change on warrant liabilities recorded the change between two consecutive reporting periods in the fair value of warrants that were granted and outstanding as of the end of the previous reporting period. Fair value of warrants is determined using the Black-Scholes option pricing model and requires the input of various subjective assumptions such as the expected volatility of our share price and the expected per share dividend. For further information on the warrants issued by us, see note 25(c) in "Appendix I-A — Accountants' Report" to this prospectus.

Income tax expense

Our Company was subject to Canadian federal and provincial tax at a rate of 34.1%, 31.0%, 30.0% and 28.5% for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. During the same periods, our operating PRC subsidiaries, namely the CSH CJV, Dadiangou CJV and Xinjiang CJV, were all subject to PRC enterprise income tax at a rate of 33%, 25%, 25% and 25%.

As of December 31, 2009, we had net unrecognized deferred tax assets of US$12.4 million. The deferred tax assets were not recognized in the consolidated financial statements because the amount of future taxable profits that will be available to realize such deferred tax assets is unpredictable. As of December 31, 2009, we recognized our deferred tax assets and netted them against deferred tax liabilities. This resulted in deferred income tax of US$1.3 million which we recognized, along with our current tax expense of US$4.8 million, for a total tax expense of US$6.1 million for the year ended December 31, 2009.

For the six months ended June 30, 2010, we recognized US$2.2 million of deferred tax expenses. We also recognized current income tax expenses of approximately US$2.7 million, resulting in a total current tax expense of US$4.9 million for the six months ended June 30, 2010.

Results of Operations of Our Group

The following table sets forth selected financial information for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$	US$
Revenue	**—**	**29,371,411**	**81,047,414**	**25,990,353**	**37,679,906**
Cost of sales	—	20,499,517	56,178,404	18,438,691	18,638,434
Mine operating earnings	—	8,871,894	24,869,010	7,551,662	19,041,472
Expenses					
General and administrative	4,974,556	6,141,235	3,714,554	1,837,155	2,116,293
Exploration and evaluation expenditure	6,604,015	5,287,610	1,909,015	606,273	93,477
	11,578,571	11,428,845	5,623,569	2,443,428	2,209,770
(Loss) income from operations	(11,578,571)	(2,556,951)	19,245,441	5,108,234	16,831,702
Other (expenses) income					
Gain on disposal of subsidiaries	—	—	—	—	20,000
Foreign exchange (loss) gain	(3,319,847)	8,058,114	(5,887,144)	(2,129,104)	(253,306)
Interest income	439,032	174,620	5,537	3,440	1,885
Listing expenses	—	—	(2,147,906)	—	(1,544,558)
Finance costs	(1,699,415)	(3,592,471)	(6,308,158)	(2,289,443)	(2,228,167)
Fair value change on warrant liabilities	(14,274,106)	12,792,931	(7,186,721)	(1,164,408)	(7,155,807)
	(18,854,336)	17,433,194	(21,524,392)	(5,579,515)	(11,159,953)
(Loss) income before income tax	(30,432,907)	14,876,243	(2,278,951)	(471,281)	5,671,749
Income tax expense	—	—	6,091,949	962,221	4,887,012
Net (loss) income and comprehensive (loss) income for the year/period	**(30,432,907)**	**14,876,243**	**(8,370,900)**	**(1,433,502)**	**784,737**
Attributable to					
Non-controlling interest	—	295,731	976,481	233,001	323,702
Owners of the Company	(30,432,907)	14,580,512	(9,347,381)	(1,666,503)	461,035
	(30,432,907)	14,876,243	(8,370,900)	(1,433,502)	784,737

Six months ended June 30, 2010 compared to six months ended June 30, 2009

Revenue

Revenue increased by 45.0%, or US$11.7 million, from US$26.0 million for the six months ended June 30, 2009, to US$37.7 million for the six months ended June 30, 2010. The increase was due to an increase in the ounces of gold sold at the CSH Mine and an increase in the sales price of gold. For the six months ended June 30, 2010, the CSH Mine produced a total of 36,187 ounces of gold and sold 32,699 ounces of gold at a weighted average price of US$1,152 per ounce, while for the six months ended June 30, 2009, the CSH Mine produced a total of 29,269 ounces of gold and sold 28,564 ounces of gold at a weighted average price of US$910 per ounce. The reason for the increase in production was primarily due to the addition of the crushing facility greatly reducing the ore size added to the leach pad during the six months ended June 30, 2010 as compared to the six months ended June 30, 2009 which allows more gold to leach resulting in higher gold production.

Cost of sales

Cost of sales increased by 1.1%, or US$0.2 million, from US$18.4 million for the six months ended June 30, 2009 to US$18.6 million, for the six months ended June 30, 2010. Cost of sales as a percentage of revenue decreased from 70.9% for the six months ended June 30, 2009 to 49.5% for the six months ended June 30, 2010, primarily due to our efforts in cost control and the increase in the sales price of gold at the CSH Mine. Depreciation and depletion increased by 51.3%, or US$1.3 million, from US$2.5 million for the six months ended June 30, 2009 to US$3.8 million for the six months ended June 30, 2010, primarily due to the increased capital expenditure in mine development and continued mining, ore processing and exploration activities at the CSH Mine. Depreciation would have increased more with the increase in capital expenditure since the first half of 2009, but the estimated useful life of the buildings at the site of the CSH Mine was extended from 10 years to 24 years due to the extension of the mine life, resulting in reduced depreciation for the relevant buildings for the first half of 2010.

Mine operating earnings

As a result of the foregoing, mine operating earnings more than doubled from US$7.6 million for the six months ended June 30, 2009 to US$19.0 million for the six months ended June 30, 2010.

General and administrative expenses

General and administrative expenses increased by 15.2 %, or US$0.3 million, from US$1.8 million for the six months ended June 30, 2009 to US$2.1 million for the six months ended June 30, 2010. This increase was primarily attributable to an increase of US$0.1 million in professional fees, an increase of US$75,000 in travel expenses, an increase of US$46,000 in investor relations related expenses, an increase of US$57,000 in salaries and benefits.

Exploration and evaluation expenditure

Exploration and evaluation expenditure decreased by 84.6%, or US$0.5 million, from US$0.6 million for the six months ended June 30, 2009 to US$93,000 for the six months ended June 30, 2010. This decrease was primarily due to our focus on the implementation and ramping up of the crushing facility during the first half of the year. We started a drilling program at the CSH Mine in June 2010; therefore, our exploration and evaluation expenditures are expected to increase in subsequent months.

Income from operations

As a result of the foregoing, income from operations increased by 229.5%, or US$11.7 million, from US$5.1 million for the six months ended June 30, 2009 to US$16.8 million for the six months ended June 30, 2010.

Gain on disposal of subsidiaries

We recognized gain on disposal of subsidiaries of US$20,000 for the six months ended June 30, 2010 as we disposed of our entire interests in the Xinjiang CJV at a consideration of US$20,000 in May 2010. See "Business — Other Projects — Xinjiang Project".

Foreign exchange loss

Foreign exchange loss decreased by 88.1%, or US$1.9 million, from a loss of US$2.1 million for the six months ended June 30, 2009 to a loss of US$0.3 million for the six months ended June 30, 2010. The decrease was primarily attributable to the greater stability of the exchange rates between Canadian dollar and US dollar and the decrease in the amount of Canadian dollar-denominated promissory notes with only the CAD7.5 million promissory note remaining outstanding in 2010. See "— Factors Affecting Our Results of Operations — Exchange Rate Fluctuations".

Interest income

Interest income decreased by 45.2%, or US$1,600, from US$3,400 for the six months ended June 30, 2009 to US$1,900 for the six months ended June 30, 2010. This decrease was primarily due to an increase in bank deposits mainly as a result of the exercise of all the outstanding warrants as our stock price rose. See "Factors Affecting Our Results of Operations — Fair Value Change on Warrant Liabilities".

Listing expenses

Listing expenses were US$1.5 million for the six months ended June 30, 2010 as compared to nil for the six months ended June 30, 2009. The listing expenses were incurred in the first half of 2010 primarily for the professional services related to the Global Offering and the Listing while there was no such expenses in the first half 2009 as the preparation for such offering and listing was not yet underway by the end of June 2009.

Fair value change on warrant liabilities

The fair value change of warrant liabilities increased by 514.5%, or US$6.0 million, from US$1.2 million for the six months ended June 30, 2009 to US$7.2 million for the six months ended June 30, 2010. The increase represented the fair value change on the warrants as a result of our rising stock price during 2010. All warrants have now been exercised.

Finance costs

Finance costs decreased by 2.7%, or US$61,000, from US$2.3 million for the six months ended June 30, 2009 to US$2.2 million for the six months ended June 30, 2010. Although effective interest decreased by US$1.4 million for the six months ended June 30, 2010, it was offset by a decrease in capitalized interest expense of US$1.4 million during the same period. As of June 26, 2010, the cost of the warrants issued to the promissory note holders had all been expensed. As a result, the effective interest rate on the remaining CAD7.5 million promissory note (with its maturity extended to June 26, 2011 from June 26, 2010 under the original terms) decreased to its annual interest rate of 12%. The decrease in the capitalized interest is due to the crushing facility being put into use, thus requiring the interest to be expensed instead.

Income tax expense

Income tax expense increased by 407.9%, or US$3.9 million, from US$1.0 million for the six months ended June 30, 2009 to US$4.9 million for the six months ended June 30, 2010 primarily due to an increase in taxable income during the period.

Net/comprehensive income (loss) attributable to owners of the Company

As a result of the foregoing, net income (loss) and comprehensive income (loss) attributable to owners of the Company increased from a loss of US$1.7 million for the six months ended June 30, 2009 to income of US$0.5 million for the six months ended June 30, 2010.

Year ended December 31, 2009 compared to year ended December 31, 2008

Revenue

Revenue increased by 175.9%, or US$51.7 million, from US$29.4 million for the year ended December 31, 2008 to US$81.0 million for the year ended December 31, 2009. The increase was primarily due to the increased sales of gold at the CSH Mine. The CSH Mine commenced commercial production in July 1, 2008. From the commencement of commercial production in July 2008 to December 31, 2008, the CSH Mine produced a total of 33,671 ounces of gold and sold 35,841 ounces of gold at a weighted average price of US$819 per ounce, while for the year ended December 31, 2009, the CSH Mine produced a total of 83,570 ounces of gold and sold 83,376 of gold at a weighted average price of US$972 per ounce.

Cost of sales

Cost of sales increased by 174.1%, or US$35.7 million, from US$20.5 million for the year ended December 31, 2008 to US$56.2 million for the year ended December 31, 2009. This increase was generally in line with the increased sales of gold in 2009. Cost of sales for the year ended December 31, 2009 included the impairment of gold-in-process inventory of US$3.0 million as the actual gold recovery rate from the uncrushed ore realized up to December 31, 2009 was lower than the predicted recovery rate. Cost of sales as a percentage of revenue decreased from 69.8% for the year ended December 31, 2008 to 69.3% for the year ended December 31, 2009 primarily due to a reduction in processing costs. Depreciation and depletion increased by 138.3%, or US$3.3 million, from US$2.4 million for the year ended December 31, 2008 to US$5.7 million for the year ended December 31, 2009, primarily as a result of our continued mining, ore processing and exploration activities at the CSH Mine since it commenced commercial production in July 2008.

Mine operating earnings

As a result of the foregoing, mine operating earnings increased from US$8.9 million for the year ended December 31, 2008 to US$24.9 million for the year ended December 31, 2009.

General and administrative expenses

General and administrative expenses decreased by 39.5%, or US$2.4 million, from US$6.1 million for the year ended December 31, 2008 to US$3.7 million for the year ended December 31, 2009. This decrease was primarily attributable to a decrease of US$2.2 million in salaries and benefits and a decrease of US$0.4 million in investor relations expenses, partially offset by an increase of US$0.3 million in professional fees and an increase of US$0.3 million in administration and office expenses. The decrease in salaries and benefits was primarily attributable to (i) a decrease of US$1.7 million in stock-based compensation and (ii) a decrease in the number of our management personnel mainly as a result of our efforts to streamline the senior management. Stock-based compensation decreased as we reversed certain expenses recorded in prior year due to the increased expiry period and cancellation of some of the stock options granted. The decrease in travel expenses was primarily due to fewer trips taken by staff at our corporate head office. Investor relations expenses decreased primarily due to our decreased participations in investor conferences. Professional fees increased as we obtained additional external services for various accounting and legal matters. Administration and office expenses increased primarily due to the payment of US$0.4 million to China National Gold for financial services, partially offset by decreased insurance costs of US$0.2 million.

Exploration and evaluation expenditure

Exploration and evaluation expenditure decreased by 63.9%, or US$3.4 million, from US$5.3 million for the year ended December 31, 2008 to US$1.9 million for the year ended December 31, 2009. This decrease was primarily due to a decrease of US$1.6 million and US$1.2 million in exploration expenses in respect of the CSH Mine and the Dadiangou Project, respectively, as a result of a decreased level of drilling activities. The drilling activities in respect of the CSH Mine decreased as we focused on the construction of the crushing facilities and ramping up the production. The drilling activities in respect of the Dadiangou Project decreased primarily because the exploration was completed and the project was put up for sale. No exploration and evaluation expenditure was incurred for the Xinjiang Project as we and our CJV partner decided to sell the project.

Loss (income) from operations

As a result of the foregoing, we had income from operations of US$19.2 million for the year ended December 31, 2009 as compared to a loss from operations of US$2.6 million for the year ended December 31, 2008.

Foreign exchange (loss) gain

A foreign exchange gain of US$8.1 million was recorded for the year ended December 31, 2008 while we had a foreign exchange loss of US$5.9 million for the year ended December 31, 2009. The difference primarily related to the fluctuation in the value of our outstanding promissory notes in U.S. dollar term. These promissory notes are denominated in Canadian dollars which depreciated in value against the U.S. dollar for the year ended December 31, 2008, but appreciated in value against the U.S. dollar for the year ended December 31, 2009.

Interest income

Interest income decreased from US$0.2 million for the year ended December 31, 2008 to US$5,537 for the year ended December 31, 2009. This decrease was primarily due to a decrease in bank deposits as a result of increasing capital and operating expenditures as the CSH Mine improved production and completed the construction of the crushing facilities.

Listing expenses

We recorded listing expenses of US$2.1 million for the year ended December 31, 2009 while we had no such expenses for the year ended December 31, 2008. The listing expenses were incurred primarily for professional services related to the Global Offering and the Listing.

Fair value change on warrant liabilities

We recorded an increase of US$12.8 million in the fair value of warrant liabilities for the year ended December 31, 2008 as compared to a decrease of US$7.2 million in the fair value of warrant liabilities for the year ended December 31, 2009. See "— Historical Financial Information of Our Group — Principal Income Statement Component — Fair Value Change in Warrant Liabilities."

Finance costs

Finance costs increased by US$2.7 million from US$3.6 million for the year ended December 31, 2008 to US$6.3 million for the year ended December 31, 2009, primarily attributable to a decrease in capitalized interest of US$2.0 million and an increase in effective interest expense of US$0.8 million. Capitalized interest decreased for the year ended December 31, 2009 primarily because the interest on the CAD30 million promissory notes issued in December 2006 was no longer capitalized as deferred development cost since July 1, 2008. The increase in effective interest expense was primarily attributable to the interest expenses incurred on the term loan from the Agricultural Bank of China in September 2009 and the credit facilities from China National Gold. See "— Historical Financial Information of Our Group — Selected Balance Sheet Items—Indebtedness."

Income tax expense

We incurred current income tax expenses of US$4.8 million and recognized deferred income tax expenses of US$1.3 million for the year ended December 31, 2009. No income tax accrued for the year ended December 31, 2008 as we had no taxable profit during that year.

Net/comprehensive income (loss) attributable to owners of the Company

As a result of the foregoing, we had net/comprehensive loss attributable to owners of the Company of US$9.3 million for the year ended December 31, 2009 and net/comprehensive income attributable to owners of the Company of US$14.6 million for the year ended December 31, 2008.

Notwithstanding the significant increases in revenue and mine operating earnings in 2009, we recorded a net loss of US$8.4 million in 2009 as compared to net income of approximately US$14.9 million in 2008, primarily because, as discussed above, we had a gain of US$12.8 million in the fair value of warrant liabilities and foreign exchange gain of US$8.1 million in 2008 while we incurred a loss of US$7.2 million in the fair value of warrant liabilities and a foreign exchange loss of US$5.9 million in 2009.

Year ended December 31, 2008 compared to year ended December 31, 2007

Revenue

We did not generate revenue for the year ended December 31, 2007 as the CSH Mine commenced commercial production in July 2008. Our revenue was US$29.4 million for the year ended December 31, 2008, primarily derived from the sale of gold from commercial production at the CSH Mine. From the commencement of commercial production in July 2008 to December 31, 2008, the CSH Mine produced a total of 33,671 ounces of gold and sold 35,841 ounces of gold at a weighted average price of US$819 per ounce.

Cost of sales

No cost of sales was recorded for the year ended December 31, 2007 as the CSH Mine commenced commercial production in July 2008. For the year ended December 31, 2008, cost of sales was US$20.5 million. No depreciation or depletion was recorded for the year ended December 31, 2007 as the CSH Mine commenced commercial production in July 2008. For the year ended December 31, 2008, depreciation and depletion was US$2.4 million, which primarily reflected our mining, ore processing and exploration activities at the CSH Mine.

Mine operating earnings

As a result of the foregoing, mine operating earnings were nil and US$8.9 million for the years ended December 31, 2007 and 2008, respectively.

General and administrative expenses

General and administrative expenses increased by 23.5%, or US$1.2 million, from US$5.0 million for the year ended December 31, 2007 to US$6.1 million for the year ended December 31, 2008. This increase was primarily attributable to an increase of US$0.4 million in salaries and benefits, an increase of US$0.2 million in investor relations expenses and an increase of US$0.2 million in professional fees. The increase in salaries and benefits was primarily attributable to (i) an increase in severance payments in connection with a decrease in the size of management of our Company as a result of our efforts to streamline the senior management upon the acquisition of our Company by China National Gold in 2008; and (ii) the overall increase in salaries and benefits due to an increase in employee headcount of our head office in Canada as we commenced commercial production at the CSH Mine. Professional fees increased as we obtained additional external services for various accounting and legal matters. Investor relations fees increased due to increased participation in investor conferences, donations and trade shows as we sought to raise awareness after the purchase by China National Gold of its interests in our Company.

Exploration and evaluation expenditure

Exploration and evaluation expenditure decreased by 19.9%, or US$1.3 million, from US$6.6 million for the year ended December 31, 2007 to US$5.3 million for the year ended December 31, 2008. This decrease was primarily due to a US$2.4 million decrease in exploration expenses in respect of the Dadiangou Project and the Xinjiang Project as a result of a decreased level of drilling activities, partially offset by an increase of US$0.6 million in exploration expenses in respect of the CSH Mine reflecting the changes in the level of our drilling activities.

Loss from operations

As a result of the foregoing, loss from operations decreased by 77.9%, or US$9.0 million, from US$11.6 million for the year ended December 31, 2007 to US$2.6 million for the year ended December 31, 2008.

Foreign exchange (loss) gain

A foreign exchange loss of US$3.3 million was recorded for the year ended December 31, 2007 while a foreign exchange gain of US$8.1 million was recorded for the year ended December 31, 2008. The difference primarily related to the outstanding amount of our promissory notes issued in 2006 and 2007. These promissory notes are denominated in Canadian dollars which appreciated in value against the U.S. dollar for the year ended December 31, 2007, but depreciated in value against the U.S. dollar for the year ended December 31, 2008.

Interest income

Interest income decreased by 60.2%, or US$0.3 million, from US$0.4 million for the year ended December 31, 2007 to US$0.2 million for the year ended December 31, 2008. This decrease was primarily due to a decrease in bank deposits as a result of increasing capital and operating expenditures as CSH Mine commenced commercial production in July 2008.

Fair value change on warrant liabilities

We recorded a decrease of US$14.3 million in the fair value of warrant liabilities for the year ended December 31, 2007 and an increase of US$12.8 million in the fair value of warrant liabilities for the year ended December 31, 2008.

Finance costs

Finance costs increased by US$1.9 million from US$1.7 million for the year ended December 31, 2007 to US$3.6 million for the year ended December 31, 2008, primarily attributable to an increase in effective interest expense of US$2.7 million, offset by an increase in capitalized interest of US$0.9 million. The increase in effective interest expense was primarily attributable to the interests paid on promissory notes issued in June 2007. The increase in capitalized interest was primarily attributable to an increase in capitalized interests paid on the promissory notes issued in June 2007. For information on the promissory notes issued in June 2007, see "— Indebtedness" and note 23(ii) in Appendix I-A to this prospectus.

Income tax expense

No income tax accrued for the years ended December 31, 2007 and 2008 as we had no taxable profit during those periods.

Net/comprehensive income (loss) attributable to owners of the Company

As a result of the foregoing, we had net/comprehensive loss attributable to owners of the Company of US$30.4 million for the year ended December 31, 2007 and net/comprehensive income attributable to owners of the Company of US$14.6 million for the year ended December 31, 2008.

Liquidity and Capital Resources

We operate in a capital intensive industry. During the Track Record Period, our liquidity requirements arose principally from the need for working capital to finance development of our mining and processing operations, exploration activities and acquisition of exploration and mining rights. During the Track Record Period, our principal sources of funds have been proceeds from the issuance of promissory notes, borrowing from PRC commercial banks and China National Gold and cash generated from operations. Our liquidity will primarily depend on our ability to generate cash flow from operations and obtain external financing to meet our debt obligations as they become due as well as our future operating and capital expenditure requirements.

Cash flows

The following table sets out selected cash flow data from our consolidated cash flow statements for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009 and 2010:

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$	US$
Net cash flows (used in) from operating activities	(7,657,563)	(33,048,859)	10,758,040	7,834,839	(14,255,418)
Net cash flows (used in) from investing activities	(22,541,564)	(11,149,173)	(31,365,475)	(21,555,092)	1,482,335
Net cash flows from financing activities	27,190,288	29,932,784	32,375,052	8,895,650	4,898,624
Effect of foreign exchange rate changes on cash and cash equivalents	2,084,761	(544,438)	74,304	(4,347)	221,051
Net (decrease) increase in cash and cash equivalents	(924,078)	(14,809,686)	11,841,921	(4,828,950)	(7,653,408)
Cash and cash equivalents, beginning of the year/period	27,876,503	26,952,425	12,142,739	12,142,739	23,984,660
Cash and cash equivalents, end of year/period	**26,952,425**	**12,142,739**	**23,984,660**	**7,313,789**	**16,331,252**

Operating cash flow

For the six months ended June 30, 2010, net cash used in operating activities was US$14.3 million, which was primarily attributable to (i) an increase in inventory of US$16.9 million mainly due to the increase in our gold-in-process as the extended extremely harsh weather slowed down the leaching process in the first quarter of 2010 and also because we increased the mining activities at the CSH Mine in the first half of 2010, (ii) an increase in accounts payable and accrued liabilities of US$10.5 million mainly due to increased amounts payable to third-party contractors for the leach pad extension at the CSH Mine, (iii) interest paid of US$2.6 million, (iv) income taxes paid of US$2.5 million, and (v) an increase in prepaid expenses of US$0.6 million, partially offset by (i) an increase in fair value of warrant liabilities of US$7.2 million, (ii) depreciation and depletion of US$3.9 million, and (iii) finance costs of US$2.2 million.

For the year ended December 31, 2009, net cash from operating activities was US$10.8 million, which was primarily attributable to: (i) a decrease in prepaid expenses and deposits of US$5.4 million primarily due to decreases in refundable deposits for the CSH Mine and resources tax prepayments made to the relevant local PRC government, (ii) a loss of US$7.2 million on change in fair value of warrant liabilities, (iii) finance costs of US$6.3 million, (iv) depreciation and depletion of US$5.8 million and (v) US$4.8 million of income tax paid.

For the year ended December 31, 2008, net cash used in operating activities was US$33.0 million, which was primarily attributable to (i) an increase in inventory of US$27.8 million primarily reflecting an increase in the inventory of gold-in-process after the commencement of commercial production in July 2008, (ii) an increase in prepaid expenses and deposits of US$5.2 million primarily due to an increase in refundable deposits for the CSH Mine construction and a resource tax prepayment of US$1.5 million made to local PRC government, (iii) a decrease in fair value of warrant liabilities of

US$12.8 million, (iv) interest paid of US$5.9 million primarily on the promissory notes and (v) an unrealized foreign exchange gain of US$7.9 million, partially offset by (i) finance costs of US$3.6 million and (ii) an increase in accounts payable and accrued liabilities of US$3.7 million primarily attributable to the amounts payable to third-party contractors for the installation of the crushing facility at the CSH Mine. For further information on the increase in the inventory after the commencement of commercial production in July 2008, see "— Selected Balance Sheet Items — Inventory".

For the year ended December 31, 2007, net cash used in operating activities was US$7.7 million, which was primarily attributable to net loss of US$30.4 million and interest paid of US$4.7 million primarily on the promissory notes, partially offset by (i) an increase in fair value of warrant liabilities of US$14.3 million, (ii) an unrealized foreign exchange loss of US$3.2 million, and (iii) an increase in accounts payable and accrued liabilities of US$7.0 million primarily attributable to an increase in amounts payable to third-party contractors for mine construction work and mining services provided in connection with the commencement of pre-commercial production.

Investing cash flow

For the six months ended June 30, 2010, net cash from investing activities was US$1.5 million, which was primarily attributable to US$10.8 million of restricted cash received pending the sale of the Dadiangou Project, partially offset by purchases of property, plant and equipment of US$9.3 million mainly in relation to the expansion of processing facilities at the CSH Mine.

For the year ended December 31, 2009, net cash used in investing activities was US$31.4 million, which was primarily attributable to purchases of property, plant and equipment of US$36.6 million, net of construction payables. This increase in purchases was primarily in relation to the construction and installation of the crushing facilities and expansion of processing facilities at the CSH Mine, which was partially offset by US$5.2 million of restricted cash deposits received primarily as a result of the return by a bank of cash deposited to secure a stand-by credit facility.

For the year ended December 31, 2008, net cash used in investing activities was US$11.1 million, which was primarily attributable to: (i) purchases of property, plant and equipment of US$26.8 million primarily in relation to the installation of the crushing facility and expansion of processing facilities at the CSH Mine and (ii) restricted cash deposits of US$15.3 million comprising a US$14.0 million security deposit for a standby letter of credit for the purchase of ore crushing equipment and US$1.3 million held on behalf of local PRC tax authorities, partially offset by proceeds from sales of products from pre-commercial production of US$20.9 million.

For the year ended December 31, 2007, net cash used in investing activities was US$22.5 million, which was primarily attributable to purchases of property, plant and equipment of US$37.6 million mainly in relation to the construction of the mining and processing facilities at the CSH Mine of, partially offset by proceeds from sales of gold produced before commencement of commercial production of US$15.1 million.

Financing cash flow

For the six months ended June 30, 2010, net cash from financing activities was US$4.9 million, which was primarily attributable to the proceeds of US$8.8 million mainly as a result of the exercise of warrants and stock options during the period, partially offset by the repayment of Series B Notes in an amount of US$3.9 million in January of the year.

For the year ended December 31, 2009, net cash from financing activities was US$32.4 million, which was attributable to the aggregate proceeds of US$82.3 million from the term loan from Agriculture Bank of China to CSH CJV and the term loan we borrowed from CNG, partially offset by: (i) the repayment of Series A Notes and Series B Notes in an aggregate amount of approximately US$36.3 million and (ii) the repayment of the bridge loan of approximately US$18.9 million from the Industrial and Commercial Bank of China. See "— Historical Financial Information of Our Group — Selected Balance Sheet Items — Indebtedness."

For the year ended December 31, 2008, net cash from financing activities was US$30.0 million, which was attributable to the proceeds of US$11.0 million from issuance of common shares in connection with the exercise of warrants and stock options during the same year and proceeds of US$18.9 million from the bridge loan we received from the Industrial and Commercial Bank of China in September 2008.

For the year ended December 31, 2007, net cash from financing activities was US$27.2 million, which was attributable to (i) proceeds of US$18.1 million from the private offering of the 12% senior unsecured promissory notes and share purchase warrants in June 2007, and (ii) proceeds of US$9.1 million from the issuance of common shares as a result of exercise of warrants and stock options.

Selected Balance Sheet Items

Accounts receivable

During the Track Record Period, accounts receivable primarily represented interest receivables, goods and services tax refund from relevant government authorities, listing expense receivable and other receivables such as employee travel advances. We did not record any trade receivable from the sale of our gold dore bars to China National Gold as China National Gold pays an estimate sale price within two days before delivery. The estimate sale price is calculated on the basis of the estimated weight of gold and silver contained in the gold dore bars we sell. The final sale price is settled when the parties finalize the weight of gold and silver contained in the gold dore bars in accordance with the weighing and sampling procedures specified in the sale agreement. We did not record any accounts receivable from the sale of our gold dore bars to the independent third-party refinery because we started and stopped selling our products to them in July 2008 and October 2008, respectively. Therefore, as of December 31, 2008, all amounts receivable from this refinery, if any, had been settled.

Accounts receivable decreased from US$0.3 million as of December 31, 2007 to US$0.1 million as of December 31, 2008, primarily due to a decrease of US$0.2 million in goods and services tax refund. This was due to a change in our filing practice. Prior to 2008, we filed goods and services tax on a yearly basis and received tax refund once a year. In 2008, as a result of changes in relevant Canadian government rules and regulations, we filed these taxes and received refund on a quarterly basis.

Accounts receivable increased from US$0.1 million as of December 31, 2008 to US$1.7 million as of December 31, 2009, primarily due to the listing expense receivable of US$1.2 million, which was the portion of the professional fees and expenses incurred for the global offering and the Listing that the current shareholders of Skyland Group has agreed to pay.

Accounts receivable increased from US$1.7 million as of December 31, 2009 to US$2.1 million as of June 30, 2010, primarily due to an increase of listing expense receivable of US$0.6 million based on a cost sharing agreement with the ultimate owners of the Jiama Mine, and a decrease in the repayment of an amount due from shareholder of US$0.2 million. The listing expenses included professional expenses incurred for the proposed Global Offering and Listing.

The following table sets forth an aging analysis of our accounts receivable as of the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Less than 1 month	301,380	35,211	65,167	102,973
1-3 months	—	—	85,365	218,469
Over 6 months	47,534	113,560	346,437	—
Listing expense receivable	—	—	1,184,911	1,748,756
Total	**348,914**	**148,771**	**1,681,880**	**2,070,198**

Our trade receivable turnover days for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010 were zero, 2 and zero days, respectively, because we did not have trade receivable relating to sales of our gold in 2008 or the first half of 2010, and the trade receivable for sales of gold to China National Gold was US$0.3 million in 2009.

As of September 30, 2010, 69.8% of our accounts receivables as of June 30, 2010 had been settled.

Prepaid expenses and deposits

During the Track Record Period, prepaid expenses and deposits primarily consisted of CSH Mine construction deposits paid to third-party contractors, deposits for supplies and services for mining operations at the CSH Mine, rent deposits for our corporate offices, deposits to suppliers for purchase of spare parts, insurance premium for future periods and resource tax prepaid to relevant PRC government.

As of December 31, 2007, 2008 and 2009 and June 30, 2010, prepaid expenses and deposits were US$2.0 million, US$7.2 million, US$1.7 million and US$1.6 million, respectively. The increase of US$5.2 million in prepaid expenses and deposits from US$2.0 million as of December 31, 2007 to US$7.2 million as of December 31, 2008 was primarily due to (i) an increase of US$2.7 million in refundable CSH Mine construction deposits paid to third-party contractors due to the increased level of mine construction work at the CSH Mine; (ii) a prepayment of resource tax of US$1.5 million to local PRC government as of December 31, 2008; and (iii) deposits paid to suppliers for purchase of spare parts of US$0.6 million as of December 31, 2008.

The decrease of US$5.4 million in prepaid expenses and deposits from US$7.2 million as of December 31, 2008 to US$1.7 million as of December 31, 2009 was primarily due to (i) a decrease of US$3.8 million in refundable CSH Mine construction deposits paid to third-party contractors due to the decreased level of mine construction work at the CSH Mine as we focused on the construction and installation of the crushing facilities at the mine and (ii) US$0.7 million of deposits for mine supplies and services in relation to increased mine production, partially offset by a decrease in prepaid resources compensation tax. We had no prepaid resources compensation taxes as of December 31, 2009 as compared to the US$1.5 million prepayment of resources compensation tax outstanding as of

December 31, 2008, because the resources compensation tax is required to be prepaid every second year pursuant to the relevant government requirements.

The decrease of US$0.2 million in prepaid expenses and deposits from US$1.7 million as of December 31, 2009 to US$1.6 million as of June 30, 2010 was primarily due to (i) a decrease in refundable construction deposits of US$0.2 million, (ii) a decrease of US$92,000 in insurance, and (iii) a decrease of US$28,000 in deposits in spare parts, partially offset by an increase of US$0.1 million in deposits for mine supplies and services.

Inventory

During the Track Record Period, inventory consisted of gold-in-process (comprising gold contained in the ore placed on the leach pad and in-circuit material within processing operations), gold dore bars, auxiliary materials and spare parts.

Our inventory increased from US$0.4 million as of December 31, 2007 to US$27.6 million as of December 31, 2008, primarily attributable to the increase in our gold-in-process of US$25.1 million which was in turn primarily due to the reclassification as and transfer to inventory of US$20.5 million of costs that were capitalized and included in mineral assets (as part of property, plant and equipment) upon commencement of commercial production in July 2008. Costs capitalized and included in mineral assets were mine operating costs netted off against proceeds received from sales of products prior to the commencement of commercial production on July 1, 2008.

Our inventory increased from US$27.6 million as of December 31, 2008 to US$29.0 million as of December 31, 2009, primarily attributable to the increase in our gold-in-process from US$25.1 million as of December 31, 2008 to US$27.1 million as of December 31, 2009. The amount of gold-in-process inventory we had was primarily attributable to the nature of the heap leaching method we use at the CSH Mine.

Our inventory increased from US$29.0 million as of December 31, 2009 to US$45.9 million as of June 30, 2010 primarily attributable to the increase in our gold-in-process from US$27.1 million as of December 31, 2009 to US$41.3 million as of June 30, 2010, as the extremely harsh winter slowed down the leaching process, resulting in lower than normal recovery rates in the first quarter, but warmed up in the second quarter and also because we increased the mining activities at the CSH Mine in the first half of 2010. We increased the recovery rate from 38.6% in the first quarter to 43.0% in the second quarter. Approximately 6.9 million tonnes of ore was mined and placed on the leach pad in the first half of 2010, up from 3.2 million tonnes in the first half of 2009. With the crushing facility in place, the ore was crushed to a size smaller than 9 millimeters which is much smaller than the uncrushed ore placed in the first half of 2009.

As of December 31, 2008 and 2009 and June 30, 2010, inventory primarily consisted of gold-in-process.

As we commenced commercial production on July 1, 2008, our cost of sales for 2008 represented cost of sales for the six months ended December 31, 2008. Inventory turnover days for the six months ended December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010 are calculated based on inventory as of the period end divided by cost of sales for that period and multiplied by 183 days, 365 days and 183 days, respectively. Inventory turnover days for the six months ended December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010 were 246.8 days, 188.5 days and 449.0 days, respectively. These inventory turnover periods were primarily attributable to the amount of gold-in-process we had which was in turn primarily attributable to the nature of the heap leaching method we use at the CSH Mine. It generally requires a significant period of time (sometimes several years) from the time when ore is placed on leach pads to the time when gold is poured. The significant increase in the inventory turnover days for the first half of 2010 as compared to 2009 was primarily due to the increase in our gold-in-process as of June 30, 2010 as compared to December 31, 2009 mainly as a result of (i) the adverse impact of the extremely harsh winter on the leaching process and (ii) the increased mining activities at the CSH Mine in the first half of 2010 as discussed above.

As of September 30, 2010, 100% of our gold dore bar inventory as of June 30, 2010 had been sold.

Accounts payable and accrued expenses

During the Track Record Period, accounts payable and accrued expenses primarily consisted of amounts outstanding for trade purchases relating to gold production activities (such as purchases of auxiliary materials) and construction activities and fees payables to third-party contractors.

Accounts payable and accrued expenses increased from US$15.1 million as of December 31, 2007 to US$18.9 million as of December 31, 2008 and further to US$35.1 million as of December 31, 2009, primarily due to increased amounts payable to third-party contractors for the installation of the crushing facility at the CSH Mine. Accounts payable and accrued expenses increased from US$35.1 million as of December 31, 2009 to US$39.8 million as of June 30, 2010 primarily due to increased amounts payable to third-party contractors for the leach pad extension at the CSH Mine.

The following table sets forth an aging analysis of our accounts payable and accrued expenses and construction payable as of the dates indicated:

	As of December 31,			As of June 30, 2010
	2007	2008	2009	
	US$	US$	US$	
0-30 days	13,391,117	13,979,217	24,526,308	27,712,634
31-90 days	527,804	1,485,099	1,444,774	4,190,226
91-180 days	38,167	3,235,841	2,525,308	1,262,983
Over 180 days	1,109,397	232,487	6,576,214	6,602,502
Total	**15,066,485**	**18,932,644**	**35,072,604**	**39,768,345**

The credit period for trade purchases is typically between 120 to 150 days. Accounts payable and accrued expenses due for 30 days or less increased from US$14.0 million as of December 31, 2008 to US$24.5 million as of December 31, 2009 primarily attributable to increased production and the increased construction activities related to the crushing facilities. Such accounts payable and accrued expenses further increased to US$27.7 million as of June 30, 2010 primarily attributable to amounts payable to third-party contractors for construction services at the CSH Mine.

Accounts payable and accrued expenses due for more than 30 days but no more than 90 days increased from US$0.5 million as of December 31, 2007 to US$1.5 million as of December 31, 2008 and US$1.4 million as of December 31, 2009, primarily due to increased payment terms for certain construction contracts related to the construction and installation of the crushing facilities. Such accounts payable and accrued expenses further increased to US$4.2 million as of June 30, 2010 primarily attributable to increased amounts payable to suppliers for materials and equipment.

Accounts payable and accrued expenses due for more than 90 day but no more than 180 days increased from approximately US$38,000 as of December 31, 2007 to US$3.2 million as of December 31, 2008 primarily attributable to amounts payable to third-party contractors for the installation of the crushing facility and mining services provided at the CSH Mine. Accounts payable and accrued expenses due for more than 90 days but no more than 180 days decreased from US$3.2 million as of December 31, 2008 to US$2.5 million as of December 31, 2009 primarily attributable to amounts payable to third-party contractors for the installation of the crushing facilities and mining services provided at the CSH Mine.

Accounts payable and accrued expenses as of December 31, 2007, 2008 and 2009 and June 30, 2010 due for over 180 days primarily represented retention money payables to third-party contractors for mine infrastructure construction work performed that were retained by us for quality assurance purposes. Pursuant to the agreements we entered into with our third-party contractors for mine construction work, we typically retain, on a monthly basis, around 5% to 10% of the payments to third-party contractors and release these amounts retained in a certain period of time after the construction work is substantially completed.

As we commenced commercial production on July 1, 2008, our cost of sales for 2008 represented cost of sales for the six months ended December 31, 2008. Accounts payable turnover days for the six months ended December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010 are calculated based on accounts payable and accrued expenses as of the period end divided by cost of sales for that period and multiplied by 183 days, 365 days and 183 days, respectively. Accounts payable turnover days for the six months ended December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010 were 169 days, 228 days and 389 days, respectively. Accounts payable turnover days for the six months ended December 31, 2008 were relatively long primarily attributable to the amount of accounts payables and accrued expenses as of December 31, 2008 which was in turn primarily attributable to the amounts payable to third-party contractors for mining services provided and the installation of the crushing facility at the CSH Mine as well as retention money payables to third-party contractors for construction work that were retained by us for quality assurance purposes. The relatively long accounts payment turnover days for the year ended December 31, 2009 were primarily attributable to the increase in unpaid amounts to (i) the relevant PRC governmental authorities, which were due in one to 12 months after the period end, (ii) third-party mining contractors at the CSH Mine and (iii) third party service providers for professional and other services relating to the Global Offering and the Listing. The accounts payable turnover days for the year ended December 31, 2009 were further extended primarily attributable to an increase in the amount payable to the third-party contractors for the continued construction and development of the CSH Mine and the increased procurement of supplies as a result of the expansion in production. The significant increase in accounts payable turnover dates for the six months ended June 30, 2010 as compared to the year ended December 31, 2009 and the six months ended December 31, 2008 was primarily attributable to (i) the significant amounts payable to third-party contractors for mine infrastructure construction work and retention money payable to third-party contractors for construction work that were retained by us for quality assurance purposes and (ii) the low amount of cost of sales for the period primarily due to the reduced production activities at the CSH Mine during the winter months.

As of September 30, 2010, 48.0% of our accounts payables as of June 30, 2010 had been settled.

Warrant liabilities

During the Track Record Period, warrant liabilities represented the fair value of the warrants that were outstanding as of the end of each reporting period. Warrants outstanding during the Track Record Period were granted primarily in connection with the promissory notes in December 2006 and June 2007, respectively, and a private placement of common shares in August 2006. For further information on the promissory notes, the private placement of common shares in August 2006 and the warrants grated in relation thereto, see notes 23(ii) and 25(a) in "Appendix I-A — Accountants' Report".

As of December 31, 2007, 2008 and 2009 and June 30, 2010, total warrant liabilities were US$13.8 million, US$0.3 million, US$5.3 million and nil, respectively.

Total warrant liabilities decreased from US$13.8 million as of December 31, 2007 to US$0.3 million as of December 31, 2008, primarily attributable to a decrease in fair value of warrant liabilities as of December 31, 2008 of US$12.8 million which was in turn primarily due to the decrease in our share price from December 31, 2007 to December 31, 2008. Total warrant liabilities increased from US$0.3 million as of December 31, 2008 to US$5.3 million as of December 31, 2009, primarily attributable to an increase in fair value of warrant liabilities as of December 31, 2009 of US$7.2 million which was in turn primarily due to the appreciation of Canadian dollar relative to U.S. dollar and higher share price. Total warrant liabilities decreased from US$5.3 million as of December 31, 2009 to nil as of June 30, 2010 as all of the warrants had been exercised by the end of June 2010. For further information on warrants, see note 25 in "Appendix I-A — Accountants' Report".

Environmental rehabilitation

During the Track Record Period, environmental rehabilitation primarily represented reclamation and closure costs relating to our operations at the CSH Mine. We have estimated reclamation and closure costs based on our interpretation of current regulatory requirements and the recorded amount is the net present value of estimated future cash expenditures on reclamation and closure in connection with the areas estimated to be disturbed. Reclamation and closure costs were capitalized as mine development costs (under mineral assets as part of property, plant and equipment) since the commencement of pre-commercial production and depreciated over the life of the mine on a unit-of-production basis. At the same time, we started to recognize environmental rehabilitation liabilities since the commencement of pre-commercial production with the same amount of net present value of estimated future cash expenditures on reclamation and closure and accrete the balance of the environmental rehabilitation liabilities for each reporting period through to 2017. Such accretion is recorded as part of the finance costs.

The environment rehabilitation was calculated as the net present value of estimated future net cash outflows of the reclamation and closure costs in a total amount of approximately US$7.9 million, US$7.9 million, US$9.5 million and US$9.6 million discounted at 17.6%, 12.1%, 10.0% and 9.0% as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. The accretion incurred in connection with the environment rehabilitation represented interest expenses calculated based on the foregoing discount rates and therefore it was recorded as part of the finance costs. The discount rates used for environmental rehabilitation were determined based on the weighted average cost of capital

("WACC") and country-specific risk ("CSR"). The decreasing trend was mainly due to the change in WACC for each reporting period, as the market value of our Company's debt and equity as of each reporting period end fluctuated during the Track Record Period. CSR remained relatively stable during the Track Record Period. The CSR was calculated by comparing the long term Canadian government bond yield and long term Chinese government bond yield. Our environmental rehabilitation liabilities increased from US$2.2 million as of December 31, 2007 to US$4.1 million as of December 31, 2008, primarily attributable to an increase in the area to be disturbed as we developed our mining and processing operations at the CSH Mine. Our environmental rehabilitation liabilities decreased from US$4.1 million as of December 31, 2008 to US$1.6 million as of December 31, 2009, primarily attributable to the extended timing of cash outflows and the anticipated distribution close to the end of the relevant discounting period. This was partially offset by the decrease in the discount rate from 12.1 % to 10.0% and the increase in estimated undiscounted cash flows, which amounted to US$9.5 million. Our environmental rehabilitation liabilities increased from US$1.6 million as of December 31, 2009 to US$2.0 million as of June 30, 2010, primarily attributable to the decrease of the discount rate from 10.0% to 9.0%.

Net current assets / Net current liabilities

We had net current assets of US$14.7 million as of December 31, 2007, net current liabilities of US$8.2 million and US$9.4 million as of December 31, 2008 and 2009, respectively, and net current assets of US$12.9 million as of June 30, 2010. See "Risk Factors — Risks relating to Our Business and Industry — We and Skyland Group had net current liabilities and significant net cash outflows from operating and investing activities during the Track Record Period".

As of September 30, 2010, we had net current assets of approximately US$21.1 million. See "— Working Capital and Capital Expenditure — Working Capital" for further details on our working capital condition and our ability to meet with our future working capital requirements.

The following table sets forth the breakdown information on our net current assets as of September 30, 2010.

	As of September 30, 2010
	(US$)
Current Assets	
Cash and cash equivalents	27,100,016
Restricted cash	8,687,838
Accounts receivable	6,208,829
Prepaid expenses and deposits	3,061,714
Inventory	29,163,830
Assets classified as held for sale	63,058
	74,285,285
Current Liabilities	
Accounts payable and accrued expenses	44,417,640
Borrowings	8,784,270
Liabilities classified as held for sale	17,671
	53,219,581
Net Current Assets	21,065,704

Indebtedness

Our borrowings are denominated in RMB and Canadian dollar. As of December 31, 2007, 2008 and 2009, June 30, 2010 and September 30, 2010, we had the following outstanding borrowings:

	As of December 31,			As of June 30,	As of September 30,
	2007	2008	2009	2010	2010
	US$	US$	US$	US$	US$
Current					
Short-term loans	—	18,672,730	—	—	—
Current portion of long-term loans	—	—	1,458,619	1,469,098	1,495,640
Promissory notes payable	—	22,930,784	10,633,386	7,044,900	7,288,630
Non-current					
Long-term loan	—	—	80,841,331	81,134,730	80,382,286
Promissory notes payable	44,267,023	14,929,121	—	—	—
Total borrowings	**44,267,023**	**56,532,635**	**92,933,336**	**89,648,728**	**89,166,556**

Our indebtedness during the Track Record Period comprised the following:

Series A Notes (fully repaid)

On December 14, 2006, we completed a private placement offering of senior unsecured promissory notes in the principal amount of CAD30.0 million (US$25.9 million) ("Series A Notes") and 6,000,000 warrants. Series A Notes matured on December 14, 2009 and are repayable in Canadian dollars. Interest on Series A Notes is 12% per annum and is payable on a calendar quarterly basis commencing on March 31, 2007. We are entitled to prepay Series A Notes after June 14, 2008 with no prepayment penalty. Series A Notes were fully repaid in December 2009. Each warrant entitles the holder to purchase one Share at an exercise price of CAD1.60 per Share ("Series A Warrants"). We have a right to accelerate the expiry date of the warrants after June 14, 2008 if our Shares trade at or above a volume weighted average share price of CAD2.75 for 20 consecutive trading days.

We extended the expiry date of 3,860,000 Series A Warrants from December 14, 2008 to December 14, 2010 in order to secure approval of noteholders for a bridge loan from the Industrial and Commercial Bank of China. See "— Bridge Loan from the Industrial and Commercial Bank of China" in this prospectus. As a result of our rising stock price, we were able to exercise the accelerated right for these warrants on March 18, 2010 and all of these warrants had been exercised by April 22, 2010. See "— Factors Affecting Our Results of Operations — Fair Value Change on Warrant Liabilities".

The effective interest rate of Series A Notes was 19.5%.

Series B Notes (fully repaid) and Series C Notes

On June 26, 2007, we completed another private placement offering of senior unsecured promissory notes in the principal amount of CAD20.0 million (US$18.7 million) and 4,000,000 warrants. Each warrant entitles the holder to purchase one Share at an exercise price of CAD2.50 per Share. Ivanhoe, a then significant shareholder of our Company, purchased CAD7.5 million (US$7.0 million) principal amount of the notes ("Series C Notes") and 1,500,000 warrants. The remaining principal amount of the promissory notes of CAD12.5 million (US$11.7 million) ("Series B Notes") and the remaining 2,500,000 warrants were purchased by third parties. In May 2008, China National Gold Hong Kong assumed Series C Notes in their entirety from Ivanhoe as part of the consideration for its acquisition from Ivanhoe of all shares then owned by Ivanhoe in our Company.

Both Series B and Series C Notes have the original maturity date of June 26, 2010 and are repayable in Canadian dollars. Interest on both Series B and Series C Notes is 12% per annum and is payable on a quarterly basis commencing on September 30, 2007. We are entitled to prepay Series B Notes after December 27, 2008 and Series C Notes after December 27, 2007, in each case with no prepayment penalty. Series B Notes rank pari passu with Series A Notes issued while Series C Notes are subordinated to Series A and Series B Notes. In December 2009, we elected to prepay Series B Notes in their entirety (including the principal amount and any interests outstanding at the time of the prepayment) by issuing notices to relevant noteholders. The prepayment took place on January 11, 2010. With respect to the Series C Notes, the maturity date has been extended from the original date of June 26, 2010 to June 26, 2011 under the same terms. We intend to repay the Series C Notes in full with part of the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds".

We have a right to accelerate the expiry date of the warrants after 18 months from the issue date, if our Shares trade at or above a volume weighted average share price of CAD4.25 for 20 consecutive trading days. The warrants issued under Series B and Series C Notes originally had an expiry date of June 26, 2010. We subsequently extended the expiry date of 2,450,000 of the warrants issued under Series B Notes to June 26, 2011 in order to secure the bridge loan from the Industrial and Commercial Bank of China. See "— Bridge Loan from the Industrial and Commercial Bank of China" in this prospectus. As a result of our rising stock price, we were able to exercise the accelerated right for these warrants on April 16, 2010 and these warrants were exercised prior to the expiry date on May 17, 2010. See "— Factors Affecting Our Results of Operations — Fair Value Change on Warrant Liabilities".

The effective interest rate of Series B was 19.5%. The effective interest rate of Series C Notes was originally 17.7% and, upon the extension of the maturity date of the Series C Note as described above, its effective interest rate has become the same as its annual rate of 12%.

Bridge loan from the Industrial and Commercial Bank of China (fully repaid)

The CSH CJV received a bridge loan in the principal amount of RMB130.0 million (US$18.9 million) from the Industrial and Commercial Bank of China in September 2008, to support operations at the CSH Mine during the construction and installation of the crushing facility. The bridge loan was unsecured, denominated in RMB and bore interest at an annual rate of 6.21%. China National Gold provided a guaranty for the bridge loan. Interest on the bridge loan was payable on a monthly basis and the principal was repayable in installments of RMB30.0 million (US$4.4 million) in January 2009, RMB50.0 million (US$7.4 million) in February 2009, and RMB50.0 million (US$7.4 million) in March 2009. The principal amount had been fully repaid in March 2009. Principal repayment of RMB100.0 million (US$14.6 million) was funded by an advance from China National Gold which will be set off against our future gold sales to CNG.

As a condition for the holders of Series A, Series B and Series C Notes to consent to the bridge loan, we extended the expiry date of 3,860,000 Series A Warrants to December 14, 2010, and the expiry date of 2,450,000 warrants issued in connection with the Series B to June 26, 2011. As a result of the extensions of the warrant expiry dates, we determined the warrants had an incremental value of US$1.3 million and recorded such amount as a cost of obtaining the bridge loan.

The effective interest rate of the bridge loan is 19.9%.

Non-revolving credit facility from China National Gold (fully repaid)

In June 2009, the CSH CJV secured a non-revolving credit facility for RMB210.0 million (US$30.7 million) from China National Gold. The credit facility is unsecured and bears interests (payable on a monthly basis) at a rate of 5.31% per annum. The credit facility matured on September 30, 2009. As of December 31, 2009, we had fully paid RMB80 million (US$11.7 million), being the aggregate amount we had drawn down under this credit facility.

Loan from the Agricultural Bank of China

In September 2009, the CSH CJV received an unsecured bank loan in the principal amount of RMB290.0 million (US$42.3 million) from the Agricultural Bank of China. China National Gold provided a guaranty for the loan. The loan is repayable within five years from the date of the first draw-down. The annual interest rate for the term loan is currently 5.184% and interest is payable monthly. The interest rate is set at 10% below the floating rate set by The People's Bank of China. In case of adjustment in the floating rate set by The People's Bank of China, the interest rate for the loan will be reset accordingly and take effect starting the month following the month in which the floating rate is adjusted. This loan was fully drawn down in September 2009.

Shareholder's loan from China National Gold

In December 2009, we received an unsecured non-revolving shareholder's loan from China National Gold Hong Kong in the principal amount of US$40 million. The loan bears interest (payable on a quarterly basis) at an annual rate of 6% and matures in December 2011. The proceeds of the loan have partially been used to redeem Series A Notes due on December 14, 2009. We used the remaining amount of the proceeds to prepay Series B Notes in their entirety on January 11, 2010.

Restrictive covenants

We are subject to various customary conditions and covenants under the terms of our financing agreements. For example, under the indenture for the outstanding Series C Notes held by China National Gold, we are required to obtain noteholder's consents prior to carrying out certain activities and entering into certain transactions, including but not limited to (i) incurring additional debt; (ii) creating additional charges on our assets; (iii) making guarantee in favor of any third party; (iv) dispose of material assets other than to an arm's length third party on arm's length commercial terms; (v) entering into commercial arrangements with any non-arm's length third party unless the arrangements are entered into in good faith and on arm's length commercial terms; (vi) changing the character of our main business; and (vii) distributing dividends. We intend to repay the Series C Notes in full with part of the proceeds of the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds".

Under the loan agreement between CSH CJV and Agricultural Bank of China, the CSH CJV is required to obtain the lender's consent prior to carrying out certain activities or entering into certain transactions such as reduction of registered capital, disposal of assets, mergers and acquisitions and provision of guaranty or creating charges over its material assets in favor of third-parties.

The following table sets forth the maturity profiles for our outstanding borrowings as of the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Within 1 year	—	41,603,514	12,092,005	8,513,998
1-5 years	44,267,023	14,929,121	80,841,331	81,134,730
Over 5 years	—	—	—	—
Total outstanding borrowings	**44,267,023**	**56,532,635**	**92,933,336**	**89,648,728**

Save as disclosed in this section headed "Financial Information — Historical Financial Information of Our Group — Indebtedness", our Directors have confirmed that there has been no material change to our indebtedness since September 30, 2010 up to and including the Latest Practicable Date.

Except as described herein, as at September 30, 2010, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, pledges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Contractual Obligations and Capital Commitments

The following table sets forth the scheduled maturities of our material contractual obligations as of June 30, 2010:

	Payments due			
	Within 1 year	Between 1 and 5 years	Later than 5 years	Total
	US$	US$	US$	US$
Material contractual obligations				
Borrowings	8,513,998	81,134,730	—	89,648,728
Capital commitments[(1)]	1,291,654	—	—	1,291,654
Operating lease commitments	94,263	363,584	—	457,847
Total	**9,899,915**	**81,498,314**	**—**	**91,398,229**

(1) The amounts represented capital commitments in respect of acquisition of property, plant and equipment for the CSH Mine and payments to our joint venture partners. For information on capital commitments relating to other matters, see "— Capital commitments" below.

Capital commitments

During the Track Record Period, our capital commitments related primarily to payments for purchase of equipment and machinery for the CSH Mine, the payments to Brigade 217 and NINETC, our joint venture partners for the CSH JV and the Dadiangou JV, and payments to third-party contractors for provision of mining and exploration engineering work and mine construction work for the CSH Mine. We have entered into contracts that prescribed such capital commitments, but have not included them in our consolidated financial statements. The following table sets forth our capital commitments in respect of acquisition of property, plant and equipment for the CSH Mine and payments to our joint venture partners as of the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
In respect of acquisition of property, plant and equipment for the CSH Mine	—	25,030,987	10,465,453	1,291,654
In respect of payments to Brigade 217 and NINETC	1,643,160	1,729,080	—	—
Total	**1,643,160**	**26,760,067**	**10,465,453**	**1,291,654**

In addition to the table set forth above, we entered into service agreements with third-party contractors such as China Railway and China Metallurgical for the provision of mining and exploration engineering work and mine construction work for the CSH Mine. The amount of fees for such work performed and to be performed each year varies depending on the amount of work performed. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, aggregate fees paid to third-party contractors amounted to approximately US$11.3 million, US$42.1 million, US$42.3 million and US$21.3 million, respectively. For further information on arrangements with third-party contractors, see "Business — Third-Party Contractors".

Operating leases

We have leased certain properties in China and Canada. See "Business — Real Properties" for further information. All the leases are under operating lease arrangements and the leases are negotiated for an average term of three to five years. We are generally required to prepay certain amount of rental/ leasing fees under the terms of these leases. The following table sets forth our material future aggregate minimum operating lease payments under these operating leases as of the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Within one year	101,329	53,289	95,482	94,263
Later than one year and no later than five years	70,393	21,615	391,307	363,584
Later than five years	—	—	—	—
Total	**171,722**	**74,904**	**486,789**	**457,847**

Quantitative and Qualitative Disclosures about Market Risks

Currency risk

We are exposed to the risk of the fluctuation of foreign exchange rates. We operate in China and Canada and our functional currency is the U.S. dollar. A significant change in the currency exchange rates between the RMB or Canadian dollar relative to the U.S. dollar could have a significant effect on our results of operations, financial position or cash flows. We have not hedged our exposure to currency fluctuations.

We are exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and RMB:

Canadian dollar monetary assets and liabilities

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Cash and cash equivalents	21,795,824	649,888	5,812,185	5,473,273
Accounts receivable	260,341	35,211	99,839	88,267
Accounts payable and accrued expenses	(2,470,306)	(829,882)	(1,487,292)	(1,370,351)
Borrowings	(44,267,023)	(37,859,905)	(10,633,386)	(7,044,900)
Warrant liabilities	(13,825,817)	(274,507)	(5,286,123)	—
Total	**(38,506,981)**	**(38,279,195)**	**(11,494,777)**	**(2,853,711)**

Based on the above net exposures and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or increase in our loss before income tax of approximately US$3.9 million and US$1.1 million for the years ended December 31, 2007 and 2009, respectively, and an increase or decrease in our income before tax of approximately US$3.8 million and US$0.3 million for the year ended December 31, 2008 and the six months ended June 30, 2010, respectively.

RMB monetary assets and liabilities

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Cash and cash equivalents	3,755,368	5,538,082	16,361,908	10,048,746
Restricted cash	—	1,326,358	—	10,756,703
Accounts receivable	47,534	113,560	397,130	1,400,185
Accounts payable and accrued expenses	(12,474,754)	(18,031,985)	(32,347,188)	(37,417,778)
Borrowings	—	(18,672,730)	(42,299,950)	(42,603,828)
Total	**(8,671,852)**	**(29,726,715)**	**(57,888,100)**	**(57,815,972)**

Based on the above net exposures and assuming that all other variables remain constant, a 10% depreciation or appreciation of the RMB against the U.S. dollar would result in a decrease or increase in our loss before income tax of approximately US$0.9 million, US$5.8 million for the years ended December 31, 2007 and 2009, respectively, and an increase or decrease in income before tax of approximately US$3.0 million and US$5.8 million for the year ended December 31, 2008 and the six months ended June 30, 2010, respectively.

Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. For the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, we sold approximately 47.7%, 95.9% and 92.0%, respectively, of our gold to China National Gold, who we believe is creditworthy. The failure of China National Gold to make required payments could have a material adverse effect on our results of operations. We manage this risk by requiring China National Gold to make prepayment for an estimate price of the gold dore bars at the time of delivery.

Our cash and short-term bank deposits are deposited in large Chinese and Canadian banks. These investments mature at various dates within three months. We do not have any asset backed commercial paper in our short-term bank deposits. Our accounts receivables consists primarily of goods and services tax refund due from the Federal Government of Canada, all of which are outstanding for 180 days or less. We had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in the PRC or Canada during the Track Record Period.

Our maximum exposure to credit risk is as follows:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Bank balances	9,896,230	12,140,045	23,984,660	16,331,252
Bank short-term deposits	17,056,195	2,694	—	—
Restricted cash	—	5,215,704	—	10,756,703
Accounts receivable	348,914	148,771	1,681,880	2,070,198
Long-term receivable	—	—	49,689	24,252
Total	**27,301,339**	**17,507,214**	**25,716,229**	**29,182,405**

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure and financial leverage. For the contractual maturities for our non-derivative financial liabilities comprising accounts payable and accrued expenses, note payables, customer advances and short-term loan, see note 31(c) in "Appendix I-A — Accountants' Report" to this prospectus.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that we will realize a loss as a result of a decline in the interest rates relates to our variable rate bank balances, and the risk is limited because these balances are not material. Our short term bank deposits, notes payables and short-term loan have fixed interest rates and therefore, are not subject to interest rate fluctuations. The risk that we will realize loss as a result of a decline in the interest rate relates to our variable interest rate bank balances. A 30 basis point higher or lower in the interest rate of our variable rate bank balances would result in a decrease in our loss before income tax or an increase in loss before income tax of approximately US$81,000 and US$72,000 for the years ended December 31, 2007 and 2009, respectively, and an increase in our income before tax or a decrease in income before tax of US$36,000 and US$24,000 for the year ended December 31, 2008 and the six months ended June 30, 2010, respectively. We monitor interest rate exposure and will consider hedging significant interest rate explore should the need arises.

Share price risk

We are exposed to price risk of our Shares due to our warrant liabilities as determined by the fair value of warrants, which in turn is affected by our Share price.

If our Share price had been 50% higher or lower as of December 31, 2007 and all other variables remained constant, our loss before income tax would increase by approximately US$14.8 million or decrease by US$11.7 million for the year ended December 31, 2007.

If our Share price had been 50% higher or lower as of December 31, 2008 and all other variables remained constant, our income before income tax would decrease by approximately US$0.4 million or increase by approximately US$0.2 million for the year ended December 31, 2008.

If our Share price had been 50% higher or lower as of December 31, 2009 and all other variables remained constant, our loss before income tax would increase/decrease by approximately US$4.8 million/US$3.5 million for the year ended December 31, 2009.

No exposure to price risk of our Shares for the six months ended June 30, 2010 as the warrants have been fully exercised.

SUMMARY HISTORICAL FINANCIAL INFORMATION OF SKYLAND GROUP

Basis of Presentation of Skyland Group

Skyland, an exempted company incorporated in the Cayman Island with limited liability, is an investment holding company that holds 100% interest in Jia Ertong. Jia Ertong holds 100% interest in Huatailong. The core asset of Huatailong is the Jiama Mine. Skyland, Jia Ertong and Huatailong collectively constitute the Skyland Group. In addition, Huatailong holds 51% interest in Jiama Industry and Trade, a company that Huatailong jointly established with an independent third party on December 1, 2009 to engage in mining transport and logistic business. See "— Summary of Historical Financial Information of Skyland Group — Contractual Obligations and Capital Commitments — Capital commitments".

The consolidated financial statements of Skyland consolidate the financial results and financial position of Skyland and its subsidiaries, Jia Ertong and Huitailong, from the latest of the beginning of the Track Record Period, the date of incorporation or the effective date of its acquisition by Skyland. Jia Ertong was acquired by Skyland prior to the beginning of the Track Record Period. Therefore, Jia Ertong's financial results and financial position have been consolidated for the entire Track Record Period. Huatailong was established in January 2007 and acquired by Jia Ertong in May 2008, and therefore its financial results and financial position have been consolidated since May 2008. Jiama Industry and Trade was established on December 1, 2009, therefore its financial results and financial position have been consolidated since December 2009.

Summary Discussion of Results of Operations of Skyland Group

The following table sets forth selected financial information of Skyland for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (unaudited)	US$
Revenue	—	—	—	—	917,250
Cost of sales	—	—	—	—	(710,348)
	—	—	—	—	206,902
Other income	231,933	330,046	142,853	62,845	183,590
Exploration and evaluation expenditure	—	(13,171,016)	—	—	—
Administrative expenses	(3,848)	(2,953,143)	(4,802,128)	(2,046,878)	(2,213,672)
Other expenses	—	(299,183)	(6,811,176)	(1,057,153)	(4,745,850)
Finance costs	—	(790,762)	(1,510,485)	(602,011)	(1,935,580)
Income (loss) before income tax	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,504,610)
Income tax	—	—	—	—	(24,113)
Income (loss) for the year/period	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,528,723)
Other comprehensive income (loss), representing exchange difference arising on translation	(70,385)	(285,183)	18,574	10,340	49,760
Total comprehensive income (loss) for the year/period	157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,478,963)
Income (loss) for the year/period attributable to:					
Owners of Skyland	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,562,886)
Non-controlling interests	—	—	—	—	34,163
	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,528,723)
Total comprehensive income (loss) for the year/period attributable to:					
Owners of Skyland	157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,515,247)
Non-controlling interests	—	—	—	—	36,284
	157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,478,963)

Revenue

Skyland Group did not generate any revenue during the three year period ended December 31, 2009. It recorded revenue of US$0.9 million for the six months ended June 30, 2010 which was generated primarily from provision of mining transport and logistic services by Jiama Industry and Trade. Jia Ertong conducted limited exploration activities before it acquired Huatailong in May 2008. After the acquisition of Huatailong, Jia Ertong has functioned as a holding company and Huatailong has been engaged in exploration and mine development at the Jiama Mine. Jiama Mine commenced commercial production in September 2010.

Cost of sales

Cost of sales amounted to US$0.7 million for the six months ended June 30, 2010 primarily attributable to employee salaries and other compensation, fuel costs, vehicle maintenance expenses and depreciation that Jiama Industry and Trade incurred in connection with its provision of mining transport and logistic services.

Exploration and evaluation expenditure

During the Track Record Period, exploration and evaluation expenditure primarily consisted of consideration and fees paid for exploration permits and exploration expenses, including primarily fees paid to third-party contractors for exploration and related work performed and mine infrastructure construction costs.

Following the acquisition of Huatailong by Jia Ertong in 2008, Huatailong has been actively engaged in exploration activities, which led to a significant increase in exploration and evaluation expenditure.

Skyland did not incur exploration and evaluation expenditure in the first half of 2009 and 2010 as Skyland did not engage in exploration and evaluation activities during such periods.

Skyland spent approximately US$5.4 million on exploration and evaluation activities in 2009, which primarily consisted of (i) approximately US$2.5 million paid to the third-party contractors for the drilling work conducted at the Jiama Mine; (ii) approximately US$1.3 million for construction of highway infrastructure at the Jiama Mine; and (iii) ore sample testing fee of approximately US$0.4 million. This amount was all capitalized as Skyland's mining assets and, as a result, Skyland's exploration and evaluation was nil in 2009.

Skyland's exploration and evaluation expenditure in 2008 was approximately US$13.2 million, primarily consisting of (i) US$2.2 million paid by Huatailong for the acquisition of the exploration permit covering an area of 66.41 square kilometers at the Jiama Mine; (ii) US$6.3 million paid to third-party contractors for the drilling work conducted at the Jiama Mine; (iii) ore sample testing fee of US$0.9 million; and (iv) approximately US$0.7 million for construction of water supply infrastructure at the Jiama Mine.

No exploration and evaluation expenditure was recorded for the year ended December 31, 2007 because Jia Ertong did not conduct exploration activities in 2007.

Administrative expenses

During the Track Record Period, administrative expenses primarily consisted of salaries and retirement benefits costs of Skyland Group's administrative and management personnel, office overhead and travel expenses. Most of Skyland Group's administrative expenses were incurred by Huatailong, the operating company of the Skyland Group.

Administrative expenses increased by 8.1%, or US$0.2 million, from US$2.0 million for the six months ended June 30, 2009 to US$2.2 million for the six months ended June 30, 2010, primarily attributable to the increased salaries and benefits costs as Skyland Group hired additional personnel in preparation for the commencement of commercial production at the Jiama Mine.

Administrative expenses increased by 62.6%, or US$1.9 million, from US$3.0 million for the year ended December 31, 2008 to US$4.8 million for the year ended December 31, 2009, primarily attributable to an increase in administrative expenses related to Huatailong as shortly after

Huatailong's acquisition by Jia Ertong in May 2008, it commenced the first phase construction of the Jiama Mine in June 2008 and such construction continued throughout 2009.

Administrative expenses increased from approximately US$4,000 for the year ended December 31, 2007 to US$3.0 million for the year ended December 31, 2008, primarily attributable to an increase in administrative expenses related to Huatailong which was acquired by Jia Ertong in May 2008.

Total comprehensive (loss) income for the year/period

A total comprehensive income of US$0.2 million was recorded for the year ended December 31, 2007, while a total comprehensive loss of US$17.2 million and US$13.0 million was recorded for the years ended December 31, 2008 and 2009, respectively.

For the six months ended June 30, 2009 and 2010, we recorded a total comprehensive loss of US$3.6 million and US$8.5 million, respectively.

Liquidity, Capital Resources and Cash Flows

During the Track Record Period, Skyland Group's liquidity requirements arose principally from the need for working capital to finance its operations and capital expenditure to acquire exploration and mining rights and to finance exploration and mine development, primarily at the Jiama Mine. During the Track Record Period, Skyland Group financed its working capital and capital expenditure through borrowings from related parties and bank loans.

The following table sets out selected cash flow data from Skyland's Group consolidated cash flow statements for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (unaudited)	US$
Net cash flow (used in) from operating activities	(16,194)	(10,263,091)	(2,049,375)	(5,523,624)	21,395,963
Net cash flows from (used in) investing activities	171,348	(36,471,428)	(91,780,840)	(43,328,893)	(32,080,043)
Net cash flows (used in) from financing activities	(156,782)	51,627,852	94,493,994	69,760,334	41,895,201
Net (decrease)/increase in cash and cash equivalents	(1,628)	4,893,333	663,779	20,907,817	31,211,121
Effect of foreign exchange rate changes on cash and cash equivalents	(162)	39	26,583	1,934	(7,004)
Cash and cash equivalents at the beginning of the year/period	2,353	563	4,893,935	4,893,935	5,584,297
Cash and cash equivalents at the end of year/period	**563**	**4,893,935**	**5,584,297**	**25,803,686**	**36,788,414**

Skyland Group's cash flows were not significant in 2007. Accordingly, set out below is a summary discussion of its cash flows for 2008, 2009 and the first half of 2010.

Operating cash flow

For the six months ended June 30, 2010, net cash from operating activities was US$21.4 million, which was primarily attributable to (i) an advance of approximately US$36.8 million from Jinchuan Group Ltd. for purchase of copper concentrates from Huatailong and (ii) an increase in accounts payable and accrued expenses of US$7.8 million, which was in turn primarily attributable to an increase in accounts payable to third-party contractors in relation to mine construction and other work.

For the year ended December 31, 2009, net cash used in operating activities was US$2.0 million, which was primarily attributable to loss before income tax of US$13.0 million, partially offset by an increase in accounts payables and accrued expenses of US$7.4 million, which was in turn primarily attributable to an increase in payments due to third party contractors for the exploration and mine construction work they performed in respect of the Jiama Mine.

For the year ended December 31, 2008, net cash used in operating activities was US$10.3 million, which was primarily attributable to loss before income tax of US$16.9 million, partially offset by an increase in accounts payables and accrued expenses of US$6.3 million which was in turn primarily attributable to an increase in payments due to third-party contractors for the exploration and mine construction work they performed in respect of the Jiama Mine.

Investing cash flow

For the six months ended June 30, 2010, net cash used in investing activities was US$32.1 million, which was primarily attributable to (i) an investment in property, plant and equipment of US$31.0 million in line with the development of the Jiama Mine and (ii) deposits paid for acquisition of property, plant and equipment of US$4.3 million, partially offset by US$3.5 million of government grants received from local governments in Tibet in relation to the construction of property, plant and equipment by Skyland.

For the year ended December 31, 2009, net cash used in investing activities was US$91.8 million, which was primarily attributable to (i) an investment in property, plant and equipment of US$75.0 million in line with the development of the Jiama Mine; (ii) deposits paid for acquisition of property, plant and equipment of US$12.6 million and (iii) an advance payment of US$3.8 million to local government authorities for leasing a parcel land for ore storage and other related purposes.

For the year ended December 31, 2008, net cash used in investing activities was US$36.5 million, which was primarily attributable to (i) an investment in property, plant and equipment of US$16.0 million in line with the development of the Jiama Mine; (ii) intangible asset additions of US$37.6 million primarily comprising the exploration permits Huatailong already held at the time of its acquisition by Jia Ertong; (iii) deposits paid for acquisition of property, plant and equipment of US$8.4 million; and (iv) repayment from an ex-shareholder of Huatailong of US$25.5 million.

Financing cash flow

For the six months ended June 30, 2010, net cash from financing activities was US$41.9 million, which was primarily attributable to (i) advance from related parties of US$31.2 million comprising the proceeds of the loan extended to Huatailong by China National Gold and the shareholder loan from China National Gold Hong Kong and Rapid Results and (ii) the net proceeds of the loan from Bank of China to Huatailong in the amount of US$36.1 million, partially offset by repayment to related companies of US$23.5 million and interest paid of US$2.0 million.

For the year ended December 31, 2009, net cash from financing activities was US$94.5 million, which was primarily attributable to the net proceeds of the loan from Bank of China in the amount of US$95.1 million and advance from related companies of US$47.9 million, partially offset by repayment to related companies of US$44.1 million and interest paid of US$4.5 million.

For the year ended December 31, 2008, net cash from financing activities was US$51.6 million, which was primarily attributable to the net proceeds from the issue of shares of Skyland to Rapid Result and China National Gold Hong Kong in the amount of US$46.4 million and advance from related companies of US$7.3 million comprising primarily the net proceeds of loans from China National Gold and Rapid Result.

Net Current Liabilities

Skyland had net current liabilities of US$0.9 million, US$25.4 million, US$19.5 million and US$36.9 million as of December 31, 2007, 2008 and 2009 and June 30, 2010. See "Risk Factors — Risks relating to Our Business and Industry — We and Skyland Group had net current liabilities and significant net cash outflows from operating and investing activities during the Track Record Period".

As of September 30, 2010, Skyland had net current liabilities of approximately US$42.5 million. The following table sets forth the breakdown information on Skyland's net current liabilities as of September 30, 2010.

	As of September 30, 2010
	(US$)
Current Assets	
Cash and cash equivalents	25,209,505
Trade receivables, other receivable and prepayments	2,379,117
Prepaid lease payments	74,573
Inventories	597,138
	28,260,333
Current Liabilities	
Accounts payable and accrued expenses	27,217,870
Advanced received from a customer	30,839,154
Amounts due to related companies	12,690,050
Tax payable	45,060
	70,792,134
Net Current liabilities	(42,531,801)

Indebtedness

The following table sets forth a summary of Skyland Group's indebtedness as of the dates indicated:

	As of December 31,			As of June 30, 2010	As of September 30, 2010
	2007	2008	2009		
	US$	US$	US$	US$	US$
Bank loan	—	—	95,193,462	131,860,284	153,250,959
Amounts due to related companies	—	40,854,904	45,021,723	54,622,040(1)	47,387,476
Total borrowings	**—**	**40,854,904**	**140,215,185**	**186,482,324**	**200,638,435**
Represented by:					
Current liabilities	—	24,760,326	10,746,976	19,805,386	11,524,091
Non-current liabilities	—	16,094,578	129,468,209	166,676,938	189,114,344
Total Borrowings	**—**	**40,854,904**	**140,215,185**	**186,482,324**	**200,638,435**

(1) These amounts consisted of (i) outstanding loans to China National Gold, China National Gold Hong Kong and Rapid Results and related interest payable and (ii) payable due to us for a portion of the expenses incurred in connection with the Global Offering. See Note 22 to Accountants Report of Skyland in Appendix I-B to this prospectus and disclosure in this subsection below. We confirm that all such amounts due to related parties will be fully settled before, upon or immediately following the Listing and will cease being outstanding thereafter.

Skyland Group's borrowings during the Track Record Period included loans extended by a PRC commercial bank and related companies as follows:

Skyland Group's borrowings in 2008 included only loans extended by related companies, consisting of a US$16.1 million loan from Rapid Result to Skyland and loans of US$23.9 million from China National Gold to Huatailong, all of which are denominated in RMB and are unsecured. The loans from China National Gold were fully repaid in April 2009. The loan from Rapid Result is due in September 2010, bearing interest at a rate of 7.56% per annum.

In March 2009, Huatailong borrowed a loan of RMB650.0 million (US$95.1 million) from the Bank of China. The loan is guaranteed by China National Gold and bears a floating interest rate based on the People's Bank of China base rate. The interest rate at the date of the inception of the loan is 3.96% per annum. The loan is repayable in four installments, and RMB200.0 million, RMB200.0 million, RMB150.0 million and RMB100.0 million will be repayable on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014, respectively.

On July 27, 2009, Skyland borrowed a loan of RMB60 million (US$8.8 million) from China National Gold Hong Kong. This loan bears interest at 7.56% per annum and is due on July 26, 2011.

On October 23, 2009, Jia Ertong borrowed a revolving loan of RMB160.0 million (US$23.4 million) from China National Gold. This loan bears interest at a rate of 5.40% per annum and is due on October 22, 2011. This loan was fully repaid in April 2010.

In November 2009, Skyland borrowed a loan of US$2.0 million from China National Gold and Rapid Results. This loan is interest free and is due in November 2011.

More recently, Skyland Group incurred additional borrowings, consisting of (i) a loan of RMB50 million (approximately US$7.3 million) extended to Huatailong by China National Gold on January 14, 2010, which bears interest at 4.86% per annum. This loan is due in July 2010 and has been repaid; and (ii) a borrowing of RMB50.0 million (approximately US$7.3 million) by Huatailong from

Bank of China on January 27, 2010 under a loan facility, which is guaranteed by China National Gold, bears a floating interest based on the People's Bank of China base rate (with an initial interest at 3.96% per annum) and is due on December 28, 2011.

In March and April 2010, Skyland borrowed a shareholder loan from China National Gold Hong Kong and Rapid Results respectively. On March 16, 2010, Skyland borrowed approximately US$12.0 million from China National Gold Hong Kong. It bears interest at a rate of 5.40% per annum and is due on March 15, 2012. On April 13, 2010, Skyland borrowed approximately US$11.5 million from Rapid Results. It bears interest at a rate of 5.40% per annum and is due on April 12, 2012. Skyland has used the proceeds of these two shareholder loans to repay the RMB160.0 million revolving loan extended to Jia Ertong by China National Gold.

On June 4, 2010, Huatailong entered into a syndicated loan facility agreement with various banks with a total amount of RMB750 million (approximately US$110.4 million), which is available for drawdown up to June 4, 2013. The loan is guaranteed by China National Gold, and its proceeds will be used for the Qianshan mining construction project and the upgrading of the tailings storage facilities a the Jiama Mine. A loan of approximately RMB327.0 million (approximately US$49.0 million) was drawn down by September 30, 2010. The loans under the syndicated loan facility will bear interest at a floating rate based on the PBOC base rate (which was 3.96% per annum at the date of the inception of the loan) and will be repaid in four annual installments starting from 2013, with RMB100 million, RMB150 million, RMB200 million and RMB300 million repayable in June 2013, June 2014, June 2015 and June 2016, respectively.

Skyland Group is subject to various conditions and covenants under the terms of some of its financing agreements. Under the loan facility agreement with Bank of China, Huatailong is required to obtain lenders' consents prior to carrying out certain activities and entering into certain transactions such as mergers, acquisitions, joint ventures, reorganization, dissolution, reduction of registered capital, disposal of material assets or incurrence of material additional debt. In addition, Huatailong is prohibited from (i) declaring and distributing dividends before repaying amounts due (including principal and interest) in the same fiscal year and (ii) repaying any shareholder's loan before fulfilling its principal repayment obligation for the first year after taking out the loan unless it has increased its registered capital in an amount equal to the principal obligation. Also, under the RMB750 million syndicate loan facility agreement, Huatailong may be required to repay the relevant loan borrowed under the facility agreement if its debt and equity ratio increases by 10% after the drawdown of the loan. The prior consents of the lenders may also be required if Huatailong (i) creates encumbrances on its assets; (ii) sells, leases, transfers or otherwise dispose of any assets of RMB5 million or more in one or a series of transactions; (iii) conducts any merger, dissolution, sale of shares, external investments, incurrence of material debts or outsourcing of operations to third parties; or (iv) reduces its registered capital. Huatailong has undertaken not to provide guarantees in excess of 50% of its net assets. During the term of the syndicate loan facility agreement, Huatailong is prohibited from distributing any dividends for any year if it does not have any post-tax income or incurs a loss for the year, its post-tax income is insufficient to cover the accumulated deficit, or its income before tax for the year is insufficient to pay the principal, interest and other fees that are due to the lenders during the year or payable in the next due date subsequent to the end of the year. Moreover, the banks may cease lending additional amounts or require the repayment of outstanding borrowings if (i) the Qianshan mining construction project is not completed or the upgraded tailings storage facility has not started pre-commercial trial operations by June 2011 or (ii) Huatailong fails to have internal cash resources of approximately RMB1,886.9 million and (a) did not invest internal cash resources of RMB286.9 million in the later phase of the Qianshan mining construction project and the upgrading project for the tailings storage facility by December 2010 or (b) did not invest the required internal cash resources to commence the transportation system construction and the second phase of the processing facility at the Jiama Mine by December 2011.

Save as disclosed in this section headed "Financial Information — Summary Historical Financial Information of Skyland Group — Indebtedness", our Directors have confirmed that there has been no material change to our indebtedness since September 30, 2010 up to and including the Latest Practicable Date.

Except as described herein, as at September 30, 2010, being the latest practicable date for determining our indebtedness, the Skyland Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, pledges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Non-controlling Interests

As of December 31, 2009 and June 30, 2010, Skyland Group recorded non-controlling interests of approximately US$0.4 million as part of owners' equity while there were no non-controlling interests as of December 31, 2007 and 2008. The US$0.4 million non-controlling interests as of December 31, 2009 represented the capital contribution from the Jiama Economic Cooperative of Metrorkongka County (墨竹工卡縣甲瑪經濟合作社) to Metrorkongka County Jiama Industry and Trade Co., Ltd. (墨竹工卡縣甲瑪工貿有限公司) ("Jiama Industry and Trade"), a joint venture between Huatailong and the Jiama Economic Cooperative of Metrorkongka County. See "— Contractual Obligations and Capital Commitments — Capital commitments".

Contractual Obligations and Capital Commitments

The following table sets forth the scheduled maturities of Skyland's material contractual obligations as of June 30, 2010:

Material contractual obligations	Less than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
	US$	US$	US$	US$
Borrowings	19,805,386	166,676,938	—	186,482,324
Capital commitments	58,200,580	—	—	58,200,580
Operating lease commitments	130,051	209,311	361,808	701,170
Total	**78,136,017**	**166,886,249**	**361,808**	**245,384,074**

Capital commitments

Skyland Group's capital commitments related primarily to capital expenditures in respect of purchases of equipment for the ore processing facility and construction work at the Jiama Mine.

In October 2009, Huatailong entered into agreements with the Land Administration Bureau of Metrorkongka County (墨竹工卡縣土管局) to acquire land use rights for five parcels of land located in Tibet for the construction of processing plant and related facilities. The land use rights certificates were issued in October and November 2009. The total consideration paid by Huatailong was approximately RMB25.0 million (approximately US$3.7 million).

On November 11, 2009, Huatailong entered into an agreement with the Jiama Economic Cooperative of Metrorkongka County (墨竹工卡縣甲瑪經濟合作社), an independent third party to Huatailong, to establish a joint venture Jiama Industry and Trade in Tibet, with registered capital of RMB5.0 million, to engage in mining transport and logistics business. Jiama Industry and Trade was subsequently incorporated on December 1, 2009. Huatailong holds 51% equity interest in Jiama Industry and Trade. The total investment (including the RMB5.0 million registered capital) amounting to RMB19.0 million will be contributed by the two parties according to the percentage of their equity interests in Jiama Industry and Trade. Under the relevant joint venture agreement, Huatailong agreed to provide an unsecured and interest free loan to the Jiama Economic Cooperative of Metrorkongka County to pay for its contribution of RMB9.3 million and the Jiama Economic Cooperative of Metrokongka County will repay the loan with dividends distributed to it by Jiama Industry and Trade.

Skyland Group's capital commitment as of June 30, 2010 amounted to US$58.2 million.

Operating leases

Skyland Group leases certain office premises and lands in the PRC under operating lease arrangements, with leases negotiated for terms ranging from three to twenty years. Skyland Group did not have any outstanding commitments payable as of December 31, 2007. As of December 31, 2008 and 2009 and June 30, 2010, it had outstanding commitments payable under non-cancellable operating leases in respect of rented office premises and parcels of land in the PRC which fall due as follows:

	As of December 31,		As of June 30,
	2008	2009	2010
	US$	US$	US$
Within one year	50,859	130,664	130,051
Between two to five years	158,897	251,399	209,311
More than five years	359,494	391,904	361,808
Total	**569,250**	**773,967**	**701,170**

The increase in operating lease commitments of Skyland Group as of December 31, 2009 as compared to those as of December 31, 2008 was primarily due to the leasing of a land parcel for ore storage and related production purposes for a five year terms. The decrease in operating lease commitments of Skyland Group as of June 30, 2010 as compared to those as of December 31, 2009 was primarily due to the reduction of rent for certain land and buildings.

WORKING CAPITAL AND CAPITAL EXPENDITURES

Working Capital

As of December 31, 2009, we had net current liabilities of US$9.4 million as compared to net current liabilities of US$8.2 million as of December 31, 2008, in part because we classified a significant portion of our gold-in-process inventory as non-current assets. As of December 31, 2009, we had cash and cash equivalents of US$24.0 million which was a net increase of US$11.8 million from our cash and cash equivalents of US$12.1 million as of December 31, 2008. We had net cash inflows from operating activities for the year ended December 31, 2009 while we incurred significant net cash outflows from operating activities for the year ended December 31, 2008. In addition, we had a 175.9% increase in revenue from US$29.4 million for the year ended December 31, 2008 to US$81.0 million for the year ended December 31, 2009. As of June 30, 2010, we had net current assets of US$12.9 million. As for Skyland Group, its net current liabilities decreased from US$25.4 million as of December 31, 2008 to US$19.5 million as of December 31, 2009. As of June 30, 2010, Skyland Group had net current liabilities of US$36.9 million, which was primarily attributable to the payments due to third-party contractors and other parties in relation to the increased construction activities at the Jiama Mine. Pursuant to the copper concentrate purchase and sale contract entered into between Huatailong and Jinchuan Group Ltd. in February 2010, Jinchuan Group Ltd. paid the sum of RMB250 million as advance payment. China National Gold has provided guarantee for the performance and fulfillment of Haitailong's obligations under the sales and purchase contract. However, in the case of the renewal of the sales and purchase contract with Jinchuan Group upon its expiration on January 15, 2011, we will not seek any guarantee from China National Gold in relation to such renewed sales and purchase contract. See "Business — Sales and Customers". Also, Huatailong received a RMB50 million working capital loan from Bank of China on January 27, 2010. Furthermore, the Skyland Group obtained syndicated loan facilities amounting to RMB750 million in June 2010. In addition, we intend to use a portion of the net proceeds from the Global Offering to fund the working capital requirements of the Enlarged Group after the completion of the Global Offering. See "Future Plans and Use of Proceeds." As the CSH Mine has been ramping up its production since the installation of a new crushing facility in August 2009 and the Jiama Mine commenced commercial production in September 2010, we expect the working capital position of our Company and Skyland to continue to improve.

We expect to finance the working capital requirements of the Enlarged Group through cash in hand and to be generated from operations, available banking facilities, shareholder loans and the net proceeds from the Global Offering. Taking into account the following cash resources and other relevant factors, the Directors believe that the Enlarged Group has available sufficient working capital for 125% of its present requirements for at least the next 12 months from the date of this prospectus:

- the estimated net proceeds from the Global Offering;
- the cash flows from operating activities;
- the interest and loan repayments;
- the cash flows for costs on exploration and development;
- the forecast balance of cash and cash equivalent at each month end; and
- the net cash inflows/outflows of operating activities and financing activities expected to be incurred in each relevant month.

Capital Expenditures

During the Track Record Period, our capital expenditures primarily related to the acquisition of exploration licenses and land use rights, construction of mining infrastructure and ore processing facilities and purchases of processing machinery and equipment for the CSH Mine. Skyland Group's capital expenditures primarily related to acquisition of exploration licenses and land use rights, construction of open-pit mining infrastructure and processing facilities and purchases of relevant machinery and equipment for the Jiama Mine.

Following the Global Offering, we will continue to incur capital expenditures to grow our business. Our planned future capital expenditures in the foreseeable future primarily relates to the expansion of the leach pad and the construction of an ore stacking conveyor system at the CSH Mine, further construction of the open-pit and underground mine infrastructure and further expansion of the ore processing facilities at the Jiama Mine. Our current plans with respect to future capital expenditures are subject to changes depending on a variety of factors, including the progress of our capital expenditure projects, the evolution of our business plan, future acquisitions, the then prevailing economic and market conditions and other financial considerations.

The following table sets forth capital expenditures for the CSH Mine during the Track Record Period as well as the current estimate of our capital expenditures for the CSH Mine for the years ending December 31, 2010, 2011 and 2012:

	For the year ended/ending December 31,					
	2007	2008	2009	2010E	2011E	2012E
	US$	US$	US$	US$	US$	US$
Pre-stripping	20,781,095	6,250,322	9,949,133	—	—	—
Leach pad	4,590,395	—	4,532,347	4,141,670	—	—
Processing	4,958,096	432,124	1,555,939	—	—	—
Crushing and related	—	28,045,590	43,531,392	5,254,031	—	—
Exploration	4,555,267	425,742	110,494	—	—	—
Others	1,061,854	395,265	285,688	—	—	—
Total	**35,946,707**	**35,549,043**	**59,964,993**	**9,395,701**	**—**	**—**

The following table sets forth Skyland Group's capital expenditures during the Track Record Period as well as the current estimate of the capital expenditures for the years ending December 31, 2010, 2011 and 2012:

	For the year ended/ending December 31,					
	2007	2008	2009	2010E	2011E	2012E
	US$	US$	US$	US$	US$	US$
Property, plant and equipment	—	17,972,590	80,970,625	91,947,000	81,574,000	43,923,865
Land acquisition	—	—	3,657,545	2,928,258	—	—
Acquisition of exploration licenses	—	42,090,297	—	—	—	—
Others	—	22,451	60,531	6,149,341	8,931,186	9,370,425
Total	**—**	**60,085,338**	**84,688,701**	**101,024,599**	**90,505,186**	**53,294,290**

RECENT DEVELOPMENTS

As a listed company on the TSX in Canada, we are required to publish quarterly unaudited interim financial information prepared in accordance with IFRS in compliance with applicable Canadian securities regulatory requirements. Because we released certain interim financial statements regarding the third quarter of 2010 and related management's discussion and analysis prior to the date of this prospectus, we have included these interim condensed consolidated financial statements and related management's discussion and analysis as Appendix I-D to this prospectus. The quarterly condensed consolidated financial statements included in "Appendix I-D — Unaudited Interim Financial Information of Our Group" to this prospectus were prepared in accordance with IFRS and have been reviewed by our reporting accountants in accordance with International Standards on Review Engagements 2410 "Review of the Interim Financial Information Performed by the Independent Auditor of the Entity". Other than as disclosed in note 3 of our unaudited interim financial information in Part A of Appendix I-D to the prospectus, the accounting policies used in our unaudited interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended December 31, 2009. These quarterly condensed consolidated financial statements and related management's discussion and analysis have been included in our report published on SEDAR.

Results of Operations

The following table sets forth selected condensed consolidated statement of comprehensive income information of our Group for the three months ended September 30, 2009 and 2010. This selected information is derived from the unaudited condensed consolidated statement of comprehensive income included in Appendix I-D to this prospectus. You should read the following summary information in conjunction with the unaudited condensed consolidated financial statements and related management's discussion and analysis included in Appendix I-D to this prospectus.

	Three months ended September 30,	
	2009	2010
	US$	US$
	(unaudited)	
Revenues	**21,048,168**	**46,631,430**
Cost of sales	14,160,124	23,179,415
Mine operating earnings	6,888,044	23,452,015
Expenses		
General and administrative	1,340,391	1,396,422
Exploration and evaluation expenditure	395,567	68,727
	1,735,958	1,465,149
Income from operations	5,152,086	21,986,866
Other (expenses) income		
Foreign exchange loss	(3,310,667)	(631,287)
Interest income	292	13,653
Listing expenses	(925,991)	(514,299)
Finance costs	(1,642,879)	(1,449,810)
Fair value change on warrant liabilities	(1,816,820)	—
	(7,696,065)	(2,581,743)
(Loss) income before income tax	(2,543,979)	19,405,123
Income tax expense	936,877	5,580,524
Net (loss) income and comprehensive (loss) income for the period	**(3,480,856)**	**13,824,599**
Attributable to		
Non-controlling interest	272,389	581,480
Owners of the Company	(3,753,245)	13,243,119
	(3,480,856)	13,824,599

Revenue. Revenue increased by US$25.6 million, from US$21.0 million for the three months ended September 30, 2009 to US$46.6 million for the three months ended September 30, 2010. The increase was due to an increase in the ounces of gold sold by the CSH Mine and an increase in the sales price of gold. For the three months ended September 30, 2010, the CSH Mine produced a total of 39,520 ounces of gold and sold 37,976 ounces of gold at a weighted average price of US$1,228 per ounce while for the three months ended September 30, 2009, the CSH Mine produced a total of 28,543 ounces of gold and sold 21,739 ounces of gold at a weighted average price of US$968 per ounce.

Production increased primarily due to the utilization of the crushing facility which was installed in August 2009. The crushing facility greatly reduced the ore size placed on the leach pad so as to allow more gold to be leached, resulting in higher gold production for the three months ended September 30, 2010 as compared to the three months ended September 30, 2009.

Cost of sales. Cost of sales increased by 63.7%, or US$9.0 million, from US$14.2 million for the three months ended September 30, 2009 to US$23.2 million for the three months ended September 30, 2010. Cost of sales as a percentage of revenue decreased from 67.3% for the three months ended September 30, 2009 to 49.7% for the three months ended September 30, 2010, primarily due to the increase in the sales price of gold at the CSH Mine and our efforts in cost control. Depreciation and depletion increased by 66.1%, or US$1.1 million, from US$1.6 million for the three months ended September 30, 2009 to US$2.7 million for the three months ended September 30, 2010 primarily because the crushing facility commenced commercial production in late March 2010.

Mine operating earnings. As a result of the foregoing, mine operating earnings increased from US$6.9 million for the three months ended September 30, 2009 to US$23.5 million for the three months ended September 30, 2010.

Expenses. Expenses decreased by 15.6% from US$1.7 million for the three months ended September 30, 2009 to US$1.5 million for the three months ended September 30, 2010.

- *General and administrative expenses*: general and administrative expenses increased from US$1.3 million for the three months ended September 30, 2009 to US$1.4 million for the three months ended September 30, 2010.
- *Exploration and evaluation expenditure:* exploration and evaluation expenditure decreased from US$0.3 million for the three months ended September 30, 2009 to US$69,000 for the three months ended September 30, 2010 as our overall drilling activities at the CSH Mine decreased in the third quarter of 2010 as compared to the third quarter of 2009.

Income from operation. As a result of the foregoing, income from operations increased by US$16.8 million, from US$5.2 million for the three months ended September 30, 2009 to US$22.0 million for the three months ended September 30, 2010.

Other (expenses) income. We incurred other expenses of US$2.6 million for the three months ended September 30, 2010 as compared to the other expenses of US$7.7 million for the three months ended September 30, 2009.

- *Foreign exchange loss:* Foreign exchange loss decreased by 80.9%, or US$2.7 million, from a loss of US$3.3 million for the three months ended September 30, 2009 to a loss of US$0.6 million for the three months ended September 30, 2010. The decrease was primarily attributable to the greater stability of the exchange rates between Canadian dollar and US dollar coupled with the decrease in the amount of Canadian dollar-denominated promissory notes outstanding.
- *Fair value change on warrant liabilities.* We had a loss of US$1.8 million in fair value of warrant liabilities for the three months ended September 30, 2009 as compared to nil in fair value change on warrant liabilities for the three months ended September 30, 2010 as all the outstanding warrants were exercised by May 17, 2010.
- *Finance costs:* Finance costs decreased by 11.8%, or US$0.2 million, from US$1.6 million for the three months ended September 30, 2009 to US$1.4 million for the three months

ended September 30, 2010 due to a decrease in effective interest, partially offset by a decrease in capitalized interest expense. Effective interest decreased from US$2.7 million in the third quarter of 2009 to US$1.4 million in the third quarter of 2010. As of June 26, 2010, the cost of the warrants issued to the promissory note holders had all been expensed. As a result, the effective interest rate on the remaining CAD7.5 million promissory note (with its maturity extended to June 26, 2011 from June 26, 2010 under the original terms) decreased to its annual interest rate of 12%. Of effective interest, nil was capitalized in the third quarter of 2010 as compared to the capitalized interest of US$1.0 million in the third quarter of 2009. Capitalized interest decreased primarily because the crushing facility was fully in operation during the third quarter of 2010, thus requiring the related interest to be expensed rather than capitalized.

Income tax expense. Income tax expense increased from US$0.9 million for the three months ended September 30, 2009 to US$5.6 million for the three months ended September 30, 2010 primarily due to an increase in taxable income during the period.

Net income (loss) and/comprehensive income (loss) attributable to the owners of the Company: Net income (loss) and comprehensive income (loss) attributable to the owners of the Company increased from a loss of US$3.8 million for the three months ended September 30, 2009 to income of US$13.2 million for the three months ended September 30, 2010.

Selected Condensed Consolidated Statement of Financial Position Items

Accounts receivables. Accounts receivable increased from US$2.1 million as of June 30, 2010 to US$6.2 million as of September 30, 2010 primarily due to an increase in the amount due from China National Gold, reflecting the increased volume of gold delivered to China National Gold at the end of September 2010 in order to take advantage of the then high gold price and avoid risking a decrease in gold prices if we waited to deliver the gold after the seven-day long Chinese National Day Holiday starting on October 1, 2010.

Prepaid expenses and deposits. Prepaid expenses and deposits increased from US$2.4 million as of June 30, 2010 to US$3.9 million as of September 30, 2010 primarily due to the increased deposits for mine supplies and services.

Inventory. Inventory amounted to US$45.1 million as of September 30, 2010 as compared to US$45.9 million as of June 30, 2010. As of September 30, 2010, inventory primarily consisted of gold-in-process.

Accounts payable and accrued expenses. Accounts payable and accrued expenses increased from US$39.8 million as of June 30, 2010 to US$44.4 million as of September 30, 2010 primarily due to the increase in production activities in the third quarter of 2010.

Publication of Quarterly Financial Information

We are required to publish quarterly unaudited interim financial information in accordance with applicable Canadian securities regulatory requirements. Upon our Listing on the Stock Exchange, we will publish quarterly unaudited interim financial information at the same time in Hong Kong in accordance with the Listing Rules.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we and the Skyland Group did not have material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any material off-balance sheet arrangements.

DISTRIBUTABLE RESERVES

As of the Latest Practicable Date, we had no reserve available for distribution to the shareholders of our Company.

DISCLOSURE UNDER RULES 13.11 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, save as disclosed in the prospectus, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.11 to 13.19 of the Listing Rules.

DIVIDEND AND DIVIDEND POLICY

We have not paid any dividend since our incorporation. We do not currently have a fixed dividend policy. Our Directors will determine any future dividend policy on the basis of, among others, our results of operations, cash flows and financial conditions, operating and capital requirements, the amount of distributable profits and all other relevant factors.

Subject to the BCBCA, the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and 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, fully paid Shares, 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.

In addition, we and the Skyland Group are subject to various customary conditions and covenants under the terms of our financing agreements, including those restricting our and the Skyland Group's ability to declare and distribute dividends. Such financing agreements include:

- Under the indenture for the outstanding promissory notes held by China National Gold, we are required to obtain China National Gold's consents prior to distributing dividends. See "Financial Information — Historical financial information of our Group — Indebtedness — Restrictive covenants".

- Under the RMB700 million loan facility agreement with Bank of China, Huatailong is prohibited from declaring and distributing dividends before repaying amounts due (including principal and interest) in the same fiscal year.

- The RMB750 million syndicate loan facility agreement with Bank of China and two other PRC banks contains restrictive covenants that prohibit Huatailong from distributing any dividends for any year if (i) it does not have any post-tax income or incurs a loss for the year, (ii) its post-tax income is insufficient to cover the accumulated deficit, or (iii) its income before tax for the year is insufficient to pay the principal, interest and other fees that are due to the lenders during the year or payable in the next due date subsequent to the end of the year. See "Financial Information — Summary historical financial information of Skyland Group — Indebtedness".

Therefore, prior to the repayment of the promissory notes in full, we will not be able to declare or distribute any dividends without the prior consent of China National Gold. We intend to repay such promissory notes in full with a portion of the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds". Similarly, in the event of a continuing payment default under the loan agreement with Bank of China, or, in the event that Huatailong fails to meet the requirements under the abovementioned restrictive covenants of the syndicate loan facility agreement, Huatailong will not be able to declare or distribute dividends in the relevant fiscal year, which in turn could materially and adversely affect our cash flow position and significantly limit our ability to make any dividend or other distributions to our shareholders. Huatailong's RMB700 million loan facility agreement with Bank of China has been completely drawn down and the total borrowings of RMB700 million remained outstanding as of September 30, 2010. The terms of loans range from two years to 69 months and the repayment of the last installment is due and currently expected to be made on December 28, 2014. The total amount of outstanding borrowings of Huatailong under the RMB750 million syndicate loan facility agreement with Bank of China and two other PRC banks was approximately RMB327.0 million as of September 30, 2010. The term of the loan was six years and the repayment of the last installment is due and currently expected to be made in June 2016.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group and the Skyland Group, since June 30, 2010 (being the date to which the latest audited financial statements of each of our Group and the Skyland Group were made up).

DISCLAIMER

Save as otherwise disclosed in this prospectus and apart from intra-group liabilities, if any, we and the Skyland Group did not have any mortgages or charges outstanding as of the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Skyland Acquisition and the Global Offering as if they had been taken place on June 30, 2010 and based on the unaudited pro forma consolidated net assets of the Group as of June 30, 2010 as shown in the Unaudited Pro Forma Financial Information of the Group, the text of which is set out in Appendix I-C to the Prospectus, and adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group after the completion of the Skyland Acquisition and the Global Offering or at any future dates.

	Unaudited pro forma consolidated net tangible assets attributable to owners of the Company as of June 30, 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share(3)
	US$	US$	US$	US$
Based on an Offer Price of HK$37.21 per Offer Share	808,260,845	245,766,000	1,054,026,845	2.66
Based on an Offer Price of HK$44.96 per Offer Share	808,260,845	297,481,000	1,105,741,845	2.79

Notes:

(1) The unaudited pro forma consolidated net tangible assets attributable to the owners of the Company as of June 30, 2010 has been extracted from the Appendix I-C to the Prospectus, representing unaudited pro forma consolidated net assets attributable to owners of the Company as at June 30, 2010 of US$851,487,905 after deducting intangible assets of US$43,227,060.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$37.21 and HK$44.96 per Share, being the lower end and higher end of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by the Group as described in the section headed "Underwriting" in the Prospectus (assuming the Over-allotment Option is not exercised). The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into US$ at an exchange rate of HK$1.00 to US$0.13 prevailing on November 10, 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to US$, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived after adjustments referred to in the preceding paragraphs and on the basis of 395,931,753 Shares (representing an aggregate of 172,019,459 Shares in issue as of September 30, 2010, 170,252,294 Shares to be issued for Skyland Acquisition and 53,660,000 Shares to be issued for Global Offering) expected to be in issue immediately after the completion of the Skyland Acquisition and the Global Offering in the future, (assuming the Over-allotment Option is not exercised). During the period from July 1, 2010 to September 30, 2010, 195,000 Shares were issued and the impact on the unaudited pro forma adjusted consolidated net tangible assets per Share is minimal.

(4) By comparing the valuation of the property interests of the Group as set out in Appendix IV to the Prospectus after taking into account a reference value of RMB130,750,000 (equivalent to US$19,568,000) for certain properties without obtaining proper title certificates and the unaudited net book value of these properties as of September 30, 2010, the valuation surplus was approximately US$3,932,000. The valuation surplus of the property interests will not be incorporated in the Group's consolidated financial statements in the future. If the valuation surplus was to be included in the consolidated financial statements, an additional depreciation charge of approximately US$163,800 per annum would be incurred.

PROFIT FORECAST OF THE ENLARGED GROUP FOR THE YEAR ENDING DECEMBER 31, 2010

We forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the net profit attributable to the shareholders of the Enlarged Group for the year ending December 31, 2010 is expected to be not less than US$23.4 million in accordance with IFRS.

The forecast is presented on a basis consistent in all material respects with the accounting policies currently adopted by us as set out in the "Accountants' Report" in Appendix I-A and "Accountants' Report of Skyland" in Appendix I-B to this prospectus. The forecast is derived on the basis that we will wholly own the Skyland Group upon completion of the Global Offering and Skyland Acquisition (which will be completed concurrently), which is currently expected to occur by the end of November 2010. Therefore, the operating results of Skyland Group for December 2010 are consolidated into the forecast of the Enlarged Group for the year ending December 31, 2010.

The unaudited pro forma forecast basic earnings per Share for the year ending December 31, 2010 is expected to be not less than US$0.10, which has been calculated based on the forecast net profit attributable to the shareholders of the Company for the year ending December 31, 2010 divided by 239,277,424 Share assuming that the Global Offering had been completed since January 1, 2010 and no outstanding share option will be exercised during the period from the date of this Prospectus to December 31, 2010, without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and Pre-IPO Share Options.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns has valued our property interests as of September 30, 2010. Particulars of the property interests are set out in Appendix IV to this prospectus. As required under Rule 5.07 of the Listing Rules, the table below sets forth the reconciliation of the fair value as stated in the property valuation report in Appendix IV to this prospectus and the net book value of our property interests contained in the Accountants' Report in Appendix I-A to this prospectus as of June 30, 2010:

The Group

	RMB in millions
Net book value of property interest as of June 30, 2010 (audited) (1)	323.8
Movements for the period ended from July 1, 2010 to September 30, 2010	
— Add: Additions during the period from July 1, 2010 to September 30, 2010 (unaudited)	6.4
— Less: Depreciation during the period from July 1, 2010 to September 30, 2010 (unaudited)	(5.1)
Net book value of property interest as of September 30, 2010 (unaudited)	325.1
Valuation surplus as of September 30, 2010	26.3
Valuation as of September 30, 2010 as per Appendix IV to this document(2)	351.4

(1) This amount is presented in RMB in this table using an exchange rate of US$1.00:RMB6.7909; and

(2) For the purpose of this reconciliation, the value of RMB130,750,000 of the properties without title certificates is included.

The Skyland Group

	RMB in millions
Net book value of property interest as of June 30, 2010 (audited) [(1)]	252.8
Movements for the period ended from July 1, 2010 to September 30, 2010	
— Add: Additions during the period from July 1, 2010 to September 30, 2010 (unaudited)	43.3
— Less: Depreciation during the period from July 1, 2010 to September 30, 2010 (unaudited)	(0.7)
Net book value of property interest as of September 30, 2010 (unaudited)	295.4
Valuation surplus as of September 30, 2010	9
Valuation as of September 30, 2010 as per Appendix IV to this document[(2)]	304.4

(1) This amount is presented in RMB in this table using an exchange rate of US$1.00:RMB6.7909; and

(2) For the purpose of this reconciliation, the value of RMB164,606,000 of the properties without title certificates is included.

THE CORNERSTONE PLACING

We have entered into agreements with six cornerstone investors (the "Cornerstone Investors" and each a "Cornerstone Investor") who in aggregate have agreed to subscribe for up to approximately US$65 million worth of our Shares at the Offer Price (collectively, the "Cornerstone Placing"). Assuming an Offer Price of HK$41.09 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors will be approximately 12,264,200, which is approximately 3.1% of the Shares outstanding, upon completion of the Global Offering and the Skyland Acquisition and 22.9% of the Offer Shares (assuming the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement), respectively. Each of the Cornerstone Investors is an independent third party not connected with us and none of them will be a substantial shareholder of our Company upon Listing and during the six-month lock-up period as described below.

The Cornerstone Placing forms part of the International Offering. None of the Cornerstone Investors will subscribe for any Offer Shares under the International Offering other than pursuant to the respective cornerstone investor agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors has or will have a representative on our Board. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus.

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any Shares subscribed for pursuant to the respective cornerstone investor agreement (or any interest in any company or entity holding any of the Shares if as a result of that disposal, such company or entity would cease to be an affiliate of the Cornerstone Investor). Each Cornerstone Investor may transfer the Shares so subscribed for in certain limited circumstances, such as transfer to a wholly owned subsidiary or an affiliate of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

OUR CORNERSTONE INVESTORS

Cornerstone Investor	Investment amount	Number of Shares[1]	Percentage of total number of Offer Shares[1]	Percentage of interest in our issued capital immediately following the Global Offering and the completion of the Skyland Acquisition[1]	Number of Shares[2]	Percentage of total number of Offer Shares[2]	Percentage of interest in our issued capital immediately following the Global Offering and the completion of the Skyland Acquisition[2]
	(US$ in million)						
Chow Tai Fook Nominee Limited	15	2,586,200	4.8%	0.7%	3,124,900	5.8%	0.8%
Golden Eagle International Retail Group Limited	10	1,724,100	3.2%	0.4%	2,083,200	3.9%	0.5%
ICBC International Strategic Investment Limited	10	1,724,100	3.2%	0.4%	2,083,200	3.9%	0.5%
Jinchuan Group (Hong Kong) Resources Holdings Limited	10	1,724,100	3.2%	0.4%	2,083,200	3.9%	0.5%
Surewit Finance Limited	10	1,724,100	3.2%	0.4%	2,083,200	3.9%	0.5%
Winkey Limited	10	1,724,100	3.2%	0.4%	2,083,200	3.9%	0.5%

Notes:

1 Rounded down to the nearest board lot of Shares and assuming a maximum Offer Price of HK$44.96 and assuming the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

2 Rounded down to the nearest board lot of Shares and assuming a minimum Offer Price of HK$37.21 and assuming the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

We set out below a brief description of each of our Cornerstone Investors:

Chow Tai Fook Nominee Limited

Chow Tai Fook Nominee Limited ("CTF") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$15 million at the Offer Price. Assuming a mid-point Offer Price of HK$41.09, CTF will subscribe for 2,830,200 Shares, which represents approximately (i) 0.7% of the Shares issued and outstanding upon completion of the Global Offering and the completion of the Skyland Acquisition and (ii) 5.3% of the total number of Offer Shares, both assuming that the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

CTF is a company incorporated in Hong Kong and is principally engaged in the investment holding business. It is wholly and beneficially owned by Dato' Dr. Cheng Yu-Tung.

Golden Eagle International Retail Group Limited

Golden Eagle International Retail Group Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$10 million at the Offer Price. Assuming a mid-point Offer Price of HK$41.09, Golden Eagle International Retail Group Limited will subscribe for 1,886,800 Shares, which represents approximately (i) 0.5% of the Shares issued and outstanding upon completion of the Global Offering and the completion of the Skyland

Acquisition and (ii) 3.5% of the total number of Offer Shares, both assuming that the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

Mr. Wang Hung, Roger ("Mr. Wang") is the controlling shareholder of Golden Eagle International Retail Group Limited. Mr. Wang is the chairman and executive director of Golden Eagle Retail Group Ltd. (Stock Code: 3308) ("Golden Eagle"), a company listed on the Main Board of the Stock Exchange. Golden Eagle develops and manages real estate and department stores and had a total Gross Sales Proceeds (GSP) exceeding RMB8 billion in 2009. Mr. Wang is also the Chairman and Chief Executive Officer of Transpacific Management Co., a company established and based in Los Angeles, California since 1978 which provides management services to its investment portfolios within Southern California.

ICBC International Strategic Investment Limited

ICBC International Strategic Investment Limited ("ICBCI Strategic") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$10 million at the Offer Price. Assuming a mid-point Offer Price of HK$41.09, ICBCI Strategic will subscribe for 1,886,800 Shares, which represents approximately (i) 0.5% of the Shares issued and outstanding upon completion of the Global Offering and the completion of the Skyland Acquisition and (ii) 3.5% of the total number of Offer Shares, both assuming that the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

ICBCI Strategic is a limited liability company incorporated in Hong Kong with its principal business in investment. ICBCI Strategic is an indirectly wholly-owned subsidiary of Industrial and Commercial Bank of China Limited, the shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange.

Jinchuan Group (Hong Kong) Resources Holdings Limited

Jinchuan Group (Hong Kong) Resources Holdings Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$10 million at the Offer Price. Assuming a mid-point Offer Price of HK$41.09, Jinchuan Group (Hongkong) Resources Holdings Limited will subscribe for 1,886,800 Shares, which represents approximately (i) 0.5% of the Shares issued and outstanding upon completion of the Global Offering and the completion of the Skyland Acquisition and (ii) 3.5% of the total number of Offer Shares, both assuming that the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

Jinchuan Group (Hong Kong) Resources Holdings Limited, an investment holding company incorporated in Hong Kong and a wholly-owned subsidiary of Jinchuan Group Limited. Jinchuan Group Limited (金川集團有限公司), a company incorporated in the PRC and a state-owned enterprise held as to approximately 69.57% by the People's Government of Gansu Province, as to approximately 16.51% by the China Development Bank, as to approximately 5.94% by Baosteel Group Corporation, as to approximately 5.94% by Taiyuan Iron & Steel (Group) Co., Ltd. and as to approximately 2.04%

by Gansu Province Industrial and Transport Investment Limited (甘肅省工業交通投資公司). Jinchuan Group Limited is one of the leading nickel and cobalt producers in the world and one of the largest producers of copper, nickel, cobalt and platinum group of metals in the PRC.

Jinchuan Group Limited is currently Huatailong's only customer and is expected to be one of our largest customers upon completion of the Global Offering and the Skyland Acquisition.

Surewit Finance Limited

Surewit Finance Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$10 million at the Offer Price. Assuming a mid-point Offer Price of HK$41.09, Surewit Finance Limited will subscribe for 1,886,800 Shares, which represents approximately (i) 0.5% of the Shares issued and outstanding upon completion of the Global Offering and the completion of the Skyland Acquisition and (ii) 3.5% of the total number of Offer Shares, both assuming that the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

Dr. Lo Ka Shui ("Dr. Lo") is the controlling shareholder of Surewit Finance Limited. Dr. Lo has been a member of the board of Great Eagle Holdings Limited since 1980 and is the Chairman and Managing Director of Great Eagle Holdings Limited and the non–executive director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a non-executive director of The Hongkong and Shanghai Banking Corporation Limited and an independent non-executive director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Board Member of the Hong Kong Airport Authority and the Chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) degree. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas. Surewit Finance Limited is the investment vehicle of Dr. Lo.

Winkey Limited

Winkey Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$10 million at the Offer Price. Assuming a mid-point Offer Price of HK$41.09, Winkey Limited will subscribe for 1,886,800 Shares, which represents approximately (i) 0.5% of the Shares issued and outstanding upon completion of the Global Offering and the completion of the Skyland Acquisition and (ii) 3.5% of the total number of Offer Shares, both assuming that the Over-allotment Options and the Pre-IPO Share Options are not exercised and no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

Winkey Limited is a private company incorporated in the British Virgin Islands and is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of Shau Kee Financial Enterprises Limited which in turn is wholly-owned by Lee Financial (Cayman) Limited of which the Honorable Dr. Lee Shau Kee is a substantial shareholder. Shau Kee Financial Enterprises Limited has entered into the corporate investor agreement as the controlling shareholder of Winkey Limited.

FUTURE PLANS

See "Business — Business Strategies" for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised and assuming an indicative Offer Price of HK$41.09 per Share (being the mid-point of the proposed range of the Offer Price), we estimate that the net proceeds to us from the Global Offering, after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, will be approximately HK$2,105.4 million. We intend to use the net proceeds to us from the Global Offering as follows:

- approximately 30% (approximately HK$631.6 million) will be used to provide part of the funds required for the production expansion of the Jiama Mine, including:
  - (i) the planned expansion of the ore processing plant and its related tailings storage facilities for the second phase development of the Jiama Mine, representing approximately 12% of the net proceeds (approximately HK$252.7 million);
  - (ii) the pre-production stripping at the Niumatang Pit in preparation for the Niumatang open-pit mining operations of the Jiama Mine, representing approximately 9% of the net proceeds (approximately HK$189.5 million);
  - (iii) the development and equipping of the underground mining operation at the Jiama Mine, representing approximately 6% of the net proceeds (approximately HK$126.3 million); and
  - (iv) the development and construction of miscellaneous supporting and ancillary facilities, representing approximately 3% of the net proceeds (approximately HK$63.1 million);
- approximately 30% (approximately HK$631.6 million) for potential acquisition of gold and non-ferrous mineral resources outside of China by focusing on mines at operating stages and advanced mining or exploration projects with high growth prospect;
- approximately 15% (approximately HK$315.8 million) will be used for further exploration activities to upgrade and expand the resource and reserve of the Jiama Mine and CSH Mine;
- approximately 20% (approximately HK$421.1 million) will be used to repay
  - (i) the senior unsecured promissory notes in the principal amount of CAD7.5 million held by China National Gold Hong Kong. The interest rate is 12% per annum and payable on a quarterly basis commencing on September 30, 2007. The maturity date is June 26, 2011; and
  - (ii) the unsecured non-revolving shareholder's loan we received in December 2009 from China National Gold Hong Kong. The principal amount is US$40 million, with an interest rate of 6% per annum and payable on a quarterly basis. It matures in December 2011; and
- approximately 5% (approximately HK$105.3 million) for additional working capital and other general corporate purposes.

In the event the Offer Price is set below the indicative price of HK$41.09, we intend to reduce the net proceeds to be used for additional working capital and other general corporate purposes, and also fund the remaining difference with cash generated from operations or bank loans.

In the event the Offer Price is set above the indicative price of HK$41.09, we intend to use the additional funds to fund potential acquisition of gold and non-ferrous mineral resources outside of China by focusing on mines at operating stages and advanced mining or exploration projects with high growth prospect.

If the Over-allotment Option is exercised in full and no Pre-IPO Share Options are exercised, based on an indicative Offer Price of HK$41.09, the net proceeds from the Global Offering are currently estimated to be increased to approximately HK$2,414.3 million. We intend to use the additional net proceeds to fund potential acquisition of gold and non-ferrous mineral resources outside of China by focusing on mines at operating stages and advanced mining or exploration projects with high growth prospect.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by PRC law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

UNDERWRITERS

Hong Kong Underwriters

Joint Lead Managers

Citigroup Global Markets Asia Limited

BOCI Asia Limited

Co-Lead Manager

CLSA Limited

Co-Manager

Guangdong Securities Limited

International Underwriters

Joint Lead Managers

Citigroup Global Markets Limited

BOCI Asia Limited

Co-Lead Manager

CLSA Limited

Co-Manager

Guangdong Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 5,366,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

(a) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by us or (ii) any of the representations, warranties and undertakings given by us in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, inaccurate or misleading in any material respect, or

(b) any statement contained in this prospectus, the Application Forms or the formal notice or any announcements in the agreed form issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expressions of opinion, intention or expectation expressed in such documents are not, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(c) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(d) any event, act or omission which gives or is likely to rise to any liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(e) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, business affairs, the financial or trading position or prospects or performance or management of our Company and its subsidiaries taken as a whole; or

(f) any of our reporting accountants, our property valuer, or any of our counsels has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(g) approval for the listing of, and permission to deal in, the Offer Shares, including any additional Shares sold pursuant to the exercise of Over-allotment Option, the Shares in issue and any Shares which may be issued upon the exercise of Pre-IPO Share Options on the Stock Exchange, is refused or not granted, other than subject to customary conditions, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) our Company withdraws any of this prospectus, the Application Forms, the preliminary offering circular or the final offering circular or the Global Offering; or

(i) there develops, occurs, exists or comes into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development concerning or relating to:

(i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, Canada, any member of the European Union, Japan (each a "Relevant Jurisdiction"); or

(ii) any local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against the currency of any of the United States, the European Union, the United Kingdom or Japan) in or affecting any Relevant Jurisdiction; or

(iii) any litigation or claim being threatened or instigated against our Company or any of its subsidiaries; or

(iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes or lock-outs (whether or not covered by insurance), fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, accident or interruption or delay in transportation, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market, the TSX, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Toronto, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vi) any taxation or exchange controls (or the implementation of any exchange control, currency exchange rates or foreign investment regulations) in any Relevant Jurisdiction adversely affecting an investment in the Shares;

(vii) any executive Director being charged with an indictable office or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action;

(viii) any contravention by any member of the Group of the Companies Ordinance, the Canadian Securities Law or the Listing Rules; or

(ix) the issue or requirement to issue by us of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in sole opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or

(x) the materialisation of any of the risks set out in the section headed "Risk Factors" in the prospectus; or

(xi) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;

and which, in any such case and in the sole opinion of the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters),

(A) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs or management or the business or financial or trading or other condition or prospects of our Company and its subsidiaries taken as a whole or to any present or prospective shareholders of our Company in its capacity as such; or

(B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or make it impracticable, inexpedient or inadvisable for any part of this Agreement, the International Underwriting Agreement, the Hong Kong Public Offering or the International Offering to be performed or implemented as envisaged or which prevents the processing of applications and/or payments pursuant to the International Offering or pursuant to the underwriting thereof; or

(C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Hong Kong Public Offering Documents, the Formal Notice or the Offering Circular

then the Sole Global Coordinator may, on behalf of the Hong Kong Underwriters, in their sole and absolute discretion and upon giving notice to us, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances, including the issue of additional Consideration Shares pursuant to the Sale and Purchase Agreement and the issue of Shares pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Options.

By Controlling Shareholders

In accordance with Rule 10.07(1)(a) of the Listing Rules, each Controlling Shareholder has undertaken to the Stock Exchange that except pursuant to the Global Offering and the Skyland Acquisition or the Over-allotment Option, (i) it will not, at any time during the period commencing from the Listing Date, and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) it will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be the controlling shareholder (as defined under the Listing Rules) of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder (as defined under the Listing Rules) from using the shares owned by it as security (including a charge or a pledge) in favor of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Our Controlling Shareholders have further undertaken to the Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

(a) any pledges or charges of any Shares or securities of our Company beneficially owned by it in favor of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication received by he/it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders or their shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders or its shareholders.

Undertakings to the Underwriters

By us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Skyland Acquisition or any share option schemes of any members of the Group we will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and with the permission of the Stock Exchange, at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date:

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of our share capital or other securities of our Company (save for the repurchase pursuant to the working capital adjustment mechanism provided under the Sale and Purchase Agreement) or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or securities or any interest therein whether now owned or herein-after acquired); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree or contract to, or publicly announce any intention to enter into, any such transaction described in paragraphs (i), (ii) or (iii) above; whether any such transaction described in clauses (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

Similar undertakings are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

By Controlling Shareholders and Rapid Result

Our Controlling Shareholders have undertaken to Citi and the other Underwriters that, at any time after the date of this deed of lock-up up to and including the date falling six months from the Listing Date, it will not without the prior written consent of Citi (for itself and on behalf of the other Underwriters):

(i) offer, pledge, charge, allot, sell, contract to allot, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, cause our Company to repurchase (save for the repurchase pursuant to the working capital adjustment mechanism provided under the Sale and Purchase Agreement), either directly or indirectly, conditionally or unconditionally, any of capital of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such capital;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the capital of our Company;

(iii) offer or agree to enter into any transaction with the same economic effect described in limb (i) or (ii) above, whether any of the foregoing transactions described in limb (i), (ii) or (iii) above is to be settled by delivery of capital or such other securities, in cash or otherwise; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above.

The foregoing restrictions are expressly agreed to include any of the capital of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such capital which any of our Controlling Shareholders owns or is interested in as of November 16, 2010 and any such capital or securities of which are subsequently acquired by any of our Controlling Shareholders.

Each of our Controlling Shareholders has also undertaken to each of Citi and the other Underwriters that, in the period of six months commencing on the date on which the six months period referred to above expires and including the date falling six months from the date of expiry of the six months period referred to above, it will not without the prior written consent of Citi (for itself and on behalf of the other Underwriters):

(i) offer, pledge, charge, allot, sell, contract to allot, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, cause our Company to repurchase (save for the repurchase pursuant to the working capital adjustment mechanism provided under the Sale and Purchase Agreement), either directly or indirectly, conditionally or unconditionally, any of capital of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such capital;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the capital of our Company;

(iii) offer or agree to enter into any transaction with the same economic effect described in limb (i) or (ii) above, whether any of the foregoing transactions described in limb (i), (ii) or (iii) above is to be settled by delivery of capital or such other securities, in cash or otherwise; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above,

if, immediately following any of the foregoing transactions described in limb (i), (ii), (iii) or (iv) or upon the exercise or enforcement of such options, rights, interests or encumbrances in connection with any of the foregoing transactions described in limb (i), (ii), (iii) or (iv) that it would cease to be a controlling shareholder of our Company.

The aforementioned restrictions are expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Shares owned, whether directly or indirectly, by any of the Controlling Shareholders even if such Shares would be disposed of by someone other than the Controlling Shareholders. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of Controlling Shareholders' Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares).

Rapid Result has also undertaken to each of Citi and the other Underwriters that, at any time after the date of this deed of lock-up up to and including the date falling six months from the Listing Date, it will not, and will procure that none of its beneficial owners, its controlled companies or associates will, without the prior written consent of Citi (for itself and on behalf of the other Underwriters):

(i) offer, pledge, charge, allot, sell, contract to allot, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, cause our Company to repurchase (save for the repurchase pursuant to the working capital adjustment mechanism provided under the Sale and Purchase Agreement), either directly or indirectly, conditionally or unconditionally, any of capital of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such capital;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the capital of our Company;

(iii) offer or agree to enter into any transaction with the same economic effect described in limb (i) or (ii) above, whether any of the foregoing transactions described in limb (i), (ii) or (iii) above is to be settled by delivery of capital or such other securities, in cash or otherwise; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above.

The foregoing restrictions are expressly agreed to include any of the capital of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such capital which Rapid Result owns or is interested in as of November 16, 2010 and any such capital or securities of which are subsequently acquired by Rapid Result. The restrictions are also expressly agreed to preclude Rapid Result from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Shares owned, whether directly or indirectly, by Rapid Result even if such Shares would be disposed of by someone other than Rapid Result. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of Rapid Result's Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares).

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, International Underwriters, the Joint

Bookrunners and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to as those given pursuant to the Hong Kong Underwriting Agreement as described in "— Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings".

Under the International Underwriting Agreement, we expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager (or its agent), for the accounts of the Sole Global Coordinator, on behalf of the International Underwriters at any time from the Listing Date, up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue up to an aggregate of 8,049,000 Shares, representing in aggregate approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

It is expected that our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in "— Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings".

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive a gross commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering.

Hong Kong Underwriters' Interests in our Company

None of the Hong Kong Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Citi is the Sole Global Coordinator and Sole Sponsor, and Citi and BOCI are the Joint Lead Managers and the Joint Bookrunners of the Global Offering.

The Global Offering consists of:

(i) the Hong Kong Public Offering of 5,366,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed "Structure of the Global Offering — The Hong Kong Public Offering"; and

(ii) the International Offering of 48,294,000 Shares (subject to adjustment and the Over-allotment Option, as mentioned below) in the United States with QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the US Securities Act, and outside the United States in accordance with Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve placement of International Offer Shares to QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in accordance with Regulation S.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed "Structure of the Global Offering — Pricing and Allocation" below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters), and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around November 23, 2010 and in any event, no later than November 27, 2010.

The Offer Price will be determined by reference to, among other factors, the closing price of the Shares on the TSX on the last trading day on or before the Price Determination Date. The Offer Price will be not more than HK$44.96 per Offer Share and is expected to be not less than HK$37.21 per Offer Share.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator and the Joint Bookrunners, as applicable, (on behalf of the Underwriters) and our Company consider the number of Offer Shares being offered under the Global Offering that is stated in this prospectus and/or the indicative Offer Price range may be reduced at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on November 22, 2010 cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in

Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in the Application Forms and in this prospectus.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Bookrunners.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its Shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on November 29, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on Hong Kong Share Registrar's website at **www.iporesults.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Skyland Acquisition or any Shares which may be issued pursuant to the exercise of any Pre-IPO Share Options) (subject only to allotment and dispatch of the Share certificates in respect thereof and such other normal conditions acceptable to the Company, the Sole Global Coordinator and the Joint Bookrunners, on behalf of the Underwriters) not later than November 29, 2010 (or such later date as the Company, the Sole Global Coordinator and the Joint Bookrunners on behalf of the Hong Kong Underwriters may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

- the Company having submitted to the TSX all requisite documents to enable the Offer Shares to be admitted to trading on the TSX;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by November 27, 2010 between the Joint Bookrunners (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on November 29, 2010 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on December 1, 2010, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering 5,366,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 53,660,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 1.36% of our total issued share capital immediately after completion of the Global Offering and the Skyland Acquisition, assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised and no adjustment has been made to the consideration Shares issuable pursuant to the working capital adjustment under the Sales and Purchase Agreement. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares.

The Offer Price will be determined by reference to, among other factors, the closing price of the Shares on the TSX on the last trading day on or before the Price Determination Date. The Offer Price will be not more than HK$44.96 per Offer Share and is expected to be not less than HK$37.21. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$44.96 per Share plus brokerage of 1% SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

For allocation purposes only, the 5,366,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally into two pools: Pool A comprising 2,683,000 Hong Kong Offer Shares and Pool B comprising 2,683,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 5,366,000 Shares initially comprised in the Hong Kong Public Offering (that is 2,683,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 16,098,000, 21,464,000 and 26,830,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Bookrunners may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of International Offer Shares to be initially offered for subscription or sale under the International Offering will be 48,294,000 Shares, representing 90% of the Offer Shares under the Global Offering. As of the date of this prospectus, our Controlling Shareholders holds Shares representing 39.25% of our issued share capital. Immediately following completion of the Global Offering and the Skyland Acquisition, our Controlling Shareholders will hold approximately 38.98% of the issued share capital of our Company, assuming no exercise of the Over-allotment Option and the Pre-IPO Share Options and no adjustment has been made to the consideration Shares issuable pursuant to the working capital adjustment under the Sales and Purchase Agreement.

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as outside the United States in accordance with Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion on behalf of the International

Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require us to allot and issue up to 8,049,000 additional Shares representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager or any person acting for it may enter into an agreement to borrow Shares from our Controlling Shareholders, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The arrangements under such stock borrowing agreement that may be entered into between the Stabilizing Manager and our Controlling Shareholders will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

(a) such stock borrowing arrangement with our Controlling Shareholders will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares that may be borrowed from our Controlling Shareholders under such stock borrowing agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

(c) the same number of Shares that may be so borrowed must be returned to our Controlling Shareholders or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Overallotment Option is exercised in full;

(d) such stock borrowing arrangement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and

(e) no payment will be made to our Controlling Shareholders by the Stabilizing Manager or its authorised agents in relation to such stock borrowing arrangement.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Citi, as Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 8,049,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the Securities and Futures Ordinance includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on December 22, 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 8,049,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on December 1, 2010, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on December 1, 2010.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters), and our Company on the Price Determination Date.

We expect that our Company will, on or about November 23, 2010, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares by means of **White Form eIPO**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Bookrunners (or their respective agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Bookrunners (or the designated **White Form eIPO** Service Provider (where applicable)) or their respective agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

CHANNELS TO APPLY FOR HONG KONG OFFER SHARES

You may apply for Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website of the **White Form eIPO** Service Provider, referred to in this prospectus as the **'White Form eIPO'** service; or
- electronically **instructing** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

WHICH APPLICATION CHANNEL YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.
- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at **www.eipo.com.hk**. Use **White Form eIPO** if you want the Hong Kong Offer Shares to be registered in your own name;
- Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, November 17, 2010 until 12:00 noon on Monday, November 22, 2010 from:

Any of the following addresses of the Hong Kong Underwriters

or

Citigroup Global Markets Asia Limited	50th Floor Citibank Tower 3 Garden Road, Central Hong Kong
BOCI Asia Limited	26th Floor Bank of China Tower 1 Garden Road, Central Hong Kong
CLSA Limited	18th Floor One Pacific Place 88 Queensway Hong Kong

or any of the following branches of **Bank of China (Hong Kong) Limited** and **The Hongkong and Shanghai Banking Corporation Limited**:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
Kowloon	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
	Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

The Hongkong and Shanghai Banking Corporation Limited

	Branch Name	Address
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central, HK
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point, HK
	Hay Wah Building Branch	G/F, Hay Wah Bldg, 71-85 Hennessy Rd, Wan Chai, HK
	Sheung Wan Branch	Shop A, G/F, Guangdong Investment Tower, 293-301 Des Voeux Road Central, HK
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, KLN
	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok, KLN
New Territories	Citywalk Branch	Shops G21-22, Citywalk, 1 Yeung Uk Road, Tsuen Wan, NT
	East Point City Branch	Shop No. 198, East Point City, 8 Chung Wa Road, Tseung Kwan O, NT
	Shatin Plaza Branch	Shop 49, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin, NT
	Sheung Shui Centre Branch	Shop 1024-1028 & 1030-1031, Level 1, Sheung Shui Centre, Sheung Shui, NT

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, November 17, 2010 to 12:00 noon on Monday, November 22, 2010 from:

- the depository counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Monday, November 22, 2010, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in the paragraph headed "Where to collect the Application Forms" at the following times:

Wednesday, November 17, 2010	—	**9:00 a.m. to 4:30 p.m.**
Thursday, November 18, 2010	—	**9:00 a.m. to 4:30 p.m.**
Friday, November 19, 2010	—	**9:00 a.m. to 4:30 p.m.**
Saturday, November 20, 2010	—	**9:00 a.m. to 1:00 p.m.**
Monday, November 22, 2010	—	**9:00 a.m. to 12:00 noon**

Electronic application instructions to HKSCC

CCASS Clearing/Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Wednesday, November 17, 2010	—	**9:00 a.m. to 8:30 p.m.**(1)
Thursday, November 18, 2010	—	**8:00 a.m. to 8:30 p.m.**(1)
Friday, November 19, 2010	—	**8:00 a.m. to 8:30 p.m.**(1)
Saturday, November 20, 2010	—	**8:00 a.m. to 1:00 p.m.**(1)
Monday, November 22, 2010	—	**8:00 a.m.**(1) **to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, November 17, 2010 until 12:00 noon on Monday, November 22, 2010 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Monday, November 22, 2010 or if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Wednesday, November 17, 2010 until 11:30 a.m. on Monday, November 22, 2010 or such later time as described under the paragraph headed "Effect of bad weather conditions on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, November 22, 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed "Effect of bad weather conditions on the opening of the application lists" below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon.

Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Monday, November 22, 2010, except as provided in the paragraph headed "— Effect of bad weather conditions on the opening of the application lists" below. No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Shares will be made later than Saturday, November 27, 2010.

EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will be opened between 11:45 a.m. and 12:00 noon on Monday, November 22, 2010, subject only to weather conditions. The application lists will not open in relation to the Hong Kong Public Offering if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, November 22, 2010. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

Obtain a WHITE or YELLOW Application Form

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Hong Kong Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price as stated in the Application Forms, plus brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. The Application Forms have tables showing the exact amount payable for certain numbers of shares up to 2,683,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 100 Shares. Application for more than 100 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorised attorney, our Company and the Joint Bookrunners (or their respective agents or nominees), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

Each Application Form must be accompanied by either one cheque or one banker's cashier order.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "Bank of China (Hong Kong) Nominees Limited — China Gold Intl Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your cheque does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorised by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;

- be made payable to "Bank of China (Hong Kong) Nominees Limited — China Gold Intl Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above.

Multiple or suspected multiple applications are liable to be rejected. See the paragraph headed "How many applications you can make" below.

You should note that by signing the Application Form, among other things:

(i) you instruct and authorize us and/or the Joint Bookrunners and/or the Hong Kong Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes, or other documents on your behalf and to do on your behalf all other things necessary to register any Hong Kong Offer Shares allotted to you in your names(s) or the name of HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

(ii) you undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allotted to you, and as required by the Articles;

(iii) you represent, warrant, and undertake that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing this Application Form (as defined in Regulation S) and are not a US person described under the US Securities Act;

(iv) you agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation other than as provided for in this prospectus;

(v) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representation concerning us, save as set out in any supplement to this prospectus and you agree that neither we, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any of their respective Directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

(vi) you agree that our Company, the Sole Global Coordinator, Joint Bookrunners, the Underwriters, and any of their respective Directors, officers, employers, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;

(vii) you warrant (if this application is made for your own benefit) that this application is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to

HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**);

(viii) you warrant (if this application is made by an agent on your behalf) that you have validly and irrevocably conferred on your agent all necessary power and authority to make this application;

(ix) you warrant (if you are an agent for another person) that reasonable enquiries have been made of that other person that this application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**), and that you are duly authorized to sign this Application Form or to give **electronic application instructions** as that other person's agent;

(x) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares, nor otherwise participate in the International Offering;

(xi) you agree to disclose to us, Hong Kong Share Registrar, receiving bankers, advisers, agents and the Sole Global Coordinator, the Joint Bookrunners, the Underwriters and their respective agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

(xii) you warrant the truth and accuracy of the information contained in your application;

(xiii) you agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xiv) you undertake and agree to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to you under the application;

(xv) you authorize us to place your names(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allotted to you, and our Company and/or our agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in this Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form that you will collect the Share certificate(s) and/or refund cheques (as applicable) in person), you can collect your Share certificate(s) and/or refund cheque(s) (as applicable) in person between 9:00 a.m. and 1:00 p.m. on Monday, November 29, 2010 (Hong Kong time) from Computershare Hong Kong Investor Services Limited;

(xvi) if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of us, the Joint Bookrunners, the Underwriters, the Sole Sponsor nor any of their respective directors, employees, partners, agents, officers, or advisers will infringe any laws outside Hong

Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xvii) you confirm that you are aware of the restrictions on offering of the Hong Kong Offer Shares described in this prospectus;

(xviii) you understand that these declarations and representations will be relied on by our Company and the Joint Bookrunners in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application;

(xix) your authorize our Company to enter into a contract on your behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his/her obligation to Shareholders as stipulated in the Notice of Articles and Articles of our Company;

(xx) you agree that the processing of your application may be done by any of our Company's receiving bankers and is not restricted to the bank at which your Application Form was lodged; and

(xxi) if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of us, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.

If you are applying as an individual CCASS Investor Participant:

- you must fill in your name and your Hong Kong identity card number; and
- you must insert your CCASS Participant I.D. in the appropriate box.

If you are applying as a joint individual CCASS Investor Participant:

- you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and
- you must insert your CCASS Participant I.D. in the appropriate box.

If you are applying as a corporate CCASS Investor Participant:

- you must insert your company name and your company's Hong Kong business registration number; and
- you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, we and the Joint Bookrunners, as our agent, may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Bookrunners, in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

(1) Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by the Joint Bookrunners, our Company, Hong Kong Share Registrar, receiving bankers, advisers, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

APPLY THROUGH WHITE FORM eIPO

(i) If you are an individual and meet the criteria set out in "How to Apply for Hong Kong Offer Shares — Who Can Apply for Hong Kong Offer Shares", you may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO,** the Hong Kong Offer Shares will be issued in your own name.

(ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

(iii) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(iv) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

(v) You may submit an application through the **White Form eIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(vi) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the paragraph headed "How to Apply for Hong Kong Offer Shares — When to apply for the Hong Kong Offer Shares — White Form eIPO".

(vii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, November 22, 2010, or such later time as described under the paragraph headed "When to Apply for the Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists" the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

(viii) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(ix) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. **Our Company, our Directors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters takes no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

(2) Environmental protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "China Gold International Resources Corp. Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph headed "How to Apply for Hong Kong Offer Shares — How many applications you can make" in this section.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk**.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System (*https://ip.ccass.com*) (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

Minimum Subscription Amount and Permitted Numbers

You may give **electronic application instructions** in respect of a minimum of 100 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

Application for Hong Kong Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does all the things on behalf of each of such persons who:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
- undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
- undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Shares under the International Offering;
- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
- understands that the above declaration will be relied upon by our Company, the Directors and Sole Global Coordinator, the Joint Bookrunners, the Underwriters in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations and that person agrees that neither our Company, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- agrees that our Company, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters and any of their respective Directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company and Hong Kong Share Registrar, receiving bankers, advisers, agents and the Sole Global Coordinator, the Joint Bookrunners, and their respective agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before Monday, November 29, 2010, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any public offer shares to any person before Friday, December 17, 2010 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and
- agrees that such person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and the Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Allocation of Hong Kong Offer Shares

For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Monday, November 29, 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) in

the manner described in the section headed "How to Apply for Hong Kong Offer Shares — Results of Allocations" on Monday, November 29, 2010. The basis of allotment of the Hong Kong Public Offering will be published on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Monday, November 29, 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 29, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, November 29, 2010. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, November 29, 2010. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

Application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit **electronic application instructions,** they should either:

(i) submit the WHITE or YELLOW Application Form (as appropriate); or

(ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form for electronic application instructions before 12:00 noon on Monday, November 22, 2010 or such later time as described in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" above.

HOW MANY APPLICATIONS YOU CAN MAKE

(i) You may make more than one application for the Hong Kong Offer Shares only if you are a **nominee,** in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- another identification number

for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; or to the **White Form eIPO** Service Provider through the **White Form eIPO** service or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service, and that you are duly authorised to sign the Application Form as that other person's agent.

(ii) **All** of your applications under the Hong Kong Public Offering are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**);
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**);
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via

CCASS or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**) to apply for more than 2,683,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially being offered for subscription by the public); or

- apply for or take up any Offer Shares under the International Offering or otherwise participate in the International Offering or indicate an interest for any International Offer Shares.

(iii) All of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. **Unlisted company** means a company with no equity securities listed on the Stock Exchange. **Statutory control** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

RESULTS OF ALLOCATIONS

The Company expects to release the level of interest in the International Offering, the basis of allotment, level of applications of the Hong Kong Public Offering on Monday, November 29, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from the Stock Exchange's website at **www.hkexnews.hk**;
- Results of allocations will also be available from our website at **www.chinagoldintl.com** and our results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Monday, November 29, 2010 to 12:00 midnight on Sunday, December 5, 2010. The user will be required to key in the Hong Kong identity card/passport/ Hong Kong business registration number provided in his/her/its application to search for his/her/ its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, November 29, 2010 to Thursday, December 2, 2010;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Monday, November 29, 2010 to Wednesday, December 1, 2010 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed "How to Apply for Hong Kong Offer Shares — Where to Collect the Application Forms".

PRICE OF THE OFFER SHARES

The maximum Offer Price is HK$44.96 per Offer Share. You must also pay a brokerage of 1% Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. The Application Forms have tables showing the exact amount payable for certain numbers of Shares up to 2,683,000 Shares. Your application must be for a minimum of 100 Shares. Applications must be in one of the numbers set out in the table. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in full when you apply for the Shares. You must pay the amount payable upon application for Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form if you apply for the Hong Kong Offer Shares using Application Forms.

If your application is successful, brokerage is paid to the participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, such levy is collected on behalf of the SFC).

If the Offer Price, as finally determined, is lower than the maximum Offer Price, the Company will refund the specific difference, including the brokerage, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. The Company will not pay interest on any refunded amounts. Further details for refund are set out below in the paragraph headed "How to Apply for Hong Kong Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(i) for applicants on **WHITE** Application Forms or by **WHITE Form eIPO** service, (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or

(ii) for applicants on **WHITE** and **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest.

(iii) for applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be dispatched to the application payment account.

(iv) for applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund cheque(s) will be sent to the address as specified on the **White Form eIPO** application by ordinary post and at the applicant's own risk.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under **WHITE** or **YELLOW** Application Form and Share certificates for successful applicants under the **WHITE** Application Form or to the **White Form eIPO** Service Provider via the **White Form eIPO** service are expected to be posted on or before Monday, November 29, 2010. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheque(s).

(i) If you apply using a WHITE Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 29, 2010. If you are an individual, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) and Share certificate(s) within the time period specified for collection, they will be dispatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on you Application Form that you will collect your refund cheque(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be dispatched to the address on your Application Form on or before Monday, November 29, 2010 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Monday, November 29, 2010, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — Results of Allocations" on Monday, November 29, 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 29, 2010 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Monday, November 29, 2010, by ordinary post and at your own risk.

(iii) If you apply through White Form eIPO service:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 29, 2010, or such other date as notified by our Company in the newspapers as the date of dispatch of e-Refund payment instructions/refund cheque(s)/ Share certificate(s). If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares but have not indicated on you application that you will collect your Share certificates in person, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around Monday, November 29, 2010 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be dispatched to your application payment account on or around Monday, November 29, 2010.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around Monday, November 29, 2010, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in this paragraph headed “How to Apply through White Form eIPO — Additional Information” of this prospectus.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or through **White Form eIPO** or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(i) If your application is revoked:

By completing and submitting an Application Form or giving an **electronic application instruction**, you agree that your application or the application made by HKSCC on your behalf is irrevocable until after the fifth day after the time of the opening of the application lists (which is expected to be Monday, November 29, 2010). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Friday, December 17, 2010 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Monday, November 29, 2010 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominee on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(iii) If you make applications under the Hong Kong Public Offering as well as the International Offering:

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the International Offering. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service electronically, you agree not to apply for International Offer Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offer Shares, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(iv) If our Company, the Joint Bookrunners or their respective agents exercise their discretion:

Our Company, the Joint Bookrunners, **White Form eIPO** Service Provider (where applicable) and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(v) Your application will be rejected or not be accepted if:

- your application is a multiple or a suspected multiple applications;

- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Offer Shares under the International Offering;
- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;
- if you apply for more than 100% of the Shares available for allocation in either Pool A or Pool B Hong Kong Offer Shares; or
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with their respective terms thereof.

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any of, but not limited to, the above reasons, our Company will refund your application monies, including brokerage, SFC transaction levy and Stock Exchange trading fee. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage, SFC transaction levy and Stock Exchange trading fee) without interest.

If the Offer Price as finally determined is less than the initial price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund monies will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Bookrunners, cheques for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Monday, November 29, 2010 in accordance with the various arrangements as described above.

COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, December 1, 2010.
- The Shares will be traded in board lots of 100 each. The stock code of the Shares is 2099.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants to the Company.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道 88 號
太古廣場一座 35 樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

November 17, 2010

The Directors
China Gold International Resources Corp. Ltd.
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2007, 2008 and 2009 and six months ended June 30, 2010 (the "Relevant Periods") for inclusion in the prospectus of the Company dated November 17, 2010 (the "Prospectus").

The Company, formerly known as Jinshan Gold Mines Inc. and Pacific Minerals Inc., is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia. The Company's common shares began trading on the TSX Venture Exchange (formerly the Canadian Venture Exchange) on April 23, 2001. On October 5, 2006 the Company's common shares ceased trading on the TSX Venture Exchange and began trading on the Toronto Stock Exchange ("TSX") on October 6, 2006.

The name of the Company was changed from Jinshan Gold Mines Inc. to China Gold International Resources Corp. Ltd., following approval by the Company's shareholders at the Annual General Meeting held in July 2010. The name of the Company was changed from Pacific Minerals Inc. to Jinshan Gold Mines Inc., following approval by the Company's shareholders at the Annual General Meeting held in April 2004.

The detail of the corporate structure is explained in the section headed "History and Corporate Structure" in the Prospectus (the "Corporate Structure").

All subsidiaries have adopted December 31 as their financial year end dates. As of the date of this report, the Company's direct subsidiary is Pacific PGM Inc. The Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group December 31, 2007	2008	2009	June 30, 2010	At the date of this report	Principal activities
			%	%	%	%	%	
Pacific PGM Inc.	British Virgin Islands May 17, 2001	US$ 100	100.0	100.0	100.0	100.0	100.0	Holding company
Pacific PGM (Barbados) Inc.	Barbados September 6, 2007	US$ 45,000	100.0	100.0	100.0	100.0	100.0	Holding company
Inner Mongolia Pacific Mining Co., Ltd. (formerly known as Ningxia Pacific Mining Co. Ltd.)	Ningxia, China April 29, 2002	US$ 37,500,000	96.5	96.5	96.5	96.5	96.5	Engaged in exploration and development of mining properties in China
Gansu Mining Company (Barbados) Ltd.	Barbados September 7, 2007	US$ 45,000	100.0	100.0	100.0	100.0	100.0	Holding company
Gansu Pacific Mining Company Ltd. ("Gansu Pacific")	Gansu, China September 18, 2006	RMB30,365,345	71.0	71.0	71.0	71.0	71.0	Engaged in exploration and development of mining properties in China
Yunnan Southern Copper (Barbados) Inc.	Barbados September 7, 2007 Disposed on May 25, 2010	US$ 45,000	100.0	100.0	100.0	N/A	N/A	Holding company
Yunnan Xindian Copper Mining Co., Ltd. ("Yunnan Xindian")	Yunnan, China March 18, 2003 Disposed on May 25, 2010	US$ 4,100,045	99.0	99.0	99.0	N/A	N/A	Engaged in exploration and development of mining properties in China
Yunnan Southern Copper Inc.	British Virgin Islands October 14, 2002/Dissolved on July 7, 2009	US$ 100	100.0	100.0	N/A	N/A	N/A	Holding company
Guizhou Copper-Silver Mining Inc.	British Virgin Islands August 21, 2002/Dissolved on July 7, 2009	US$ 200	100.0	100.0	N/A	N/A	N/A	Holding company
Yunnan Xinzhao Copper Mining Co. Ltd.	Yunnan, China December 2, 2002/ Deregistered on August 3, 2009	US$ 649,970	70.0	70.0	N/A	N/A	N/A	Inactive
Yunnan Copper-Silver Mining Inc.	British Virgin Islands August 21, 2002/Dissolved on August 13, 2009	US$ 100	100.0	100.0	N/A	N/A	N/A	Holding company
Pacific Gold Mining Inc.	British Virgin Islands February 27, 2002/Dissolved on July 17, 2009	US$ 200	100.0	100.0	N/A	N/A	N/A	Holding company
Pacific Northern Gold Inc.	British Virgin Islands October 14, 2002/Dissolved on July 17, 2009	US$ 200	100.0	100.0	N/A	N/A	N/A	Holding company

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group December 31, 2007	2008	2009	June 30, 2010	At the date of this report	Principal activities
			%	%	%	%	%	
China Platinum & Palladium Inc.	British Virgin Islands September 18, 2000/ Dissolved on July 7, 2009	US$ 200	100.0	100.0	N/A	**N/A**	N/A	Holding company
Yunnan Platinum & Palladium Inc.	British Virgin Islands October 12, 2000/ Dissolved on July 17, 2009	US$ 200	100.0	100.0	N/A	**N/A**	N/A	Holding company
Genghis Holding Company Ltd.	British Virgin Islands February 14, 1994/ Dissolved on July 17, 2009	US$ Nil	100.0	100.0	N/A	**N/A**	N/A	Holding company
Guizhou Qian Tong Mining Co. Ltd.	Guizhou, China March 5, 2004/ Dissolved on December 1, 2009	US$211,970	75.0	75.0	N/A	**N/A**	N/A	Inactive
Gansu Mining Company Ltd.	British Virgin Islands August 10, 2005/ Dissolved on June 8, 2009	US$ 1	100.0	100.0	N/A	**N/A**	N/A	Holding company

The statutory financial statements of the following subsidiaries for the Relevant Periods, or since their respective dates of incorporation/establishment, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by the following certified public accountants registered in their jurisdictions:

Name of Subsidiary	Financial period	Name of Auditor
Ningxia Pacific Mining Co., Ltd.	For the year ended 2007	Ningxia Zhengda Certified Public Accountants Co., Ltd. (寧夏正大會計師事務所(有限公司))
Inner Mongolia Pacific Mining Co., Ltd. (name before October 2008: Ningxia Pacific Mining Co., Ltd.)	For the year ended 2008	Zhongrui Yuehua Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所有限公司)
Inner Mongolia Pacific Mining Co., Ltd.	For the year ended 2009	Inner Mongolia Zhong Tian Hua Zhen Certified Public Accountants Co., Ltd. (內蒙古中天華正會計師事務所)
Gansu Pacific Mining Company Ltd.	For the year ended 2007	Longnan Xirong Certified Public Accountants Firm (隴南西榮會計師事務所)
Gansu Pacific Mining Company Ltd.	For the year ended 2008	Zhongrui Yuehua Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所有限公司)

Name of Subsidiary	Financial period	Name of Auditor
Gansu Pacific Mining Company Ltd.	For the year ended 2009	Vocation International Certified Public Accountants Co., Ltd. (天職國際會計師事務所有限公司)
Yunnan Xindian Copper Mining Co., Ltd.	For the year ended 2007	Yunnan Guangda Certified Public Accountants Co., Ltd. (雲南光大會計師事務所有限公司)
Yunnan Xindian Copper Mining Co., Ltd.	For the year ended 2008	Zhongrui Yuehua Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所有限公司)
Yunnan Xindian Copper Mining Co. Ltd.	For the year ended 2009	Vocation International Certified Public Accountants Co., Ltd. (天職國際會計師事務所有限公司)
Yunnan Xinzhao Copper Mining Co. Ltd.	For the year ended 2007	Yunnan Guangda Certified Public Accountants Co., Ltd. (雲南光大會計師事務所有限公司)
Yunnan Xinzhao Copper Mining Co. Ltd.	For the year ended 2008	Yunnan Guangda Certified Public Accountants Co., Ltd. (雲南光大會計師事務所有限公司)
Pacific PGM (Barbados) Inc.	From September 6, 2007 (date of incorporation) to December 31, 2007	Deloitte & Touche, Barbados
Pacific PGM (Barbados) Inc.	For the year ended 2008	Deloitte & Touche, Barbados
	For the year ended 2009	Ward, Patel & Co.
Gansu Mining Company (Barbados) Ltd.	From September 7, 2007 (date of incorporation) to December 31, 2007	Deloitte & Touche, Barbados
Gansu Mining Company (Barbados) Ltd.	For the year ended 2008	Deloitte & Touche, Barbados
	For the year ended 2009	Ward, Patel & Co.
Yunnan Southern Copper (Barbados) Inc.	From September 7, 2007 (date of incorporation) to December 31, 2007	Deloitte & Touche, Barbados
Yunnan Southern Copper (Barbados) Inc.	For the year ended 2008	Deloitte & Touche, Barbados
	For the year ended 2009	Ward, Patel & Co.

No audited financial statements have been prepared for Pacific PGM Inc., Yunnan Southern Copper Inc., Guizhou Copper-Silver Mining Inc., Yunnan Copper-Silver Mining Inc., Pacific Gold Mining Inc., Pacific Northern Gold Inc., China Platinum & Palladium Inc., Yunnan Platinum & Palladium Inc., Genghis Holding Company Ltd. and Gansu Mining Company Ltd. since their respective dates of incorporation as they were incorporated in countries where they were not subject to statutory audit requirements. No audited financial statements have been prepared for Guizhou Qian Tong Mining Co. Ltd. as it has not commenced business between its date of establishment to its date of dissolution. Deloitte & Touche LLP, Chartered Accountants registered in Canada, has carried out audit procedures in accordance with Canadian generally accepted auditing standards on the consolidated financial statements of the Group for the two years ended December 31, 2007 and 2008 which are prepared in accordance with Canadian generally accepted accounting principles and has carried out audit procedures in accordance with Canadian generally accepted auditing standards on the consolidated financial statements of the Group for the year ended December 31, 2009 prepared in accordance with International Financial Reporting Statements ("IFRS") (collectively referred to as the "2007 to 2009 Financial Statements"). We have carried out audit procedures in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board on the consolidated financial statements of the Group for six months ended June 30, 2010 which are prepared in accordance with IFRS (together with the 2007 to 2009 Financial Statements collectively referred to as the "Underlying Financial Statements").

The Financial Information set out in this report for the Relevant Periods has been prepared from the Underlying Financial Statements, after making such adjustments as we consider appropriate for the purpose of preparing our report in accordance with IFRS and for the inclusion in the Prospectus. For the purpose of preparing this report, we have examined the Underlying Financial Statements and performed such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for preparing the Underlying Financial Statements and the contents of the Prospectus in which the report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Group and the Company as of December 31, 2007, 2008 and 2009 and June 30, 2010 and of the consolidated results and consolidated cash flows of the Group for each of the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended June 30, 2009 together with the notes thereon have been extracted from the Group's financial information for the same period (the "June 2009 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with the International Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review of the June 2009 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with IFRS.

A. FINANCIAL INFORMATION

THE GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Years ended December 31, 2007	2008	2009	Six months ended June 30, 2009	2010
		$	$	$	$ (unaudited)	$
Revenues		—	29,371,411	81,047,414	25,990,353	37,679,906
Cost of sales	10	—	20,499,517	56,178,404	18,438,691	18,638,434
Mine operating earnings		—	8,871,894	24,869,010	7,551,662	19,041,472
Expenses						
General and administrative	6	4,974,556	6,141,235	3,714,554	1,837,155	2,116,293
Exploration and evaluation expenditure	7	6,604,015	5,287,610	1,909,015	606,273	93,477
		11,578,571	11,428,845	5,623,569	2,443,428	2,209,770
(Loss) income from operations		(11,578,571)	(2,556,951)	19,245,441	5,108,234	16,831,702
Other (expenses) income						
Gain on disposal of subsidiaries	19(c)	—	—	—	—	20,000
Foreign exchange (loss) gain		(3,319,847)	8,058,114	(5,887,144)	(2,129,104)	(253,306)
Interest income		439,032	174,620	5,537	3,440	1,885
Listing expenses		—	—	(2,147,906)	—	(1,544,558)
Finance costs	8	(1,699,415)	(3,592,471)	(6,308,158)	(2,289,443)	(2,228,167)
Fair value change on warrant liabilities	25(c)	(14,274,106)	12,792,931	(7,186,721)	(1,164,408)	(7,155,807)
		(18,854,336)	17,433,194	(21,524,392)	(5,579,515)	(11,159,953)
(Loss) income before income tax		(30,432,907)	14,876,243	(2,278,951)	(471,281)	5,671,749
Income tax expense	9	—	—	6,091,949	962,221	4,887,012
Net (loss) income and comprehensive (loss) income for the year/period	10	(30,432,907)	14,876,243	(8,370,900)	(1,433,502)	784,737
Attributable to						
Non-controlling interest		—	295,731	976,481	233,001	323,702
Owners of the Company		(30,432,907)	14,580,512	(9,347,381)	(1,666,503)	461,035
		(30,432,907)	14,876,243	(8,370,900)	(1,433,502)	784,737
Basic (loss) earnings per share	13	(20.05) cents	9.00 cents	(5.58) cents	(1.02) cents	0.27 cents
Diluted (loss) earnings per share	13	(20.05) cents	1.08 cents	(5.58) cents	(1.02) cents	0.27 cents
Basic weighted average number of common shares outstanding	13	151,747,438	162,059,379	167,629,459	163,889,159	169,511,321
Diluted weighted average number of common shares outstanding	13	151,747,438	164,780,867	167,629,459	163,889,159	169,937,452

THE GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
		$	$	$	$
Current assets					
Cash and cash equivalents	14	26,952,425	12,142,739	23,984,660	16,331,252
Restricted cash	15	—	5,215,704	—	10,756,703
Accounts receivable	16	348,914	148,771	1,681,880	2,070,198
Prepaid expenses and deposits	17	2,001,980	7,176,502	1,734,181	1,557,936
Inventory	18	434,609	27,644,767	10,166,429	30,385,142
		29,737,928	52,328,483	37,567,150	61,101,231
Assets classified as held for sale	19	—	—	188,971	69,794
		29,737,928	52,328,483	37,756,121	61,171,025
Non-current assets					
Inventory	18	—	—	18,852,686	15,485,352
Property, plant and equipment	19	55,512,070	66,982,216	117,918,672	117,876,668
Prepaid expense and deposits	17	—	—	—	796,430
Long-term receivable		—	—	49,689	24,252
		55,512,070	66,982,216	136,821,047	134,182,702
Total assets		85,249,998	119,310,699	174,577,168	195,353,727
Current liabilities					
Accounts payable and accrued expenses	22	15,066,485	18,932,644	35,072,604	39,768,345
Borrowings	23	—	41,603,514	12,092,005	8,513,998
		15,066,485	60,536,158	47,164,609	48,282,343
Liabilities classified as held for sale	19	—	—	41,252	17,706
		15,066,485	60,536,158	47,205,861	48,300,049
Non-current liabilities					
Deferred lease inducement		—	—	193,758	193,758
Borrowings	23	44,267,023	14,929,121	80,841,331	81,134,730
Warrant liabilities	25	13,825,817	274,507	5,286,123	—
Deferred tax liabilities	9	—	—	1,339,601	3,526,047
Environmental rehabilitation	24	2,244,633	4,131,735	1,599,120	1,993,537
		60,337,473	19,335,363	89,259,933	86,848,072
Total liabilities		75,403,958	79,871,521	136,465,794	135,148,121
Net current assets (liabilities)		14,671,443	(8,207,675)	(9,449,740)	12,870,976
Total assets less current liabilities		70,183,513	58,774,541	127,371,307	147,053,678
Owners' equity					
Share capital		76,281,053	90,384,469	99,186,918	120,577,351
Equity reserve		4,271,321	4,884,800	3,125,447	3,044,509
Deficit		(70,706,334)	(56,125,822)	(65,473,203)	(65,012,168)
		9,846,040	39,143,447	36,839,162	58,609,692
Non-controlling interest		—	295,731	1,272,212	1,595,914
Total owners' equity		9,846,040	39,439,178	38,111,374	60,205,606
Total liabilities and owners' equity		85,249,998	119,310,699	174,577,168	195,353,727

THE COMPANY

STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
		$	$	$	$
Current assets					
Cash and cash equivalents	14	23,121,982	6,549,244	7,578,529	6,100,341
Restricted cash	15	—	3,889,346	—	—
Accounts receivable	16	301,380	35,211	1,284,750	1,836,812
Prepaid expenses and deposits	17	425,136	465,968	502,284	421,185
		23,848,498	10,939,769	9,365,563	8,358,338
Non-current assets					
Long-term receivable		—	—	49,689	24,252
Property, plant and equipment	19	19,363	27,763	297,630	255,635
Investments in subsidiaries	20	15,525,029	17,200,661	17,570,491	17,516,286
Amounts due from subsidiaries	21	47,110,315	60,259,352	67,197,502	68,461,340
		62,654,707	77,487,776	85,115,312	86,257,513
Total assets		86,503,205	88,427,545	94,480,875	94,615,851
Current liabilities					
Accounts payable and accrued expenses	22	2,470,306	829,882	2,706,028	2,152,892
Borrowings	23	—	22,930,784	10,633,386	7,044,900
		2,470,306	23,760,666	13,339,414	9,197,792
Non-current liabilities					
Deferred lease inducement		—	—	193,758	193,758
Borrowings	23	44,267,023	14,929,121	40,000,000	40,000,000
Warrant liabilities	25	13,825,817	274,507	5,286,123	—
		58,092,840	15,203,628	45,479,881	40,193,758
Total liabilities		60,563,146	38,964,294	58,819,295	49,391,550
Net current assets (liabilities)		21,378,192	(12,820,897)	(3,973,851)	(839,454)
Total assets less current liabilities		84,032,899	64,666,879	81,141,461	85,418,059
Owners' equity					
Share capital		76,281,053	90,384,469	99,186,918	120,577,351
Equity reserve	26	4,271,321	4,884,800	3,125,447	3,044,509
Deficit	26	(54,612,315)	(45,806,018)	(66,650,785)	(78,397,559)
		25,940,059	49,463,251	35,661,580	45,224,301
Total liabilities and owners' equity		86,503,205	88,427,545	94,480,875	94,615,851

THE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Number of shares	Share capital	Equity reserve	Deficit	Subtotal	Non-controlling interest	Total owners' equity (deficit)
			$	$ (Note)	$	$	$	$
Balance, January 1, 2007		145,358,949	54,409,384	3,190,272	(40,273,427)	17,326,229	—	17,326,229
Shares issued for								
Exercise of warrants	25	9,495,373	20,047,993	—	—	20,047,993	—	20,047,993
Exercise of stock options	25	1,707,102	1,823,676	(673,498)	—	1,150,178	—	1,150,178
Stock-based compensation		—	—	1,754,547	—	1,754,547	—	1,754,547
Net loss and comprehensive loss		—	—	—	(30,432,907)	(30,432,907)	—	(30,432,907)
Balance, December 31, 2007		156,561,424	76,281,053	4,271,321	(70,706,334)	9,846,040	—	9,846,040
Shares issued for								
Exercise of warrants	25	5,407,167	11,661,776	—	—	11,661,776	—	11,661,776
Exercise of stock options	25	1,920,568	2,441,640	(1,027,931)	—	1,413,709	—	1,413,709
Stock-based compensation		—	—	1,641,410	—	1,641,410	—	1,641,410
Net income and comprehensive income		—	—	—	14,580,512	14,580,512	295,731	14,876,243
Balance, December 31, 2008		163,889,159	90,384,469	4,884,800	(56,125,822)	39,143,447	295,731	39,439,178
Shares issued for								
Exercise of warrants	25	2,250,000	5,597,821	—	—	5,597,821	—	5,597,821
Exercise of stock options	25	1,490,300	3,204,628	(1,297,570)	—	1,907,058	—	1,907,058
Stock-based compensation		—	—	(461,783)	—	(461,783)	—	(461,783)
Net (loss) income and comprehensive (loss) income		—	—	—	(9,347,381)	(9,347,381)	976,481	(8,370,900)
Balance, December 31, 2009		167,629,459	99,186,918	3,125,447	(65,473,203)	36,839,162	1,272,212	38,111,374
Shares issued for								
Exercise of warrants	25	4,060,000	21,008,571	—	—	21,008,571	—	21,008,571
Exercise of stock options	25	135,000	381,862	(118,853)	—	263,009	—	263,009
Stock-based compensation		—	—	37,915	—	37,915	—	37,915
Net income and comprehensive income		—	—	—	461,035	461,035	323,702	784,737
Balance, June 30, 2010		171,824,459	120,577,351	3,044,509	(65,012,168)	58,609,692	1,595,914	60,205,606
Balance, January 1, 2009		163,889,159	90,384,469	4,884,800	(56,125,822)	39,143,447	295,731	39,439,178
Stock-based compensation		—	—	166,450	—	166,450	—	166,450
Net (loss) income and comprehensive (loss) income		—	—	—	(1,666,503)	(1,666,503)	233,001	(1,433,502)
Balance, June 30, 2009 (unaudited)		163,889,159	90,384,469	5,051,250	(57,792,325)	37,643,394	528,732	38,172,126

Note: Amounts representing equity reserve arise from stock-based compensation provided to employees during the Relevant Periods.

THE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOW

	Notes	Years ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		$	$	$	$ (unaudited)	$
Operating activities						
(Loss) income before income tax for the year/ period		(30,432,907)	14,876,243	(2,278,951)	(471,281)	5,671,749
Items not requiring use of cash and cash equivalents						
Depreciation and depletion		45,612	2,410,382	5,764,505	2,531,119	3,857,736
Fair value change on warrant liabilities		14,274,106	(12,792,931)	7,186,721	1,164,408	7,155,807
Finance costs		1,699,415	3,592,471	6,308,158	2,289,443	2,228,167
Stock-based compensation		1,754,547	1,641,410	(461,783)	166,450	37,915
Unrealized foreign exchange loss (gain)		3,175,412	(7,941,666)	2,172,413	1,773,467	253,306
Gain on disposal of subsidiaries		—	—	—	—	(20,000)
Change in non-cash operating working capital items						
Accounts receivable		(25,459)	295,864	(1,384,502)	74,651	(388,318)
Prepaid expenses and deposits		15,103	(5,174,522)	5,442,321	3,223,967	(594,747)
Inventory		(434,609)	(27,825,973)	(1,374,348)	(364,926)	(16,851,379)
Amount due from a shareholder		—	—	—	(1,433,577)	—
Accounts payable and accrued liabilities		6,950,958	3,733,380	817,754	2,580,366	(10,488,106)
Cash generated from operations		(2,977,822)	(27,185,342)	22,192,288	11,534,087	(9,137,870)
Interest paid		(4,679,741)	(5,863,517)	(6,681,899)	(2,737,027)	(2,649,982)
Income taxes paid		—	—	(4,752,349)	(962,221)	(2,467,566)
Net cash flows (used in) from operating activities		(7,657,563)	(33,048,859)	10,758,040	7,834,839	(14,255,418)
Investing activities						
Property, plant and equipment additions		(37,618,584)	(26,839,782)	(36,581,179)	(26,770,796)	(9,294,368)
Proceeds from sale of pre-commercial gold production		15,077,020	20,906,313	—	—	—
Disposal of subsidiaries	19(c)	—	—	—	—	20,000
Restricted cash deposits paid	15	—	(15,328,003)	—	—	—
Restricted cash deposits received	15	—	10,112,299	5,215,704	5,215,704	10,756,703
Net cash flows (used in) from investing activities		(22,541,564)	(11,149,173)	(31,365,475)	(21,555,092)	1,482,335
Financing activities						
Issuance of common shares		9,071,524	11,022,868	5,329,774	—	8,829,650
Customer advance		—	—	20,488,504	20,488,504	—
Repayments of customer advance		—	—	(20,488,504)	—	—
Proceeds from private placement offering comprising the 12% senior unsecured promissory notes and share purchase warrants	23	18,118,764	—	—	—	—
Proceeds from borrowings	23	—	18,909,916	94,010,923	7,317,062	—
Repayments of borrowings	23	—	—	(66,965,645)	(18,909,916)	(3,931,026)
Net cash flows from financing activities		27,190,288	29,932,784	32,375,052	8,895,650	4,898,624
Effect of foreign exchange rate changes on cash and cash equivalents		2,084,761	(544,438)	74,304	(4,347)	221,051
Net (decrease) increase in cash and cash equivalents		(924,078)	(14,809,686)	11,841,921	(4,828,950)	(7,653,408)
Cash and cash equivalents, beginning of year/period		27,876,503	26,952,425	12,142,739	12,142,739	23,984,660
Cash and cash equivalents, end of year/period		26,952,425	12,142,739	23,984,660	7,313,789	16,331,252
Cash and cash equivalents are comprised of						
Cash in bank		9,896,230	12,140,045	23,984,660	7,313,789	16,331,252
Bank short-term deposits		17,056,195	2,694	—	—	—
		26,952,425	12,142,739	23,984,660	7,313,789	16,331,252
Supplemental cash flow information	29					

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL BUSINESS DESCRIPTION

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines Inc. and Pacific Minerals Inc., (the "Company") is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange. The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the acquisition, exploration, development and mining of mineral properties in the People's Republic of China. The Group's substantial shareholder is China National Gold Group Corporation ("CNG"), a company registered in Beijing, China.

The head office, principal address and registered and records office of the Group are located at Suite 1030, One Bentall Centre, 505 Burrard Street, Vancouver, BC, Canada, V7X 1M5.

The Financial Information is presented in United States Dollars ("$") which is the functional currency of the principal subsidiaries.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which are effective for the Group's financial year beginning on January 1, 2010. For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these new IFRSs which are effective for the accounting period beginning on 1 January 2010 throughout the Relevant Periods, except for IFRS 3 (revised 2008), which has been applied for business combination for which the acquisition date is on or after 1 January 2010 and IAS 27 (revised 2008) which has been applied for accounting period beginning on 1 January 2010.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET EFFECTIVE

At the date of this report, the IASB has issued the following new and revised standards, amendment and interpretations which are not yet effective during the Relevant Periods. The Group has not early adopted these standards, amendments and interpretations in the preparation of the Financial Information for the Relevant Periods.

●	IFRSs (Amendments)	Improvements to IFRSs issued in May 2010[i]
●	IAS 24 (Revised)	Related Party Disclosures[ii]
●	IAS 32 (Amendment)	Classification of Rights Issues[iii]
●	IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosure for First Time Adopters[v]
●	IFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[vi]
●	IFRS 9	Financial Instruments[iv]
●	IFRS 14 (Amendment)	Prepayments of a Minimum Funding Requirement[ii]
●	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[v]

(i) Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate

(ii) Effective for annual periods beginning on or after January 1, 2011

(iii) Effective for annual periods beginning on or after February 1, 2010

(iv) Effective for annual periods beginning on or after January 1, 2013

(v) Effective for annual periods beginning on or after July 1, 2010

(vi) Effective for annual periods beginning on or after July 1, 2011

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

The directors of the Company anticipate that the application of the new or revised standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. These policies have been consistently applied throughout the Relevant Periods except as mentioned below. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

(b) Foreign currencies

The Group's presentation currency and the functional currency of all of its operations is the U.S. dollar as this is the principal currency of the economic environment in which they operate.

Transactions in foreign currencies are initially recorded in the Group's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at rate of exchange ruling at the end of each period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Revenue is not reduced for other taxes payable from the Group's production.

Revenue from the sale of gold is recognized when there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title passes and the goods have been delivered to a contractually agreed location.

Revenue is commonly subject to adjustment based on an inspection of the product by the customer. In such cases, revenue is initially recognized on a provisional basis using the Group's best estimate of contained metal and adjusted subsequently.

Interest income is recognized in profit or loss as it accrues, using the effective interest method.

(d) Share-based payments

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

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

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

(e) Borrowing costs

Borrowing costs are generally expensed as incurred except where they relate to the financing of construction or development of qualifying assets requiring a substantial period of time to prepare for their intended future use.

Borrowing costs are capitalized up to the date where the asset is ready for its intended use. The amount of borrowing costs capitalized (before the effects of income tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of capitalized expenditure for the qualifying assets during the period.

(f) Income taxes

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

The tax currently payable is based on taxable income for the period. Taxable income differs from net income as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not 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 the tax expected to be payable or recoverable 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 income and on the carry forward of tax losses and tax credits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investment 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary difference, and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credit directly to other comprehensive income, in which case the deferred tax is also taken directly to other comprehensive income.

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

(g) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants (if dilutive).

The number of additional shares is calculated by assuming that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods.

(h) Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment losses.

(i) Cash and cash equivalents

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

(j) Inventory

Gold in process inventory consists of gold contained in the ore on leach pads and in-circuit material within processing operations. Gold doré is gold awaiting refinement. Gold inventories are valued at the lower of average production cost or net realizable value.

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. The estimated selling price per ounce of gold is determined by the average of predicted future gold prices over the next twelve months. The estimated costs of completion are refining costs which are determined based on current refining costs per ounce of gold charged by its customers. Consequently, there are no additional selling costs.

Gold in process inventory

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

Gold doré 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. For accounting purposes, costs are added to ore on leach pads using current mining and leaching costs, including applicable depreciation and depletion relating to mining interests. Costs are removed 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).

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.

(k) Property, plant and equipment

(i) General

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

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

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

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

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

(ii) 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 expenditures and are expensed as incurred to the date of establishing that costs incurred are economically recoverable. Further exploration and evaluation expenditures, subsequent to the establishment of economic recoverability, are capitalized and included in the carrying amount of the mineral assets.

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

- Geology — whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. A history of conversion of resources to reserves at operating mines to support the likelihood of conversion.
- Scoping — there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.
- Accessible facilities — mining property can be processed economically at accessible mining and processing facilities where applicable.

- Life of mine plans — an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing orebody.
- Authorizations — operating permits and feasible environmental programs exist or are obtainable.

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

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

(iii) Development expenditure

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

(iv) Production expenditure

Capitalization of costs incurred ceases when the related mining property has reached production levels intended by management. Incidental operations are considered necessary to bring mineral assets to the condition necessary for it to be capable of operating in the manner intended by management. Therefore costs incurred prior to reaching production levels intended by management are capitalized and the proceeds from sales prior to commissioning are offset against costs capitalized.

Mine development costs incurred to maintain current production are included in profit or loss. The distinction between mining expenditures incurred to develop new orebodies and to develop mine areas in advance of current production is mainly the production timeframe of the mining area. For those areas being developed which will be mined in the future periods, the costs incurred are capitalized and depleted when the related mining area is mined as compared to current production areas where development costs are expensed as incurred.

For open-pit operations the removal of overburden or waste ore is required to obtain access to the orebody. To the extent that the actual waste material removed per tonne of ore mined (known as the stripping ratio) is higher than the average stripping ratio in the early years of a mine's production phase, the costs associated with this process are deferred and charged to operating costs using the expected average stripping ratio over the average life of the area being mined. This reflects the fact that waste removal is necessary to gain access to the orebody and therefore realize future economic benefit. The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life of mine, per tonne of ore mined. The average life of mine cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The cost of stripping in any period will therefore be reflective of the average stripping rates for the orebody as a whole. However, where the pit profile is such that the actual stripping ratio is below the average in the early years no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The average life of mine stripping ratio and the average life of mine cost per tonne are recalculated annually in light of additional knowledge and changes in estimates. Changes in the life of mine stripping ratio are accounted for prospectively as a change in estimate.

(v) Depreciation

Mineral assets are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mine when the production level intended by management has been reached. The production level intended by management is considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be sustained. Other factors include one or more of the following:

- A significant utilization rate of plant capacity has been achieved;
- A significant portion of available funding is directed towards operating activities;
- A pre-determined, reasonable period of time of stable operation has passed; and
- A development project significant to the primary business objective of the Group has been completed and significant milestones have been achieved.

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.

Effective on July 1, 2008, the Group determined that the CSH Gold Mine had reached the production level intended by management.

Plant and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets. The significant classes of plant and equipment and their estimated useful lives are as follows:

Buildings	10 years to 24 years
Crusher	14 years
Furniture and office equipment	2 to 5 years
Machinery and equipment	3 to 10 years
Motor vehicles	5 years
Leasehold improvements	5.5 years

Assets under construction are depreciated when they are substantially complete and available for their intended use, over their estimated useful lives.

Assets held under finance leases and leasehold improvements are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

(vi) Impairment

The Group's tangible and intangible assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(l) Financial assets

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designed as effective hedges.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value, with changes recognized in profit or loss. Transaction costs are expensed as incurred.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include "accounts receivable", "cash and cash equivalents" and "restricted cash".

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

(iii) Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(iv) Impairment of financial assets

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

Objective evidence of impairment could include the following:

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

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

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

(v) Derecognition of financial assets

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

(m) Financial liabilities and equity

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

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(i) Effective interest method

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

(ii) Warrant liabilities

The Company has issued share purchase warrants with Canadian dollar exercise prices (Note 25 (c)). As a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, these warrants meet the definition of derivatives and were therefore classified as financial liabilities at FVTPL prior to their exercise and expiry dates.

(iii) Other financial liabilities

The Group has classified accounts payable and accrued expenses and borrowings as other financial liabilities.

(iv) Derecognition of financial liabilities

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

(n) Environmental rehabilitation

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

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. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out in Note 4 (k)(vi).

(o) Leases

Rentals payable under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized on a straight-line basis over the lease term.

(p) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(r) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, which are described in Note 4, the directors of the Company have identified the following judgement and key sources of estimation uncertainty that have significant effect on the amounts recognized in the financial information.

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

(a) Inventories

The Group records the cost of 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. These costs are charged to earnings and included in cost of sales on the basis of ounces of gold recovered. The assumptions used in the valuation of gold-in-process inventories include estimates of gold contained in the ore placed on leach pads, assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads, and the amount of gold in the process plant and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove inaccurate, the Group could be required to write down the recorded value of its gold-in-process inventories.

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

During the year ended December 31, 2009, the management re-assessed the recovery rate used in the inventory model based on latest available information. Impairment of inventory of $3,030,461 was recognized in the profit or loss in respect of the Group's gold in process inventory during the year ended December 31, 2009. Details are disclosed in Note 18.

(b) Property, plant and equipment

The Group's property, plant and equipment is depreciated and amortized on either a unit-of-production basis or straight-line method over their estimated useful lives. Under the unit-of-production method, the calculation of depreciation and depletion of property, plant and equipment is based on the amount of reserves expected to be recovered from the mine. If these estimates of reserves prove to be inaccurate, or if the Group revises its mining plan, due to reductions in the metal price forecasts or otherwise, to reduce the amount of reserves expected to be recovered, the Group could be required to write down the recorded value of its property, plant and equipment, or to increase the amount of future depreciation and depletion expense.

Further, a technical report released in March 2010 has resulted in the management reviewing the estimated useful life of its assets, particularly the buildings located on the mine site. A change of estimate is accounted for prospectively and as a result, the management has increased the life of the buildings from 10 years to 24 years effective January 1, 2010. The depreciation of buildings was reduced by US$128,201 for the six months ended June, 2010 due to the change of buildings useful life.

In addition, IFRS requires the Group to consider at the end of each reporting period whether there has been an impairment indicator of its property, plant and equipment. If the Group determines there has been an impairment because its prior estimates of future net cash flows have proven to be inaccurate, due to reductions in the metal price forecasts, increases in the costs of production, reductions in the amount of reserves expected to be recovered or otherwise, or because the Group has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Group would be required to write down the recorded value of its property, plant and equipment.

(c) Environmental rehabilitation

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

During the year ended December 31, 2009 and six months ended June 30, 2010, a reduction of $3,145,917 were made from changes in the estimated timing and amount of cash flows and addition of $295,265 were made from changes in discount rate, respectively on the environmental rehabilitation costs, details of which are disclosed in Note 24.

6. GENERAL AND ADMINISTRATIVE

The general and administrative expenses for the Group are broken down as follows:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Administration and office	1,003,393	1,171,211	1,509,368	523,000	520,291
Depreciation	45,612	19,922	45,246	11,318	44,608
Investor relations	325,392	552,001	186,054	85,200	131,090
Professional fees	654,103	854,250	1,148,062	429,052	497,483
Salaries and benefits[(1)]	2,330,823	2,767,193	588,267	589,068	646,295
Shareholder information, transfer agent and filing fees	211,023	201,301	165,293	99,425	101,959
Travel	404,210	575,357	72,264	100,092	174,567
	4,974,556	6,141,235	3,714,554	1,837,155	2,116,293

(1) Stock-based compensation (a non-cash item) of $1,257,150, $1,289,056, $(475,575), $78,348 and $155,977 has been included in salaries and benefits for the years ended December 31, 2007, 2008, 2009 and six months ended June, 2009 and 2010 respectively. The negative stock-based compensation for the year ended December 31, 2009 is due to forfeitures.

7. EXPLORATION AND EVALUATION EXPENDITURE

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
CSH Gold Mine (Note 19 (a))	1,239,111	1,824,263	267,299	—	58,040
Dadiangou Gold Project (Note 19 (b))	3,275,637	1,655,319	431,467	270,823	65,172
Xinjiang Projects (Note 19 (c))	1,726,213	920,268	795,206	223,941	—
Generative exploration	363,054	887,760	415,043	111,509	(29,735)
	6,604,015	5,287,610	1,909,015	606,273	93,477

Stock-based compensation (a non-cash item) of $497,397, $177,742, $96,775, $59,425 and $(96,552) has been included within exploration and evaluation expenditures for the years ended December 31, 2007, 2008, 2009 and six months ended June 2009 and 2010, respectively. The negative stock-based compensation for the six months ended June 30, 2010 is due to forfeitures.

8. FINANCE COSTS

The finance costs for the Group are broken down as follows:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Effective interest	6,428,979	9,097,733	9,458,796	4,446,471	3,052,385
Financial services agreement (note 27)	—	—	409,770	—	—
Accretion on environmental rehabilitation	323,250	405,314	392,277	202,107	85,267
	6,752,229	9,503,047	10,260,843	4,648,578	3,137,652
Less: Amount capitalized	(5,052,814)	(5,910,576)	(3,952,685)	(2,359,135)	(909,485)
Total finance costs	1,699,415	3,592,471	6,308,158	2,289,443	2,228,167

Loss on repurchase of promissory notes of $268,808 and $121,502 has been included in finance costs for the year ended December 31, 2009 and six months ended June 30, 2010, respectively (note 23(ii)(b)).

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

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	%	%	%	% (unaudited)	%
Capitalization rate	19.27	19.24	16.51	19.24	6.67

9. INCOME TAX EXPENSE

The Company and its subsidiaries in Canada are subject to Canadian federal and provincial tax which are calculated at 34.12%, 31.00%, 30.00%, 30.00% and 28.50% of the estimated assessable profit for the years ended December 31, 2007, 2008, 2009 and six months ended June 30, 2009 and 2010, respectively. The Company and its subsidiaries in Canada had no assessable profit for the Relevant Periods.

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC.

On March 16, 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 33% to 25% for the Company's PRC subsidiaries from January 1, 2008 onwards.

For the years ended December 31, 2007, 2008, 2009 and six months ended June 30, 2009 and 2010, the Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 33%, 25%, 25%, 25% and 25%, respectively, of taxable income.

The New Law imposes withholding tax of 10% upon the distribution of the profits earned by the Company's PRC subsidiaries on or after January 1, 2008 to non-resident shareholders.

At December 31, 2008, 2009, and June 30, 2010, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was $3,305,000, $20,788,000 and $33,242,000, respectively. No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

Tax expense comprises:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Current tax expense	—	—	4,752,348	962,221	2,700,566
Deferred tax expense relating to the origination of and reversal of temporary differences	—	—	1,339,601	—	2,186,446
	—	—	6,091,949	962,221	4,887,012

The tax expense for the Group can be reconciled to the (loss) income before income tax for the year/period per the consolidated statements of comprehensive income as follows:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
(Loss) income before income tax	(30,432,907)	14,876,243	(2,278,951)	(471,281)	5,671,749
Statutory tax rate	34.12%	31.00%	30.00%	30.00%	28.50%
Tax based on combined Canadian federal and provincial statutory rates	(10,383,708)	4,611,635	(683,685)	(141,384)	1,616,448
Deduct:					
Effect of different tax rates of subsidiaries operating in other jurisdictions	63,783	(153,085)	(1,115,200)	(244,904)	(1,846,287)
Tax effect of losses not recognized	2,041,169	2,385,444	906,505	155,827	1,288,984
Tax effect of deductible temporary differences not recognized	2,675,591	(1,250,211)	1,332,787	85,918	749,619
Tax effect of non-deductible expenses/ non-taxable income	5,148,805	(5,768,894)	4,915,682	826,383	2,867,226
Effect of change in the future tax rates	454,360	175,111	735,860	280,381	211,022
	—	—	6,091,949	962,221	4,887,012

For the purpose of consolidated statements of financial position presentation, certain deferred tax assets have been recognized to the extent of the deferred tax liabilities relating to taxable temporary differences. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Years ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
	$	$	$	$
Deferred income tax assets				
Property, plant and equipment	—	2,130,354	2,563,002	3,064,883
Prepaid expenses	—	—	1,757,309	224,008
	—	2,130,354	4,320,311	3,288,891
Deferred income tax liabilities				
Inventory	—	—	(4,989,052)	(6,814,938)
Others	—	(2,130,354)	(670,860)	—
	—	(2,130,354)	(5,659,912)	(6,814,938)
Net deferred income tax liabilities	—	—	(1,339,601)	(3,526,047)

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

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Deferred income tax assets				
Tax loss carryforwards	4,867,200	7,252,644	8,159,149	9,448,133
Other tax deductible temporary differences	4,164,071	2,913,860	4,246,647	4,996,266
Total unrecognized deferred income tax assets	9,031,271	10,166,504	12,405,796	14,444,399

No net deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable.

The Company and its subsidiaries have unrecognized non-capital losses for income tax purposes that may be used to offset future taxable income as follows:

	December 31, 2007		
	Local currency	U.S. dollar equivalent	Expiry date
	$	$	
Non-capital losses			
Canadian	$ 14,818,010	14,996,468	2008-2027
Chinese Renminbi	RMB23,977,465	3,272,614	2008-2012
		18,269,082	

	December 31, 2008		
	Local currency	U.S. dollar equivalent	Expiry date
	$	$	
Non-capital losses			
Canadian	$ 32,562,944	26,590,678	2009-2028
Chinese Renminbi	RMB 9,252,881	1,356,270	2009-2013
		27,946,948	

	December 31, 2009		
	Local currency	U.S. dollar equivalent	Expiry date
	$	$	
Non-capital losses			
Canadian	$ 34,268,100	32,636,597	2013-2029

	June 30, 2010		
	Local currency	U.S. dollar equivalent	Expiry date
	$	$	
Non-capital losses			
Canadian	$ 40,233,932	37,792,534	2013-2030

10. NET (LOSS) INCOME FOR THE YEAR/PERIOD

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Auditor's remuneration	282,825	347,825	496,740	189,635	129,323
Depreciation included in cost of sales	—	2,390,460	5,697,758	2,519,801	3,813,128
Depreciation included in administrative expenses (Note 6)	45,612	19,922	45,246	11,318	44,608
Total depreciation	45,612	2,410,382	5,743,004	2,531,119	3,857,736
Gain on disposal of property, plant and equipment	(831)	(4,123)	(6,583)	—	(15,684)
Staff costs					
Directors' emoluments (Note 11)	725,447	897,607	85,917	96,504	394,717
Retirement benefit contributions	84,056	180,263	34,998	86,650	19,445
Other staff costs	1,521,320	1,689,323	467,352	405,914	232,133
Total salaries and benefits included in administrative expenses (Note 6)	2,330,823	2,767,193	588,267	589,068	646,295
Staff costs included in exploration and evaluation expenditure	1,587,675	1,479,885	413,356	351,739	68,717
Total staff costs	3,918,498	4,247,078	1,001,623	940,807	715,012

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Directors' emoluments					
Directors' fees	39,073	46,905	33,289	15,483	85,278
Other emoluments for non-executive directors and independent non-executive directors					
Stock-based compensation	360,395	557,138	51,538	80,478	221,497
Retirement benefit contribution	1,341	1,583	1,090	543	1,041
Other emoluments for executive directors					
Salaries and other benefits	181,128	199,373	—	—	84,861
Stock-based compensation	141,798	90,845	—	—	—
Retirement benefit contribution	1,712	1,763	—	—	2,040
	725,447	897,607	85,917	96,504	394,717

	Directors' fees	Salaries and other benefits	Retirement benefit obligation	Stock-based compensation	Total
	$	$	$	$	$
Year ended December 31, 2007					
Name of director					
Jay Chmelauskas	—	181,128	1,712	141,798	324,638
R. Edward Flood	—	—	—	72,079	72,079
Ian He	11,164	—	362	72,079	83,605
Daniel Kunz	11,164	—	362	72,079	83,605
Pierre Lebel	16,745	—	617	72,079	89,441
Peter G. Meredith	—	—	—	72,079	72,079
	39,073	181,128	3,053	502,193	725,447
Year ended December 31, 2008					
Name of director					
Zhaoxue Sun (Appointed May 13, 2008)	—	—	—	—	—
Bing Liu (Appointed May 13, 2008)	—	—	—	—	—
Ian He	11,257	—	362	113,260	124,879
Daniel Kunz	11,257	—	362	113,260	124,879
Yunfei Chen (Appointed May 13, 2008)	7,505	—	241	—	7,746
Zhanming Wu (Appointed May 13, 2008)	—	—	—	—	—
Jay Chmelauskas (Resigned September 8, 2008)	—	199,373	1,763	90,845	291,981
R. Edward Flood (Resigned May 13, 2008)	—	—	—	104,098	104,098
Pierre Lebel (Resigned December 19, 2008)	16,886	—	618	113,260	130,764
Peter G. Meredith (Resigned May 13, 2008)	—	—	—	113,260	113,260
	46,905	199,373	3,346	647,983	897,607
Year ended December 31, 2009					
Name of director					
Zhaoxue Sun	—	—	—	—	—
Bing Liu	—	—	—	—	—
Zhanming Wu	—	—	—	—	—
Xin Song (Appointed October 9, 2009)	—	—	—	—	—
Yunfei Chen	10,512	—	369	—	10,881
Ian He	11,389	—	445	66,725	78,559
Gregory Hall (Appointed October 9, 2009)	1,752	—	—	—	1,752
John King Burns (Appointed October 27, 2009)	1,752	—	—	—	1,752
Daniel Kunz (Resigned October 15, 2009)	7,884	—	276	(15,187)	(7,027)
	33,289	—	1,090	51,538	85,917

	Directors' fees	Salaries and other benefits	Retirement benefit obligation	Stock-based compensation	Total
	$	$	$	$	$
Six months ended June 30, 2010					
Zhaoxue Sun	—	—	—	—	—
Bing Liu	—	—	—	—	—
Zhanming Wu	—	—	—	—	—
Xin Song	—	—	—	—	—
Xiangdong Jiang (Appointed June 17, 2010)	—	84,861	2,040	—	86,901
Yunfei Chen	19,801	—	198	51,064	71,063
Ian He	24,515	—	285	68,305	93,105
Gregory Hall	21,009	—	288	51,064	72,361
John King Burns	19,953	—	270	51,064	71,287
	85,278	84,861	3,081	221,497	394,717
Six months ended June 30, 2009 (unaudited)					
Zhaoxue Sun	—	—	—	—	—
Bing Liu	—	—	—	—	—
Zhanming Wu	—	—	—	—	—
Yunfei Chen	5,161	—	181	—	5,342
Ian He	5,161	—	181	40,239	45,581
Daniel Kunz	5,161	—	181	40,239	45,581
	15,483	—	543	80,478	96,504

Five highest paid individuals

The five highest paid individuals included, one director for the year ended December 31, 2007, one director for the year ended December 31, 2008 and three directors for the six months ended June 30, 2010. For the year ended December 31, 2009 and six months ended June 30, 2009, the five highest paid individuals did not include any directors of the Company. The emoluments of the remaining four for the year ended December 31, 2007, remaining four for the year ended December 31, 2008, all five for the year ended December 31, 2009, all five for the six months ended June 30, 2009 and remaining two for the six months ended June 30, 2010, are as follows:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Employees					
Salaries and other benefits	678,950	877,313	660,665	331,857	161,490
Retirement benefit contributions	7,405	7,690	10,342	9,112	2,040
Stock-based compensation	416,946	465,016	227,106	141,026	—
	1,103,301	1,350,019	898,113	481,995	163,530

Their emoluments were within the following bands:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
				(unaudited)	
HK$Nil to HK$1,000,000 (equivalent to approximately US$Nil to US$128,205)	—	—	1	5	2
HK$1,000,001 to HK$1,500,000 (equivalent to approximately US$128,206 to US$192,307)	—	1	1	—	—
HK$1,500,001 to HK$2,000,000 (equivalent to approximately US$192,308 to US$256,409)	1	—	3	—	—
HK$2,000,001 to HK$2,500,000 (equivalent to approximately US$256,410 to US$320,513)	3	—	—	—	—
HK$2,500,001 to HK$3,000,000 (equivalent to approximately US$320,514 to US$384,615)	—	2	—	—	—
HK$3,000,001 to HK$3,500,000 (equivalent to approximately US$384,616 to US$448,718)	—	1	—	—	—

During the Relevant Periods, 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 the Company or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the Relevant Periods.

12. DIVIDEND

No dividends have been paid or declared by the Company during the Relevant Periods.

13. (LOSS) EARNINGS PER SHARE

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

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
(Loss) income attributable to owners of the Company for the purpose of basic (loss) earnings per share	(30,432,907)	14,580,512	(9,347,381)	(1,666,503)	461,035
Effect of dilutive potential ordinary shares:					
Fair value change on warrant liabilities 25(c)	—	(12,792,931)	—	—	—
(Loss) income attributable to owners of the Company for the purpose of diluted (loss) earnings per share	(30,432,907)	1,787,581	(9,347,381)	(1,666,503)	461,035
Weighted average number of shares, basic	151,747,438	162,059,379	167,629,459	163,889,159	169,511,321
Dilutive securities					
Options	—	1,707,012	—	—	426,131
Warrants	—	1,014,476	—	—	—
Weighted average number of shares, diluted	151,747,438	164,780,867	167,629,459	163,889,159	169,937,452
Basic (loss) earnings per share	(20.05) cents	9.00 cents	(5.58) cents	(1.02) cents	0.27 cents
Diluted (loss) earnings per share	(20.05) cents	1.08 cents	(5.58) cents	(1.02) cents	0.27 cents

Due to a net loss for the years ended December 31, 2007 and 2009 and for six months ended June 30, 2009, all stock options and warrants (disclosed in Notes 25 (b) and (c)) were excluded from the diluted EPS computation because their effect would have been anti-dilutive. For the six months ended June 30, 2010, the warrants were excluded from the diluted EPS computation because their effect would have been anti-dilutive.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group and the Company comprised of bank balances and bank deposits with an original maturity of three months or less. The Group's and the Company's bank balances and cash equivalents are denominated in the following currencies:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Denominated in				
Canadian dollars	21,795,824	649,888	5,812,185	5,473,273
Chinese Renminbi	3,755,368	5,538,082	16,361,908	10,048,746
U.S. dollars	1,401,233	5,954,769	1,810,567	809,233
Total cash and cash equivalents	26,952,425	12,142,739	23,984,660	16,331,252

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Denominated in				
Canadian dollars	21,795,824	649,888	5,812,185	5,473,273
U.S. dollars	1,326,158	5,899,356	1,766,344	627,068
Total cash and cash equivalents	23,121,982	6,549,244	7,578,529	6,100,341

15. RESTRICTED CASH

THE GROUP

In December 2008, the Group's subsidiary in China, Inner Mongolia Pacific Mining Co. Ltd. ("Inner Mongolia Pacific"), received $1,326,358 (RMB 9,000,000) from the local Chinese tax authority. These funds were temporarily held on behalf of the local Chinese tax authority and therefore, not available for use by the Group and were returned to the local Chinese tax authority in January 2009.

At June 30, 2010, the Group received deposit from the purchaser in respect of its sales of the Dadiangou Gold Project of $10,756,703, and such amounts cannot be used until the completion of the disposal transaction. Hence, the amount has been included as restricted cash at June 30, 2010 (Note 19(b)).

THE GROUP AND THE COMPANY

The Group signed a contract with an equipment manufacturer to purchase crusher equipment for $15,557,383 to be delivered in early 2009. The Group established a $15,000,000 letter of credit facility with its bank and opened a $14,001,645 standby letter of credit for the purchase of the equipment. As security for the standby letter of credit, which expired on January 15, 2009, the Group placed $14,001,645 as restricted cash with its bank. The Group has reduced its standby letter of credit to $3,889,346 after making progress payments of $10,112,299 and the security placed with its bank reduced to $3,889,346 as of December 2008. The standby letter of credit expired on January 15, 2009 and the security was released in full. On February 19, 2009, the Group paid $3,889,346 to the equipment supplier.

16. ACCOUNTS RECEIVABLE

The Group's and the Company's accounts receivable arise from the following sources: interest receivables, amount due from shareholder, listing expense receivable and goods and services tax ("GST") receivable due from various government taxation authorities. These are broken down as follows:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Interest receivables	41,039	—	—	—
GST receivable	258,292	35,162	65,167	88,056
Listing expense receivable (Note 27)	—	—	1,184,911	1,748,756
Amount due from shareholder (Note 27)	—	—	346,437	130,624
Other receivables	49,583	113,609	85,365	102,762
Total accounts receivable	348,914	148,771	1,681,880	2,070,198

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Interest receivables	41,039	—	—	—
GST receivable	258,292	35,162	65,167	88,056
Listing expense receivable (Note 27)	—	—	1,184,911	1,748,756
Other receivables	2,049	49	34,672	—
Total accounts receivable	301,380	35,211	1,284,750	1,836,812

Listing expense receivable is due from Skyland Mining Limited ("Skyland"), a subsidiary of CNG, based on a cost sharing agreement between the Group and Skyland entered into in September 2009 (Note 27). The Group and Skyland agreed to share equally costs related to the proposed listing of the Company on the Stock Exchange and the Group has recorded this as a cost recovery against the listing expenses in the consolidated statements of comprehensive income.

Below is an aged analysis presented based on invoice date or GST form date at the end of the reporting period (excluded listing expense receivable and assets classified as held for sale of the Group) of the Group's and the Company's accounts receivable:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Less than 1 month	301,380	35,211	65,167	102,973
1 to 3 months	—	—	85,365	218,469
Over 6 months	47,534	113,560	346,437	—
	348,914	148,771	496,969	321,442
Listing expense receivable	—	—	1,184,911	1,748,756
Total accounts receivable	348,914	148,771	1,681,880	2,070,198

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Less than 1 month	301,380	35,211	65,167	88,056
1 to 3 months	—	—	34,672	—
	301,380	35,211	99,839	88,056
Listing expense receivable	—	—	1,184,911	1,748,756
Total accounts receivable	301,380	35,211	1,284,750	1,836,812

The Company did not have accounts receivable that were past due but not impaired. Of the Group's accounts receivable balance, the following were past due but not impaired:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Over 6 months	47,534	113,560	346,437	—

Management considers that the Group's accounts receivable that are neither past due nor impaired have good credit quality at the end of each reporting period with reference to past settlement history.

At June 30, 2010, all of the GST receivable was outstanding less than 1 month. The Group anticipates full recovery of these amounts and, therefore, no impairment has been recorded against these receivables. The credit risk on the GST receivable has been further discussed in Note 31 (b).

The Group's and the Company's other receivables mostly represented employees' travel advances as of December 31, 2007, 2008, 2009 and June 30, 2010. The other receivables are unsecured, interest free and repayable upon written notice from the Group.

The Group holds no collateral for any receivable amounts outstanding as of December 31, 2007, 2008, 2009 and June 30, 2010.

17. PREPAID EXPENSES AND DEPOSITS

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Deposit for environmental protection	—	—	—	796,430
Refundable CSH Gold Mine construction deposits	1,228,902	3,975,699	192,876	—
Deposits for mine supplies and services	—	—	705,420	827,596
Rent deposits	264,385	358,875	246,846	246,877
Permit advance	—	315,863	—	—
Deposits for spare parts	—	634,789	133,036	105,028
Insurance	402,091	304,757	286,787	194,951
Prepaid resources taxes	—	1,476,319	—	—
Other	106,602	110,200	169,216	183,484
Total prepaid expenses and deposits	2,001,980	7,176,502	1,734,181	2,354,366
Less: Amounts that are utilized within one year shown under current assets	(2,001,980)	(7,176,502)	(1,734,181)	(1,557,936)
Amounts that are utilized for more than one year shown under non current assets	—	—	—	796,430

At June 30, 2010, amounts of $796,430 represented deposit for environmental protection that are expected to be utilized for more than one year and therefore are classified as non-current assets.

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Rent deposits	227,749	230,313	242,470	242,470
Insurance	158,827	125,455	110,291	45,056
Other	38,560	110,200	149,523	133,659
Total prepaid expenses and deposits	425,136	465,968	502,284	421,185

18. INVENTORY

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Gold in process	—	25,136,984	27,076,254	41,325,590
Gold doré bars	—	1,013,325	1,069,014	3,067,920
Consumables	429,277	1,328,923	344,231	760,006
Spare parts	5,332	165,535	529,616	716,978
Total inventory	434,609	27,644,767	29,019,115	45,870,494

Inventory totalling $Nil, $20,499,517, $56,178,404 (included impairment of $3,030,461), $18,438,691 and $18,638,434 for the years ended December 31, 2007, 2008, 2009 and for six months ended June 30, 2009 and 2010 respectively, was recognized in cost of sales after commercial production began.

THE GROUP

The actual gold recovery rate of 43% from the uncrushed ore realized up to December 2009 is 8% lower than the predicted recovery rate of 51% used in the Group's inventory model and as such the Group has recorded an impairment of $3,030,461 during the year ended December 31, 2009. Impairment of inventory is included in cost of sales during the year ended December 31, 2009. At June 30, 2010, estimated gold recovery rate of 43% was used which was the same as of December 31, 2009.

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Gold in process	—	25,136,984	30,106,715	44,356,051
Impairment of inventory	—	—	(3,030,461)	(3,030,461)
Total gold in process	—	25,136,984	27,076,254	41,325,590

Management has allocated inventory that are expected to be recovered more than twelve months after the reporting period to take into consideration the longer term process involved in recovering gold from a heap leaching system.

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Amounts expected to be recovered within 12 months	434,609	27,644,767	10,166,429	30,385,142
Amounts expected to be recovered after 12 months	—	—	18,852,686	15,485,352
Total inventory	434,609	27,644,767	29,019,115	45,870,494

19. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Motor vehicles	Furniture and office equipment	Crusher	Machinery and equipment	Buildings	Leasehold improvements	Mineral assets	Construction in progress	Total
	$	$	$	$	$	$	$	$	$
Cost									
As of January 1, 2007	274,330	441,908	—	165,502	56,308	—	5,327,531	14,749,310	21,014,889
Additions	824,217	237,637	—	180,045	59,222	—	20,781,095	13,864,491	35,946,707
Disposals	(8,310)	(55,238)	—	—	—	—	—	—	(63,548)
Reclassification	—	1,237	—	24,628,632	3,942,616	—	—	(28,572,485)	—
As of December 31, 2007	1,090,237	625,544	—	24,974,179	4,058,146	—	26,108,626	41,316	56,898,048
Additions	223,732	171,533	—	—	217,655	—	6,250,322	28,685,801	35,549,043
Disposals	(129,833)	(74,105)	—	(51,357)	—	—	—	—	(255,295)
Transfer to inventory	—	—	—	—	—	—	(20,401,790)	—	(20,401,790)
As of December 31, 2008	1,184,136	722,972	—	24,922,822	4,275,801	—	11,957,158	28,727,117	71,790,006
Additions	68,990	216,697	—	895,270	578,491	—	9,949,133	48,256,412	59,964,993
Disposals	(93,773)	(6,966)	—	—	—	—	—	—	(100,739)
Reclassified as assets held for sale	(37,422)	(48,633)	—	(10,036)	(76,321)	—	—	—	(172,412)
Reclassification	—	—	—	900,126	—	100,458	—	(1,000,584)	—
Environmental rehabilitation adjustment (Note 24)	—	—	—	—	—	—	(3,145,917)	—	(3,145,917)
As of December 31, 2009	1,121,931	884,070	—	26,708,182	4,777,971	100,458	18,760,374	75,982,945	128,335,931
Reversal of accrual	—	—	—	—	—	—	—	(5,719,987)	(5,719,987)
Additions	119,746	30,050	—	60,870	144,163	—	2,368,294	6,571,245	9,294,368
Disposals	(53,913)	—	—	—	—	—	—	—	(53,913)
Reclassification	—	—	71,511,403	(1,103,785)	—	—	(741,049)	(69,666,569)	—
Environmental rehabilitation adjustment (Note 24)	—	—	—	—	—	—	295,265	—	295,265
As of June 30, 2010	1,187,764	914,120	71,511,403	25,665,267	4,922,134	100,458	20,682,884	7,167,634	132,151,664
Accumulated depreciation									
As of January 1, 2007	(83,981)	(200,143)	—	(46,213)	(704)	—	—	—	(331,041)
Charge for the year	(116,883)	(132,306)	—	(751,783)	(113,399)	—	—	—	(1,114,371)
Eliminated on disposals	7,479	52,726	—	(771)	—	—	—	—	59,434
As of December 31, 2007	(193,385)	(279,723)	—	(798,767)	(114,103)	—	—	—	(1,385,978)
Charge for the year	(236,557)	(149,452)	—	(2,216,229)	(375,875)	—	(579,372)	—	(3,557,485)
Eliminated on disposals	65,471	70,202	—	—	—	—	—	—	135,673
As of December 31, 2008	(364,471)	(358,973)	—	(3,014,996)	(489,978)	—	(579,372)	—	(4,807,790)
Charge for the year	(216,772)	(175,290)	—	(2,141,625)	(393,584)	(4,566)	(2,832,668)	—	(5,764,505)
Eliminated on disposals	67,879	6,966	—	—	—	—	—	—	74,845
Reclassified as assets held for sale	33,679	23,430	—	4,333	18,749	—	—	—	80,191
As of December 31, 2009	(479,685)	(503,867)	—	(5,152,288)	(864,813)	(4,566)	(3,412,040)	—	(10,417,259)
Charge for the period	(104,166)	(75,014)	(1,385,833)	(1,154,984)	(86,401)	(9,133)	(1,072,117)	—	(3,887,648)
Reclassification	—	—	(196,538)	196,538	—	—	—	—	—
Eliminated on disposals	29,911	—	—	—	—	—	—	—	29,911
As of June 30, 2010	(553,940)	(578,881)	(1,582,371)	(6,110,734)	(951,214)	(13,699)	(4,484,157)	—	(14,274,996)
Carrying value									
As of December 31, 2007	896,852	345,821	—	24,175,412	3,944,043	—	26,108,626	41,316	55,512,070
As of December 31, 2008	819,665	363,999	—	21,907,826	3,785,823	—	11,377,786	28,727,117	66,982,216
As of December 31, 2009	642,246	380,203	—	21,555,894	3,913,158	95,892	15,348,334	75,982,945	117,918,672
As of June 30, 2010	633,824	335,239	69,929,032	19,554,533	3,970,920	86,759	16,198,727	7,167,634	117,876,668

THE COMPANY

	Motor vehicles	Furniture and office equipment	Leasehold improvements	Construction in process	Total
	$	$	$	$	$
Cost					
As of January 1, 2007	48,363	162,580	—	—	210,943
Additions	—	12,581	—	—	12,581
Disposals	—	(52,832)	—	—	(52,832)
As of December 31, 2007	48,363	122,329	—	—	170,692
Additions	—	31,084	—	—	31,084
Disposals	(48,363)	(73,601)	—	—	(121,964)
As of December 31, 2008	—	79,812	—	—	79,812
Additions	—	212,108	—	100,458	312,566
Disposals	—	(6,966)	—	—	(6,966)
Transfer from construction in progress	—	—	100,458	(100,458)	—
As of December 31, 2009	—	284,954	100,458	—	385,412
Additions	—	1,339	—	—	1,339
As of June 30, 2010	—	286,293	100,458	—	386,751
Accumulated depreciation					
As of January 1, 2007	41,915	127,331	—	—	169,246
Charge for the year	6,448	28,247	—	—	34,695
Eliminated on disposals	—	(52,612)	—	—	(52,612)
As of December 31, 2007	48,363	102,966	—	—	151,329
Charge for the year	—	19,248	—	—	19,248
Eliminated on disposals	(48,363)	(70,165)	—	—	(118,528)
As of December 31, 2008	—	52,049	—	—	52,049
Charge for the year	—	38,133	4,566	—	42,699
Eliminated on disposals	—	(6,966)	—	—	(6,966)
As of December 31, 2009	—	83,216	4,566	—	87,782
Charge for the period	—	34,200	9,134	—	43,334
As of June 30, 2010		117,416	13,700	—	131,116
Carrying value					
As of December 31, 2007	—	19,363	—	—	19,363
As of December 31, 2008	—	27,763	—	—	27,763
As of December 31, 2009	—	201,738	95,892	—	297,630
As of June 30, 2010	—	168,877	86,758	—	255,635

Included in the cost above is $5,211,174, $11,121,750, $15,074,435 and $15,983,920 as of December 31, 2007, 2008, 2009 and June 30, 2010 related to finance costs which have been capitalized as construction in progress and mineral assets.

Construction in progress as of December 31, 2008, 2009 mainly consisted of the crusher facility construction for the CSH Gold Mine and a building under construction. Costs for the construction of the crushing facility for the CSH Gold Mine amounting to $69,666,569 were transferred to crusher from construction in progress during the six months ended June 30, 2010. The life of the crushing facility has been estimated to be 14 years.

At June 30, 2010, construction in progress consisted of a building under construction at the CSH Gold Mine.

Mineral assets consist of development costs capitalized for the CSH Gold Mine commencing on May 1, 2006, when the Company determined by way of a feasibility study that the CSH Gold Mine had economically recoverable reserves. Capitalization of development costs, as part of mineral assets, stopped when the CSH Gold Mine entered into commercial production on July 1, 2008. Deferred development costs included mine operating costs net of proceeds received from the sale of pre-commercial gold production and accordingly, the measurement and valuation of gold inventory at July 1, 2008 resulted in the reclassification of $20,401,790 to inventory from mineral assets.

Mineral property interests

(a) CSH Gold Mine

The CSH Gold Mine consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. It is centrally positioned within the east-west-trending Tian Shan Gold Belt. The site is approximately 650 kilometers ("km") northwest of Beijing.

In April 2002, the Company entered into a joint venture agreement with a Chinese partner, the Brigade 217 of the Northwest Geological Bureau ("the Brigade"), to acquire up to a 96.5% interest in the CSH Gold Mine. In April 2005, the Company completed its earn-in obligations and acquired the 96.5% interest. The Chinese partner was also entitled to receive from the Company two $1,000,000 payments, the first of which was paid in May 2007, and the second was paid in February 2008.

	January 1, 2007	Increase/ (decrease) during the year	December 31, 2007	Increase during the year	Transfer(1)	December 31, 2008	Increase during the year	December 31, 2009	Increase/ (decrease) during the period	June 30, 2010
	$	$	$	$	$	$	$	$	$	$
Exploration expenditure charged to profit or loss	5,840,503	1,239,111	7,079,614	1,824,263	—	8,903,877	267,299	9,171,176	58,040	9,229,216
Mineral assets(2)	5,327,531	20,781,095	26,108,626	6,250,322	(20,401,790)	11,957,158	6,803,216	18,760,374	1,922,510	20,682,884
Construction in progress(3)	14,749,310	(14,707,994)	41,316	28,685,801	—	28,727,117	47,255,828	75,982,945	(68,815,311)	7,167,634

(1) Amounts were transferred to inventory upon entering into commercial production effective July 1, 2008.

(2) During the year ended December 31, 2009 and six months ended June 30, 2010, a reduction of $3,145,917 were made from changes in the estimated timing and amount of cash flows and additions of $295,265 were made from changes in discount rate, respectively on the environmental rehabilitations (Note 24).

(3) During the year ended December 31, 2007 and 2009, $28,572,485 and $1,000,584 was transferred out of construction in progress, respectively. During the six months ended June 30, 2010, $69,666,569 was transferred out of construction in progress to crusher and the Group reversed $5,719,987 accruals on construction in progress upon the completion of crushing facility construction.

Assets classified as held for sale and Liabilities classified as held for sale

(b) Dadiangou Gold Project

The Dadiangou project consists of a licensed area of 15 km^2 in Gansu Province, China. The project is located in the Qinling Fold Belt, a gold producing region that trends west to east through the provinces of Gansu and Shaanxi in central China.

In September 2005, the Group entered into a joint venture agreement with its Chinese partner, Nuclear Industry Northwest Economic and Technology Company ("NINETC"), to acquire a majority interest in the Dadiangou project. Under the terms of the agreement, the Group can earn a 71% interest by incurring exploration expenditures of approximately $3,700,000 over the first three years of exploration commencing on September 19, 2006 and making payments to NINETC of approximately $1,494,080 (of which $125,000 has been paid). The Group can increase its interest to 80% by incurring additional exploration expenditures of approximately $3,200,000 and by making additional payments of approximately $360,000 to NINETC. NINETC can then choose to participate at a 20% level for all future expenditures, or have their ownership interest diluted. Up to June 30, 2010, the Group had not incurred the required exploration expenditure and its interest in this project remained as 71% as of December 31, 2007, 2008, 2009 and June 30, 2010.

	January 1, 2007	Increase during the year	December 31, 2007	Increase during the year	December 31, 2008	Increase during the year	December 31, 2009	Increase during the period	June 30, 2010
	$	$	$	$	$	$	$	$	$
Exploration expenditure charged to profit or loss	699,488	3,275,637	3,975,125	1,655,319	5,630,444	431,467	6,061,911	65,172	6,127,083

The Company considered that the Dadiangou Gold Project carried out by Gansu Pacific is not a sizeable mine site and decided not to further develop this project. The Company has decided to sell its interest in Gansu Pacific in 2009 and in December 2009, the Group entered into a letter of intent with a potential purchaser which is a subsidiary of Zhongjin Gold Corporation Limited and a subsidiary of CNG in relation to the disposal of its entire interest in Gansu Pacific. The consideration will be determined after the completion of due diligence procedures. As a result, the Group has recorded the assets and liabilities of Gansu Pacific at December 31, 2009 as assets classified as held for sale and liabilities classified as held for sale. On April 28, 2010, the Company's subsidiary, Gansu Pacific, and NINETC have entered into an agreement to sell the Dadiangou Gold Project. The parties are selling the project to Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of Zhongjin Gold Corporation Limited, a company listed on the Shanghai Stock Exchange and a subsidiary of CNG. The price is RMB 88 million (approximately $13.1 million), of which the Group will be entitled to 53%, or RMB 46.6 million (approximately $7 million). The transaction has not yet been completed as of the date of this report. At June 30, 2010, the Group had received deposit from the purchaser of $10,756,703, and such amounts cannot be used until the completion of the disposal transaction. Hence, the amount has been included as restricted cash at June 30, 2010 (Note 15).

Assets classified as held for sale and liabilities classified as held for sale are broken down as follows:

Assets classified as held for sale

	December 31, 2009	June 30, 2010
	$	$
Cash	81,186	3,592
Accounts receivable	1,047	2,525
Property, plant and equipment	75,071	63,677
	157,304	69,794

Liabilities classified as held for sale

	December 31, 2009	June 30, 2010
	$	$
Accounts payable	17,054	17,706

(c) Xinjiang Projects

The Group held two exploration permits covering 96 km^2 in the Xinjiang Uygur Autonomous Region ("Xinjiang") of Northwest China. The permits were held under Yunnan Xindian, a Chinese-Foreign Joint Venture in which the Group held a 99% interest and the partner, Yunnan Geological and Mining Co. Ltd., held a 1% interest. The permits were granted in June 2006 and expired on June 30, 2009. The Group had not renewed the permits and ceased further development in this site subsequent to June 30, 2009.

	January 1, 2007	Increase during the year	December 31, 2007	Increase during the year	December 31, 2008	Increase during the year	December 31, 2009
	$	$	$	$	$	$	$
Exploration expenditure charged to profit or loss	1,634,472	1,726,213	3,360,685	920,268	4,280,953	795,206	5,076,159

As the project did not find any resources with commercial values, the Company has decided to sell its interest in the Xinjang Projects and as a result, has recorded the assets and liabilities of Yunnan Xindian at December 31, 2009 as assets classified as held for sale and liabilities classified as held for sale. Negotiations with interested parties to dispose of its entire equity interest in Yunnan Xindian Mining Co. Ltd. have taken place since 2009 and the disposal was completed in May 2010. Assets classified as held for sale and liabilities classified as held for sale at December 31, 2009 are broken down as follows:

Assets classified as held for sale

	December 31, 2009
	$
Cash	8,382
Accounts receivable	4,920
Prepaid expenses — rent deposits	1,215
Property, plant and equipment	17,150
	31,667

Liabilities classified as held for sale

	December 31, 2009
	$
Accounts payable	24,198

On April 26, 2010, the Company's subsidiary, Pacific PGM Inc., entered into an agreement with an independent third party to dispose of all equity interests in Yunnan Southern Copper (Barbados) Inc. which in turn held a 99% interests in Yunnan Xindian for a total consideration of US$20,000.

In May 2010, the transaction was completed and the Group disposed of its entire interest in Yunnan Southern Copper (Barbados) Inc. for a total consideration of $20,000. The net assets at the date of disposal were as follows:

	$
Net assets disposed of	—
Gain on disposal	20,000
Total consideration	20,000
Satisfied by:	
Cash	20,000
Net cash inflow arising on disposal	20,000

20. INVESTMENTS IN SUBSIDIARIES

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Unlisted shares — cost	1,021	1,021	1,021	1,021
Deemed investment cost — imputed interest	15,524,008	17,199,640	17,569,470	17,515,265
	15,525,029	17,200,661	17,570,491	17,516,286

21. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are for ongoing operations and are unsecured, interest free and repayable upon written notice given from the Company, and the Company does not intend to withdraw the funding in the foreseeable future. Fair value adjustments have been made by the Company on the amounts due from subsidiaries using the effective interest rate with a corresponding increase in investments in subsidiaries. The effective interest rate for the advances made during the three years ended December 31, 2007, 2008, 2009 and six months ended June 30, 2010 are 7.47%, 5.31%, 5.94% and 5.94% per annum, respectively.

22. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

The following is an aged analysis of the accounts payable and accrued expenses:

THE GROUP

	December 31,			June,
	2007	2008	2009	2010
	$	$	$	$
Less than 1 month	13,391,117	13,979,217	24,526,308	27,712,634
1 to 3 months	527,804	1,485,099	1,444,774	4,190,226
3 to 6 months	38,167	3,235,841	2,525,308	1,262,983
Over 6 months	1,109,397	232,487	6,576,214	6,602,502
Total	15,066,485	18,932,644	35,072,604	39,768,345

Included within the Group's accounts payable and accrued expenses are crusher construction costs payable of Nil, $132,779, $15,454,985 and $9,471,059 as of December 31, 2007, 2008, 2009 and June 30, 2010 respectively.

Included within the Group's accounts payable and accrued expenses are deposit from sales of Dadiangou Gold Project of $10,756,703 as of June 30, 2010 (see note 19(b)).

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Less than 1 month	2,470,306	829,882	2,424,823	1,412,216
1 to 3 months	—	—	278,980	648,857
3 to 6 months	—	—	75	89,722
Over 6 months	—	—	2,150	2,097
Total	2,470,306	829,882	2,706,028	2,152,892

Included within the Group's and the Company's accounts payable and accrued expenses are interest payable to CNG of Nil, Nil, $166,667 and Nil as of December 31, 2007, 2008, 2009 and June 30, 2010 respectively.

23. BORROWINGS

THE GROUP

	Effective interest rate	Maturity	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
	%		$	$	$	$
Current						
Short-term loan(i) . . .	6.21	March 26, 2009	—	18,672,730	—	—
Current portion of long-term loan(iii)	5.18	September 2010 to September 9, 2014	—	—	1,458,619	1,469,098
Notes payable(ii)	19.54	December 14, 2009	—	22,930,784	—	
Notes payable(ii)	12.00	June 26, 2011	—	—	10,633,386	7,044,900
			—	41,603,514	12,092,005	8,513,998
Non-current						
Long-term loan — ABC(iii)	5.18	September 2010 to September 9, 2014	—	—	40,841,331	41,134,730
Long-term loan — CNG(iii)	6.00	December 6, 2011	—	—	40,000,000	40,000,000
Notes payable(ii)	19.54	December 14, 2009	26,708,698	—	—	—
Notes payable(ii)	19.48	June 26, 2010	17,558,325	14,929,121	—	—
			44,267,023	14,929,121	80,841,331	81,134,730
			44,267,023	56,532,635	92,933,336	89,648,728

THE COMPANY

	Effective interest rate	Maturity	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
	%		$	$	$	$
Current						
Notes payable(ii)	19.54	December 14, 2009	—	22,930,784	—	—
Notes payable(ii)	12.00	June 26, 2011	—	—	10,633,386	7,044,900
			—	22,930,784	10,633,386	7,044,900
Non-current						
Long-term loan — CNG(iii)	6.00	December 6, 2011	—	—	40,000,000	40,000,000
Notes payable(ii)	19.54	December 14, 2009	26,708,698	—	—	—
Notes payable(ii)	19.48	June 26, 2010	17,558,325	14,929,121	—	—
			44,267,023	14,929,121	40,000,000	40,000,000
			44,267,023	37,859,905	50,633,386	47,044,900

(i) Short-term loan

In June 2009, the Groups subsidiary, Inner Mongolia Pacific Mining Co. Ltd. ("IMP") secured a non-revolving credit facility for $30,732,757 (RMB 210,000,000) from CNG. The credit facility is unsecured and bears interest payable monthly at 5.31% per annum. The credit facility matures on and is repayable in full by September 30, 2009, but may be extended upon agreement of IMP and CNG. IMP drew down the credit facility by a total of $11,710,973 (RMB 80,000,000) which was repaid by December 31, 2009.

The Group received $18,909,916 (RMB 130,000,000) of the bridge loan proceeds from the Industrial and Commercial Bank of China in September 2008, to support operations at the CSH Gold Mine during the construction and installation of crushers. The bridge loan was unsecured and denominated in RMB at an annual interest rate of 6.21%. Interest was payable monthly and the principal amount was repayable in installments of $4,421,192 (RMB 30,000,000) in January 2009, $7,368,654 (RMB 50,000,000) in February 2009, and $7,368,654 (RMB 50,000,000) in March 2009. The principal amount was fully repaid by March 26, 2009. Principal repayments of $14,600,000 (RMB 100,000,000) were funded by an advance from CNG as prepayment of future gold sales to CNG. The bridge loan was guaranteed by the Group's substantial shareholder, CNG.

As a condition of its promissory note holders consenting to the unsecured bridge loan, the Group has extended to December 14, 2010 the expiry date of 3,860,000 common share purchase warrants to purchase 3,860,000 common shares issued in connection with a note offering that closed in December 2006 (Note A), and has extended to June 26, 2011 the expiry date of 2,450,000 warrants to purchase 2,450,000 common shares in connection with a note offering that closed in June 2007 (Note B and C). The holders of the warrants may exercise the warrants at the original exercise price of CAD1.60 per common share in the case of the warrants issued in connection with the December 2006 note offering and CAD2.50 in the case of the warrants issued in connection with the June 2007 note offering, until the new expiry date. No other terms of the warrants were changed. As a result of the warrant expiry date extensions, the Group determined the additional value of the warrants taking into account the expiry date extensions and recorded the incremental value of $1,294,238 as a cost of obtaining the bridge loan. The effective interest rate of the bridge loan is 19.91%.

The fair values of the warrants after expiry dates extension were measured using the Black-Scholes option pricing model and were based on risk free annual interest rates ranging from 2.9% to 3.0%, expected lives ranging from 2.21 to 2.74 years, an expected volatility of 62%, and a dividend yield rate of nil. The fair values of the warrants are included in warrant liability in the Group's consolidated statement of financial position.

Effective interest recognized for the bridge loan, until its repayment on March 26, 2009, was $1,099,973 for the year ended December 31, 2008 and $709,772 for the year ended December 31, 2009.

(ii) Notes payable

THE GROUP AND THE COMPANY

	Note A	Note B	Note C	Total
	$	$	$	$
Balances of notes payable, January 1, 2007	21,604,895	—	—	21,604,895
Total proceeds	—	11,668,067	7,000,840	18,668,907
Less: Fair value of warrants	—	(1,500,777)	(900,466)	(2,401,243)
Fair value of the notes payable	21,604,895	10,167,290	6,100,374	37,872,559
Less: Transaction costs for the notes payable	—	(462,252)	(17,170)	(479,422)
Unrealized foreign exchange loss	3,771,705	831,956	520,987	5,124,648
Effective interest	4,770,372	1,058,098	600,509	6,428,979
Interest paid	(3,438,274)	(776,046)	(465,421)	(4,679,741)
Balances of notes payable, December 31, 2007	26,708,698	10,819,046	6,739,279	44,267,023
Unrealized foreign exchange gain	(5,429,323)	(2,191,334)	(1,349,697)	(8,970,354)
Effective interest	4,906,233	1,978,923	1,112,604	7,997,760
Interest paid	(3,254,824)	(1,359,657)	(820,043)	(5,434,524)
Balances of notes payable, December 31, 2008	22,930,784	9,246,978	5,682,143	37,859,905
Unrealized foreign exchange loss	3,693,230	1,243,176	960,770	5,897,176
Effective interest	4,721,339	2,235,146	1,107,779	8,064,264
Interest paid	(3,024,764)	(1,291,349)	(795,898)	(5,112,011)
Principal payments	(28,320,589)	—	—	(28,320,589)
Principal repurchase	—	(7,755,359)	—	(7,755,359)
Balances of notes payable, December 31, 2009	—	3,678,592	6,954,794	10,633,386
Unrealized foreign exchange loss (gain)	—	1,468	(92,995)	(91,527)
Effective interest	—	143,241	621,000	764,241
Interest paid	—	(13,777)	(437,899)	(451,676)
Principal repurchase	—	(3,809,524)	—	(3,809,524)
Balance of notes payable, June 30, 2010	—	—	7,044,900	7,044,900

(a) Note A

On December 14, 2006, the Group completed a $25,935,546 (CAD30,000,000) ("Note A") private placement offering consisting of senior unsecured promissory notes ("Notes") and 6,000,000 warrants for financing the development of the CSH Gold mine. The Notes mature on December 14, 2009, are repayable in Canadian dollars, and carry an annual interest rate of 12%. Interest on the Notes is payable on a calendar quarterly basis commencing on March 31, 2007. The Group can elect to prepay the Notes anytime after 18 months from the issue date with no prepayment penalty. The effective interest rate is 19.54%. On December 14, 2009, the Notes A totalling CAD30,000,000 were repaid.

The Group has allocated the $25,935,546 face value of the private placement offering to the Notes and warrants based on the fair value of the warrants and the Notes. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 3.9%, an expected life of two years, an expected volatility of 79%, and a dividend yield rate of Nil. Each warrant entitles the holder to acquire one common share at CAD1.60 each and expires on December 14, 2008 (see Note 25 (c)). The expiry date has been extended to December 14, 2010 (see Note 23(i)).

The Group has the right to accelerate the expiry date of the warrants anytime after 18 months from the issue date, if the Group's common shares trade at or above a volume weighted average share price of CAD2.75 for 20 consecutive trading days.

The expiry date was accelerated by the Company on March 18, 2010.

On December 14, 2009, Note A was repaid in full. By April 17, 2010, all the warrants had been exercised (see 25(c))

(b) Notes B and C

On June 26, 2007, the Group concluded an $18,668,907 (CAD20,000,000) private placement offering consisting of senior unsecured promissory notes ("June 07 Notes") and 4,000,000 warrants. Ivanhoe Mines Ltd. ("Ivanhoe"), a substantial shareholder of the Group at that time, purchased $7,000,840 (CAD7,500,000) ("Note C") of the June 07 Notes and $11,668,067 (CAD12,500,000) ("Note B") was purchased by third parties. The June 07 Notes mature on June 26, 2010, are repayable in Canadian dollars and carry an annual interest rate of 12%. Interest on the June 07 Notes is payable on a calendar quarterly basis commencing on September 30, 2007. The Group can elect to prepay Note B anytime after 18 months from the issue date with no prepayment penalty and Note C after six months from the issue date with no prepayment penalty. Note B ranks pari passu with the notes issued in December 2006 ("Note A") while Note C is subordinate to Notes A and B. The effective interest rate of Note B and Note C is 19.48% and 17.66% respectively.

The Group has allocated the $18,668,907 face value of the private placement offering to the June 07 Notes and warrants based on the fair value of the warrants and the June 07 Notes. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 4.6%, an expected life of two years, an expected volatility of 72%, and a dividend yield rate of Nil. Each warrant entitles the holder to acquire one common share at CAD2.50 and expires on June 26, 2009 (see Note 25 (c)). The expiry date has been extended to June 26, 2011 (see Note 23(i)).

On December 14, 2009, CAD8,500,000 of Note B were repurchased from the market at a consideration of $8,024,167. The loss on repurchase was $268,808 and included in finance cost. The balance of CAD4,000,000 was repurchased on January 11, 2010 at a consideration of $3,931,026 and the loss on repurchase was $121,502 and included in finance cost. On June 1, 2010, the maturity date for Note C has extended from June 26, 2010 to June 26, 2011. The effective interest rate is revised from 17.66% to 12%.

The Group has the right to accelerate the expiry date of the warrants anytime after 18 months from the issue date, if the Group's common shares trade at or above a volume weighted average share price of CAD4.25 for 20 consecutive trading days.

On April 16, 2010, the expiry date of the warrants with exercise price of CAD2.50 was accelerated by the Company. During the six months ended June 30, 2010, all warrants at CAD$2.50 had been exercised (see Note 25(c)).

(iii) Long-term loans

On September 14, 2009, the Company's subsidiary, IMP, secured a five-year Renminbi RMB 290,000,000 ($42,299,950) long-term loan ("term loan") from the Agricultural Bank of China ("ABC"). The purpose of the term loan is to satisfy the outstanding funding requirements for the capital expansion loan provided by CNG in June 2009. The term loan is supported by a guarantee from CNG. The annual interest rate for the term loan is currently 5.184% and interest is payable monthly. The term loan principal is repayable through periodic instalments with RMB 10,000,000 ($1,469,098) due in each of September 2010 and 2011 and further instalments of RMB 30,000,000 ($4,407,293) due in successive three-month intervals starting in September 2012 through to September 2014, when the remaining outstanding balance is scheduled to be repaid in full.

On December 3, 2009, the Company secured a two years term loan in the amount of $40,000,000 from its substantial shareholder, CNG. The purpose of the term loan was to redeem the CAD30,000,000 of the 12% promissory notes due to mature on December 14, 2009. The funds were also used for the early redemption of the CAD12,500,000 of the 12% promissory notes, due to mature on June 26, 2010 and on January 11, 2010. The loan is unsecured with interest at 6% per annum payable quarterly. Subject to prior repayment, the loan will become due and payable in December 2011.

24. ENVIRONMENTAL REHABILITATION

Reclamation and closure costs have been estimated based on the Group's interpretation of current regulatory requirements and determined based on the net present value of future cash expenditures upon reclamation and closure. Reclamation and closure costs are capitalized as mine development costs (under mineral assets), and amortized over the life of the mine on a unit-of-production basis.

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold 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 $7,897,000, $7,897,000, $9,495,000, and $9,571,000 discounted at 17.6%, 12.1%, 10% and 9% per annum at December 31, 2007, 2008, 2009 and June 30, 2010, respectively. The settlement of the obligations will occur through to 2030. No assets have been legally restricted for the purposes of settling the environmental rehabilitation.

The following is an analysis of the environmental rehabilitation:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Balance, beginning of year/period	—	2,244,633	4,131,735	1,599,120
Additions to site reclamation and additions resulted from changes in discount rate during the year/period	1,833,169	1,224,696	244,066	295,265
Accretion incurred in the current year/period	323,250	405,314	392,277	85,267
Foreign exchange loss (gain)	88,214	257,092	(23,041)	13,885
Reductions resulted from changes in the estimated timing and amount of cash flows	—	—	(3,145,917)	—
	2,244,633	4,131,735	1,599,120	1,993,537

25. SHARE CAPITAL, OPTIONS AND WARRANTS

(a) *Common shares*

(i) Authorized

Unlimited common shares without par value

(ii) Issued and outstanding

December 31, 2007: 156,561,424 common shares; December 31, 2008: 163,889,159 common shares; December 31, 2009: 167,629,459 common shares; June 30, 2010: 171,824,459 common shares

(b) *Stock options*

The Group has a stock option plan which permits the Board of Directors of the Group to grant options to directors and employees to acquire common shares of the Group at the fair market value on the date of approval by the Board of Directors. A portion of the stock options vests immediately on the grant date and the balance vests over a period of up to five years from grant date. The stock options have a life of up to six years from grant date. The fair market value of the exercise price is the weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the Board of Directors. The Compensation and Benefits Committee makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements. The Group is authorized to issue options to a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan. At December 31, 2007, 2008, 2009 and June 30, 2010, there were 6,629,607, 10,601,616, 15,215,946 and 15,982,446 options available for future grants, respectively.

The following is a summary of option transactions under the Group's stock option plan for the Relevant Periods:

	December 31,						June 30,	
	2007		2008		2009		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CAD		CAD		CAD		CAD
Balance, beginning of period	7,412,140	1.21	9,026,535	1.50	5,787,300	1.75	1,547,000	2.04
Options granted	3,593,000	2.18	50,000	2.45	—	—	400,000	5.12
Options exercised	(1,707,102)	0.78	(1,920,568)	0.64	(1,490,300)	1.36	(135,000)	1.78
Options forfeited	(271,503)	1.22	(1,083,000)	2.90	(2,625,000)	1.06	(612,000)	2.16
Options expired	—	—	(285,667)	1.31	(125,000)	1.74	—	—
Balance, end of period	9,026,535	1.50	5,787,300	1.75	1,547,000	2.04	1,200,000	3.05

During the year ended December 31, 2007, the Group granted 3,593,000 stock options to certain employees and consultants at exercise prices ranging from CAD1.62 to CAD2.20 with expiry dates ranging from January 12, 2012 to July 20, 2013. The grant-date fair value and compensation costs of $4,979,230 will be expensed/recognized over the vesting periods of the options, of which $1,031,171 was included in the net amount of $1,754,547 expensed/recognized in the year ended December 31, 2007.

During the year ended December 31, 2008, the Group granted 50,000 stock options to an employee at an exercise price of CAD2.45 with the expiry date of May 1, 2014. The grant-date fair value and compensation costs of $76,062 will be expensed/recognized over the vesting periods of the options, of which $19,187 was included in the net amount of $1,641,410 expensed/recognized in the year ended December 31, 2008.

No stock options were granted during the year ended December 31, 2009. Due to forfeitures of stock options by employees before the vesting date, the Company re-estimated the number of options that will ultimately vest in the future and recognized a reversal of compensation cost of $461,783 during the year ended December 31, 2009.

400,000 stock options were granted during the six months ended June 30, 2010. The options were granted on June 1, 2010 and expire on June 1, 2015. The exercise price was CAD4.35 per share from June 1, 2010 until June 1, 2011, CAD4.78 per share from June 2, 2011 until June 1, 2012, CAD5.21 per share from June 2, 2012 until June 1, 2013, CAD5.64 per share from June 2, 2013 until June 1, 2014, and CAD6.09 per share from June 2, 2014 until June 1, 2015 or such later termination date as may apply. 20% of the shares are vested immediately, an additional 20% of the shares are vested on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014, respectively. The fair value of these options at date of grant was approximately $860,000, of which approximately $204,000 has been charged to the profit and loss for the six months ended June 30, 2010.

Due to forfeitures of stock options by employees before the vesting date, the Company re-estimated the number of options that will ultimately vest in the future and recognized a compensation costs of $166,450 (unaudited) and $37,915 during the six months ended June 30, 2009 and 2010, respectively.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2007:

Expiring in	Options outstanding: Number outstanding at December 31, 2007	Options outstanding: Remaining contractual life (years)	Options outstanding: Weighted average exercise price	Options exercisable: Number exercisable at December 31, 2007	Options exercisable: Weighted average exercise price
			CAD		CAD
2008	1,766,567	0.13 to 0.90	0.77	1,766,567	0.77
2009	1,236,968	1.01 to 1.92	1.43	803,701	1.52
2010	50,000	2.52	0.50	50,000	0.50
2011	2,385,000	3.13 to 3.87	1.09	1,555,167	1.09
2012	518,000	4.04 to 4.46	2.17	67,000	1.87
2013	3,070,000	4.04 to 4.46	2.17	—	—
	9,026,535		1.50	4,242,435	1.04

The following table summarizes information about stock options outstanding and exercisable at December 31, 2008:

Expiring in	Options outstanding: Number outstanding at December 31, 2008	Options outstanding: Remaining contractual life (years)	Options outstanding: Weighted average exercise price	Options exercisable: Number exercisable at December 31, 2008	Options exercisable: Weighted average exercise price
			CAD		CAD
2009	506,300	0.07 to 0.92	1.34	506,300	1.34
2010	50,000	1.52	0.50	50,000	0.50
2011	1,801,000	2.13 to 2.84	1.10	1,214,600	1.09
2012	310,000	3.03 to 3.20	1.85	206,666	1.85
2013	3,070,000	4.55	2.20	614,000	2.20
2014	50,000	5.00	2.45	—	—
	5,787,300		1.75	2,591,566	1.45

The following table summarizes information about stock options outstanding and exercisable at December 31, 2009:

Expiring in	Options outstanding: Number outstanding at December 31, 2009	Options outstanding: Remaining contractual life (years)	Options outstanding: Weighted average exercise price	Options exercisable: Number exercisable at December 31, 2009	Options exercisable: Weighted average exercise price
			CAD		CAD
2011	210,000	1.50	1.05	210,000	1.05
2013	1,337,000	3.56	2.20	350,000	2.20
	1,547,000		2.04	560,000	1.77

The following table summarizes information about stock options outstanding and exercisable at June 30, 2010:

Expiring in	Option outstanding: Number outstanding at June 30, 2010	Option outstanding: Remaining contractual life (years)	Option outstanding: Weighted average exercise price	Options exercisable: Number exercisable at June 30, 2010	Options exercisable: Weighted average exercise price
2011	165,000	1.00	1.05	165,000	1.05
2013	635,000	3.05	2.20	230,000	2.20
2015	400,000	4.92	5.21	80,000	5.21
	1,200,000		3.05	475,000	3.05

The fair value of options granted was determined using the Black-Scholes option pricing model, and the following weighted average assumptions:

	Years ended December 31,			Period ended June 30,
	2007	2008	2009	2010
Risk free interest rate	4.00%	3.34%	N/A	1.44%
Expected life (years)	4.6	6.0	N/A	2.5
Expected volatility	73%	55%	N/A	94.57%
Expected dividend per share	$ Nil	$ Nil	N/A	$ Nil
Expected annual forfeitures	—	—	N/A	—
Fair value per option granted	$1.35	$1.36	N/A	$ 2.15

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

(c) Warrants

The following is a summary of number of warrants outstanding:

	December 31,			June 30,
	2007	2008	2009	2010
Balance, beginning of year/period	17,212,540	11,717,167	6,310,000	4,060,000
Issued	4,000,000	—	—	—
Exercised	(9,495,373)	(5,407,167)	(2,250,000)	(4,060,000)
Balance, end of year/period	11,717,167	6,310,000	4,060,000	—

The following is a summary of warrants amounts outstanding:

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Balance, beginning of year/period	9,347,834	13,825,817	274,507	5,286,123
Issued	2,401,243	—	—	—
Extension of warrants	—	1,294,238	—	—
Exercised	(12,197,366)	(2,052,617)	(2,175,105)	(12,441,930)
Fair value change on warrant liabilities	14,274,106	(12,792,931)	7,186,721	7,155,807
Balance, end of year/period	13,825,817	274,507	5,286,123	—

Warrants issued with Canadian dollar exercise prices

As a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, these warrants meet the definition of derivatives and are therefore classified as derivative liabilities measured at fair value. The fair values of the warrants was determined using the Black-Scholes option pricing model at the end of each reporting period. Upon exercise into common shares, the fair value of warrants included in derivative liabilities were reclassified to equity.

The fair value of warrants granted was determined using the Black-Scholes option pricing model, using the following weighted average assumptions at the end of each reporting period:

	Years ended December 31,			Period ended June 30,
	2007	2008	2009	2010
Risk free interest rate	3.92%	1.30%	0.68%	N/A
Expected life (years)	0.93	2.16	0.31	N/A
Expected volatility	58.19%	81.75%	96.93%	N/A
Expected dividend per share	Nil	Nil	Nil	N/A

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

The following table summarizes information about warrants outstanding at December 31, 2007:

Number of warrants	Exercise price	Expiry date
	CAD	
3,015,167	1.45	February 28, 2008
4,702,000	1.60	December 14, 2008
4,000,000	2.50	June 26, 2009
11,717,167		

The following table summarizes information about warrants outstanding at December 31, 2008:

Number of warrants	Exercise price	Expiry date
	CAD	
3,860,000(i)	1.60	December 14, 2010
2,450,000(i)	2.50	June 26, 2011
6,310,000		

Note:

(i) As mentioned in Note 23 (i), the expiry dates of 3,860,000 warrants and 2,450,000 warrants were extended to December 14, 2010 and June 26, 2011, respectively, in September 2008.

The following table summarizes information about warrants outstanding at December 31, 2009:

Number of warrants	Exercise price	Expiry date
	CAD	
1,610,000(i) (ii)	1.60	December 14, 2010
2,450,000(i)(iii)	2.50	June 26, 2011
4,060,000		

Notes:

(i) As mentioned in Note 23 (i), the expiry dates of 1,610,000 warrants and 2,450,000 warrants were extended to December 14, 2010 and June 26, 2011, respectively, in September 2008.

(ii) Subsequent to December 31, 2009, the Company exercised its right to accelerate the expiry date of the CAD1.60 share warrants (Note 23 (ii) (a). The new expiry date of these warrants became April 22, 2010. These warrants were fully exercised by April 17, 2010.

(iii) On April 16, 2010, the Company exercised its right to accelerate the expiry date of these warrants, which became on May 17, 2010. All these warrants were fully exercised by May 13, 2010.

No warrants were outstanding at June 30, 2010.

26. RESERVES

THE COMPANY

	Equity reserve	Deficit
	$	$
Balance, January 1, 2007	3,190,272	(29,191,322)
Shares issued for		
Exercise of stock options	(673,498)	—
Stock-based compensation	1,754,547	—
Net loss and comprehensive loss	—	(25,420,993)
Balance, December 31, 2007	4,271,321	(54,612,315)
Shares issued for		
Exercise of stock options	(1,027,931)	—
Stock-based compensation	1,641,410	—
Net income and comprehensive income	—	8,806,297
Balance, December 31, 2008	4,884,800	(45,806,018)
Shares issued for		
Exercise of stock options	(1,297,570)	—
Stock-based compensation	(461,783)	—
Net loss and comprehensive loss	—	(20,844,767)
Balance, December 31, 2009	3,125,447	(66,650,785)
Shares issued for		
Exercise of stock options	(118,853)	—
Stock-based compensation	37,915	—
Net loss and comprehensive loss	—	(11,746,774)
Balance, June 30, 2010	3,044,509	(78,397,559)

27. RELATED PARTY TRANSACTIONS

CNG and Ivanhoe owned the following percentages of outstanding common shares of the Group:

	December 31,			June 30,
	2007	2008	2009	2010
	%	%	%	%
CNG	—	41.2	40.3	39.3
Ivanhoe	43.0	—	—	—

In October 2008, the Group terminated its contract for the refining and purchase and sale of gold doré with a third-party refiner and entered into an equivalent agreement for the purchase and sale of gold doré with CNG, who is shipping the gold doré to a designated refiner in China. The new agreement is on substantially the same terms as the original contract with the third-party refiner, but the Group has determined that this arrangement will address delays in payment and counterparty risks being experienced under the contract with the third-party refiner.

The breakdown of the sales transactions between related parties is as follows:

	Years ended December 31,			Period ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Gold sales	—	14,011,969	77,723,334	24,814,768	34,505,793
Silver sales (netted in cost of sales)	—	60,531	166,214	135,058	401,759

In the opinion of the directors, the Company's gold doré bar and silver sales was sold to CNG at market price under relevant agreement during the Relevant Periods and the related party transactions will continue after listing on the Main Board of the Stock Exchange.

The Group incurred the following expenses with Ivanhoe, CNG and Global Mining Management ("GMM"), all of these companies were/are related to the Company by way of directors or shareholders in common. Ivanhoe was the substantial shareholder of the Company and GMM was a subsidiary of Ivanhoe and a related party of the Company up to May 2008. After the sale of the equity interest in the Company by Ivanhoe to CNG in May 2008, CNG then became a substantial shareholder of the Company. Both Ivanhoe and GMM ceased to be related parties of the Group after May 2008.

	Years ended December 31,			Period ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Corporate administration	721,166	596,916	—	—	—
Financial services agreement	—	—	409,770	—	—
Salaries and benefits	1,374,057	333,069	—	—	—
Interest	461,712	835,602	1,384,193	371,763	1,484,730
Total related party expenses	2,556,935	1,765,587	1,793,963	371,763	1,484,730

During the years ended December 31, 2007 and 2008, Ivanhoe and GMM incurred corporate administration and salaries on behalf of the Group and these corporate administration and salaries have been recorded on a cost recovery basis. The interest expense has been recorded on the effective interest method.

A financial services agreement was entered into by the Group and CNG in 2009 whereby CNG would provide the Company with assistance with respect to obtaining additional financial support, including, but not limited to negotiations with respect to non-revolving credit facilities, assistance with respect to application and provision of a guarantee for bank loans to be used for the construction of the crusher and other financing options. The directors confirmed that this financial services agreement expired on December 31, 2009 and as such, the Group does not expect to obtain any additional financial support from CNG pursuant to this financial services agreement.

The breakdown of the expenses between the different related parties is as follows:

	Years ended December 31,			Period ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
CNG	—	395,818	1,793,963	371,763	1,484,730
Ivanhoe	461,712	439,784	—	—	—
GMM	2,095,223	929,985	—	—	—
Total related party expenses	2,556,935	1,765,587	1,793,963	371,763	1,484,730

In the opinion of the directors, the above transactions were conducted on normal commercial terms and in the ordinary course of business.

During the year ended December 31, 2009, CNG extended trade credit of $20,488,504 and a non-revolving credit facility of $30,732,757 (RMB 210,000,000) (Note 23) to IMP. By December 31, 2009, the Group had repaid the total advances under trade credit extension and non-revolving credit facility from CNG.

During the year ended December 31, 2009, the Group entered into a letter of intent with a subsidiary of CNG to dispose of its entire interest in Gansu Pacific. During the six months ended June 30, 2010, the Group entered into an agreement, with Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of CNG, to dispose of its entire interest in Gansu Pacific. The transaction has not yet been completed as of the date of this report. See note 19(b).

Related party balances

THE GROUP

The assets and liabilities of the Group include the following amounts due from related parties:

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Assets				
Restricted cash received from CNG's subsidiary for sales of Dadiangou Gold Project	—	—	—	10,756,703
Listing expense receivable from CNG's subsidiary	—	—	1,184,911	1,748,756
Accounts receivable from CNG	—	—	346,437	130,624
Prepaid expenses to GMM	227,749	—	—	—
Prepaid expenses to CNG's subsidiaries	—	—	283,451	295,839
Total related party assets	227,749	—	1,814,799	12,931,922

Accounts receivable from CNG arose from sale of gold to CNG. There is no credit period. The balance of $346,437 and $130,624 at December 31, 2009 and June 30, 2010, respectively is aged within 6 months.

Listing expense receivable from Skyland, CNG's subsidiary and accounts receivable from CNG are included in accounts receivable and prepaid expenses to CNG's subsidiaries are included in prepaid expenses and deposits in the consolidated statements of financial position.

The assets and liabilities of the Group include the following amounts due to related parties:

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Liabilities				
Accounts payable to GMM	375,409	—	—	—
Accounts payable to CNG's subsidiaries	—	76,190	109,391	68,528
Interest payable to CNG	—	—	166,667	—
Other payable to CNG's subsidiaries for deposit from sales of Dadiangou Gold Project	—	—	—	10,756,703
Total related party liabilities	375,409	76,190	276,058	10,825,231

Accounts payable to CNG's subsidiaries and interest payable to CNG are included in accounts payable and accrued expenses in the consolidated statements of financial position.

The Group had repaid the total customer advances received from CNG amounted to $20,488,504 during 2009.

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Assets				
Listing expense receivable from CNG's subsidiary	—	—	1,184,911	1,748,756
Amounts due from subsidiaries	47,110,315	60,259,352	67,197,502	68,461,340
Total related party assets	47,110,315	60,259,352	68,382,413	70,210,096
Liability				
Interest payable to CNG	—	—	166,667	—

Key management personnel compensation

THE GROUP

	Years ended December 31,			Period ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Salary cost					
Salaries and other benefits	976,897	1,391,025	822,960	344,087	278,039
Post employment benefits	11,107	15,380	11,382	10,935	4,156
Stock-based payments	1,502,341	—	—	—	—
	2,490,345	1,406,405	834,342	355,022	282,195

28. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker which is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors.

The Group derives its revenue primarily from mining, extraction, production and selling of gold ore to external clients.

The executive directors review the Group's consolidated financial statements prepared under Canadian generally accepted accounting principles ("Canadian GAAP") for the purposes of resources allocation and performance evaluation for the years ended December 31, 2007 and 2008 and under IFRS for the year ended December 31, 2009 and six months ended June 30, 2010. The Group's segment (loss) income is $(16,531,264) and $2,218,763 during the years ended December 31, 2007 and 2008, respectively, which is the same as the (loss) income of the Group for the year under Canadian GAAP as disclosed in Note 33. The principal differences between Canadian GAAP and IFRS are disclosed in Note 33.

The Group's segment (loss) income is $(8,370,900), $(1,433,502) (unaudited) and $784,737 for the year ended December 31, 2009 and six months ended June 30, 2009 and 2010, respectively, which is the same as the net (loss) income and comprehensive (loss) income for the year/period of the Group as disclosed in the consolidated statements of comprehensive income.

The Group operated in two geographical areas, Canada and China. The Group's Corporate Division located in Canada only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *Operating Segments*. During the year/period, the Group's revenue was solely generated from CSH Gold Mine for gold sales to customers in China.

The Group began to generate revenue in 2008. During the years ended December 31, 2008, 2009 and six months ended June 30, 2009 and 2010, the total segment revenue comprises revenue from three customers, two customers, two customers and two customers, respectively. The Group sells approximately 47.7%, 95.9%, 95.5% (unaudited) and 91.6% of its gold to one creditworthy customer, CNG who is also the Group's substantial shareholder for the years ended December 31, 2008, 2009 and six months ended June 30, 2009 and 2010. The sales to CNG do not constitute economic dependence for the Group as there are other customers in China to whom gold can be sold.

29. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

The Group incurred the following non-cash investing and financing activities:

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	$	$	$	$ (unaudited)	$
Value of warrants transferred to share capital upon exercise	12,197,366	2,052,617	2,175,105	—	12,441,930
Transfer of share option reserve upon exercise of options	673,498	1,027,931	1,297,570	—	118,853

30. CAPITAL RISK MANAGEMENT

The Group manages its common shares, stock options, and warrants 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 mine, 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 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, warrants or options, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

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.

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

The Group has complied with all covenants included in its short-term loan, long-term loan and the indenture for its notes payable.

31. FINANCIAL INSTRUMENTS

The following table does not include financial assets and financial liabilities classified as held for sale as of December 31, 2009 and June 30, 2010 (see Note 19 (b) and (c)).

THE GROUP

	Financial instrument classification	Carrying amount December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
		$	$	$	$
Financial assets					
Cash and cash equivalents	Loans and receivables	26,952,425	12,142,739	23,984,660	16,331,252
Restricted cash	Loans and receivables	—	5,215,704	—	10,756,703
Accounts receivable	Loans and receivables	348,914	148,771	1,681,880	2,070,198
Long-term receivable	Loans and receivables	—	—	49,689	24,252
Financial liabilities					
Accounts payable and accrued expenses	Other financial liabilities	15,066,485	18,932,644	35,072,604	39,768,345
Short-term loan	Other financial liabilities	—	18,672,730	—	—
Notes payable	Other financial liabilities	44,267,023	37,859,905	10,633,386	7,044,900
Long-term loans	Other financial liabilities	—	—	82,299,950	82,603,828
Warrant liabilities	FVTPL	13,825,817	274,507	5,286,123	—

THE COMPANY

	Financial instrument classification	Carrying amount December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
		$	$	$	$
Financial assets					
Cash and cash equivalents	Loans and receivables	23,121,982	6,549,244	7,578,529	6,100,341
Restricted cash	Loans and receivables	—	3,889,346	—	—
Accounts receivable	Loans and receivables	301,380	35,211	1,284,750	1,836,812
Long-term receivable	Loans and receivables	—	—	49,689	24,252
Amounts due from subsidiaries	Loans and receivables	47,110,315	60,259,352	67,197,502	68,461,340
Financial liabilities					
Accounts payable and accrued expenses	Other financial liabilities	2,470,306	829,882	2,706,028	2,152,892
Notes payable	Other financial liabilities	44,267,023	37,859,905	10,633,386	7,044,900
Long-term loan	Other financial liabilities	—	—	40,000,000	40,000,000
Warrant liabilities	FVTPL	13,825,817	274,507	5,286,123	—

The fair values of the Group's and the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and short-term loan approximate their carrying values due to their short term nature.

The carrying amounts of the notes payable and long-term loans measured at amortized cost in the Group's and the Company's financial statements approximate their fair values.

The Group's and the Company's financial instruments are exposed to certain financial risks including currency risk, credit risk, liquidity risk and interest risk. The following disclosure does not include the effect of financial assets and liabilities classified as held for sale as of December 31, 2009 and June 30, 2010.

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Group operates in China and Canada and its functional currency is U.S. dollar. A significant change in the currency exchange rates between RMB or Canadian dollar relative to U.S. dollar could have a significant effect on the Group's results of operations, financial position or cash flows. The Group has not hedged its exposure to currency fluctuations.

The Group is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and RMB:

Canadian dollar monetary assets and liabilities

THE GROUP AND THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Cash and cash equivalents	21,795,824	649,888	5,812,185	5,473,273
Accounts receivable	260,341	35,211	99,839	88,267
Accounts payable and accrued expenses	(2,470,306)	(829,882)	(1,487,292)	(1,370,351)
Borrowings	(44,267,023)	(37,859,905)	(10,633,386)	(7,044,900)
Warrant liabilities	(13,825,817)	(274,507)	(5,286,123)	—
	(38,506,981)	(38,279,195)	(11,494,777)	(2,853,711)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease in the Group's and the Company's loss before income tax/increase in loss before income tax of approximately $3,851,000 and $1,149,000 for the years ended December 31, 2007 and 2009, respectively, an increase in the Group's income before income tax/decrease in income before income tax of approximately $3,828,000 and $285,000 for the year ended December 31, 2008 and six months ended June 30, 2010, respectively, an increase in the Company's income before income tax/decrease in income before income tax of approximately $3,828,000 for the year ended December 31, 2008 and a decrease in the Company's loss before income tax/increase in loss before income tax of approximately $285,000 for the six months ended June 30, 2010.

RMB monetary assets and liabilities

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Cash and cash equivalents	3,755,368	5,538,082	16,361,908	10,048,746
Restricted cash	—	1,326,358	—	10,756,703
Accounts receivable	47,534	113,560	397,130	1,400,185
Accounts payable and accrued expenses	(12,474,754)	(18,031,985)	(32,347,188)	(37,417,778)
Borrowings	—	(18,672,730)	(42,299,950)	(42,603,828)
	(8,671,852)	(29,726,715)	(57,888,100)	(57,815,972)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the RMB against the U.S. dollar would result in a decrease in the Group's loss before income tax/increase in loss before income tax of approximately $867,000, $5,788,000 for the years ended December 31, 2007 and 2009, respectively, and an increase in income before tax/decrease in income before tax of approximately $2,973,000 and $5,782,000 for the year ended December 31, 2008 and six months ended June 30, 2010, respectively.

THE COMPANY

The Company did not have any RMB denominated monetary assets and liabilities at the end of each reporting period.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sells approximately 47.7%, 95.9%, 95.5% (unaudited) and 91.6% of its gold to one creditworthy customer, CNG who is also the Group's substantial shareholder for the year ended December 31, 2008, 2009 and six months ended June 30, 2009 and 2010 and exposes the Group to concentration of credit risk. The failure of this customer to make required payments could have a negative impact on the Group's results. The Group's cash and short-term bank deposits are held in large Chinese and Canadian banks. These deposits mature at various dates within 3 months. The Group does not have any asset backed commercial paper in its short-term bank deposits. The Group's accounts receivable consists primarily of goods and services tax refund due from the Federal Government of Canada and listing expense receivable from Skyland, all of which are not outstanding for more than 180 days.

The Group had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in PRC or Canada during the Relevant Periods. Maximum exposure to credit risk is as follows:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Cash and cash equivalents	9,896,230	12,140,045	23,984,660	16,331,252
Bank short-term deposits	17,056,195	2,694	—	—
Restricted cash	—	5,215,704	—	10,756,703
Accounts receivable	348,914	148,771	1,681,880	2,070,198
Long-term receivable	—	—	49,689	24,252
	27,301,339	17,507,214	25,716,229	29,182,405

THE COMPANY

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Cash and cash equivalents	6,065,787	6,546,550	7,578,529	6,100,341
Bank short-term deposits	17,056,195	2,694	—	—
Restricted cash	—	3,889,346	—	—
Accounts receivable	301,381	35,211	1,284,750	1,836,812
Long-term receivable	—	—	49,689	24,252
Amounts due from subsidiaries	47,110,315	60,259,352	67,197,502	68,461,340
	70,533,678	70,733,153	76,110,470	76,422,745

The Company had concentration of credit risk exposure on the amounts due from subsidiaries and the risk of default payment depends on the gold production activities carried out by its subsidiaries. The Company monitors the gold production activities of the subsidiaries and the level of credit risk exposures to ensure that appropriate follow up actions are taken when required.

(c) Liquidity risk

The Group's substantial shareholder, CNG, funded the repayment of notes payable due to mature on December 14, 2009 of $28,320,589 (CAD30,000,000) and notes payable due to mature on June 26, 2010 and January 11, 2010 of $11,955,193 (CAD12,500,000) through a $40,000,000 unsecured two years term loan. At June 30, 2010, all the above mentioned notes payable were settled (see Note 23).

During the year ended December 31, 2009, CNG extended trade credit of $20,488,504 and a non-revolving credit facility of $30,732,757 (RMB 210,000,000) (Note 23(i)) to IMP. By December 31, 2009, the Group had repaid the total advances under trade credit extension and non-revolving credit facility from CNG. This repayment was funded through a $42,299,950 (RMB 290,000,000) unsecured term loan to IMP from the ABC in September 2009 (Note 23 (iii)).

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 Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 30.

The following table details the Group's and the Company's remaining contractual maturities for its non-derivative 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.

THE GROUP

	Weighted average interest rate	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying Amount
	%	$	$	$	$	$
As of December 31, 2007						
Accounts payable and accrued expenses	—	15,066,485	—	—	15,066,485	15,066,485
Note payables (Note 23 (ii)(a))	12.00	3,643,344	33,839,865	—	37,483,209	26,708,698
Note payables (Note 23 (ii)(b))	12.00	2,428,896	2,428,896	21,426,966	26,284,758	17,558,325
		21,138,725	36,268,761	21,426,966	78,834,452	59,333,508
As of December 31, 2008						
Accounts payable and accrued expenses	—	18,932,644	—	—	18,932,644	18,932,644
Short-term loan (Note 23 (i))	6.21	19,248,137	—	—	19,248,137	18,672,730
Note payables (Note 23 (ii)(a))	12.00	27,318,024	—	—	27,318,024	22,930,784
Note payables (Note 23 (ii)(b))	12.00	1,960,783	17,297,421	—	19,258,204	14,929,121
		67,459,588	17,297,421	—	84,757,009	75,465,279
As of December 31, 2009						
Accounts payable and accrued expenses	—	35,072,604	—	—	35,072,604	35,072,604
Long-term loan — ABC (Note 23 (iii))	5.18	3,660,480	3,583,815	42,946,690	50,190,985	42,299,950
Long-term loan — CNG (Note 23 (iii))	6.00	2,433,333	42,433,333	—	44,866,666	40,000,000
Note payables (Note 23 (ii)(b))	12.00	11,373,917	—	—	11,373,917	10,633,386
		52,540,334	46,017,148	42,946,690	141,504,172	128,005,940
As of June 30, 2010						
Account payable and accrued expenses		39,768,345	—	—	39,768,345	39,768,345
Long-term loan — ABC (Note 23 (iii))	5.18	3,648,275	3,576,771	42,209,945	49,434,992	42,603,828
Long-term loan — CNG (Note 23 (iii))	6.00	2,433,333	41,060,000	—	43,493,333	40,000,000
Note payable (Note 23 (ii)(b))	12.00	7,880,444	—	—	7,880,444	7,044,900
		53,730,397	44,636,771	42,209,945	140,577,114	129,417,073

THE COMPANY

	Weighted average interest rate	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying Amount
	%	$	$	$	$	$
As of December 31, 2007						
Accounts payable and accrued expenses	—	2,470,306	—	—	2,470,306	2,470,306
Notes payable	12.00	3,643,344	33,839,865	—	37,483,209	26,708,698
Notes payable	12.00	2,428,896	2,428,896	21,426,966	26,284,758	17,558,325
		8,542,546	36,268,761	21,426,966	66,238,273	46,737,329
As of December 31, 2008						
Accounts payable and accrued expenses	—	829,882	—	—	829,882	829,882
Notes payable	12.00	27,318,024	—	—	27,318,024	22,930,784
Notes payable	12.00	1,960,783	17,297,421	—	19,258,204	14,929,121
		30,108,689	17,297,421	—	47,406,110	38,689,787
As of December 31, 2009						
Accounts payable and accrued expenses	—	2,706,028	—	—	2,706,028	2,706,028
Long-term loan — CNG	6.00	2,433,333	42,433,333	—	44,866,666	40,000,000
Notes payable	12.00	11,373,917	—	—	11,373,917	10,633,386
		16,513,278	42,433,333	—	58,946,611	53,339,414
As of June 30, 2010						
Accounts payable and accrued expenses	—	2,152,892	—	—	2,152,892	2,152,892
Long-term loan — CNG	6.00	2,433,333	41,060,000	—	43,493,333	40,000,000
Notes payable	12.00	7,880,444	—	—	7,880,444	7,044,900
		12,466,669	41,060,000	—	53,526,669	49,197,792

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's short term bank deposits, notes payables, long-term loan from CNG and short-term loan have fixed interest rates and therefore, are not subject to interest rate fluctuations but changes to exchange rates could affect interest payable (see Note 23) and is subject to fair value interest rate risk. The risk that the Group and the Company will realize a loss as a result of a decline in the interest rates relates to its variable rate bank balances and a 30 basis point higher/lower in the interest rate of its variable rate bank balances would result in a decrease in the Group's loss before income tax/ increase in loss before income tax of approximately $81,000 and $72,000 for the years ended December 31, 2007 and 2009, respectively, and increase in the Group's income before tax/decrease in income before tax of $36,000 and $24,000 for the year ended December 31, 2008 and six months ended June 30, 2010, respectively. A 30 basis point higher/lower in the interest rate of its variable rate bank balances would result in a decrease in the Company's loss before income tax/ increase in loss before income tax of approximately $69,000, $23,000 and $9,000 for the years ended December 31, 2007, 2009 and six months ended June 30, 2010, respectively, and increase in the Company's income before tax/decrease in income before tax of $20,000 for the year ended December 31, 2008.

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

(e) Fair value measurements recognized in the statement of financial position

The analysis of financial instruments that are measured subsequent to initial recognition at fair value can be categorized into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's and the Company's financial liabilities at FVTPL include warrant liabilities and are categorized into Level 3. A reconciliation of level 3 fair value measurement of the Group's and the Company's warrant liabilities are disclosed in note 25(c). The Group and the Company do not have any warrant liabilities at June 30, 2010 as all the warrants were exercised during the six months ended June 30, 2010. There has been no transfer between Level 1 and Level 2 of the financial instruments at FVTPL throughout the Relevant Periods and the details are as follows:

		December 31,			June 30,
		2007	2008	2009	2010
		$	$	$	$
Financial liabilities at FVTPL					
Warrant liabilities	Level 3	13,825,817	274,507	5,286,123	—

(f) Price risk

The Group and the Company is exposed to price risk of the Company's shares through its financial liabilities at FVTPL — warrant liabilities (as disclosed in Note 25 (c)). Therefore, the Group and the Company are exposed to price risk because of changes in market prices of its shares.

Price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to price risks for warrant liabilities fluctuating in the TSX stock market at the Relevant Periods.

If the Company's share price had been 50% higher/lower at the end of December 31, 2007 and all other variables were held constant, the Group's loss before income tax would be increase/decrease by approximately $14.8 million/$11.7 million for the year ended December 31, 2007.

If the Company's share price had been 50% higher/lower at the end of December 31, 2008 and all other variables were held constant, the Group's income before income tax would decrease/increase by approximately $386,000/$228,000 for the year ended December 31, 2008.

If the Company's share price had been 50% higher/lower at December 31, 2009 and all other variables were held constant, the Group's loss before income tax would increase/decrease by approximately $4.8 million/$3.5 million for the year ended December 31, 2009.

No sensitivity analysis are presented for the six months ended June 30, 2010 as the warrants have been fully exercised.

32. COMMITMENTS AND CONTINGENCIES

Operating leases commitments

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Within one year	101,329	53,289	95,482	94,263
Between two and five years	70,393	21,615	391,307	363,584
	171,722	74,904	486,789	457,847

Operating lease payments represent rentals payable by the Group for its premises. Leases are negotiated for an average term of three to five years.

Capital commitments

THE GROUP

	December 31,			June 30,
	2007	2008	2009	2010
	$	$	$	$
Capital expenditure in respect of acquisition of property, plant and equipment for the CSH Gold Mine contracted but not provided for	—	25,030,987	10,465,453	1,291,654
Capital commitment in respect of payments to the CSH Gold Mine project and Dadiangou Gold project joint venture partner	1,643,160	1,729,080	—	—
	1,643,160	26,760,067	10,465,453	1,291,654

Other commitments and contingencies existed at June 30, 2010:

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

The Group is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Group does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Group.

33. SUMMARY OF DIFFERENCES BETWEEN IFRS AND CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("CANADIAN GAAP")

During the years ended December 31, 2007 and 2008, the reporting for Canadian purposes was done under Canadian GAAP. The consolidated financial information prepared under IFRS and those prepared under Canadian GAAP for the years ended December 31, 2007 and 2008 have the following major differences:

(i) Environmental rehabilitation

Under IFRS, the provision for environmental rehabilitation must be adjusted for changes in the discount rate. However, under Canadian GAAP, the provision for environmental rehabilitation is not adjusted for changes in the discount rate.

(ii) Share-based compensation

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. Under Canadian GAAP, the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

Further, under Canadian GAAP, consultants are treated as non-employees and the fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. While under IFRS, management has determined that all of the grants awarded to their consultants are considered as employees as the services rendered by their consultants are similar to those rendered by employees. Hence, adjustments are made accordingly under IFRS.

(iii) Share purchase warrants

Under IFRS, as a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, the share purchase warrants meet the definition of derivatives and are measured at FVTPL. The fair values of the share purchase warrants was determined using the Black-Scholes option pricing model at grant date and the end of each reporting period. Under Canadian GAAP, the share purchase warrants are measured at fair value at initial recognition using the Black-Scholes option pricing model, and recorded in equity reserve with no subsequent remeasurement.

	December 31,	
	2007	2008
	US$	US$
Total assets under Canadian GAAP	87,465,388	120,542,330
Adjustments for different accounting treatments:		
Environmental rehabilitation[(i)]	(2,215,390)	(1,231,631)
Total assets under IFRS	85,249,998	119,310,699

	December 31, 2007	December 31, 2008
	US$	US$
Total liabilities under Canadian GAAP	63,793,531	80,828,645
Adjustments for different accounting treatments:		
Environmental rehabilitation(i)	(2,215,390)	(1,231,631)
Share purchase warrants(iii)	13,825,817	274,507
Total liabilities under IFRS	75,403,958	79,871,521

	December 31, 2007	December 31, 2008
	US$	US$
Total equity under Canadian GAAP	23,671,857	39,417,954
Adjustments for different accounting treatments:		
Share purchase warrants(iii)	(13,825,817)	(274,507)
Reclassification of non-controlling interest	—	295,731
Total equity under IFRS	9,846,040	39,439,178

	Years ended December 31, 2007	Years ended December 31, 2008
	US$	US$
(Loss) income for the year under Canadian GAAP	(16,531,264)	2,218,763
Adjustments for different accounting treatments:		
Stock-based compensation(ii)	372,463	(135,451)
Share purchase warrants(iii)	(14,274,106)	12,792,931
(Loss) income for the year under IFRS	(30,432,907)	14,876,243

34. JIAMA PROPERTY ("JIAMA")

On September 23, 2009, the Company announced that it executed a memorandum of understanding with CNG and another partner to acquire a 100% interest of Skyland. Skyland owned the Jiama property which is a significant polymetallic deposit consisting of copper, molybdenum, gold, silver and other minerals. As the proposed acquisition is a related party transaction under Canadian securities laws, the Company has established a special committee of independent directors to review the transaction. A review process has been undertaken to conform to related party transaction requirements, the terms of this acquisition have been determined by negotiation between CNG and its partner on the one hand and a special committee of independent directors on the other.

The definitive purchase agreement was signed subsequent to June 30, 2010. See section C for details.

B. DIRECTORS' REMUNERATION

Save as disclosed in Section A Note 11 above, no other remuneration has been paid in respect of the Relevant Periods to the directors of the Company. Under the arrangement presently in force, the estimate aggregate amount of the Company's directors' remuneration payable for year ending December 31, 2010 is approximately $1,752,000, excluding additional management bonuses and stock-based compensation which are payable at the Company's discretion after June 30, 2010.

C. SUBSEQUENT EVENTS

On August 30, 2010, the Company announced that it has signed a definitive purchase agreement (the "Purchase Agreement") with China National Gold Group Hong Kong Limited ("China National Gold Hong Kong"), a wholly owned subsidiary of CNG, the Company's substantial shareholder, and Rapid Result Investments Limited ("Rapid" and together with China National Gold Hong Kong, the "Vendors"), pursuant to which it will purchase 100% of Skyland from the Vendors. The chief asset of Skyland is its 100% interest in the Jiama property (the "Jiama Property"), a copper polymetallic metal mining property located in Metrorkongka County, Tibet.

The Purchase Agreement provides that the Company will purchase all of the issued and outstanding shares of Skyland from the Vendors and assume shareholder loans made by each of China National Gold Hong Kong and Rapid to Skyland in the aggregate amount of approximately US$42.3 million in exchange for US$742,300,000 (subject to adjustment), with such consideration payable by the Company through the issuance of 170,252,294 common shares of the Company at a deemed price of US$4.36 per share.

The terms of the transaction were settled by a special committee of independent directors, with the support of a valuation and fairness opinion by Haywood Securities Inc ("Haywood").

Completion of the transaction is subject to a number of conditions, including but not limited to receipt of shareholder approval from the Company's disinterested shareholders, the completion of the Company's listing on the Stock Exchange and receipt of applicable regulatory approvals, including TSX approval and approval of the China Securities and Regulatory Commission ("CSRC"). The approval from CSRC was obtained in September 2010. Further, a special meeting of shareholders (in which the substantial shareholder had refrained from voting) was held on October 14, 2010, at which disinterested shareholders approved the acquisition transaction, the transaction is expected to close in November, 2010. An information circular detailing the transaction was filed in September 2010. The information circular included the formal valuation of the Jiama Property received from Haywood.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the companies now comprising the Group have been prepared in respect of any period subsequent to June 30, 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

November 17, 2010

The Directors
China Gold International Resources Corp. Ltd. (formerly known as Jinshan Gold Mines Inc.)
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Skyland Mining Limited (the "Skyland") and its subsidiaries (hereinafter collectively referred to as the "Skyland Group") for each of the three years ended December 31, 2007, 2008 and 2009 and six months ended June 30, 2010 (the "Relevant Periods") for inclusion in the prospectus of China Gold International Resources Corp. Ltd. (formerly known as Jinshan Gold Mines Inc.) ("China Gold International") dated November 17, 2010 ("the Prospectus") in connection with the dual primary listing of the shares of China Gold International in The Stock Exchange of Hong Kong Limited and the proposed acquisition of the entire equity interests in Skyland by China Gold International.

Skyland was incorporated in Cayman Islands as an exempted company with limited liability on October 6, 2004 and through various transfers of shares in Skyland during 2008, Skyland became a non-wholly-owned subsidiary of China National Gold Group Corporation ("CNG"). CNG is a state-owned enterprise registered in the People's Republic of China ("PRC"). Details of the holding companies during the Relevant Periods are set out in Note 29 to Section A of this report.

The Skyland Group is principally engaged in the exploration, development and mining of mineral properties in the PRC.

All subsidiaries of Skyland have adopted December 31 as their financial year end dates. As of the date of this report, Skyland owns directly or indirectly the entire equity interests of the following subsidiaries and details of Skyland's interests in these subsidiaries at December 31, 2007, December 31, 2008, December 31, 2009 and June 30, 2010 are as follows:

Name of subsidiary	Place of incorporation and operation/ date of incorporation	Registered capital	Equity interest attributable to the Skyland Group At December 31, 2007	2008	2009	At June 30, 2010	Principal activities
西藏嘉爾通礦業開發有限公司 ("Jia Ertong")	PRC October 31, 2003	US$55,000,000	100%	100%	100%	100%	Exploration, development and mining of mineral properties and investment holding

Name of subsidiary	Place of incorporation and operation/ date of incorporation	Registered capital	Equity interest attributable to the Skyland Group At December 31, 2007	2008	2009	At June 30, 2010	Principal activities
西藏華泰龍礦業開發有限公司 ("Huatailong")	PRC January 11, 2007	RMB371,800,000	N/A (note a)	100%	100%	100%	Exploration, development and mining of mineral properties
墨竹工卡縣甲瑪工貿有限公司 ("Jiama Industry and Trade")	PRC December 1, 2009	RMB5,000,000	N/A	N/A	51% (note b)	51% (note b)	Mining logistics and transport business

Notes:

(a) Jia Ertong acquired the entire equity interest of Huatailong in May 2008. The acquisition is accounted for as acquisition of assets and liabilities through acquisition of a subsidiary as there was no mining operation of Huatailong at the date of acquisition.

(b) Jiama Industry and Trade was incorporated by Huatailong and a non-controlling shareholder on December 1, 2009. The non-controlling shareholder of Jiama Industry and Trade is 墨竹工卡縣甲瑪經濟合作社 ("甲瑪經濟合作社"), an independent third party to the Skyland Group. The Skyland Group holds 51% indirect equity interest in Jiama Industry and Trade through Huatailong. The Group has the power to govern the financial and operating policies of Jiama Industry and Trade.

The statutory financial statements of the following group entities for each of the three years ended December 31, 2007, 2008 and 2009, or since their respective dates of incorporation, where this is a shorter period, were prepared in accordance with the generally accepted accounting principles in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of subsidiary	Financial period	Name of auditors
Jia Ertong	Year ended December 31, 2007	西藏大德信會計師事務所有限公司
	Year ended December 31, 2008	中瑞岳華會計師事務所有限公司
	Year ended December 31, 2009	天職國際會計師事務所有限公司
Huatailong	For period from January 11, 2007 to December 31, 2007	西藏大德信會計師事務所有限公司
	Year ended December 31, 2008	中瑞岳華會計師事務所有限公司
	Year ended December 31, 2009	天職國際會計師事務所有限公司
Jiama Industry and Trade	For period from December 1, 2009 to December 31, 2009	天職國際會計師事務所有限公司

No audited financial statements have been prepared for Skyland since its date of incorporation to December 31, 2007 as it is incorporated in country where it is not subject to statutory audit requirement. To comply with the requirements for subsidiaries of state-owned enterprises in the PRC, the directors of Skyland prepared the consolidated financial statements of the Skyland Group for the years ended December 31, 2008 and 2009 in accordance with generally accepted accounting principles in the PRC and these consolidated financial statements were audited by 中瑞岳華會計師事務所有限公司 and 天職國際會計師事務所有限公司 respectively, certified public accountants registered in the PRC.

For the purpose of preparing this report, the directors of Skyland prepared the consolidated financial statements of the Skyland Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements"). The Underlying Financial Statements have been audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board. We have examined the Underlying Financial Statements and performed such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements for the Relevant Periods in preparing the Financial Information.

The directors of Skyland are responsible for preparing the Underlying Financial Statements and the directors of China Gold International are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Skyland Group and Skyland as of December 31, 2007, 2008 and 2009 and June 30, 2010 and of the results and cash flows of the Skyland Group for the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Skyland Group for the six months ended June 30, 2009 together with the notes thereon have been extracted from the Skyland Group's financial information for the same period (the "June 2009 Financial Information") which was prepared by the directors of Skyland solely for the purpose of this report. We conducted our review in accordance with the International Standards on Review Engagement 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review of the June 2009 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with International Financial Reporting Standards.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		US$	US$	US$	US$ (Unaudited)	US$
Revenue	6	—	—	—	—	917,250
Cost of sales		—	—	—	—	(710,348)
		—	—	—	—	206,902
Other income	8	231,933	330,046	142,853	62,845	183,590
Exploration and evaluation expenditure		—	(13,171,016)	—	—	—
Administrative expenses		(3,848)	(2,953,143)	(4,802,128)	(2,046,878)	(2,213,672)
Other expenses	9	—	(299,183)	(6,811,176)	(1,057,153)	(4,745,850)
Finance costs	10	—	(790,762)	(1,510,485)	(602,011)	(1,935,580)
Income (loss) before income tax		228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,504,610)
Income tax	11	—	—	—	—	(24,113)
Income (loss) for the year/period	12	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,528,723)
Other comprehensive (loss) income, representing exchange difference arising on translation		(70,385)	(285,183)	18,574	10,340	49,760
Total comprehensive income (loss) for the year/period		157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,478,963)
Income (loss) for the year/period attributable to:						
Owners of Skyland		228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,562,886)
Non-controlling interests		—	—	—	—	34,163
		228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,528,723)
Total comprehensive income (loss) for the year/period attributable to:						
Owners of Skyland		157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,515,247)
Non-controlling interests		—	—	—	—	36,284
		157,700	(17,169,241)	(12,962,362)	(3,632,857)	(8,478,963)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009	As of June 30, 2010
		US$	US$	US$	US$
Non-current assets					
Property, plant and equipment	15	—	18,161,009	98,361,523	145,980,033
Prepaid lease payments	16	—	—	3,573,002	3,555,834
Intangible assets	17	—	42,847,731	42,948,451	43,227,060
Other receivables	18	—	237,832	732,257	957,163
Amounts due from a non-controlling shareholder of a subsidiary	19	—	—	358,806	409,371
Deposit paid for acquisition of property, plant and equipment		—	8,577,242	18,874,617	20,388,911
		—	69,823,814	164,848,656	214,518,372
Current assets					
Inventories		—	—	—	1,207
Trade receivables, other receivables and prepayments	18	694,207	1,909,724	658,297	2,141,431
Prepaid lease payments	16	—	—	73,185	73,587
Cash and cash equivalents	20	563	4,893,935	5,584,297	36,788,414
		694,770	6,803,659	6,315,779	39,004,639
Total assets		694,770	76,627,473	171,164,435	253,523,011
Current liabilities					
Accounts payables and accrued expenses	21	1,583,526	7,449,866	15,030,546	19,290,621
Advance received from a customer	21	—	—	—	36,813,972
Amounts due to related companies	22	—	24,760,326	10,746,976	19,805,386
Tax payable		—	—	—	21,114
		1,583,526	32,210,192	25,777,522	75,931,093
Non-current liabilities					
Amounts due to related companies	22	—	16,094,578	34,274,747	34,816,654
Bank loans	23	—	—	95,193,462	131,860,284
Deferred income	24	—	—	—	3,475,239
		—	16,094,578	129,468,209	170,152,177
Total liabilities		1,583,526	48,304,770	155,245,731	246,083,270
Owners' equity					
Share capital	25	1,000,000	47,380,700	47,380,700	47,380,700
Reserves		(1,888,756)	(19,057,997)	(31,820,802)	(40,336,049)
Equity attributable to owners of Skyland		(888,756)	28,322,703	15,559,898	7,044,651
Non-controlling interests		—	—	358,806	395,090
Total (deficiency) equity		(888,756)	28,322,703	15,918,704	7,439,741
Total liabilities and equity		694,770	76,627,473	171,164,435	253,523,011
Net current liabilities		(888,756)	(25,406,533)	(19,461,743)	(36,926,454)
Total assets less current liabilities		(888,756)	44,417,281	145,386,913	177,591,918

STATEMENTS OF FINANCIAL POSITION

	Notes	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009	As of June 30, 2010
		US$	US$	US$	US$
Non-current assets					
Investment in a subsidiary	26	2,089,768	59,377,002	59,377,002	59,377,002
Amounts due from a subsidiary	26	149	4,715,554	5,062,264	28,920,980
		2,089,917	64,092,556	64,439,266	88,297,982
Current assets					
Other receivables and prepayment	18	694,207	—	6,765	2,875
Cash and cash equivalents	20	260	10,401	1,050,291	54,047
		694,467	10,401	1,057,056	56,922
Total assets		2,784,384	64,102,957	65,496,322	88,354,904
Current liabilities					
Accounts payables and accrued expenses	21	1,583,526	17,053	24,206	22,948
Amounts due to related companies	22	—	330,053	10,204,063	11,730,703
		1,583,526	347,106	10,228,269	11,753,651
Non-current liabilities					
Amounts due to related companies	22	—	16,094,578	10,603,309	34,180,315
		—	16,094,578	10,603,309	34,180,315
Total liabilities		1,583,526	16,441,684	20,831,578	45,933,966
Owners' equity					
Share capital	25	1,000,000	47,380,700	47,380,700	47,380,700
Reserves	28	200,858	280,573	(2,715,956)	(4,959,762)
Total equity		1,200,858	47,661,273	44,664,744	42,420,938
Total liabilities and equity		2,784,384	64,102,957	65,496,322	88,354,904
Net current liabilities		(889,059)	(336,705)	(9,171,213)	(11,696,729)
Total assets less current liabilities		1,200,858	63,755,851	55,268,053	76,601,253

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Skyland						
	Share capital	Other reserve	Cumulative translation reserve	Deficit	Total	Non-controlling interests	Total equity
	US$	US$	US$	US$	US$	US$	US$
At January 1, 2007	1,000,000	—	(14,968)	(2,130,706)	(1,145,674)	—	(1,145,674)
Exchange difference arising on translation	—	—	(70,385)	—	(70,385)	—	(70,385)
Income for the year	—	—	—	228,085	228,085	—	228,085
Total comprehensive (loss) income for the year	—	—	(70,385)	228,085	157,700	—	157,700
Additional contribution by an ex-shareholder of a subsidiary (note a)	—	99,218	—	—	99,218	—	99,218
At December 31, 2007	1,000,000	99,218	(85,353)	(1,902,621)	(888,756)	—	(888,756)
Exchange difference arising on translation	—	—	(285,183)	—	(285,183)	—	(285,183)
Loss for the year	—	—	—	(16,884,058)	(16,884,058)	—	(16,884,058)
Total comprehensive loss for the year	—	—	(285,183)	(16,884,058)	(17,169,241)	—	(17,169,241)
Issue of new shares	46,380,700	—	—	—	46,380,700	—	46,380,700
At December 31, 2008	47,380,700	99,218	(370,536)	(18,786,679)	28,322,703	—	28,322,703
Exchange difference arising on translation	—	—	18,574	—	18,574	—	18,574
Loss for the year	—	—	—	(12,980,936)	(12,980,936)	—	(12,980,936)
Total comprehensive income (loss) for the year	—	—	18,574	(12,980,936)	(12,962,362)	—	(12,962,362)
Deemed contribution from shareholders (note b)	—	199,557	—	—	199,557	—	199,557
Incorporation of non-wholly owned subsidiary (Note 19)	—	—	—	—	—	358,806	358,806
At December 31, 2009	47,380,700	298,775	(351,962)	(31,767,615)	15,559,898	358,806	15,918,704
Exchange difference arising on translation	—	—	47,639	—	47,639	2,121	49,760
Loss for the period	—	—	—	(8,562,886)	(8,562,886)	34,163	(8,528,723)
Total comprehensive income (loss) for the period	—	—	47,639	(8,562,886)	(8,515,247)	36,284	(8,478,963)
At June 30, 2010	47,380,700	298,775	(304,323)	(40,330,501)	7,044,651	395,090	7,439,741

	Attributable to owners of Skyland						
	Share Capital	Other reserve	Cumulative translation reserve	Deficit	Total	Non-controlling interests	Total equity
	US$	US$	US$	US$	US$	US$	US$
For the six months ended June 30, 2009 (Unaudited)							
At January 1, 2009	47,380,700	99,218	(370,536)	(18,786,679)	28,322,703	—	28,322,703
Exchange difference arising on translation	—	—	10,340	—	10,340	—	10,340
Loss for the period	—	—	—	(3,643,197)	(3,643,197)	—	(3,643,197)
Total comprehensive loss for the period	—	—	10,340	(3,643,197)	(3,632,857)	—	(3,632,857)
At June 30, 2009	47,380,700	99,218	(360,196)	(22,429,876)	24,689,846	—	24,689,846

Notes:

(a) The amount represents part of the capital that should be refunded to an ex-shareholder of Jia Ertong when the entire equity interest of Jia Ertong was acquired by Skyland in 2005, but was subsequently waived by the ex-shareholder of Jia Ertong during the year ended December 31, 2007.

(b) Deemed contribution from shareholders represents fair value adjustment on interest free advances from shareholders of Skyland as set out in Note 22(a) and (c).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		US$	US$	US$	US$ (Unaudited)	US$
OPERATING ACTIVITIES						
Income (loss) before income tax		228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,504,610)
Adjustments for:						
Depreciation		—	64,121	703,254	354,845	427,616
Amortization of intangible assets		—	—	—	—	11,027
Bank interest income		—	(43,100)	(99,789)	(62,569)	(19,677)
Finance costs		—	790,762	1,510,485	602,011	1,935,580
Gain on disposal of exploration rights		(171,348)	—	—	—	—
Written off property, plant and equipment		—	—	121,439	—	—
Impairment loss on other receivables		—	—	—	—	175,075
Operating cash flows before movements in working capital		56,737	(16,072,275)	(10,745,547)	(2,748,910)	(5,974,989)
Change in non-cash operating working capital items:						
Inventories		—	—	—	—	(1,207)
Trade receivables, other receivables and prepayments		38,895	(502,033)	1,253,217	(1,058,097)	(1,654,593)
Accounts payables and accrued expenses		(111,826)	6,311,217	7,423,511	(1,716,617)	(7,779,422)
Advance received from a customer		—	—	—	—	36,813,972
Amounts due to related companies		—	—	19,444	—	(4,799)
Cash (used in) generated from operations		(16,194)	(10,263,091)	(2,049,375)	(5,523,624)	21,398,962
Income tax paid		—	—	—	—	(2,999)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(16,194)	(10,263,091)	(2,049,375)	(5,523,624)	21,395,963
INVESTING ACTIVITIES						
Property, plant and equipment additions		—	(15,964,616)	(75,044,687)	(21,307,876)	(31,012,388)
Deposits for acquisition of property, plant and equipment		—	(8,437,552)	(12,623,664)	(18,239,203)	(4,250,067)
Prepaid lease payments		—	—	(359,288)	—	—
Intangible assets additions		—	(37,583,105)	(60,531)	(51,924)	(43,026)
Proceed from disposal of exploration rights		171,348	—	—	—	—
Acquisition of a subsidiary	27	—	(504,905)	—	—	—
Repayment from an ex-shareholder of Skyland		—	694,207	—	—	—
Repayment from an ex-shareholder of Huatailong		—	25,519,275	—	—	—
Advance to PRC local government/land administration bureau		—	(237,832)	(3,792,459)	(3,792,459)	(220,884)
Interest received		—	43,100	99,789	62,569	19,677
Advance to a non-controlling shareholder of a subsidiary		—	—	—	—	(48,594)
Government grant received		—	—	—	—	3,475,239
NET CASH FROM (USED IN) INVESTING ACTIVITIES		171,348	(36,471,428)	(91,780,840)	(43,328,893)	(32,080,043)
FINANCING ACTIVITIES						
Net proceed from the issue of shares		—	46,380,700	—	—	—
Advance from related companies		—	7,282,311	47,875,793	—	31,233,291
Repayment to related companies		—	—	(44,063,134)	(23,910,282)	(23,457,315)
Repayment to an ex-shareholder of Skyland		—	(1,577,149)	—	—	—
Repayment to an ex-shareholder of Jia Ertong		(156,782)	—	—	—	—
New bank loans		—	—	95,141,908	95,141,908	36,143,958
Interest paid		—	(458,010)	(4,460,573)	(1,471,292)	(2,024,733)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(156,782)	51,627,852	94,493,994	69,760,334	41,895,201
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,628)	4,893,333	663,779	20,907,817	31,211,121
Effect of foreign exchange rate changes on cash and cash equivalents		(162)	39	26,583	1,934	(7,004)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		2,353	563	4,893,935	4,893,935	5,584,297
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD		563	4,893,935	5,584,297	25,803,686	36,788,414

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Skyland together with its subsidiaries are principally engaged in the exploration, development and mining of mineral properties in the PRC and provision of mine logistic and transport service.

The address of the registered office of Skyland is Scotia centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and the principal place of business of Skyland Group is No. 34 Jinzhu Zhong Road, Lhasa City, Tibet Autonomous Region, the PRC.

The functional currency of Skyland and its subsidiaries is Renminbi ("RMB"). To conform with the presentation currency of China Gold International, the Financial Information is presented in United States Dollar ("US$").

2. BASIS OF PREPARATION

In preparing the Underlying Financial Statements of the Skyland Group, the directors of Skyland have given careful consideration that the Skyland Group and Skyland has net current liabilities of US$36,926,454 and US$11,696,729 respectively and deficit of US$40,330,501 and US$5,272,054 respectively as of June 30, 2010. Taking into consideration a syndicated loan facility amounting to RMB750,000,000 (equivalent to approximately US$110,441,000) was secured on June 4, 2010 and RMB554,550,000 (equivalent to approximately US$81,727,000) remained available for drawdown from the date of this report and up to June 4, 2013, the directors of Skyland are satisfied that the Skyland Group and Skyland will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the Underlying Financial Statements and the Financial Information have been prepared on a going concern basis.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") which are effective for the Skyland Group's financial year beginning on or after January 1, 2010 (hereinafter collectively referred to as the "new IFRSs"). For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Skyland Group has consistently early adopted all these new IFRSs which are effective for the accounting period beginning on January 1, 2010 throughout the Relevant Periods, except for IFRS 3 (Revised 2008), which has been applied for business combination for which the acquisition date is on or after January 1, 2010 and IAS 27 (Revised 2008) which has been applied for accounting period beginning on January 1, 2010.

At the date of this report, the IASB has issued the following new and revised standards, amendments and interpretations which are not yet effective. The Skyland Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information for the Relevant Periods.

IFRSs (Amendments)	Improvements to IFRSs issued in May 2010(1)
IAS 24 (Revised)	Related Parties Disclosures(2)
IAS 32 (Amendments)	Classification of Rights Issues(3)
IFRS 1 (Amendment)	Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters(5)
IFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets(6)
IFRS 9	Financial Instruments(4)
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirements(2)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments(5)

Notes:

(1) Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate

(2) Effective for annual periods beginning on or after January 1, 2011

(3) Effective for annual periods beginning on or after February 1, 2010

(4) Effective for annual periods beginning on or after January 1, 2013

(5) Effective for annual periods beginning on or after July 1, 2010

(6) Effective for annual periods beginning on or after July 1, 2011

The directors of Skyland anticipate that the application of the new and revised standards, interpretations or amendments will have no material impact on the consolidated financial statements of the Skyland Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the following accounting policies which conform with IFRSs. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

These consolidated financial statements include the financial statements of Skyland and entities controlled by Skyland (its subsidiaries). Control exists when Skyland has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of Skyland.

Allocation of total comprehensive income to non-controlling interests

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

Investment in a subsidiary

Investment in a subsidiary is included in Skyland's statements of financial position at cost less any impairment loss.

Revenue recognition

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

Service income from logistic and transport service is recognized when services are provided.

Interest income is recognized in the profit or loss as it accrues, using the effective interest method.

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Skyland Group recorded in respective functional currency (i.e. RMB) are translated into the presentation currency of the Skyland Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting periods, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized as a separate component of equity (the cumulative translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which Skyland Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Retirement benefit costs

Contributions to state-managed retirement benefits scheme are charged as expenses when employees have rendered services entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use.

Depreciation

Property, plant and equipment, other than construction in progress, are depreciated using the straight-line method over the estimated useful lives of the related assets, after taking into account their residual value.

Construction in progress representing assets under construction in connection with mining operations are depreciated when they are substantially complete and available for their intended use, over their respective estimated useful lives using the straight-line method or the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the mines, as appropriate.

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 expensed as incurred to the date of establishing that costs incurred are economically recoverable. Further exploration and evaluation expenditures incurred, subsequent to the establishment of economic recoverability, are capitalized and included in the carrying amount of the related assets.

The directors of Skyland evaluate 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: mineral 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 ore body.
- Authorizations: operating permits and feasible environmental programs exist or are obtainable.

Therefore prior to capitalizing such costs, the directors of Skyland determine that the following conditions have been met:

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

Development expenditure

Drilling and related costs incurred to define and delineate a mineral deposit at a development stage mine are capitalized as part of mining assets in the period incurred, when the directors of Skyland determine that there is sufficient evidence that the expenditure will result in a probable future economic benefit to the Skyland Group.

Intangible assets

Mining rights

Mining rights with definite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

Other intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Amortization for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Leasing

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.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights are initially recognized at cost and charged to profit or loss over the lease term on a straight-line basis, except for those are capitalized to the cost of construction in progress until such time as the assets are substantial ready for their intended use.

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/period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax of the group entities is calculated using tax rates that have been enacted or substantively enacted by the end of the respective reporting period.

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the Skyland 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity.

Financial instruments

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

Financial assets

Financial assets of Skyland and the Skyland Group are classified as loans and receivables. Loans and receivables including trade and other receivables, amount due from an ex-shareholder of Skyland, amounts due from a subsidiary, amounts due from a non-controlling shareholder of a subsidiary and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liability and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Skyland Group's accounting policy for financial liabilities are described below.

Financial liabilities

Financial liabilities including account payables, other payables, amount due to an ex-shareholder of Skyland, retention payable, accrued expenses, amounts due to related companies and bank loans are subsequently measured at amortized cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective basis.

Equity instruments

Equity instruments issued by Skyland are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

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

Impairment of tangible and intangible assets

At the end of each reporting period, the Skyland Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the accounting policies of Skyland Group, which are described in Note 4, the directors of Skyland have considered the following key sources of estimation uncertainty that have significant effect on the amounts recognized in the Financial Information. The key assumptions concerning the future, and other key sources of estimation uncertainty at June 30, 2010, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

Impairment of the construction in progress and mining assets included in property, plant and equipment and intangible assets in connection with mining operations

Construction in progress representing assets under construction at December 31, 2008, December 31, 2009 and June 30, 2010 amounting to US$15,633,193, US$90,488,310, US$134,504,052 respectively, mining assets amounting to US$5,416,152 and US$6,752,386 at December 31, 2009 and June 30, 2010 respectively and mining rights acquired at December 31, 2008, December 31, 2009 and June 30, 2010 amounting to US$42,824,906, US$42,865,045 and US$43,100,488 respectively. These assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or annually as required by relevant IFRSs. Determination as to how much an asset is impaired involve the estimates and judgment of the directors of Skyland such as future prices of copper, lead and silver etc., production profile and the estimation of the mining reserves. Any unfavorable changes may cause the assets to become impaired.

6. REVENUE

Revenue for the six months ended June 30, 2010 represents the amounts received and receivable for provision of logistic and transport services, net of sales taxes, by Jiama Industry and Trade.

7. SEGMENT INFORMATION

The Skyland Group principally operates one mine, namely Jiama Mine in the PRC and is in development stage of mining operations. During 2009, it commenced provision of mine logistic and transport service.

During the three years ended December 31, 2009 and the six months ended June 30, 2010, the Skyland Group has not yet commenced production and there were no revenue from sales of minerals recognized. The revenue for the six months ended June 30, 2010 represents the logistic and transport service fee income generated by Jiama Industry and Trade.

The directors of Skyland, the chief operating decision maker, considered the Skyland Group's operations as a single operating segment and reviewed the consolidated financial statements prepared under the generally accepted accounting principles in the PRC ("PRC GAAP"), for the purposes of resource allocation and assessment of performance.

All non-current assets of Skyland Group are located in the PRC.

Segment revenue is the same as revenue reported in the consolidated statement of comprehensive income.

The following is a reconciliation of the Skyland Group's segment results to (loss) income for the year/period reported under IFRSs for the Relevant Periods:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (unaudited)	US$
Segment results, representing (loss) income for the year/period prepared under PRC GAAP	(448,270)	171,477	(2,070,760)	(741,031)	(2,860,520)
Adjustments (note)	676,355	(17,055,535)	(10,910,176)	(2,902,166)	(5,668,203)
Income (loss) for the year/period reported under IFRSs	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,528,723)

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Assets				
Segment assets, representing total assets prepared under PRC GAAP	694,770	93,683,008	199,130,146	287,165,925
Adjustment (note)	—	(17,055,535)	(27,965,711)	(33,633,914)
Total assets reported under IFRSs	694,770	76,627,473	171,164,435	253,523,011

No reconciliations of segment revenue and liabilities are prepared as the total revenue and liabilities prepared under PRC GAAP is the same as that reported under IFRSs.

Note: Adjustment for the year ended December 31, 2007 represents the adjustment of exploration and evaluation expenses which should be recognized in previous periods. The adjustments in other periods mainly relate to exploration and evaluation expenditure and other expenses which are capitalized as long-term deferred assets, intangible assets or property, plant and equipment under the PRC GAAP financial statements of the Skyland Group. According to the accounting policy of Skyland Group under PRC GAAP, all exploration and evaluation expenditure are capitalized. According to the accounting policy of China Gold International under IFRSs, exploration and evaluation expenditure are expensed as incurred to the date of establishing that costs incurred are economically recoverable. In addition, the adjustment also includes charging other expenses which do not meet the capitalization criteria under IFRS to profit or loss in the period it incurred.

8. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (Unaudited)	US$
Bank interest income	—	43,100	99,789	62,569	19,677
Net exchange gain	59,003	264,615	6,446	276	157,580
Gain on disposal of exploration rights (note)	171,348	—	—	—	—
Others	1,582	22,331	36,618	—	6,333
	231,933	330,046	142,853	62,845	183,590

Note: The amount represents sale proceeds from disposal of exploration rights to an independent third party in 2007, the corresponding cost incurred for the exploration and evaluation has been written off before 2007 as there was no proven and probable reserve when the expense incurred.

9. OTHER EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (Unaudited)	US$
Staff cost (Note a)	—	299,183	3,797,004	662,432	2,373,708
Written off property, plant and equipment	—	—	121,439	—	—
Listing expenses	—	—	2,204,956	—	1,544,558
Impairment loss on other receivable (Note 18)	—	—	—	—	175,075
Others (Note b)	—	—	687,777	394,721	652,509
	—	299,183	6,811,176	1,057,153	4,745,850

Notes:

(a) Staff cost incurred by mine operation departments during the Relevant Periods was included in other expenses. As the Jiama Mine has not yet commenced production during the Relevant Periods, such non-administrative nature expenses are classified as other expenses.

(b) The amount includes technical consultation fee and other expenses incurred by mine operation departments and donation made by the Group during the Relevant Periods.

10. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (Unaudited)	US$
Interest on:					
— loans from related companies repayable within five years (note a)	—	1,356,550	2,055,990	1,169,072	1,581,851
— loan from an ex-shareholder of Huatailong repayable within five years	—	84,095	—	—	—
— bank loans repayable more than five years	—	—	3,049,360	1,098,632	2,024,733
— advance received from a customer (Note 21)	—	—	—	—	518,993
	—	1,440,645	5,105,350	2,267,704	4,125,577
Less: amount capitalized to construction in progress (note b)	—	(649,883)	(3,594,865)	(1,665,693)	(2,189,997)
	—	790,762	1,510,485	602,011	1,935,580

Notes:

(a) Included in interest on loans from related companies for the year ended December 31, 2009 and the six months ended June 30, 2010 is imputed interest amounting to US$16,193 and US$48,418 respectively on interest-free loans from related companies as set out in Note 22.

(b) All borrowing costs capitalized during the Relevant Periods mainly arose from bank loans and loans from related companies borrowed specifically for the purpose of obtaining qualifying asset as set out in Notes 22 and 23.

11. INCOME TAX

No provision for PRC Enterprise Income Tax has been made for the three years ended December 31, 2009 as Skyland and its subsidiaries have no assessable profit. Tax expense of US$24,113 represents provision for PRC Enterprise Income Tax for the six months ended June 30, 2010, which is calculated at 15% of the assessable profit of Jiama Industry and Trade.

On March 16, 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the statutory tax rate from 33% to 25%.

Under the New Law and Implementation Regulations regarding the westward development area, for domestic enterprise established in the westward development area of the PRC, the preferential tax rate of 15% would be effective until 2010. Therefore, for the Relevant Periods, Huatailong and Jiama Industry and Trade are subject to PRC Enterprise Income Tax at 15% of taxable income as they are established in westward development area (西部大開發地區) of the PRC.

For foreign investment enterprises established in the westward development area of the PRC, the preferential tax rate of 10% in year 2007 gradually increased to 15% during the transitional period at a tax rate of 10%, 12% and 15% in year 2008, 2009 and 2010 respectively. Therefore, for the Relevant Periods, Jia Ertong is subject to PRC Enterprise Income Tax at 10%, 10%, 12% and 15% of its taxable income for each of the three years ended December 31, 2009 and the six months ended June 30, 2010 respectively, as Jia Ertong is a wholly foreign owned enterprise established in westward development area (西部大開發地區) of the PRC.

No Hong Kong profits tax was provided for as Skyland Group had no assessable profit arising in or derived from Hong Kong.

The income tax for the Relevant Periods can be reconciled to the income (loss) for the year/period before income tax per the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (Unaudited)	US$
Income (loss) before income tax	228,085	(16,884,058)	(12,980,936)	(3,643,197)	(8,504,610)
Applicable PRC Enterprise Income Tax rate (15%)					
Tax at applicable PRC Enterprise Income Tax rate	34,213	(2,532,609)	(1,947,140)	(546,480)	(1,275,692)
Tax effect (utilization) of tax losses not recognized	183,165	251,662	(125)	9,277	(90,220)
(Utilisation) tax effect of deductible temporary differences not recognized	(203,922)	2,182,317	1,251,376	398,620	870,829
Tax effect of income not taxable for tax purpose	(8,844)	(39,733)	(968)	(40)	—
Tax effect of expenses not deductible for tax purpose	574	138,230	688,342	138,623	519,196
Tax effect of different tax rates of Jia Ertong	(5,186)	133	8,515	—	—
Income tax expenses for the year/period	—	—	—	—	24,113

At December 31, 2007, December 31, 2008, December 31, 2009 and June 30, 2010, Skyland Group has unused tax losses of approximately US$1,753,000, US$3,811,000, US$3,821,000 and US$1,119,000 respectively available for offset against future profits. At December 31, 2007, December 31, 2008, December 31, 2009 and June 30, 2010, the deductible temporary differences are approximately nil, US$17,479,000, US$25,890,000 and US$31,863,000, respectively. Deductible temporary difference mainly arises from exploration and evaluation expenditure that are recorded as long-term deferred assets or intangible assets under PRC GAAP but expensed under IFRSs as incurred. No deferred tax asset has been recognized in respect of these amounts due to the unpredictability of future profit streams. Included in the unused tax losses at December 31, 2008, December 31, 2009 and June 30, 2010 is tax loss amounting to approximately US$1,700,000 approved by PRC tax authority with expiry dates in 2013 to 2014.

12. INCOME (LOSS) FOR THE YEAR/PERIOD

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (Unaudited)	US$
Income (loss) for the year/period has been arrived at after charging:					
Auditor's remuneration	791	1,877	5,855	—	5,864
Amortization of intangible assets included in administrative expenses	—	—	—	—	11,027
Depreciation	—	64,121	703,254	354,845	427,616
Release of prepaid lease payments	—	—	13,066	—	36,632
Less: Amount capitalized in construction in progress	—	—	(13,066)	—	(36,632)
	—	—	—	—	—
Operating lease for rented premises	—	47,651	73,339	24,146	34,893
Staff costs					
Directors' emoluments (Note 13)	—	—	—	—	—
Other staff costs	—	2,988,076	6,338,000	1,745,315	4,369,452
Retirement benefit costs excluding directors	—	25,166	247,423	119,788	82,063
Total staff costs	—	3,013,242	6,585,423	1,865,103	4,451,515
Less: Amount capitalized in construction in progress	—	(1,084,714)	(377,430)	(300,215)	(1,488,407)
Total staff costs charged to profit or loss	—	1,928,528	6,207,993	1,564,888	2,963,108
Total staff cost charged to profit or loss, representing:					
Staff costs included as exploration and evaluation expenditure	—	98,885	—	—	—
Staff costs included as administrative expenses	—	1,530,460	2,410,989	902,456	589,400
Staff costs included as other expenses	—	299,183	3,797,004	662,432	2,373,708
Total	—	1,928,528	6,207,993	1,564,888	2,963,108

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

During the Relevant Periods, no emoluments were paid by the Skyland Group, its parent, its ultimate holding or their affiliates to the directors of Skyland as compensation for the service provided to the Skyland Group nor as an inducement to join or upon joining the Skyland Group or Skyland or as compensation for loss of office. None of the directors of Skyland has waived any emoluments during the Relevant Periods.

Five highest paid individuals

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (Unaudited)	US$
Employees					
— salaries and other benefits	—	465,235	486,828	121,595	104,320
— retirement benefit contributions	—	8,661	12,672	2,250	5,264
	—	473,896	499,500	123,845	109,584

The compensations paid to each individual employee during each of the Relevant Periods are below HK$1,000,000.

During the Relevant Periods, no emoluments were paid by the Skyland Group to the five highest paid individuals as an inducement to join or upon joining the Skyland Group or Skyland or as compensation for loss of office.

14. DIVIDEND

No dividends have been paid or declared by Skyland during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

THE SKYLAND GROUP

	Machinery and equipments	Buildings	Furniture and office equipment	Motor vehicles	Mining assets	Construction in progress	Total
	US$	US$	US$	US$	US$	US$	US$
Cost							
As of January 1, 2007 and December 31, 2007	—	—	—	—	—	—	—
Acquisition of a subsidiary (Note 27)	12,567	—	30,025	611,526	—	703,973	1,358,091
Additions	412,628	870,121	137,346	157,314	—	15,037,090	16,614,499
Transfer	—	320,230	—	—	—	(320,230)	—
Exchange realignment	5,780	15,796	2,550	16,905	—	212,360	253,391
As of December 31, 2008	430,975	1,206,147	169,921	785,745	—	15,633,193	18,225,981
Additions	215,464	133,839	68,786	333,512	5,413,615	74,805,409	80,970,625
Written off	—	(197,931)	—	—	—	—	(197,931)
Exchange realignment	506	1,101	191	893	2,537	49,708	54,936
As of December 31, 2009	646,945	1,143,156	238,898	1,120,150	5,416,152	90,488,310	99,053,611
Additions	101,731	—	26,593	2,542,421	1,300,739	43,327,315	47,298,799
Exchange realignment	4,003	6,279	1,430	17,384	35,495	688,427	753,018
As of June 30, 2010	752,679	1,149,435	266,921	3,679,955	6,752,386	134,504,052	147,105,428
Accumulated depreciation							
As of January 1, 2007 and December 31, 2007	—	—	—	—	—	—	—
Charge for the year	2,389	—	14,095	47,637	—	—	64,121
Exchange realignment	32	—	187	632	—	—	851
As of December 31, 2008	2,421	—	14,282	48,269	—	—	64,972
Charge for the year	184,161	396,106	36,335	86,652	—	—	703,254
Eliminated on written off	—	(76,492)	—	—	—	—	(76,492)
Exchange realignment	89	150	29	86	—	—	354
As of December 31, 2009	186,671	319,764	50,646	135,007	—	—	692,088
Charge for the period	119,238	163,270	17,308	127,800	—	—	427,616
Exchange realignment	1,552	2,478	355	1,306	—	—	5,691
As of June 30, 2010	307,461	485,512	68,309	264,113	—	—	1,125,395
Carrying value							
At December 31, 2007	—	—	—	—	—	—	—
At December 31, 2008	428,554	1,206,147	155,639	737,476	—	15,633,193	18,161,009
At December 31, 2009	460,274	823,392	188,252	985,143	5,416,152	90,488,310	98,361,523
At June 30, 2010	445,218	663,923	198,612	3,415,842	6,752,386	134,504,052	145,980,033

The property, plant and equipment, other than construction in progress and mining assets, are depreciated over their estimated useful lives, after taking into account their residual value. The estimated useful lives of the property, plant and equipment are as follows:

Machinery and equipments	2 to 10 years
Buildings	Over the shorter of 20 years or term of lease
Furniture and office equipment	5 years
Motor vehicles	10 years

Construction in progress represents construction cost incurred for building infrastructure of mining site and setting up mineral selection and processing machinery. Construction in progress will be reclassified to respective category of property, plant and equipment depending on their nature when completed and ready for use and are depreciated accordingly. Property, plant and equipment other than mining assets will be depreciated over their respective estimated useful lives while mining assets will be amortized using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the mines.

Mining assets consist of development costs capitalized for Jiama Mine, when Skyland determined by way of a feasibility study that Jiama Mine had economically recoverable reserves.

During the year ended December 31, 2009, Skyland Group has written off buildings with carrying value of US$121,439, which represents buildings acquired together with various mining rights during the year ended December 31, 2008. As such buildings will not be used in the future, the amount is fully written off.

Included in the cost above is US$649,883, US$4,244,748 and US$6,434,745 as of December 31, 2008, December 31, 2009 and June 30, 2010 respectively related to finance costs which has been capitalized as construction in progress and buildings.

16. PREPAID LEASE PAYMENTS

THE SKYLAND GROUP

	US$
As of January 1, 2007, December 31, 2007 and December 31, 2008	—
Additions	3,657,545
Capitalized in construction in progress	(13,066)
Exchange realignment	1,708
As of December 31, 2009	3,646,187
Capitalized in construction in progress	(36,632)
Exchange realignment	19,866
As of June 30, 2010	3,629,421

	As of December 31, 2009	As of June 30, 2010
	US$	US$
Analyzed for reporting purposes as:		
Current assets	73,185	73,587
Non-current assets	3,573,002	3,555,834
	3,646,187	3,629,421

Prepaid lease payments represent payments for land use rights for lands located in the PRC. The Group's land use rights are under medium-term lease which is 50 years from date of acquisition in October and November of 2009.

The acquisition cost of the land use right during the year ended December 31, 2009 is partially offset by advances to the local land administration bureau (墨竹工卡縣土管局) in the PRC amounted to US$237,832 and US$3,060,425 during the year ended December 31, 2008 and 2009 respectively.

17. INTANGIBLE ASSETS

THE SKYLAND GROUP

	Mining rights	Others	Total
	US$	US$	US$
Cost			
As of January 1, 2007 and December 31, 2007	—	—	—
Acquisition of a subsidiary (Note 27)	4,529,643	—	4,529,643
Additions	37,560,654	22,451	37,583,105
Exchange realignment	734,609	374	734,983
As of December 31, 2008	42,824,906	22,825	42,847,731
Additions	—	60,531	60,531
Exchange realignment	40,139	50	40,189
As of December 31, 2009	42,865,045	83,406	42,948,451
Additions	—	53,547	53,547
Exchange realignment	235,443	695	236,138
As of June 30, 2010	43,100,488	137,648	43,238,136
Amortization			
As of January 1, 2007 and December 31, 2007, 2008 and 2009	—	—	—
Charge for the period	—	11,027	11,027
Exchange realignment	—	49	49
As of June 30 2010	—	11,076	11,076
Carrying Values			
December 31, 2007	—	—	—
December 31, 2008	42,824,906	22,825	42,847,731
December 31, 2009	42,865,045	83,406	42,948,451
As of June 30, 2010	43,100,488	126,572	43,227,060

Mining rights represent mining rights in Jiama Mine acquired through acquisition of a subsidiary and various mining rights of sites nearby Jiama Mine. The mining rights will expire in 2013 and in the opinion of the directors of Skyland, the Skyland Group will be able to renew the mining rights with the relevant government authority continuously. Other intangible assets represent mineral selection software.

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

Amortization for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortization on other intangible assets is provided for the mineral selection software used for the six months ended June 30, 2010 amounted to US$11,027.

The recoverable amount of the mining rights held by Skyland Group has been determined based on a value in use calculation covering a 10-year period, being the first phase of the production of Jiama Mine. The calculation uses cash flows projections based on financial budgets approved by the directors of Skyland covering a 10-year period. The discount rate used in the cash flow projections is 9%. Other key assumptions for the value in use calculations relate to the estimation of production capacity level of Jiama Mine, as Jiama Mine is still in development stage and no production is noted during the Relevant Periods, such estimation is based on the latest reserve report for proven reserve issued in January 2009 and expectations of the directors of Skyland for the market development. No impairment is noted during the Relevant Periods.

The directors of Skyland believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of intangible assets of the Skyland Group.

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

THE SKYLAND GROUP

	As of December 31,			As of June 30,
	2007	**2008**	**2009**	**2010**
	US$	**US$**	**US$**	**US$**
Trade receivables	—	—	—	666,959
Other receivables	—	2,147,556	1,383,789	2,563,634
Less: Impairment	—	—	—	(175,075)
	—	2,147,556	1,383,789	2,388,559
Amount due from an ex-shareholder of Skyland (note)	694,207	—	—	—
Prepayment	—	—	6,765	43,076
	694,207	2,147,556	1,390,554	3,098,594
Represented by:				
Other receivables — non-current portion	—	237,832	732,257	957,163
Trade receivable, other receivables and prepayments — current portion	694,207	1,909,724	658,297	2,141,431
	694,207	2,147,556	1,390,554	3,098,594

Trade receivables as of June 30, 2010 represent logistic and transport service income receivable.

Customers are provided with credit terms within 90 days.

The following is an aged analysis of trade receivables based on invoice date as of 30 June 2010:

	As of June 30,
	2010
	US$
0-30 days	152,917
31-90 days	485,840
91-180 days	28,202
	666,959

Other receivables — current portion mainly represent temporary payment to employees and other tax paid on behalf of and recoverable from suppliers for construction work. The temporary payment to employees will be used to settle expenses of the Skyland Group while the other tax paid on behalf of and recoverable from suppliers for construction work will be used to offset future construction cost payable. No pre-determined credit terms are granted to these counterparties.

Other receivables — non-current portion mainly represent advances to PRC local land administration bureau (墨竹工卡縣土管局). The amount as of December 31, 2008 were used to offset part of the cost of acquisition of land use rights in Tibet, the PRC as set out in Note 16. The amount as of December 31, 2009 and June 30, 2010 mainly represents advances to PRC local land administration bureau for acquisition of properties in Tibet, the PRC, amounting to RMB5,000,000 (equivalent to approximately US$732,257 and US$736,279 as of December 31, 2009 and June 30, 2010 respectively). The Skyland Group is still negotiating the terms with the PRC local land administration bureau as of the date of this report. Other receivables at June 30, 2010 also included a deposit of RMB1,500,000 (equivalent to approximately US$220,884) paid to the PRC local land administration bureau for undertaking the restoration of land to its present condition when the lease term is expired.

During the six months ended June 30, 2010, the Skyland Group has provided full impairment on certain other receivables with age more than one year amounting to US$175,075 based on past experience of which receivables that are aged beyond one year are generally not recoverable. The directors of Skyland consider the remaining other receivables are not impaired as the amounts will be used to offset future payables to the counterparties and the counterparties are mainly state-owned enterprise or local government body, the credit risk is considered low.

SKYLAND

	As of December 31,			As of June 30,
	2007	**2008**	**2009**	**2010**
	US$	**US$**	**US$**	**US$**
Amount due from an ex-shareholder of Skyland (note)	694,207	—	—	—
Prepayment	—	—	6,765	2,875
	694,207	—	6,765	2,875

Note: The amount due from an ex-shareholder of Skyland as of December 31, 2007 was denominated in US$, unsecured, interest free and repayable on demand. The amount was fully settled in 2008.

19. AMOUNTS DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts represent the amount due from 墨竹工卡縣甲瑪經濟合作社, a non-controlling shareholder of a 51% owned subsidiary, Jiama Industry and Trade. Included in the amounts is the registered capital 49% registered capital of Jiama Industry and Trade that contributed by Huatailong on behalf of the non-controlling shareholder amounting to RMB2,450,000 (equivalent to approximately US$358,806), which is a non-cash transaction for the year ended December 31, 2009.

The amounts are unsecured, interest-free and repayable on demand. As agreed between the Skyland Group and the non-controlling shareholder, the non-controlling shareholder can use future distribution of dividend by Jiama Industry and Trade to settle the amount. The directors of Skyland consider that the amounts due from non-controlling shareholder will not be repayable within one year, therefore, it is classified as non-current assets. The directors of Skyland consider that the fair values of the amounts are approximate to the carrying value.

20. CASH AND CASH EQUIVALENTS

THE SKYLAND GROUP

Cash and cash equivalents of the Skyland Group comprise cash and demand deposits with an original maturity of three months or less and are denominated in the following currencies:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
— Denominated in US$	367	10,618	1,055,437	30,310
— Denominated in HK$	10	10	—	28,677
— Denominated in RMB	186	4,883,307	4,528,860	36,729,427
	563	4,893,935	5,584,297	36,788,414

	As of December 31,			As of June 30,
	2007	2008	2009	2010
Prevailing market interest rates:	3.30%	0.36%-0.63%	0.20%-0.36%	0.001%-0.36%

SKYLAND

Cash and cash equivalents of Skyland comprise cash and demand deposits with an original maturity of three months or less and are denominated in the following currencies:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
— Denominated in US$	250	10,391	1,050,291	25,370
— Denominated in HK$	10	10	—	28,677
	260	10,401	1,050,291	54,047

	As of December 31,			As of June 30,
	2007	2008	2009	2010
Prevailing market interest rates:	3.30%	0.63%	0.20%	0.001%

21. ACCOUNTS PAYABLE AND ACCRUED EXPENSES/ADVANCE RECEIVED FROM A CUSTOMER

THE SKYLAND GROUP

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Accounts payables (note a)	—	5,264,390	10,530,263	15,387,182
Other payables	6,377	489,873	107,517	374,442
Amount due to an ex-shareholder of Skyland (note b)	1,577,149	—	—	—
Retention payable	—	—	1,634,462	2,604
Other tax payables	—	225,346	822,398	1,067,350
Accrued expenses (note c)	—	1,470,257	1,935,906	2,459,043
	1,583,526	7,449,866	15,030,546	19,290,621
Advance received from a customer (note d)	—	—	—	36,813,972

The following is an aged analysis of accounts payables at the end of the reporting periods:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
0-30 days	—	4,387,363	10,435,967	7,394,376
31-90 days	—	873,335	72,328	2,979,208
Over 90 days	—	3,692	21,968	5,013,598
	—	5,264,390	10,530,263	15,387,182

SKYLAND

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Other payables	6,377	17,053	24,206	22,948
Amount due to an ex-shareholder of Skyland (note b)	1,577,149	—	—	—
	1,583,526	17,053	24,206	22,948

Notes:

(a) Accounts payables of Skyland Group principally comprise construction cost payables relating to mineral resources exploration activities. The average credit period taken for construction cost payables are approximately 30 to 90 days.

(b) Amount due to an ex-shareholder of Skyland as of December 31, 2007 represented the expenses paid on behalf of Skyland by the ex-shareholder of Skyland. The amount was denominated in US$, unsecured, interest free and repayable on demand. The amount was fully settled in 2008.

(c) Accrued expenses mainly represent accrual for staff cost and bank loans and other interest.

(d) In February 2010, Skyland Group entered into a agreement with an independent third party customer, pursuant to which, the customer agreed to provide an interest-free advance to Skyland Group amounting to RMB250,000,000 (equivalent to approximately US$36,814,000) and Skyland Group agreed to supply mineral products to the customer during the period from January 1, 2010 to January 15, 2011. Skyland Group received the advance in March 2010.

According to the agreement, if Skyland Group fails to supply the first batch of mineral products to the customer on or before June 30, 2010, the advance will be interest bearing at 5.31% per annum during the period from the date of advance received by Skyland Group to the date of delivery of first batch of mineral products to the customer. This agreement is guaranteed by CNG. During the six months ended June 30, 2010, accrued interest of US$518,993 was recognized as finance costs.

The first batch of mineral products was delivered to the customer in August 2010.

22. AMOUNTS DUE TO RELATED COMPANIES

THE SKYLAND GROUP

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Loan from Rapid Result Investments Limited ("Rapid Result"), a shareholder of Skyland (note a)	—	16,094,578	9,332,597	20,878,854
Loans from CNG (note b)	—	23,900,448	23,432,237	7,362,794
Loans from China National Gold Group Hong Kong Limited ("CNG Hong Kong") (note c)	—	—	9,713,215	21,731,067
Interest payable on loan from Rapid Result (note d)	—	330,053	273,031	730,125
Interest payable on loans from CNG (note e)	—	529,825	782,114	1,348,228
Interest payable on loans from CNG Hong Kong (note f)	—	—	284,174	807,490
Amount due to Rapid Result (note g)	—	—	4,799	—
Amount due to CNG (note g)	—	—	14,645	14,726
Listing expenses payable (note h)	—	—	1,184,911	1,748,756
	—	40,854,904	45,021,723	54,622,040
Represented by:				
Current liabilities	—	24,760,326	10,746,976	19,805,386
Non-current liabilities	—	16,094,578	34,274,747	34,816,654
	—	40,854,904	45,021,723	54,622,040

SKYLAND

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Loan from Rapid Result (note a)	—	16,094,578	9,332,597	20,878,854
Loans from CNG Hong Kong (note c)	—	—	9,713,215	21,731,067
Interest payable on loan from Rapid Result (note d)	—	330,053	273,031	730,125
Interest payable on loans from CNG Hong Kong (note f)	—	—	284,174	807,490
Amount due to Rapid Result (note g)	—	—	4,799	—
Amount due to CNG (note g)	—	—	14,645	14,726
Listing expenses payable (note h)	—	—	1,184,911	1,748,756
	—	16,424,631	20,807,372	45,911,018
Represented by:				
Current liabilities	—	330,053	10,204,063	11,730,703
Non-current liabilities	—	16,094,578	10,603,309	34,180,315
	—	16,424,631	20,807,372	45,911,018

Notes:

(a) The amount at December 31, 2008 represents the loan granted by Rapid Result to Skyland in September 2008. The loan is unsecured, repayable in September 2010 and interest bearing at fixed interest rate of 7.56% per annum. Skyland repaid part of the loan to Rapid Result amounting to approximately US$7,663,000 during the year end December 31, 2009. The amounts are denominated in RMB.

In November 2009, a loan of US$980,000 was granted by Rapid Result to Skyland. The amount is unsecured, interest-free and repayable in November 2011. Fair value adjustment of the interest-free loan amounting to US$97,783, calculated by using discount period of 2 years and an effective interest rate at 5.40% per annum has been recognized in equity. The amounts are denominated in US$.

In April 2010, a loan of US$11,515,000 was granted by Rapid Result to Skyland. The amount is unsecured, interest bearing at fixed interest rate of 5.40% per annum and repayable in April 2012. The amount is denominated in US$.

(b) The amounts at December 31, 2008 represented the loans granted by CNG to the Skyland Group in September and November 2008. The loans were unsecured, interest bearing at fixed interest rate ranged from 5.58% to 7.2% per annum and repayable in December 2008. The amounts were subsequently fully repaid in April 2009. The amount at December 31, 2009 represented the loan amounting to RMB160,000,000 (equivalent to approximately US$23,432,000) granted by CNG to the Skyland Group in October 2009, which was unsecured, interest bearing at fixed interest rate at 5.40% per annum and with original maturity date in October 2012 but was fully repaid in April 2010. The amounts are denominated in RMB.

In January and March 2009, loans of RMB46,760,000 (equivalent to approximately US$6,845,000) and RMB38,550,000 (equivalent to approximately US$5,643,000) respectively were granted by CNG to the Skyland Group. The amounts were unsecured, interest bearing at fixed interest rate of 5.31% per annum and the amounts were fully repaid in April 2009. The amounts were denominated in RMB.

In January 2010, a loan of RMB50,000,000 (equivalent to approximately US$7,325,000) was granted by CNG to the Skyland Group. The amount is unsecured, interest bearing at fixed interest rate of 4.86% per annum and repayable in July 2010. The amount is denominated in RMB.

(c) The amounts represent the loans granted by CNG Hong Kong to the Skyland Group.

In July 2009, a loan of RMB60,000,000 (equivalent to approximately US$8,783,000) was granted by CNG Hong Kong to Skyland. The amount is unsecured, interest bearing at fixed interest rate of 7.56% per annum and repayable in July 2011. The amounts are denominated in RMB.

In November 2009, a loan of US$1,020,000 was granted by CNG Hong Kong to Skyland. The amount is unsecured, interest-free and repayable in November 2011. Fair value adjustment of the interest-free loan amounting to US$101,774, calculated by using discount period of 2 years and an effective interest rate at 5.40% per annum has been recognized in equity. The amounts are denominated in US$.

In March 2010, a loan of US$11,985,000 was granted by CNG Hong Kong to Skyland. The amount is unsecured, interest bearing at fixed interest rate of 5.40% per annum and repayable in March 2012. The amount is denominated in US$.

(d) The amounts represent the interest payable on loan granted by Rapid Result as set out in note a above.

(e) The amounts represent the interest payable on loans granted by CNG as set out in note b above.

(f) The amounts represent the interest payable on loans granted by CNG Hong Kong as set out in note c above.

(g) Amounts due to Rapid Result and CNG represent the expenses paid on behalf of Skyland. The amounts are interest-free, unsecured and repayable on demand. The amounts are denominated in RMB.

(h) Listing expense payable is due to China Gold International based on a cost sharing agreement between Skyland and China Gold International entered into in September 2009. Skyland and China Gold International agreed to share equally costs related to the proposed listing of China Gold International on the Stock Exchange of Hong Kong Limited and Skyland has recorded this as an expenses in the profit or loss. CNG is a substantial shareholder of China Gold International.

23. BANK LOANS

THE SKYLAND GROUP

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
RMB700,000,000 bank loan from Bank of China	—	—	95,193,462	103,079,121
RMB750,000,000 syndicated loan	—	—	—	28,781,163
	—	—	95,193,462	131,860,284

During the year ended December 31, 2009, the Group obtained a bank loan facility of RMB700,000,000 from Bank of China. The bank loan of RMB650,000,000 (equivalent to approximately US$95,141,908) and RMB50,000,000 (equivalent to approximately US$7,324,612) was drawdown in March 2009 and January 2010 respectively, which carries interest at floating rate based on the People's Bank of China base rate (the interest rate at date of inception of loan agreement is 3.96% per annum) and is repayable in four annual instalments starting from December 28, 2011. RMB200,000,000, RMB200,000,000, RMB150,000,000 and RMB150,000,000 will be repayable on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014 respectively.

On June 4, 2010, the Group entered into a syndicated loan facility agreement with various banks for a loan facility amounting to RMB750,000,000 (equivalent to approximately US$110,441,000) which is available for the Group to drawdown up to June 4, 2013. The syndicated loan of RMB195,450,000 (equivalent to approximately US$28,781,000) was drawdown in June 2010. The loan carries interest at floating rate based on the People's Bank of China base rate (the interest rate at date of inception of loan agreement is 3.96% per annum) and is repayable in four annual instalments starting from 2013. RMB100,000,000, RMB150,000,000, RMB200,000,000 and RMB300,000,000 will be repayable in June 2013, June 2014, June 2015 and June 2016 respectively.

Both loans are guaranteed by CNG.

24. DEFERRED INCOME

Pursuant to the approval notice issued by Tibet local government in November 2009, the Skyland Group received government grants in relation to the construction of property, plant and equipment of the Skyland Group amounting to RMB23,600,000 (equivalent to approximately US$3,475,000) during the six months ended June 30, 2010. The grants are recorded as deferred income in the consolidated statement of financial position and will be credited to profit or loss on a straight-line basis over the expected useful lives of the related assets. As the relevant asset is still under construction up to June 30, 2010, no deferred income is credited to profit or loss during the six months ended June 30, 2010.

25. SHARE CAPITAL

	Number of shares	Amount
		US$
Ordinary shares of US$1.00 each		
Authorized:		
On January 1, 2007 and December 31, 2007	1,000,000	1,000,000
Increase in authorized share capital	49,000,000	49,000,000
On December 31, 2008, December 31, 2009 and June 30, 2010	50,000,000	50,000,000
Issued and fully paid:		
On January 1, 2007 and December 31, 2007	1,000,000	1,000,000
Issue of shares	46,380,700	46,380,700
On December 31, 2008, December 31, 2009 and June 30, 2010	47,380,700	47,380,700

On December 31, 2008, Skyland's authorized share capital increased from 1,000,000 ordinary shares to 50,000,000 ordinary shares by the creation of 49,000,000 ordinary shares of US$1.00 each.

On December 31, 2008, Skyland issued 46,380,700 ordinary shares of US$1.00 each at par value. 28,292,227 and 18,088,473 ordinary shares were issued to Rapid Result and CNG Hong Kong respectively to provide additional working capital for Skyland.

All the shares issued by Skyland during the Relevant Periods rank pari passu with the then existing shares in all respects.

26. INVESTMENT IN A SUBSIDIARY/ AMOUNTS DUE FROM A SUBSIDIARY

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Investment in a subsidiary:				
Unlisted investment, at cost	2,089,768	55,709,549	55,709,549	55,709,549
Deemed contribution	—	3,667,453	3,667,453	3,667,453
	2,089,768	59,377,002	59,377,002	59,377,002
Amounts due from a subsidiary	149	4,715,554	5,062,264	28,920,980

Except for an amount due from a subsidiary amounting to US$23,500,000 as of June 30, 2010, which is unsecured, interest bearing at 5.4% per annum and repayable on April 20, 2012, the remaining amounts due from a subsidiary are unsecured and interest free. In the opinion of the directors of Skyland, the amounts will not be repayable within one year, deemed contribution arising from fair value adjustment of the interest free advances amounted to approximately US$3,667,453, calculated by using discount period of 8 years and an effective interest rates ranges from 7.47% to 7.83% per annum has been recognized.

27. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

In May 2008, Jia Ertong acquired the following assets and liabilities through acquisition of a subsidiary, Huatailong at a consideration of approximately RMB16,971,000 (US$2,424,372). The fair value of assets and liabilities acquired are set out as follows:

	US$
Net assets acquired:	
Property, plant and equipment	1,358,091
Intangible assets — mining rights	4,529,643
Deposits paid for acquisition of property, plant and equipments	136,385
Amount due from a shareholder of Huatailong	25,519,275
Other receivables	1,374,390
Cash and cash equivalents	1,919,467
Accounts payable and accrued expenses	(985,205)
Loan from CNG	(31,427,674)
Net assets acquired	2,424,372
Net cash outflow arising from acquisition of a subsidiary:	
Cash consideration paid	(2,424,372)
Cash and cash equivalents acquired	1,919,467
	(504,905)

28. RESERVES OF SKYLAND

	Cumulative translation reserve	Other reserve	Accumulated earnings (deficit)	Total
	US$		US$	US$
As of January 1, 2007	59,707	—	9,998	69,705
Exchange difference arising on translation	75,955	—	—	75,955
Income for the year	—	—	55,198	55,198
As of December 31, 2007	135,662	—	65,196	200,858
Exchange difference arising on translation	79,220	—	—	79,220
Income for the year	—	—	495	495
As of December 31, 2008	214,882	—	65,691	280,573
Exchange difference arising on translation	(11,823)	—	—	(11,823)
Deemed contribution on interest free loans	—	199,557	—	199,557
Loss for the year	—	—	(3,184,263)	(3,184,263)
As of December 31, 2009	203,059	199,557	(3,118,572)	(2,715,956)
Exchange difference arising on translation	(90,324)	—	—	(90,324)
Loss for the period	—	—	(2,153,482)	(2,153,482)
As of June 30, 2010	112,735	199,557	(5,272,054)	(4,959,762)

Skyland's reserves available for distribution to shareholders at December 31, 2007 and 2008 are US$65,196 and US$65,691 respectively. No reserve is available for distribution at December 31, 2009 and June 30, 2010.

29. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Details of the holding companies of Skyland during the period from January 1, 2007 to the date of this report are as follows:

Period	Immediate holding company	Ultimate holding company
From January 1, 2007 to February 6, 2008	N7C Resources Inc. (note (a))	Continental Minerals Corporation (note (b))
From February 7, 2008 to April 10, 2008	Rapid Result (note (c))	One Nominees Limited (note (d))
From April 11, 2008 to the date of this report	CNG Hong Kong (note (e))	CNG

Notes:

(a) N7C Resources Inc. is a private company incorporated in the Cayman Islands with limited liability.

(b) Continental Minerals Corporation is a company incorporated in British Columbia, Canada with limited liability. It shares are listed in Toronto Stock Exchange.

(c) Rapid Result is a private company incorporated in the British Virgin Islands with limited liability.

(d) One Nominees Limited is a private company incorporated in Hong Kong with limited liability.

(e) CNG Hong Kong is a wholly-owned subsidiary of CNG and a private company incorporated in Hong Kong with limited liability. On April 10, 2008, CNG Hong Kong entered into a sale and purchase agreement with Rapid Result to acquire ultimately 51% interest in Skyland. CNG Hong Kong completed the acquisition through two stages, by (i) acquiring 13% equity interest in Skyland in April 2008, and (ii) exercising an option to acquire additional 38% equity interest from June 2008 to February 2009. CNG Hong Kong has therefore the power to govern the financial and operating policies of Skyland and it is considered as the immediate holding company of Skyland since April 10, 2008.

After April 10, 2008, Skyland Group is subject to the control of the PRC Government which also controls state-owned enterprises. In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Skyland Group ("other state-owned enterprises").

For the purpose of related party transactions disclosure, the Skyland Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state owned enterprises have multilayered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, the directors of Skyland believe that meaningful information relating to significant related party transactions has been adequately disclosed.

The following is a summary of significant related party balances and transactions. In the opinion of the directors of Skyland, the transactions (except for financing provided by related parties) were entered into in the ordinary course of business between the Skyland Group and its related parties, including other state-owned enterprises, during the Relevant Periods.

Balance with related parties:

THE SKYLAND GROUP

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Balance with Rapid Result:				
Loans from	—	16,094,578	9,332,597	20,878,854
Interest payable to	—	330,053	273,031	730,125
Amount due to	—	—	4,799	—
Balance with CNG:				
Loans from	—	23,900,448	23,432,237	7,362,794
Interest payable to	—	529,825	782,114	1,348,228
Amount due to	—	—	14,645	14,726
Balance with CNG Hong Kong:				
Loans from	—	—	9,713,215	21,731,067
Interest payable to	—	—	284,174	807,490
Amounts due from a non-controlling shareholder of a subsidiary	—	—	358,806	409,371
Guarantee on bank loans provided by CNG	—	—	95,193,462	131,860,284
Balance with a subsidiary of CNG:				
Deposit paid for acquisition of property, plant and equipment	—	1,346,900	1,521,975	1,971,813
Listing expenses payable to China Gold International	—	—	1,184,911	1,748,756
Balance with other state-owned enterprises:				
Deposit paid for acquisition of property, plant and equipment	—	130,880	—	—
Accounts payables — construction cost payable to	—	1,205,921	9,341,819	8,157,685
Other receivables — other tax paid on behalf of other state-owned enterprises	—	1,226,467	1,291,430	15,885
Other payables — deposit received	—	109,736	87,871	110,442
Retention payable	—	—	1,502,282	—

SKYLAND

	As of December 31, 2007 US$	As of December 31, 2008 US$	As of December 31, 2009 US$	As of June 30, 2010 US$
Balance with Rapid Result:				
Loans from	—	16,094,578	9,332,597	20,878,854
Interest payable to	—	330,053	273,031	730,125
Amount due to	—	—	4,799	—
Balance with CNG:				
Amount due to	—	—	14,645	14,726
Balance with CNG Hong Kong:				
Loans from	—	—	9,713,215	21,731,067
Interest payable to	—	—	284,174	807,490
Listing expenses payable to China Gold International	—	—	1,184,911	1,748,756

Transactions with related parties:

THE SKYLAND GROUP

	Year ended December 31, 2007 US$	Year ended December 31, 2008 US$	Year ended December 31, 2009 US$	Six months ended June 30, 2009 US$ (Unaudited)	Six months ended June 30, 2010 US$
Transactions with Rapid Result:					
Interest expenses on loan	—	330,053	981,943	602,011	477,320
Transactions with CNG:					
Interest expenses on loans	—	1,026,497	781,748	567,061	559,347
Transactions with CNG Hong Kong:					
Interest expenses on loan	—	—	292,299	—	545,184
Transactions with subsidiaries of CNG:					
Staff training expenses incurred	—	—	77,852	77,852	—
Consultancy fee incurred for mining technique	—	—	8,780	8,780	—
Agency fee incurred for import equipments	—	—	97,026	20,901	—
Other state-owned enterprises:					
Construction cost incurred	—	8,680,237	40,183,842	14,540,418	26,409,916
Consultancy fee incurred for mining technique	—	368,215	731,914	73,169	762,363

SKYLAND

	Year ended December 31, 2007 US$	Year ended December 31, 2008 US$	Year ended December 31, 2009 US$	Six months ended June 30, 2009 US$ (Unaudited)	Six months ended June 30, 2010 US$
Transactions with Rapid Result:					
Interest expenses on loan	—	330,053	981,943	602,011	477,320
Transactions with CNG Hong Kong:					
Interest expenses on loan	—	—	292,299	—	545,184

In the opinion of the directors of Skyland, except for the loans from related parties, the above related party transactions were conducted in the ordinary course of business and these transactions will continue after the dual primary listing of China Gold International.

Compensation of key management:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	US$	US$	US$	US$ (Unaudited)	US$
Short-term benefits	—	465,235	486,828	121,595	104,320
Retirement benefit contributions	—	8,661	12,672	2,250	5,264
	—	473,896	499,500	123,845	109,584

30. CAPITAL COMMITMENTS

THE SKYLAND GROUP

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Capital commitments				
Contract costs contracted but not provided for	—	66,902,368	56,876,939	58,200,580

SKYLAND

Skyland does not have any capital commitments as of December 31, 2007, December 31, 2008, December 31, 2009 and June 30, 2010.

31. OPERATING LEASE COMMITMENTS

At December 31, 2007, December 31, 2008, December 31, 2009 and June 30, 2010, the Skyland Group had outstanding commitments payable under non-cancellable operating leases in respect of rented office premises and the lands in PRC which fall due as follows:

THE SKYLAND GROUP

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Within one year	—	50,859	130,664	130,051
Between two to five years	—	158,897	251,399	209,311
More than five years	—	359,494	391,904	361,808
	—	569,250	773,967	701,170

Leases are negotiated for a term ranging from 3 to 20 years.

SKYLAND

Skyland did not have any non-cancellable operating lease commitments as of December 31, 2007, December 31, 2008, December 31, 2009 and June 30, 2010.

32. CAPITAL RISK MANAGEMENT

Skyland Group manages its ordinary shares as capital. Skyland Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to operate its mine, pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

Skyland 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, Skyland Group may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Skyland 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 directors of Skyland. Syndicated loan facilities and additional capital injection from shareholders have been arranged to finance the exploration and development plans and operations (see Notes 23 and 30) of the Skyland Group. The Skyland Group has complied with all covenants of its bank loans.

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

THE SKYLAND GROUP

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Financial assets				
Loans and receivables (including cash and cash equivalents)	694,770	7,041,491	7,326,892	40,253,303
Financial liabilities				
Financial liabilities carried at amortized cost	1,583,526	48,079,424	154,423,333	204,705,595

SKYLAND

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	US$	US$	US$	US$
Financial assets				
Loans and receivables (including cash and cash equivalents)	694,616	4,725,955	6,112,555	28,975,027
Financial liabilities				
Financial liabilities carried at amortized cost	1,583,526	16,441,684	20,831,578	45,933,966

b. Financial risk management objectives and policies

The major financial instruments of Skyland include amounts due from a subsidiary, other receivables, cash and cash equivalents, accounts payable and amounts due to related companies. The major financial instruments of Skyland Group include trade and other receivables, amounts due from a non-controlling shareholder of a subsidiary, cash and cash equivalents, accounts payable, accrued expenses, amounts due to related companies and bank loans. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of Skyland manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Skyland is exposed to currency risk for the two years ended December 31, 2008 as certain bank balances are denominated in US$ and HK$ and the amount due from/to an ex-shareholder of Skyland are denominated in US$, however, the risk is insignificant as the bank balances is not material and the amount due from/to ex-shareholder are fully settled in 2008.

Skyland and Skyland Group is exposed to currency risk for the year ended December 31, 2009 and June 30, 2010 as certain bank balances and amounts due to related parties (see Note 22 for details of these amounts) are denominated in US$.

The sensitivity analysis below details Skyland and the Skyland Group's sensitivity to a 1% change in exchange rate of US$ against RMB for the year ended December 31, 2009 and the six months ended June 30, 2010, while all other variables are held constant. The sensitivity analysis includes only outstanding US$ denominated monetary items and adjusts their translation at December 31, 2009 and June 30, 2010 for a change in foreign currency rates as set out below.

If the exchange rate of US$ against RMB had been increased or decrease by 1% and all other variables were held constant, the loss for the year ended December 31, 2009 of Skyland and Skyland Group will increase or decrease by US$21,346 and US$21,295 respectively.

If the exchange rate of US$ against RMB had been increased or decrease by 1% and all other variables were held constant, the loss for the six months ended June 30, 2010 of Skyland and Skyland Group will increase or decrease by approximately US$272,234 and US$272,184 respectively.

(ii) Interest rate risk

Skyland and Skyland Group are exposed to fair value interest rate risk in relation to fixed-rate amounts due to related companies (see Note 22 for details of these amounts).

Skyland and Skyland Group are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits which carry interest at prevailing deposit interest rates during the Relevant Periods. The directors of Skyland considered the fluctuation in the prevailing market interest rate on bank deposits during the Relevant Periods is insignificant and concluded there is no significant cash flow interest rate risk during the Relevant Periods.

In addition, Skyland Group is exposed to cash flow interest rate risk in relation to variable-rate bank loan and syndicated loan drawdown in March 2009 and January 2010 and June 2010 (see Note 23 for details of these loans) respectively. The Skyland Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of Skyland will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risk of the bank loan and syndicated loan at December 31, 2009 and June 30, 2010 assuming it were outstanding for the year ended December 31, 2009 and the six months ended June 30, 2010. A 50 basis point decrease or increase is used when reporting interest rate risk internally to key management personnel and represents the assessment of the directors of Skyland of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the interest expenses capitalized under the Skyland Group's construction in progress for the year ended December 31, 2009 and the six months ended June 30, 2010 would increase/decrease by US$475,967 and US$329,651 respectively.

As the directors of Skyland considered that the fluctuation in the prevailing market interest rate on bank deposits is insignificant, no sensitivity analysis for fluctuation in bank deposit interest rate is prepared.

Credit risk

Skyland Group is still at the exploration and development stage of mining operations and the Skyland Group has not yet commenced production during the Relevant Periods. Skyland and the Skyland Group's maximum exposure to credit risk which will cause a financial loss to Skyland and the Skyland Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of trade and other receivables, amounts due from a non-controlling shareholder of a subsidiary and cash and cash equivalents.

In addition, Skyland is also exposed to the credit risk on the amounts due from a subsidiary due to the failure to discharge an obligation by its subsidiary. However, the credit risk is considered as insignificant as the subsidiary is still at development stage and expected to commence operation in near future.

In order to minimise the credit risk, the directors of Skyland review the recoverable amount of the trade and other receivable and amounts due from a non-controlling shareholder of a subsidiary at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings in the PRC.

Skyland Group and Skyland had high concentration of credit risk as of December 31, 2007 as other receivables mainly represented amount due from an ex-shareholder of Skyland, the amount was subsequently settled in 2008. Skyland Group had concentration of credit risk as of December 31, 2008, December 31, 2009 and June 30, 2010 on other receivables from certain construction contractors, advance to PRC local land administration bureau and amounts due from a non-controlling shareholder of a subsidiary, however, as the amounts can be used to offset future construction cost payment or the counterparties are local government, or state-owned enterprises, the risk is considered low.

Liquidity risk

In the management of the liquidity risk, Skyland Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of Skyland to finance Skyland Group's operations and mitigate the effects of fluctuations in cash flows. The directors of Skyland monitor the utilization of bank loans and loans from related companies and ensures compliance with the loan covenant throughout the Relevant Periods.

Skyland Group is required to obtain additional fund to meet the additional capital resources to complete and carry out its exploration and development plans and operations for the next twelve months. Having considered the syndicated loan facility amounting to RMB750,000,000 (equivalent to approximately US$110,441,000) that the Skyland Group obtained in June 2010, the directors of Skyland considered that Skyland Group will be able to raise sufficient fund to meet its future exploration and development plans and operations.

The following table details Skyland's and the Skyland Group's expected remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Skyland and the Skyland Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

THE SKYLAND GROUP

	Weighted average interest rate	On demand and within one year	Within the second year	Within the third year	Within the fourth year	Within the fifth year	Total undiscounted cash flows	Total carrying amount
	%	US$	US$	US$	US$	US$	US$	US$
As of December 31, 2007								
Accounts payable and accrued expenses	N/A	1,583,526	—	—	—	—	1,583,526	1,583,526
As of December 31, 2008								
Accounts payable and accrued expenses	N/A	7,224,520	—	—	—	—	7,224,520	7,224,520
Loan from and interest payable to Rapid Result	7.56	1,546,803	17,007,140	—	—	—	18,553,943	16,424,631
Loans from and interest payable to CNG	6.55	24,430,273	—	—	—	—	24,430,273	24,430,273
		33,201,596	17,007,140	—	—	—	50,208,736	48,079,424
As of December 31, 2009								
Accounts payable and accrued expenses	N/A	14,208,148	—	—	—	—	14,208,148	14,208,148
Loan from and interest payable to Rapid Result	7.35	9,266,293	1,020,054	—	—	—	10,286,347	9,605,628
Loans from and interest payable to CNG	5.40	2,047,455	23,920,949	—	—	—	25,968,404	24,214,351
Loan from and interest payable to CNG Hong Kong	7.35	998,489	10,873,110	—	—	—	11,871,599	9,997,389
Amount due to Rapid Result	N/A	4,799	—	—	—	—	4,799	4,799
Amount due to CNG	N/A	14,645	—	—	—	—	14,645	14,645
Listing expenses payable	N/A	1,184,911	—	—	—	—	1,184,911	1,184,911
Bank loan	3.96	3,769,661	33,059,957	31,900,061	23,417,592	15,225,096	107,372,367	95,193,462
		31,494,401	68,874,070	31,900,061	23,417,592	15,225,096	170,911,220	154,423,333
As of June 30, 2010								
Accounts payable and accrued expenses	N/A	18,223,271	—	—	—	—	18,223,271	18,223,271
Loan from and interest payable to Rapid Result	6.27	9,991,310	12,958,712	—	—	—	22,950,022	21,608,979
Loans from and interest payable to CNG	4.86	8,711,022	—	—	—	—	8,711,022	8,711,022
Loans from and interest payable to CNG Hong Kong	6.32	2,180,169	22,266,553	—	—	—	24,446,722	22,538,557
Amount due to CNG	N/A	14,726	—	—	—	—	14,726	14,726
Listing expenses payable	N/A	1,748,756	—	—	—	—	1,748,756	1,748,756
Bank loans	3.96	5,221,667	34,089,711	47,649,033	38,012,608	22,525,733	147,498,752	131,860,284
		46,090,921	69,314,976	47,649,033	38,012,608	22,525,733	223,593,271	204,705,595

SKYLAND

	Weighted average interest rate	On demand and within one year	Within the second year	Total undiscounted cash flows	Total carrying amount
	%	US$	US$	US$	US$
As of December 31, 2007					
Accounts payable	N/A	1,583,526	—	1,583,526	1,583,526
As of December 31, 2008					
Accounts payable	N/A	17,053	—	17,053	17,053
Loan from and interest payable to Rapid Result	7.56	1,546,803	17,007,140	18,553,943	16,424,631
		1,563,856	17,007,140	18,570,996	16,441,684
As of December 31, 2009					
Accounts payable	N/A	24,206	—	24,206	24,206
Loan from and interest payable to Rapid Result	7.35	9,266,293	1,020,054	10,286,347	9,605,628
Loan from and interest payable to CNG Hong Kong	7.35	998,489	10,873,110	11,871,599	9,997,389
Amount due to Rapid Result	N/A	4,799	—	4,799	4,799
Amount due to CNG	N/A	14,645	—	14,645	14,645
Listing expenses payable	N/A	1,184,911	—	1,184,911	1,184,911
		11,493,343	11,893,164	23,386,507	20,831,578
As of June 30, 2010					
Accounts payable	N/A	22,948	—	22,948	22,948
Loan from and interest payable to Rapid Result	6.27	9,991,310	12,958,712	22,950,022	21,608,979
Loans from and interest payable to CNG Hong Kong	6.32	2,180,169	22,266,553	24,446,722	22,538,557
Amount due to CNG	N/A	14,726	—	14,726	14,726
Listing expenses payable	N/A	1,748,756	—	1,748,756	1,748,756
		13,957,909	35,225,265	49,183,174	45,933,966

c. Fair value of financial instruments

The fair values of financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of Skyland consider that the carrying amounts of all financial assets and financial liabilities recorded at amortized cost in the consolidated statements of financial positions approximate their corresponding fair values.

B. DIRECTORS' REMUNERATION

As set out in Note 13 to Section A above, no remuneration has been paid in respect of the Relevant Periods to the directors of Skyland. Under the arrangement presently in force, the amount of Skyland's directors' remuneration payable for period ending December 31, 2010 is estimated to be nil.

C. SUBSEQUENT EVENTS

There were no significant subsequent events after June 30, 2010.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Skyland Group have been prepared in respect of any period subsequent to June 30, 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) INTRODUCTION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The accompanying unaudited pro forma financial information of China Gold International Resources Corp. Ltd. ("China Gold" or the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Skyland Mining Limited and its subsidiaries (collectively the "Enlarged Group") has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purpose only, and is set out below to provide information about the proposed acquisition of all the issued shares of Skyland Mining Limited ("Skyland") by the Group (the "Acquisition") might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as of June 30, 2010 is prepared based on (i) the audited consolidated statement of financial position of the Group as of June 30, 2010, which has been extracted from the Accountants' Report of the Company as set out in Appendix I-A to the Prospectus; and (ii) the audited consolidated statement of financial position of Skyland and its subsidiaries (the "Skyland Group") as of June 30, 2010, which has been extracted from the Accountants' Report of Skyland as set out in Appendix I-B to the Prospectus, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition has been completed on June 30, 2010.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the six months ended June 30, 2010 is prepared based on (i) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the six months ended June 30, 2010, which has been extracted from the Accountants' Report of the Company as set out in Appendix I-A to the Prospectus; and (ii) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of Skyland Group for the six months ended June 30, 2010, which has been extracted from the Accountants' Report of Skyland Group as set out in Appendix I-B to the Prospectus. The pro forma adjustments relating to the Skyland Acquisition are (i) directly attributable to the Skyland Acquisition; and (ii) factually supportable as if the Skyland Acquisition has been completed on January 1, 2010.

The unaudited pro forma financial information of the Enlarged Group is prepared by the directors of the Company to provide information about how the Acquisition might affect the financial information of the Group. As it is prepared solely for illustrative purpose only, it does not purport to give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

(2) ACQUISITION OF SKYLAND

On August 29, 2010, China Gold entered into a Share Purchase Agreement with China National Gold (HK) Ltd. ("China National") and Rapid Result Investment Ltd. ("Rapid Result") (collectively the "Vendors"), to acquire a 100% interest in the Jiama polymetallic mineral property (the "Jiama Mine") through the purchase of 100% interest in Skyland.

China Gold will acquire Skyland by issuing 170,252,294 common shares of China Gold (the "Consideration Shares") to the Vendors at closing in exchange for all Skyland's shares and the assumption of Skyland shareholders' loan. The Company's share price at the date of the Share Purchase Agreement of Cdn$4.92 (equivalent to $4.67 per share) and Skyland's shareholders' loan of $42,300,000 at June 30, 2010 were used to calculate the purchase consideration for the purpose of preparing the pro forma financial information. The actual consideration paid will not be known until closing as the share price on closing of the transaction will be used.

The allocation of the purchase price has been based upon management's preliminary estimates and certain assumptions with respect to the determination of fair values of the assets to be acquired and the liabilities to be assumed. The actual fair values of the assets and liabilities will be determined as of the date of acquisition and may differ materially from the amounts disclosed below in the preliminary pro forma purchase price allocation because of changes in fair values of the assets and liabilities to the date of the transaction, and as further analysis (including whether additional identifiable intangible assets exist, for which no amounts have been estimated and included in the preliminary amounts shown below) is completed. Consequently, the actual allocation of the purchase price will likely result in different amounts than those in the unaudited pro forma consolidated statement of financial position.

Following completion of the transaction, the earnings of the Enlarged Group will reflect the impact of purchase accounting adjustments, including the effect of changes in the cost bases of both tangible and identifiable intangible assets and liabilities and depreciation, depletion and amortization expense.

The preliminary pro forma purchase price allocation is subject to change and is summarized as follows:

	$
Issuance of China Gold's common shares	
For acquisition of the entire Skyland's shares and assumption of Skyland shareholders' loan (170,252,294 shares at $4.67 per share)	795,078,213
Purchase consideration	795,078,213

The purchase price was allocated as follows:

	$
Net working capital deficiency acquired (including cash of $36,788,414)	(28,806,769)
Property, plant and equipment	1,019,225,119
Other long-term assets	68,538,339
Other long-term liabilities	(132,496,623)
Deferred tax liabilities	(130,986,763)
Non-controlling interest	(395,090)
Net identifiable assets attributable to the Group	795,078,213

The Company will complete a full and detailed valuation of Skyland using an independent party. Therefore, it is likely that the fair values of assets and liabilities acquired will vary from those shown above and the differences may be material.

(3) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS OF JUNE 30, 2010

	The Group	Skyland Group	Note	Pro forma adjustments	Enlarged Group
	$	$		$	$
Current assets					
Cash and cash equivalents	16,331,252	36,788,414	(a)(iv)	(2,200,000)	50,919,666
Restricted cash	10,756,703	—		—	10,756,703
Accounts receivable	2,070,198	—	(b)(ii)	(1,748,756)	988,401
			(b)(i)	666,959	
Prepaid expenses and deposits	1,557,936	—	(b)(i)	1,474,472	3,032,408
Trade receivables, other receivables and prepayment	—	2,141,431	(b)(i)	(2,141,431)	—
Prepaid lease payments	—	73,587		—	73,587
Inventory	30,385,142	1,207		—	30,386,349
	61,101,231	39,004,639		(3,948,756)	96,157,114
Assets classified as held for sale	69,794	—		—	69,794
	61,171,025	39,004,639		(3,948,756)	96,226,908
Non-current assets					
Property, plant and equipment	117,876,668	145,980,033	(a)(i)(v)	873,245,086	1,137,101,787
Prepaid lease payments	—	3,555,834		—	3,555,834
Intangible assets	—	43,227,060		—	43,227,060
Inventory	15,485,352	—		—	15,485,352
Long-term receivable	24,252	—	(b)(i)	957,163	981,415
Amounts due from a non-controlling shareholder of a subsidiary	—	409,371		—	409,371
Other receivables	—	957,163	(b)(i)	(957,163)	—
Prepaid expense and deposits	796,430	—		—	796,430
Deposit paid for acquisition of property, plant and equipment	—	20,388,911		—	20,388,911
	134,182,702	214,518,372		873,245,086	1,221,946,160
Total assets	195,353,727	253,523,011		869,296,330	1,318,173,068
Current liabilities					
Accounts payable and accrued expenses	39,768,345	19,290,621		—	59,058,966
Advance received from a customer	—	36,813,972		—	36,813,972
Amounts due to related companies	—	19,805,386	(b)(ii)	(1,748,756)	9,936,945
			(a)(i)	(8,119,685)	
Tax payable	—	21,114		—	21,114
Borrowings	8,513,998	—		—	8,513,998
	48,282,343	75,931,093		(9,868,441)	114,344,995
Liabilities classified as held for sale	17,706	—		—	17,706
	48,300,049	75,931,093		(9,868,441)	114,362,701
Non-current liabilities					
Deferred lease inducement	193,758	—		—	193,758
Amounts due to related companies	—	34,816,654	(a)(i)	(34,180,315)	636,339
Borrowings	81,134,730	131,860,284		—	212,995,014
Deferred income	—	3,475,239	(a)(i)	(3,475,239)	—
Deferred tax liabilities	3,526,047	—	(a)(i)(vi)	130,986,763	134,512,810
Environmental rehabilitation	1,993,537	—		—	1,993,537
	86,848,072	170,152,177		93,331,209	350,331,458
Total liabilities	135,148,121	246,083,270		83,462,768	464,694,159
Net current assets (liabilities)	12,870,976	(36,926,454)		5,919,685	(18,135,793)
Total assets less current liabilities	147,053,678	177,591,918		879,164,771	1,203,810,367
Owners' equity					
Share capital	120,577,351	47,380,700	(a)(ii)	(47,380,700)	915,655,564
			(a)(iii)	795,078,213	
Equity reserve	3,044,509	—		—	3,044,509
Deficit	(65,012,168)	(40,336,049)	(a)(ii)	40,336,049	(67,212,168)
			(a)(iv)	(2,200,000)	
	58,609,692	7,044,651		785,833,562	851,487,905
Non-controlling interests	1,595,914	395,090		—	1,991,004
Total owners' equity	60,205,606	7,439,741		785,833,562	853,478,909
Total liabilities and owners' equity	195,353,727	253,523,011		869,296,330	1,318,173,068

(4) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED JUNE 30, 2010

	The Group	Skyland Group	Note	Pro forma adjustments	Enlarged Group
	$	$		$	$
Revenues	37,679,906	917,250		—	38,597,156
Cost of sales	18,638,434	710,348	b(iv)	—	19,348,782
Mine operating earnings	19,041,472	206,902		—	19,248,374
Expenses					
General and administrative	2,116,293	2,213,672		—	4,329,965
Exploration and evaluation expenditure	93,477	—		—	93,477
	2,209,770	2,213,672		—	4,423,442
Income (loss) from operations	16,831,702	(2,006,770)		—	14,824,932
Other (expenses) income					
Gain on disposal of subsidiaries	20,000	—		—	20,000
Foreign exchange loss	(253,306)	—	(b)(i)	157,580	(95,726)
Interest income	1,885	—	(b)(i)	19,677	21,562
Listing expenses	(1,544,558)	—	(b)(i)	(1,544,558)	(3,089,116)
Finance costs	(2,228,167)	(1,935,580)	(b)(iii)	1,022,504	(3,141,243)
Fair value change on warrant liabilities	(7,155,807)	—		—	(7,155,807)
Other expenses	—	(4,745,850)	(b)(i)	1,544,558	(5,401,292)
			(a)(iv)	(2,200,000)	
Other income	—	183,590	(b)(i)	(177,257)	6,333
	(11,159,953)	(6,497,840)		(1,177,496)	(18,835,289)
Income (loss) before income tax	5,671,749	(8,504,610)		(1,177,496)	(4,010,357)
Income tax expense	4,887,012	24,113		—	4,911,125
Net income (loss) for the period	784,737	(8,528,723)		(1,177,496)	(8,921,482)
Other comprehensive income representing exchange difference arising on translation	—	49,760		—	49,760
Net income (loss) and comprehensive income (loss) for the period	784,737	(8,478,963)		(1,177,496)	(8,871,722)
Income (loss) for the period attributable to					
Non-controlling interest	323,702	34,163		—	357,865
Owners of the Company	461,035	(8,562,886)		(1,177,496)	(9,279,347)
	784,737	(8,528,723)		(1,177,496)	(8,921,482)
Total comprehensive income (loss) for the period attributable to					
Non-controlling interest	323,702	36,284		—	359,986
Owners of the Company	461,035	(8,515,247)		(1,177,496)	(9,231,708)
	784,737	**(8,478,963)**		**(1,177,496)**	**(8,871,722)**

(5) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED JUNE 30, 2010

	The Group	Skyland Group	Notes	Pro forma adjustments	The Enlarged Group
	$	$		$	$
Operating activities					
Income (loss) before income tax for the period	5,671,749	(8,504,610)	(a)(iv)	(2,200,000)	(4,010,357)
			(b)(iii)	1,022,504	
Items not requiring use of cash and cash equivalents					
Depreciation and depletion	3,857,736	427,616		—	4,285,352
Amortisation of intangibles assets	—	11,027		—	11,027
Fair value change on warrant liabilities	7,155,807	—		—	7,155,807
Bank interest income	—	(19,677)		—	(19,677)
Finance costs	2,228,167	1,935,580	(b)(iii)	(1,022,504)	3,141,243
Share-based compensation	37,915	—		—	37,915
Unrealized foreign exchange gain	253,306	—		—	253,306
Gain on disposal of subsidiary	(20,000)	—		—	(20,000)
Impairment loss on other receivables	—	175,075		—	175,075
Changes in operating assets and liabilities:					
Accounts receivable	(388,318)	(1,654,593)		—	(2,042,911)
Prepaid expenses and deposits	(594,747)	—		—	(594,747)
Inventory	(16,851,379)	(1,207)		—	(16,852,586)
Accounts payable and accrued liabilities	(10,488,106)	(7,779,422)		—	(18,267,528)
Advance received from a customer	—	36,813,972		—	36,813,972
Amounts due to related companies	—	(4,799)		—	(4,799)
Cash used in operations	(9,137,870)	21,398,962		(2,200,000)	10,061,092
Interest paid	(2,649,982)	—		—	(2,649,982)
Income taxes paid	(2,467,566)	(2,999)		—	(2,470,565)
Net cash flows from operating activities	(14,255,418)	21,395,963		(2,200,000)	4,940,545
Investing activities					
Property plant and equipment additions	(9,294,368)	(31,012,388)		—	(40,306,756)
Disposal of subsidiaries	20,000	—		—	20,000
Restricted cash deposits received	10,756,703	—		—	10,756,703
Deposits for acquisition of property, plant and equipment	—	(4,250,067)		—	(4,250,067)
Intangible assets additions	—	(43,026)		—	(43,026)
Advance to PRC local government/land administrative bureau	—	(220,884)		—	(220,884)
Interest received	—	19,677		—	19,677
Advance to a non-controlling shareholder	—	(48,594)		—	(48,594)
Government grant received	—	3,475,239		—	3,475,239
Acquisition of subsidiaries	—	—	(b)(v)	5,584,297	5,584,297
Net cash flows from investing activities	1,482,335	(32,080,043)		5,584,297	(25,013,411)
Financing activities					
Issuance of common shares	8,829,650	—		—	8,829,650
Repayments of borrowings	(3,931,026)	—		—	(3,931,026)
Advance from related companies	—	31,233,291		—	31,233,291
Repayment to related companies	—	(23,457,315)		—	(23,457,315)
New bank loan	—	36,143,958		—	36,143,958
Interest paid	—	(2,024,733)		—	(2,024,733)
Net cash flows from financing activities	4,898,624	41,895,201		—	46,793,825
Effect of foreign exchange rate changes on cash and cash equivalents	221,051	(7,004)		—	214,047
Net (decrease) increase in cash and cash equivalents	(7,653,408)	31,204,117		3,384,297	26,935,006
Cash and cash equivalents, beginning of the year	23,984,660	5,584,297	(b)(v)	(5,584,297)	23,984,660
Cash and cash equivalents, end of the period	16,331,252	36,788,414		(2,200,000)	50,919,666
Cash and cash equivalents comprised of					
Cash in bank	16,331,252	36,788,414		(2,200,000)	50,919,666

(6) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS OF THE ENLARGED GROUP

Notes:

The pro forma consolidated financial statements incorporate the following pro forma adjustments:

(a) China Gold assumption

(i) The assumption that China Gold acquired all the issued and outstanding common shares of Skyland and assumes the Skyland shareholders' loan of $42,300,000 from the Vendors as a result of the transaction. This gives rise to an increase to fair value of assets and related deferred tax liabilities as follows:

	$
Property, plant and equipment	873,245,086
Deferred tax liabilities	(130,986,763)
	742,258,323
Book value of Skyland	7,044,651
Deferred income eliminated	3,475,239
Skyland shareholders' loan	42,300,000
Adjusted book value of net assets attributable to China National and Rapid Results	52,819,890
Total purchase consideration	795,078,213

(ii) These pro forma adjustments eliminate the historical equity accounts of Skyland;

(iii) This pro forma adjustment reflects the issuance of consideration shares in connection with the acquisition of all the issued and outstanding common shares of Skyland and the assumption of the Skyland's shareholders' loan of $42,300,000 from the Vendors with a assumed value of $795,078,213;

(iv) This pro forma adjustment provides for the recording of China Gold's expenses of the transaction totaling $2,200,000;

(v) This pro forma adjustment represents the preliminary fair value adjustment of approximately $873,245,086 allocated to the Jiama Mine. China Gold has not completed an assessment of the fair values of assets and liabilities and the related business integration plans and synergies of Skyland Group. The ultimate purchase price allocation will include possible adjustments to the fair values of depreciable tangible assets, proven and probable reserves, reserves related to current development projects, value beyond proven and probable reserve and intangible assets after a full review has been completed; and

(vi) The pro forma statement of financial position reflects adjustments for deferred taxes based on temporary differences between assumed fair values of assets and liabilities acquired and of estimated tax basis.

(b) Other assumption

(i) These pro forma adjustments reflect the reclassification of Skyland balances and expenses to conform with China Gold's financial statements presentation;

(ii) These pro forma adjustments eliminate the balances between China Gold and Skyland;

(iii) These pro forma adjustments eliminate the interest expenses between Skyland and the Vendors as if the transaction was completed (i.e. the amounts due to the Vendors were acquired by the Group) on January 1, 2010;

(iv) The Jiama Mine has not yet commenced production as of June 30, 2010, hence no pro forma adjustments are made on depreciation and depletion in the pro forma consolidated statement of comprehensive income for the six months ended June 30, 2010.

(v) The amount represents net cash inflow arising from the Acquisition, which comprised bank balances and cash of approximately $5,584,297 arising from the acquisition of Skyland.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

We report on the unaudited pro forma financial information of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of all the issued shares of Skyland Mining Limited by the Group might have affected the financial information presented, for inclusion in appendix I-C of the prospectus dated November 17, 2010 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Section A of appendix I-C to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as of June 30, 2010 or any future date; or
- the results and cash flows of the Group for the six months ended June 30, 2010 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
November 17, 2010

Part A. Unaudited Interim Financial Statements of the Group

The information set out below is the unaudited interim financial information of the Group for the period ended September 30, 2010 and does not form part of the Accountants' Report prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as set out in Appendix I-A, and is included herein for information purposes only.

Deloitte.
德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of China Gold International Resources Corp. Ltd.

Introduction

We have reviewed the interim financial information set out on pages I-D-A-2 to I-D-A-30, which comprises the condensed consolidated statement of financial position of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (together, the "Group") as at September 30, 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine months then ended and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
November 12, 2010

China Gold International Resources Corp. Ltd.

Condensed consolidated statement of comprehensive income
(Stated in U.S. dollars)
(Unaudited)

	Notes	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
		$	$	$	$
Revenues		**46,631,430**	21,048,168	**84,311,336**	47,038,521
Cost of sales	10	**23,179,415**	14,160,124	**41,817,849**	32,598,815
Mine operating earnings		**23,452,015**	6,888,044	**42,493,487**	14,439,706
Expenses					
General and administrative		**1,396,422**	1,340,391	**3,512,715**	3,177,546
Exploration and evaluation expenditure		**68,727**	395,567	**162,204**	1,001,840
		1,465,149	1,735,958	**3,674,919**	4,179,386
Income from operations		**21,986,866**	5,152,086	**38,818,568**	10,260,320
Other (expenses) income					
Gain on disposal of subsidiaries	10	**—**	—	**20,000**	—
Foreign exchange loss		**(631,287)**	(3,310,667)	**(884,593)**	(5,439,771)
Interest income		**13,653**	292	**15,538**	3,732
Listing expenses		**(514,299)**	(925,991)	**(2,058,857)**	(925,991)
Fair value change on warrant liabilities	15	**—**	(1,816,820)	**(7,155,807)**	(2,981,228)
Finance costs	5	**(1,449,810)**	(1,642,879)	**(3,677,977)**	(3,932,322)
		(2,581,743)	(7,696,065)	**(13,741,696)**	(13,275,580)
Income (loss) before income tax		**19,405,123**	(2,543,979)	**25,076,872**	(3,015,260)
Income tax expense	6	**5,580,524**	936,877	**10,467,536**	1,899,098
Net income (loss) and comprehensive income (loss) for the period		**13,824,599**	(3,480,856)	**14,609,336**	(4,914,358)
Attributable to					
Non-controlling interest		**581,480**	272,389	**905,182**	505,390
Owners of the Company		**13,243,119**	(3,753,245)	**13,704,154**	(5,419,748)
		13,824,599	(3,480,856)	**14,609,336**	(4,914,358)
Basic earnings (loss) per share	7	**0.08**	(0.02)	**0.08**	(0.03)
Diluted earnings (loss) per share	7	**0.08**	(0.02)	**0.08**	(0.03)
Basic weighted average number of common shares outstanding	7	**171,836,191**	164,183,461	**170,309,466**	163,981,604
Diluted weighted average number of common shares outstanding	7	**172,119,834**	164,183,461	**170,591,228**	163,981,604

See accompanying notes to the condensed consolidated financial statements.

China Gold International Resources Corp. Ltd.

Condensed consolidated statement of financial position
(Stated in U.S. dollars)
(Unaudited)

	Notes	September 30, 2010	December 31, 2009
		$	$
Current assets			
Cash and cash equivalents		**27,100,016**	23,984,660
Restricted cash	10(b)	**8,687,838**	—
Accounts receivable		**6,208,829**	1,681,880
Prepaid expenses and deposits	8	**3,061,714**	1,734,181
Inventory	9	**29,163,830**	10,166,429
		74,222,227	37,567,150
Assets classified as held for sale	10	**63,058**	188,971
		74,285,285	37,756,121
Non-current assets			
Inventory	9	**15,961,826**	18,852,686
Property, plant and equipment	10	**122,565,043**	117,918,672
Prepaid expenses and deposits	8	**810,819**	—
Long-term receivable		**11,483**	49,689
		139,349,171	136,821,047
Total assets		**213,634,456**	174,577,168
Current liabilities			
Accounts payable and accrued expenses	11	**44,417,640**	35,072,604
Borrowings	12	**8,784,270**	12,092,005
		53,201,910	47,164,609
Liabilities classified as held for sale	10	**17,671**	41,252
		53,219,581	47,205,861
Non-current liabilities			
Deferred lease inducement		**157,252**	193,758
Borrowings	12	**80,382,286**	80,841,331
Deferred income	13	**260,652**	—
Deferred tax liabilities	6	**3,455,682**	1,339,601
Environmental rehabilitation	14	**1,786,360**	1,599,120
Warrant liabilities	15	—	5,286,123
		86,042,232	89,259,933
Total liabilities		**139,261,813**	136,465,794
Owners' equity			
Share capital	15	**121,015,239**	99,186,918
Equity reserve		**2,949,059**	3,125,447
Deficit		**(51,769,049)**	(65,473,203)
		72,195,249	36,839,162
Non-controlling interest		**2,177,394**	1,272,212
Total owners' equity		**74,372,643**	38,111,374
Total liabilities and owners' equity		**213,634,456**	174,577,168

Approved and authorized for issue by the Board on November 12, 2010

(SIGNED) ZHANMING WU

Zhanming Wu, Director

(SIGNED) BING LIU

Bing Liu, Director

See accompanying notes to the condensed consolidated financial statements.

China Gold International Resources Corp. Ltd.

Condensed consolidated statement of changes in equity
(Stated in U.S. dollars)
(Unaudited)

	Notes	Number of shares	Share capital	Equity reserve	Deficit	Subtotal	Non-controlling interest	Total owners' equity
			$	$	$	$	$	$
Balance, January 1, 2009		163,889,159	90,384,469	4,884,800	(56,125,822)	39,143,447	295,731	39,439,178
Shares issued for								
Exercise of warrants	15	2,250,000	5,597,821	—	—	5,597,821	—	5,597,821
Exercise of stock options	15	1,490,300	3,204,628	(1,297,570)	—	1,907,058	—	1,907,058
Stock-based compensation		—	—	(461,783)	—	(461,783)	—	(461,783)
Net loss and comprehensive loss		—	—	—	(9,347,381)	(9,347,381)	976,481	(8,370,900)
Balance, December 31, 2009		167,629,459	99,186,918	3,125,447	(65,473,203)	36,839,162	1,272,212	38,111,374
Shares issued for								
Exercise of warrants	15	4,060,000	21,008,571	—	—	21,008,571	—	21,008,571
Exercise of stock options	15	330,000	819,750	(298,361)	—	521,389	—	521,389
Stock-based compensation		—	—	121,973	—	121,973	—	121,973
Net income and comprehensive income		—	—	—	13,704,154	13,704,154	905,182	14,609,336
Balance, September 30, 2010		**172,019,459**	**121,015,239**	**2,949,059**	**(51,769,049)**	**72,195,249**	**2,177,394**	**74,372,643**
Balance January 1, 2009		163,889,159	90,384,469	4,884,800	(56,125,822)	39,143,447	295,731	39,439,178
Shares issued for								
Exercise of stock options		501,300	843,364	(417,394)	—	425,970	—	425,970
Stock-based compensation		—	—	138,748	—	138,748	—	138,748
Net income (loss) and comprehensive income (loss)		—	—	—	(5,419,748)	(5,419,748)	505,390	(4,914,358)
Balance, September 30, 2009		164,390,459	91,227,833	4,606,154	(61,545,570)	34,288,417	801,121	35,089,538

See accompanying notes to the condensed consolidated financial statements.

China Gold International Resources Corp. Ltd.

Condensed consolidated statement of cash flows
(Stated in U.S. dollars)
(Unaudited)

	Notes	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Operating activities					
Income (loss) before income tax for the period		**19,405,123**	(2,543,979)	**25,076,872**	(3,015,260)
Items not requiring use of cash and cash equivalents					
Depreciation and depletion		**2,726,318**	1,633,589	**6,584,054**	4,164,708
Fair value change on warrant liabilities	15	**—**	1,816,820	**7,155,807**	2,981,228
Finance costs	5	**1,449,810**	1,642,879	**3,677,977**	3,932,322
Stock-based compensation		**84,058**	(27,702)	**121,973**	138,748
Unrealized foreign exchange		**631,287**	3,310,667	**884,593**	5,439,771
Gain on disposal of subsidiary		**—**	—	**(20,000)**	—
Change in non-cash operating working capital items					
Accounts receivable		**(4,138,631)**	(1,308,034)	**(4,526,949)**	(1,233,383)
Prepaid expenses and deposits		**(1,543,605)**	3,301,581	**(2,138,352)**	6,525,548
Amount due from a shareholder		**—**	1,433,577	**—**	—
Inventory		**744,838**	(8,455,541)	**(16,106,541)**	(8,820,467)
Accounts payable and accrued liabilities		**9,172,768**	23,808,408	**(1,315,338)**	26,033,137
Cash generated from operations		**28,531,966**	24,612,265	**19,394,096**	36,146,352
Interest paid		**(1,393,507)**	(2,711,947)	**(4,043,489)**	(5,448,974)
Income taxes paid		**(5,452,906)**	(936,877)	**(7,920,472)**	(1,899,098)
Net cash flows from operating activities		**21,685,553**	20,963,441	**7,430,135**	28,798,280
Investing activities					
Property, plant and equipment additions		**(7,685,706)**	(16,906,514)	**(16,980,074)**	(43,677,310)
Disposal of subsidiaries		**—**	—	**20,000**	—
Restricted cash deposits paid	10	**(2,068,865)**	—	**(2,068,865)**	—
Restricted cash deposits placed	10	**—**	—	**10,756,703**	5,215,704
Government grant received	13	**275,044**	—	**275,044**	—
Net cash flows (used in) from investing activities		**(9,479,527)**	(16,906,514)	**(7,997,192)**	(38,461,606)
Financing activities					
Issuance of common shares		**258,380**	425,970	**9,088,030**	425,970
Net customer advances		**—**	(17,143,615)	**—**	3,344,889
Proceeds from borrowings		**—**	42,855,789	**—**	42,855,789
Repayments of borrowings	12	**(1,495,640)**	(19,028,035)	**(5,426,666)**	(30,620,889)
Net cash flows from financing activities		**(1,237,260)**	7,110,109	**3,661,364**	16,005,759
Effect of foreign exchange rate changes on cash and cash equivalents		**(200,002)**	(20,979)	**21,049**	(25,326)
Net increase in cash and cash equivalents		**10,768,764**	11,146,057	**3,115,356**	6,317,107
Cash and cash equivalents, beginning of period		**16,331,252**	7,313,789	**23,984,660**	12,142,739
Cash and cash equivalents, end of period		**27,100,016**	18,459,846	**27,100,016**	18,459,846
Cash and cash equivalents are comprised of					
Cash in bank		**27,100,016**	18,459,846	**27,100,016**	18,459,846

See accompanying notes to the condensed consolidated financial statements.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

1. General business description

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines Inc., (the "Company") is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and shares listed on the Toronto 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 properties in the People's Republic of China ("PRC"). The Group's substantial shareholder is China National Gold Group Corporation ("CNG"), a company registered in Beijing, China.

The head office, principal address and registered records office of the Company are located at Suite 1030, One Bentall Centre, 505 Burrard Street, Vancouver, BC, Canada, V7X 1M5.

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

2. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

3. Accounting Policies and new International Financial Reporting Standards ("IFRS")

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

Except as described below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended December 31, 2009.

In the current interim period, the Group has, for the first time, adopted an accounting policy on government grants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

The Group has also applied the following new and revised standards, amendments and interpretations issued by the IASB which are effective for the Group's financial year beginning January 1, 2010.

• IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs issued in May 2008
• IFRSs (Amendments)	Improvements to IFRSs issued in April 2009 (except for amendment to IAS 1)
• IAS 27 (January 2008)	Consolidated and Separate Financial Statements
• IAS 39 (Amendment)	Eligible Hedged Items
• IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
• IFRS 3 (Revised)	Business Combinations
• IFRIC 17	Distributions of Non-cash Assets to Owners

The adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the following new and revised standards, amendments, or interpretations that have been issued but not yet effective:

• IFRSs (Amendments)	Improvements to IFRSs issued in May 2010[i]
• IAS 24 (Revised)	Related Party Disclosures[ii]
• IAS 32 (Amendment)	Classification of Rights Issues[iii]
• IFRS 1 (Amendment)	Limited Exemption for Comparative IFRS 7 Disclosure for First Time Adopters[v]
• IFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[vi]
• IFRS 9	Financial Instruments[iv]
• IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[ii]
• IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[v]

(i) Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate

(ii) Effective for annual periods beginning on or after January 1, 2011

(iii) Effective for annual periods beginning on or after February 1, 2010

(iv) Effective for annual periods beginning on or after January 1, 2013

(v) Effective for annual periods beginning on or after July 1, 2010

(vi) Effective for annual periods beginning on or after July 1, 2011

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the condensed consolidated financial statements.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

The directors of the Company anticipate that the application of the new and revised standards, amendments and interpretations would have no material impact on the condensed consolidated financial statements of the Group.

4. Significant accounting judgements and estimates

In the current interim period, the Group's has the following changes in significant accounting judgments and estimates:

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets. A change in the estimated life of the mine from 10 years to 24 years as a result of the technical report released in March 2010 has resulted in management reviewing the estimated useful life of its assets, particularly the buildings located on the mine site. A change of estimate is accounted for prospectively and as a result, management has increased the life of the buildings from 10 years to 24 years effective January 1, 2010. The depreciation of buildings was reduced by $65,602 and $193,803 for the three and nine months ended September 30, 2010, respectively due to the change of useful life of the buildings as mentioned above.

The assumptions used in the valuation of gold-in-process inventories particularly the assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads has been reconsidered by management. As a result, management has reduced the recovery rate used in its inventory model from 43% to 38.6% for the three months ended March 31, 2010. For the three months ended June 30, 2010 and September 30, 2010, management has returned to use the rate of 43%.

5. Finance costs

The finance costs for the Group are broken down as follows:

	Three months period ended September 30,		Nine months period ended September 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Effective interest	**1,413,669**	2,556,516	**4,466,054**	7,002,987
Accretion on environmental rehabilitation	**36,141**	96,889	**121,408**	298,996
	1,449,810	2,653,405	**4,587,462**	7,301,983
Less: Amount capitalized	**—**	(1,010,526)	**(909,485)**	(3,369,661)
Total finance costs	**1,449,810**	1,642,879	**3,677,977**	3,932,322

Loss on the repurchase of promissory notes of Nil and $121,502 has been included in finance costs for the three and nine months ended September 30, 2010 (Nil for the three and nine months ended September 2009), respectively.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

Interest has been capitalized at the rate of interest applicable to the specific borrowings financing the assets under construction, or, where financed through general borrowings, at a capitalization rate of 6.08% and 6.38% for the three and nine months ended September 30, 2010 (17.03% and 16.51% for the three and nine months ended September 30, 2009), respectively, which represents the average interest rate on such borrowings.

6. Income tax expense

The Company and its subsidiaries in Canada are subject to Canadian federal and provincial tax which is calculated at 28.5% of the estimated assessable profit for the three and nine months ended September 30, 2010 (30% for the three and nine months ended September 30, 2009). The Company and its subsidiaries in Canada had no assessable profit for the three and nine months ended September 30, 2010 (Nil for the three and nine months ended September 30, 2009).

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC.

For the three and nine months ended September 30, 2010, the Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 25% (25% for the three and nine months ended September 30, 2009) of taxable income. Income tax expense for the three and nine months ended September 30, 2010 represents PRC Enterprise Income Tax of $5,650,889 and $8,351,455 ($936,877 and $1,899,098 for the three and nine months ended September 30, 2009), respectively and deferred tax credit of $70,365 and deferred tax expense of $2,116,081 respectively (Nil for the three and nine months ended September 30, 2009).

7. Earnings (loss) per share

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

	Three months period ended September 30,		Nine months period ended September 30,	
	2010	**2009**	**2010**	**2009**
Income (loss) attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	**$ 13,243,119**	$ (3,753,245)	**$ 13,704,154**	$ (5,419,748)
Weighted average number of shares, basic	**171,836,191**	164,183,461	**170,309,466**	163,981,604
Dilutive securities				
Options	**283,643**	—	**281,762**	—
Weighted average number of shares, diluted	**172,119,834**	164,183,461	**170,591,228**	163,981,604
Basic earnings (loss) per share	**$ 0.08**	$ (0.02)	**$ 0.08**	$ (0.03)
Diluted earnings (loss) per share	**$ 0.08**	$ (0.02)	**$ 0.08**	$ (0.03)

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

For the three and nine months ended September 30, 2010, the warrants were excluded from the diluted EPS computation because their effect would have been anti-dilutive. Due to a net loss for the three and nine months ended September 30, 2009, all stock options and warrants (disclosed in Note 15 (b) and 15 (c)) were excluded from the diluted EPS computation because their effect would have been anti-dilutive.

8. Prepaid expenses and deposits

	September 30, 2010	December 31, 2009
	$	$
Deposit for environmental protection	**810,819**	—
Refundable CSH Gold Mine construction deposits	**161,724**	192,876
Deposits for mine supplies and services	**1,842,488**	705,420
Rent deposits	**19,207**	246,846
Deposits for spare parts	**523,924**	133,036
Insurance	**267,594**	286,787
Other	**246,777**	169,216
Total prepaid expenses and deposits	**3,872,533**	1,734,181
Less: Amounts that are utilized within one year shown under current assets	**(3,061,714)**	(1,734,181)
Amounts that are utilized for more than one year shown under non-current assets	**810,819**	—

At September 30, 2010, the amounts of $810,819 (Nil at December 31, 2009) represents deposits for environmental protection that are expected to be utilized after one year and are therefore classified as non-current assets.

9. Inventory

	September 30, 2010	December 31, 2009
	$	$
Gold in process	**39,292,949**	27,076,254
Gold doré bars	**4,345,768**	1,069,014
Consumables	**1,279,219**	344,231
Spare parts	**207,720**	529,616
Total inventory	**45,125,656**	29,019,115

Inventory totalling $23,179,415 and $41,817,849 for the three and nine months ended September 30, 2010 ($14,160,124 and $32,598,815 for the three and nine months ended September 30, 2009), respectively, was recognized in cost of sales after commercial production began.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

Management has allocated inventory that is expected to be recovered more than twelve months after the reporting period to take into consideration the longer term process involved in recovering gold from a heap leaching system.

	September 30, 2010	December 31, 2009
	$	$
Amounts expected to be recovered within 12 months	**29,163,830**	10,166,429
Amounts expected to be recovered after 12 months	**15,961,826**	18,852,686
Total inventory	**45,125,656**	29,019,115

10. Property, plant and equipment

	Motor vehicles	Furniture and office equipment	Crusher	Machinery and equipment	Buildings	Leasehold improvements	Mineral assets	Construction in progress	Total
	$	$	$	$	$	$	$	$	$
Cost									
As at December 31, 2009	1,121,931	884,070	—	26,708,182	4,777,971	100,458	18,760,374	75,982,945	128,335,931
As at September 30, 2010	1,183,912	919,553	72,838,318	26,063,309	4,982,926	100,458	24,215,532	9,262,348	139,566,356
Accumulated depreciation									
As at December 31, 2009	(479,685)	(503,867)	—	(5,152,288)	(864,813)	(4,566)	(3,412,040)	—	(10,417,259)
As at September 30, 2010	(627,820)	(620,063)	(2,968,100)	(6,847,722)	(995,916)	(18,265)	(4,923,427)	—	(17,001,313)
Carrying value									
As at December 31, 2009	642,246	380,203	—	21,555,894	3,913,158	95,892	15,348,334	75,982,945	117,918,672
As at September 30, 2010	**556,092**	**299,490**	**69,870,218**	**19,215,587**	**3,987,010**	**82,193**	**19,292,105**	**9,262,348**	**122,565,043**

Included in the cost above is $15,983,920 as at September 30, 2010 (at December 31, 2009: $15,074,435) related to finance costs which have been capitalized as construction in progress, mineral assets and crusher.

During the nine months ended September 30, 2010, costs for the construction of the crushing facility for the CSH Gold Mine amounted to $70,993,484 (Nil for the nine months ended September 30, 2009) were transferred to the crusher from construction in progress, cost of crusher related machinery amounted to $1,103,785 (Nil for the nine months ended September 30, 2009) were transferred to the crusher from machinery and equipment, and other crusher related cost of $741,049 (Nil for the nine months ended September 30, 2009) were transferred from mineral assets to crusher. As at September 30, 2010, total crusher cost amounted to $72,838,318 (Nil as at December 31, 2009). The life of the crushing facility has been estimated to be 14 years.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

During the nine months ended September 30, 2010, the Group spent $16,980,074 ($43,677,310 for the nine months ended September 30, 2009) on additions of property, plant and equipment.

Depreciation and depletion expenses amounted to $2,726,318 and $6,584,054 for the three and nine months ended September 30, 2010 ($1,633,589 and $4,164,708 for the three and nine months ended September 30, 2009), and $2,702,206 and $6,515,334 was included in cost of sales for the three and nine months ended September 30, 2010 ($1,627,053 and $4,146,854 for the three and nine months ended September 30, 2009), respectively.

Mineral property interests

(a) CSH Gold Mine

The CSH Gold Mine consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. It is centrally positioned within the east-west-trending Tian Shan Gold Belt. The site is approximately 650 kilometers ("km") northwest of Beijing.

	January 1, 2009	Increase during the year	December 31, 2009	Increase/decrease during the period	September 30, 2010
	$	$	$	$	$
Exploration expenditure charged to profit or loss	8,903,877	267,299	9,171,176	118,664	**9,289,840**
Mineral assets(1)	11,957,158	6,803,216	18,760,374	5,455,158	**24,215,532**
Construction in progress(2)	28,727,117	47,255,828	75,982,945	(66,720,597)	**9,262,348**

(1) During the nine months ended September 30, 2010, additions to mineral assets were $6,171,975 ($12,019,281 for the nine months ended September 30, 2009) and additions in mineral assets resulting from changes in the provision for environmental rehabilitation were $24,232 (Nil for the nine months ended September 30, 2009).

(2) During the nine months ended September 30, 2010, additions to construction in progress were $9,992,874 ($42,039,018 for the nine months ended September 30, 2009), and $70,993,484 was transferred out of construction in progress to crusher (Nil for the nine months ended September 30, 2009), and the Group reversed $5,719,987 accruals on construction in progress upon the completion of the crushing facility construction (Nil for the nine months ended September 30, 2009).

Assets classified as held for sale and liabilities classified as held for sale

(b) Dadiangou Gold Project

The Dadiangou project consists of a licensed area of 15 km^2 in Gansu Province, China. The project is located in the Qinling Fold Belt, a gold producing region that trends west to east through the provinces of Gansu and Shaanxi in central China.

In 2009, the Group decided to sell its interest in Gansu Pacific Mining Company Ltd. ("Gansu Pacific") and in December 2009, the Group entered into a letter of intent with a potential purchaser in relation to the disposal of its entire interest in Gansu Pacific. The consideration will be determined after the completion of due diligence procedures. As a result, the Group has recorded the assets and liabilities of Gansu Pacific at December 31, 2009 and September 30, 2010 as assets classified as held for sale and liabilities classified as held for sale.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

On April 28, 2010, the Company's subsidiary, Gansu Pacific, and its joint venture partner, Nuclear Industry Northwest Economic and Technology Co, have entered into an agreement to sell the Dadiangou Gold Project in Gansu Province, China. The parties are selling the project to Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of Zhongjin Gold Corporation Limited, a company listed on the Shanghai Stock Exchange and a subsidiary of CNG. The purchase price is Renminbi ("RMB") 88 million (approximately $13.1 million), of which the Group will be entitled to 53% or RMB46.6 million (approximately $7 million). The transaction has not yet been completed as of the date of this report. At June 30, 2010, the Group had received deposit from the purchaser of $10,756,703, of which $2,068,865 was paid to the joint venture partner in August 2010. At September 30, 2010, the deposit from purchaser of $8,687,838 cannot be used until the completion of the disposal transaction. Hence, the amount has been included as restricted cash and accounts payable and accrued expenses at September 30, 2010.

Assets classified as held for sale and liabilities classified as held for sale are broken down as follows:

	September 30, 2010	December 31, 2009
	$	$
Cash	**2,829**	81,186
Accounts receivable	**1,822**	1,047
Property, plant and equipment	**58,407**	75,071
	63,058	157,304

Liabilities classified as held for sale

	September 30, 2010	December 31, 2009
	$	$
Accounts payable	**17,671**	17,054
	17,671	17,054

(c) Xinjiang Projects

The Group held two exploration permits covering 96 km^2 in the Xinjiang Uygur Autonomous Region ("Xinjiang") of Northwest China. The permits were held under Yunnan Xindian Mining Co., Ltd ("Yunnan Xindian"), a Chinese-Foreign Joint Venture in which the Group held a 99% interest and the partner, Yunnan Geological and Mining Co. Ltd., held a 1% interest. The permits were granted in June 2006 and expired on June 30, 2009. The Group had not renewed the permits and has ceased further development in this site subsequent to June 30, 2009.

As the project did not find any resources with commercial values, the Group has decided to sell its interest in the Xinjiang Projects and as a result, has recorded the assets and liabilities of Yunnan Xindian at December 31, 2009 as assets classified as held for sale and liabilities classified as held for sale. Negotiations with interested parties to dispose of its entire equity interest in Yunnan Xindian have taken place in 2009 and 2010.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

Assets classified as held for sale and liabilities classified as held for sale at December 31, 2009 were broken down as follows:

Assets classified as held for sale

	December 31, 2009
	$
Cash	8,382
Accounts receivable	4,920
Prepaid expenses — rent deposit	1,215
Property, plant and equipment	17,150
	31,667

Liabilities classified as held for sale

	December 31, 2009
	$
Accounts payable	24,198
	24,198

On April 26, 2010, the Company's subsidiary, Pacific PGM Inc., entered into an agreement with an independent third party to dispose of all equity interests in Yunnan Southern Copper (Barbados) Inc. which in turn held a 99% interests in Yunnan Xindian for a total consideration of US$20,000.

In May 2010, the transaction was completed and the Group disposed of its entire interest in Yunnan Southern Copper (Barbados) Inc. for a total consideration of $20,000. The net assets at the date of disposal were as follows:

	$
Net assets disposed of	—
Gain on disposal	20,000
Total consideration	20,000
Satisfied by:	
Cash	20,000
Net cash inflow arising on disposal	20,000

11. Accounts payable and accrued expenses

Accounts payable and accrued expenses of the Group are principally comprised of amounts outstanding for construction activities and trade purchases relating to gold production activities.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

Included within accounts payable and accrued expenses at September 30, 2010 are construction costs payable and deposit received from sales of Dadiangou Gold Project of $10,666,224 and $8,687,838 ($15,454,985 and nil at December 31, 2009), respectively.

12. Borrowings

	Effective interest rate	Maturity	September 30, 2010	December 31, 2009
	%		$	$
Current				
Current portion of long-term loan — Agricultural Bank of China ("ABC") (ii)	5.18	September 2010 to September 9, 2014	**1,495,640**	1,458,619
Notes payable (i)	12.00	June 26, 2011	**7,288,630**	10,633,386
			8,784,270	12,092,005
Non-current				
Long-term loan — ABC (ii)	5.18	September 2010 to September 9, 2014	**40,382,286**	40,841,331
Long-term loan — CNG (ii)	6.00	December 6, 2011	**40,000,000**	40,000,000
			80,382,286	80,841,331
			89,166,556	92,933,336

(i) Notes payable

	Note A	Note B	Note C	Total
	$	$	$	$
Balances of notes payable, December 31, 2008	22,930,784	9,246,978	5,682,143	37,859,905
Unrealized foreign exchange loss	3,693,230	1,243,176	960,770	5,897,176
Effective interest	4,721,339	2,235,146	1,107,779	8,064,264
Interest paid	(3,024,764)	(1,291,349)	(795,898)	(5,112,011)
Principal payments	(28,320,589)	—	—	(28,320,589)
Principal repurchase	—	(7,755,359)	—	(7,755,359)
Balances of notes payable, December 31, 2009	—	3,678,592	6,954,794	10,633,386
Unrealized foreign exchange loss	—	1,468	150,735	152,203
Effective interest	—	143,241	839,404	982,645
Interest paid	—	(13,777)	(656,303)	(670,080)
Principal repurchase	—	(3,809,524)	—	(3,809,524)
Balances of notes payable, September 30, 2010	**—**	**—**	**7,288,630**	**7,288,630**

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

(a) Note A

On December 14, 2006, the Group completed a $25,935,546 (CAD30,000,000) ("Note A") private placement offering consisting of senior unsecured promissory notes ("Notes") and 6,000,000 warrants for financing the development of the CSH Gold mine. The Notes matured and were repaid in full on December 14, 2009 in Canadian dollars. The effective interest rate was 19.54%.

The Group has allocated a $25,935,546 face value of the private placement offering to the Notes and warrants based on the fair value of the warrants and the Notes. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 3.9%, an expected life of two years, an expected volatility of 79%, and a dividend yield rate of nil. Each warrant entitled the holder to acquire one common share at CAD1.60 each which expired on December 14, 2008. The expiry date has been extended to December 14, 2010.

The Group has the right to accelerate the expiry date of the warrants anytime after 18 months from the issue date, if the Group's common shares traded at or above a volume weighted average share price of CAD2.75 for 20 consecutive trading days. The expiry date was accelerated by the Group on March 18, 2010. On December 14, 2009, Note A was repaid in full. By April 17, 2010, all the warrants had been exercised (see Note 15 (c)(i)).

(b) Notes B and C

On June 26, 2007, the Group concluded an $18,668,907 (CAD20,000,000) private placement offering consisting of senior unsecured promissory notes ("June 07 Notes") and 4,000,000 warrants. Ivanhoe Mines Ltd. ("Ivanhoe Mines"), a substantial shareholder of the Group at that time, purchased $7,000,840 (CAD7,500,000) ("Note C") of the June 07 Notes and $11,668,067 (CAD12,500,000) ("Note B") was purchased by third parties. The June 07 Notes mature on June 26, 2010, are repayable in Canadian dollars and carry an annual interest rate of 12%. Interest on the June 07 Notes is payable on a calendar quarterly basis commencing on September 30, 2007. The Group can elect to prepay Note B anytime after 18 months from the issue date with no prepayment penalty and Note C after six months from the issue date with no prepayment penalty. Note B ranks pari passu with the notes issued in December 2006 ("Note A") while Note C is subordinate to Notes A and B. The effective interest rate of Note B and Note C is 19.48% and 17.66% respectively.

The Group has allocated the $18,668,907 face value of the private placement offering to the June 07 Notes and warrants based on the fair value of the warrants and the June 07 Notes. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 4.6%, an expected life of two years, an expected volatility of 72%, and a dividend yield rate of nil. Each warrant entitles the holder to acquire one common share at CAD2.50 and expires on June 26, 2009. The expiry date has been extended to June 26, 2011.

On December 14, 2009, CAD8,500,000 of Note B was repurchased from the market at a consideration of $8,024,167. The loss on the repurchase was $268,808 and included in finance cost.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

The balance of CAD4,000,000 was repurchased on January 11, 2010 at a consideration of $3,931,026 and the loss on the purchase was $121,502 and included in finance cost. On June 1, 2010, the maturity date for Note C has been extended from June 26, 2010 to June 26, 2011. The effective interest rate is revised from 17.66% to 12%.

The Group has the right to accelerate the expiry date of the warrants anytime after 18 months from the issue date, if the Group's common shares trade at or above a volume weighted average share price of CAD4.25 for 20 consecutive trading days.

On April 16, 2010, the expiry date of the warrants with an exercise price of CAD2.50 was accelerated by the Group. By May 17, 2010, all the warrants at CAD2.50 had been exercised (see Note 15 (c)(ii)).

(ii) Long-term loans

On September 14, 2009, the Company's subsidiary, Inner Mongolia Pacific Mining Co., Ltd. ("IMP"), secured a five-year RMB290,000,000 ($42,603,828) long-term loan from the Agricultural Bank of China ("ABC"). The purpose of the term loan is to satisfy the outstanding funding requirements for the capital expansion loan provided by CNG in June 2009. The term loan is supported by a guarantee from CNG. The annual interest rate for the term loan is currently 5.184%, and interest is payable monthly. The term loan principal is repayable through periodic instalments with RMB10,000,000 (US$1,495,640) due in each of September 2010 and 2011 and further instalments of RMB30,000,000 (US$4,407,293) due in successive three-month intervals starting in September 2012 through to September 2014, when the remaining outstanding balance is scheduled to be repaid in full.

On December 3, 2009, the Group secured a two years term loan in the amount of US$40,000,000 from its largest shareholder, CNG. The purpose of the term loan was to redeem the CAD30,000,000 of the 12% promissory notes due to mature on December 14, 2009. The funds were also used for the early redemption of the CAD12,500,000 of the 12% promissory notes, due to mature on June 26, 2010. The loan is unsecured with interest at 6% per annum payable quarterly. Subject to prior repayment, the loan will become due and payable in December 2011.

13. Deferred income

Pursuant to the approval notice issued by Ministry of Finance Department of the PRC in July 2010, the Group received government grants in relation to the construction of property, plant and equipment of the Group amounting to approximately RMB1,839,000 (equivalent to approximately US$275,000) during the three and nine months ended September 30, 2010. The grants are recorded as deferred income in the condensed consolidated statement of financial position and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets. During the three and nine months ended September 30, 2010, deferred income of approximately $14,000 (Nil for the three and nine months ended September 30, 2009) has been credited to profit or loss.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

14. Environmental rehabilitation

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold 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 $9,740,000 (at December 31, 2009: $9,495,000), discounted at 9.9% (at December 31, 2009: 10.0%) per annum at September 30, 2010. The settlement of the obligations will occur through to 2030. No assets have been legally restricted for the purposes of settling the environmental rehabilitation.

The following is an analysis of the environmental rehabilitation:

	January 1 to September 30, 2010	January 1 to December 31, 2009
	$	$
Balance, beginning of period	**1,599,120**	4,131,735
Additions to site reclamation and additions resulted from changes in discount rate during the period	**24,232**	244,066
Expenses incurred in the current period	**(1,795)**	—
Accretion incurred in the current period	**121,408**	392,277
Foreign exchange loss (gain)	**43,395**	(23,041)
Reductions resulted from changes in the estimated timing and amount of cash flows	**—**	(3,145,917)
	1,786,360	1,599,120

15. Share capital, options and warrants

(a) Common shares

Authorized — Unlimited common shares without par value

Issued and outstanding — 172,019,459 common shares at September 30, 2010

Issued and outstanding — 167,629,459 common shares at December 31, 2009

(b) Stock options

The Group has a stock option plan which permits the Board of Directors of the Company to grant options to directors, employees and non-employees to acquire common shares of the Group at the fair market value on the date of approval by the Board of Directors. A portion of the stock options vests immediately on the grant date and the balance vests over a period of up to five years from the grant date.

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

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

traded immediately preceding the date of approval by the Board of Directors. The Compensation and Benefits Committee makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

The Group is authorized to issue options to a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan. At September 30, 2010 and December 31, 2009, there were 16,226,946 and 15,215,946 options available for future grants, respectively.

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

	January 1, 2010 to September 30, 2010		January 1, 2009 to December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CAD		CAD
Balance, beginning of period	1,547,000	2.04	5,787,300	1.75
Options granted	400,000	5.21	—	—
Options exercised	(330,000)	1.53	(1,490,300)	1.36
Options forfeited	(642,000)	2.16	(2,625,000)	1.06
Options expired	—	—	(125,000)	1.74
Balance, end of period	**975,000**	**3.05**	1,547,000	2.04

Due to forfeitures of stock options by employees before the vesting date, the Group re-estimated the number of options that will ultimately vest in the future and recognized a compensation cost of $84,058 and $121,973 for the three and nine months ended September 30, 2010, respectively (reversal of compensation cost of $27,702 for the three months ended September 30, 2009 and compensation cost of $138,748 for the nine months ended September 30, 2009, respectively).

Nil and 400,000 stock options were granted during the three and nine months ended September 30, 2010 (Nil for the three and nine months ended September 30, 2009). The options were granted on June 1, 2010 and expire on June 1, 2015. The exercise price was CAD4.35 per share from June 1, 2010 until June 1, 2011, CAD4.78 per share from June 2, 2011 until June 1, 2012, CAD5.21 per share from June 2, 2012 until June 1, 2013, CAD5.64 per share from June 2, 2013 until June 1, 2014, and CAD 6.09 per share from June 2, 2014 until June 1, 2015 or such later termination date as may apply. 20% of the shares are vested immediately, an additional 20% of the shares are vested on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014, respectively. The fair value of these options at date of grant was approximately $860,000, of which approximately $24,039 and $228,039 has been charged to the profit and loss for the three and nine months ended September 30, 2010.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

The fair value of the options granted was determined using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2010
Risk free interest rate	1.44%
Expected life (years)	2.5
Expected volatility	94.57%
Expected dividend per share	Nil

The following table summarizes information about stock options outstanding and exercisable at September 30, 2010.

	Options outstanding			**Options exercisable**	
Expiring in	**Number outstanding at September 30, 2010**	**Remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable at September 30, 2010**	**Weighted average exercise price**
			CAD		**CAD**
2011	**25,000**	**0.75**	**1.05**	**25,000**	**1.05**
2013	**550,000**	**2.80**	**2.20**	**310,000**	**2.20**
2015	**400,000**	**4.67**	**5.21**	**80,000**	**5.21**
	975,000		**3.41**	**415,000**	**2.71**

The following table summarizes information about stock options outstanding and exercisable at December 31, 2009:

	Options outstanding			**Options exercisable**	
Expiring in	**Number outstanding at December 31, 2009**	**Remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable at December 31, 2009**	**Weighted average exercise price**
			CAD		**CAD**
2011	210,000	1.50	1.05	210,000	1.05
2013	1,337,000	3.56	2.20	350,000	2.20
	1,547,000		2.04	560,000	1.77

(c) Warrants

The following is a summary of number of warrants outstanding:

	January 1 to September 30, 2010	**January 1 to December 31, 2009**
Balance, beginning of period	**4,060,000**	6,310,000
Exercised	**(4,060,000)**	(2,250,000)
Balance, end of period	**—**	4,060,000

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

The following is a summary of warrants amounts outstanding:

	January 1 to September 30, 2010	January 1 to December 31, 2009
	$	$
Balance, beginning of period	**5,286,123**	274,507
Exercised	**(12,441,930)**	(2,175,105)
Fair value change on warrant liabilities	**7,155,807**	7,186,721
Balance, end of period	**—**	5,286,123

Warrants issued with Canadian dollar exercise prices

As a result of having exercise prices denominated in other than the Group's functional currency, being the U.S. dollar, these warrants meet the definition of derivatives and are therefore classified as held for trading and recorded as derivative liabilities measured at fair value. The fair value of the warrants was determined using the Black-Scholes option pricing model at the end of each reporting period. Upon exercise into common shares, the fair values of warrants included in derivative liabilities were reclassified to equity.

The fair value of warrants granted was determined using the Black-Scholes option pricing model, using the following weighted average assumptions at the end of each reporting period:

	September 30, 2010	December 31, 2009
Risk free interest rate	**N/A**	0.68%
Expected life (years)	**N/A**	0.31
Expected volatility	**N/A**	96.93%
Expected dividend per share	**N/A**	Nil

Option pricing models require the input of highly subjective assumptions regarding volatility. The Group has used historical volatility to estimate the volatility of the share price.

No warrants were outstanding at September 30, 2010.

The following table summarizes information about warrants outstanding at December 31, 2009:

Number of warrants	Exercise price	Expiry date
	CAD	
1,610,000(i)	1.60	December 14, 2010
2,450,000(ii)	2.50	June 26, 2011
4,060,000		

(i) As mentioned in Note 12(i), the Group exercised its right to accelerate the expiry date of the CAD1.60 per share warrants. The expiry date of these warrants was April 22, 2010. These warrants were fully exercised by April 17, 2010.

(ii) On April 16, 2010, the Group exercised the right to accelerate the expiry date of these warrants, which had expired on May 17, 2010. All these warrants were exercised.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

16. Related party transactions

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

	September 30, 2010	December 31, 2009
	%	%
CNG	**39.3**	40.3

The breakdown of the sales transactions to CNG is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	$	$	$	$
Gold sales to CNG	**45,460,925**	21,048,168	**79,966,718**	47,038,521
Silver sales (netted in cost of sales) to CNG	—	—	**401,759**	135,058

The Group incurred the following interest expenses with CNG. Interest expense has been recorded on the effective interest method.

	Three months period ended September 30,		Nine months period ended September 30,	
	2010	2009	2010	2009
	$	$	$	$
Interest	**831,736**	177,862	**2,316,466**	185,877

During the nine months ended September 30, 2010, the Group entered into an agreement, with Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of CNG, to dispose of its entire interest in Gansu Pacific. The transaction has not yet been completed as of the date of this report (see Note 10(b)).

Related party balances

The assets of the Group include the following amounts due from related parties:

	September 30, 2010	December 31, 2009
	$	$
Assets		
Restricted cash received from CNG's subsidiary for sales of Dadiangou Gold Project	**8,687,838**	—
Listing expense receivable from CNG's subsidiary	**1,270,251**	1,184,911
Accounts receivable from CNG	**4,760,733**	346,437
Prepaid expenses to CNG's subsidiary	—	283,451
Total related party assets	**14,718,822**	1,814,799

The accounts receivable from CNG arose from sales of gold to CNG. There is no credit period.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

Listing expense receivable is from Skyland Mining Limited ("Skyland"), CNG's subsidiary and accounts receivable from CNG are included in accounts receivable and prepaid expenses to CNG's subsidiary are included in prepaid expenses and deposits in the condensed consolidated statement of financial position.

The liabilities of the Group include the following amounts due to related parties:

	September 30, 2010	December 31, 2009
	$	$
Liabilities		
Accounts payable to CNG's subsidiaries	**15,298**	109,391
Interest payable to CNG	**—**	166,667
Other payable to CNG's subsidiary for deposit from sales of Dadiangou Gold Project	**8,687,838**	—
Total related party liabilities	**8,703,136**	276,058

Key management personnel

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	$	$	$	$
Salary cost				
Salaries and other benefits	**165,568**	209,666	**443,607**	553,753
Post employment benefits	**1,684**	3,531	**5,840**	14,466
	167,252	213,197	**449,447**	568,219

The salaries and benefits above are a summation of the amounts paid to management of the Company.

17. Segment information

IFRS 8 *Operating Segments* ("IFRS 8") requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker which is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors.

The Group derives its revenue primarily from mining, extraction, production, and selling of gold.

The executive directors review the Group's consolidated financial statements prepared under IFRS for the purposes of resource allocation and performance evaluation. The Group's segment income is $13,824,599 and $14,609,336 during the three and nine months ended September 30, 2010

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

(segment loss of $3,480,856 and $4,914,358 for the three and nine months ended September 30, 2009) which is the same as the net income (loss) and comprehensive income (loss) for the period as disclosed in the condensed consolidated statement of comprehensive income.

The Group operates in two geographical areas, Canada and China. The Group's Corporate Division located in Canada only earns revenues that are considered incidental to the activities of the Group and therefore does not meet the definition of an operating segment as defined in IFRS 8. During the period, the Group's revenue was solely generated from the CSH Gold Mine for gold sales to customers in China.

The CSH Gold Mine has been generating revenue since 2008. The total segment revenue comprises revenue from two customers for the nine months ended September 30, 2010 (one for the nine months ended September 30, 2009). The Group sells 95% (100% for the nine months ended September 30, 2009) of its gold to one creditworthy customer, CNG who is also the Company's substantial shareholder for the nine months ended September 30, 2010. The sales to CNG do not constitute economic dependence for the Group as there are other customers in China to whom gold can be sold.

18. Supplemental cash flow information

Non-cash investing and financing activities

The Group incurred the following non-cash investing and financing activities:

	Three months periods ended September 30,		Nine months periods ended September 30,	
	2010	2009	2010	2009
	$	$	$	$
Value of warrants transferred to share capital upon exercise	**—**	—	**12,441,930**	—
Transfer of share option reserve upon exercise of options	**179,508**	—	**298,361**	—

19. Capital risk management

The Group manages its common shares, stock options, and warrants 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 mine, 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 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, warrants or options, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

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.

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

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the internally generated positive cash flows from the CSH Gold Mine. The Group has complied with all covenants included in its long-term loan and the indenture for its notes payable.

20. Financial instruments

		Carrying amount	
	Financial instrument classification	**September 30, 2010**	**December 31, 2009**
		$	**$**
Financial assets			
Cash and cash equivalents	Loans and receivables	**27,100,016**	23,984,660
Restricted cash	Loans and receivables	**8,687,838**	—
Accounts receivable	Loans and receivables	**6,208,829**	1,681,880
Long-term receivable	Loans and receivables	**11,483**	49,689
Financial liabilities			
Accounts payable and accrued expenses	Other financial liabilities	**35,729,802**	35,072,604
Notes payable	Other financial liabilities	**7,288,630**	10,633,386
Long-term loans	Other financial liabilities	**81,877,926**	82,299,950
Warrant liabilities	Fair value through profit or loss ("FVTPL")	**—**	5,286,123

The fair values of the Group's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses approximate their carrying values due to their short term nature. The carrying amounts of long-term receivable, notes payable and long-term loan measured at amortized cost in the Group's financial statements approximate their fair values.

The Group's financial instruments are exposed to certain financial risks including currency risk, credit risk, price risk, liquidity risk and interest risk. The following disclosure does not include the effect of financial assets and liabilities classified as held for sale as at December 31, 2009 and September 30, 2010 as the amounts involved and the risk exposure are considered insignificant.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Group operates in China and Canada and its functional currency is the U.S. dollar. A significant change in the currency exchange rates between RMB or Canadian dollar relative to U.S. dollar could have a significant effect on the Group's results of operations, financial position or cash flows. The Group has not hedged its exposure to currency fluctuations.

The Group is exposed to currency risk through the assets and liabilities denominated in Canadian dollars and RMB.

Assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase in the Group's income before tax/decrease in income before tax of approximately $588,000 for the nine months ended September 30, 2010 (decrease in the Group's loss before tax/increase in loss before tax of approximately $4,928,000 for the nine months ended September 30, 2009).

Assuming that all other variables remain constant, a 10% depreciation or appreciation of the RMB against the U.S. dollar would result in an increase in the Group's income before tax/decrease in income before tax of approximately $3,942,000 for the nine months ended September 30, 2010 (decrease in the Group's loss before tax/increase in loss before tax of approximately $6,641,000 for the nine months ended September 30, 2009).

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sells 95% of its gold to one creditworthy customer, CNG, who is also the Company's substantial shareholder and exposes the Group to concentration of credit risk. The failure of this customer to make required payments could have a negative impact on the Group's results. The Group manages this risk by demanding upfront payment from this customer, if necessary. The Group's cash and short-term bank deposits are held in large Chinese and Canadian banks. These deposits mature at various dates within 3 months. The Group does not have any asset backed commercial paper in its short-term bank deposits. The Group's accounts receivable consists primarily of harmonized sales tax refunds due from the Federal Government of Canada and listing expense receivable from Skyland, all of which are not outstanding for more than 180 days.

The Group has concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in PRC or Canada during the period.

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

Maximum exposure to credit risk is as follows:

	September 30, 2010	December 31, 2009
	$	$
Cash and cash equivalents	**27,100,016**	23,984,660
Restricted cash	**8,687,838**	—
Accounts receivable	**6,208,829**	1,681,880
Long-term receivable	**11,483**	49,689
	42,008,166	25,716,229

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 19. The Group has secured financing as set out in Note 12(ii).

The following table details the Group's remaining contractual maturities for its non-derivative 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.

	Weighted average interest rate	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying Amount
	%	$	$	$	$	$
As at September 30, 2010						
Accounts payable and accrued expenses	—	35,729,802	—	—	35,729,802	35,729,802
Long-term loan — ABC	5.18	3,694,375	6,608,121	37,957,769	48,260,265	41,877,926
Long-term loan — CNG	6.00	2,433,333	40,446,667	—	42,880,000	40,000,000
Note payables	12.00	7,934,423	—	—	7,934,423	7,288,630
		49,791,933	47,054,788	37,957,769	134,804,490	124,896,358
As at December 31, 2009						
Accounts payable and accrued expenses	—	35,072,604	—	—	35,072,604	35,072,604
Long-term loan — ABC	5.18	3,660,480	3,583,815	42,946,690	50,190,985	42,299,950
Long-term loan — CNG	6.00	2,433,333	42,433,333	—	44,866,666	40,000,000
Note payables	12.00	11,373,917		—	11,373,917	10,633,386
		52,540,334	46,017,148	42,946,690	141,504,172	128,005,940

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's short term bank deposits, notes payables and long-term loan have fixed interest rates and therefore, are not subject to interest rate fluctuations but changes to exchange rates could affect interest payable (see Note 12) which is subject to fair value interest rate risk. The risk that the Group will realize a decrease in profit as a result of a decline in the interest rates relates to its variable rate bank balances and a 30 basis point higher/lower in the interest rate of its variable rate bank balances would result in an increase in the Group's income before tax/decrease in income before tax of $61,000 for the nine months ended September 30, 2010 (decrease in the Group's loss before tax/increase in loss before tax of $42,000 for the nine months ended September 30, 2009).

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

(e) Fair value measurements recognized in the statement of financial position

The analysis of financial instruments that are measured subsequent to initial recognition at fair value can be categorized into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial liabilities at FVTPL include warrant liabilities and are categorized into Level 3. The amount of fair value change on warrant liabilities charged to profit or loss amounted to Nil and $7,155,807 for the three and nine months ended September 30, 2010 ($1,816,820 and $2,981,228 for the three and nine months ended September 30, 2009), respectively. The total amounts at December 31, 2009 were transferred out of level 3 during the nine months ended September 30, 2010 and all the warrants were exercised.

	September 30, 2010	December 31, 2009
	$	$
Level 3	—	5,286,123

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

(f) Price risk

The Group is exposed to price risk of the Group's shares through its financial liabilities at FVTPL — warrant liabilities. Therefore, the Group is exposed to price risk because of changes in market prices of its shares.

Price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to price risks for warrant liabilities fluctuating in the Toronto Stock Exchange stock market. If the Group's share price had been 50% higher/lower at September 30, 2009 and all other variables were held constant, the Group's loss before income tax would be increased/decreased by approximately $3.0 million/$2.3 million for the nine months ended September 30, 2009. No sensitivity analysis is presented for the nine months ended September 30, 2010 as the warrants have been fully exercised.

21. Commitments and contingencies

Operating leases commitments

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	September 30, 2010	December 31, 2009
	$	$
Within one year	**97,524**	95,482
Between two and five years	**351,782**	391,307
	449,306	486,789

Operating lease payments represent rentals payable by the Group for its premises. Leases are negotiated for an average term of three to five years.

Capital commitments

	September 30, 2010	December 31, 2009
	$	$
Capital expenditure in respect of acquisition of property, plant and equipment for the CSH Gold Mine contracted but not provided for	**1,536,356**	10,465,453

Other commitments and contingencies existed at September 30, 2010

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

China Gold International Resources Corp. Ltd.

Notes to the condensed consolidated financial statements — (Continued)
September 30, 2010
(Stated in U.S. dollars)
(Unaudited)

The Group is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Group does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Group.

22. Subsequent events

The Company signed a definitive purchase agreement (the "Purchase Agreement") with China National Gold Group Hong Kong Limited ("China National Gold Hong Kong"), a wholly owned subsidiary of CNG, the Company's substantial shareholder, and Rapid Result Investments Limited ("Rapid" and together with China National Gold Hong Kong, the "Vendors") on August 30, 2010, pursuant to which it will purchase 100% of Skyland from the Vendors. The chief asset of Skyland is its 100% interest in the Jiama property (the "Jiama Property"), a copper polymetallic metal mining property located in Metrorkongka County, Tibet.

The Purchase Agreement provides that the Company will purchase all of the issued and outstanding shares of Skyland from the Vendors and assume shareholder loans made by each of China National Gold Hong Kong and Rapid to Skyland in the aggregate amount of approximately US$42.3 million in exchange for US$742,300,000 (subject to adjustment), with such consideration payable by the Company through the issuance of 170,252,294 common shares of the Company at a deemed price of Canadian $4.36 per share.

The terms of the transaction were approved by a special committee of independent directors, with the support of a valuation and fairness opinion by Haywood Securities Inc ("Haywood").

Completion of the transaction is subject to a number of conditions, including but not limited to receipt of shareholder approval from the Company's disinterested shareholders, the completion of the Company's listing on the Stock Exchange of Hong Kong Limited and receipt of applicable regulatory approvals, including Toronto Stock Exchange approval and approval of the China Securities and Regulatory Commission ("CSRC"). The approval from CSRC was obtained in September 2010. Further, a special meeting of shareholders (in which the substantial shareholder had refrained from voting) was held on October 14, 2010, at which disinterested shareholders approved the acquisition transaction. The transaction is expected to close in November, 2010. An information circular detailing the transaction was filed in September 2010. The information circular included the formal valuation of the Jiama Property received from Haywood.

Part B. Management's Discussion and Analysis

China Gold International Resources Corp. Ltd.

(Formerly known as JINSHAN GOLD MINES INC.)

Management's Discussion and Analysis of Financial Condition and Results of Operations
September 30, 2010
(Stated in U.S. dollars, except as otherwise noted)

Suite 1030, One Bentall Centre, 505 Burrard Street, Box 31, Vancouver, BC, V7X 1M5
Tel: 604-609-0598 Fax: 604-688-0598 E-mail: info@chinagoldintl.com, www.chinagoldintl.com

TABLE OF CONTENTS

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") was prepared as of November 12, 2010. It should be read in conjunction with the condensed consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. ("China Gold International" or the "Company") for the nine months ended September 30, 2010, the annual audited consolidated financial statements for the year ended December 31, 2009 and the accompanying MD&A. 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 on a consolidated basis are collectively known as the "Group".

The following discussion contains certain forward-looking statements relating to our plans, objectives, expectations and intentions, which are based on our 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 previously outlined in our annual MD&A and further outlined in our Annual Information Form dated March 31, 2010 and in our Information Circular dated September 13, 2010. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of our Company, please refer to the section entitled "Forward Looking Statements". China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

OVERVIEW

China Gold International Resources Corp. Ltd. ("China Gold International"), previously known as Jinshan Gold Mines Inc., is a mining company based in Vancouver, Canada and its principal property is the Chang Shan Hao Gold Mine ("CSH Gold Mine" or "CSH Mine"), which is located in Inner Mongolia, China. China Gold International holds a 96.5% interest in the CSH Gold Mine, while its Chinese joint venture partner holds the remaining 3.5% interest. China Gold International started up gold production at the CSH Gold Mine in July 2007 and commenced commercial production on July 1, 2008.

China Gold International is a reporting issuer in British Columbia, Alberta and Ontario, and the Company's shares trade under the symbol CGG (formerly JIN) on the Toronto Stock Exchange ("TSX"). Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Highlights

- The Company entered into a Purchase Agreement dated August 30, 2010 by which China Gold International has agreed to purchase all of the issued and outstanding shares of Skyland Mining Limited (the owner of Jiama Mineral Property) and assume the shareholder loans in exchange for common shares in the Company at an aggregate purchase price of $742 million, subject to adjustment. The Company has received overwhelming approval on October 14, 2010 from its disinterested shareholders to acquire 100% of the Jiama Property.

- The Company significantly increased net income in the third quarter, supported by gold production of over 39,000 ounces, and almost 38,000 ounces of gold sold at an average price of $1,228 per ounce with net income for the Company amounting to approximately $13.8 million.
- Behre Dolbear Asia Inc. ("BD") updated the Independent Technical Report ("ITR") for the CSH Mine as of June 30, 2010 with new forecasts of total gold production in 2010 and 2011 to be approximately 115,000 ounces and 146,570 ounces, respectively.
- A number of operational improvements were successfully implemented in preparation for the upcoming winter months, designed to moderate the decrease in production experienced during prior winters at the CSH Mine. These measures included the addition of new carbon tanks. The mine was also able to secure sufficient water supply from local sources to meet the demands of the mining operation at a sustainable rate which will allow for the capacity from the existing sources to be recharged.
- China Gold International's subsidiary, Gansu Pacific Mining Co. Ltd (Gansu) and its joint venture partner, Nuclear Industry Northwest Economic and Technology Co., entered into an agreement to sell the Dadiangou gold project in Gansu Province, China, to a related party. The purchase price is RMB 88 million ($13.1 million) of which the Company will be entitled to 53% or RMB 46.6 million ($7.0 million). Funds advanced by the buyer are being held under restricted cash. The sale is still subject to conditions and is anticipated to complete before year end.
- The last of the 12% promissory notes issued in 2006 and 2007, Note C for CDN$7.5 million, due to be repaid on June 26, 2010, was renegotiated with the same terms and is now due to be repaid on June 26, 2011. The Note is being held by the Company's controlling shareholder, China National Gold Group Corporation ("CNG"). In addition, the Company paid its first principal repayment of $1.5 million on its RMB290 million ($42.6 million) loan from the Agricultural Bank of China in September 2010.
- The Company announced and has undertaken a new drill program at the CSH Mine which will consist of 4500 meters of diamond drilling and 2000 cubic meters of surface trenching with a budget of RMB 4.86 million ($712,000).
- Construction on the extension of the heap leach pad was completed by the end of July 2010.
- The Company changed its name effective July 19, 2010 from Jinshan Gold Mines Inc. to China Gold International Resources Corp Ltd. to demonstrate the full commitment and support of the Company's controlling shareholder, CNG to the Company to serve as its international vehicle.

	Three months ended September 30, 2010	Nine months ended September 30, 2010	From commencement to September 30, 2010
Commercial gold production (ounces)	**39,520**	**75,707**	**192,948**
Pre-commercial gold production (ounces)	**—**	**—**	**45,833**
Total gold production (ounces)	**39,520**	**75,707**	**238,781**

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Net income (loss)	**$13.8 Million**	$(3.5) Million	**$14.6 Million**	$(4.9) Million
Basic income (loss) per share	**$ 0.08**	$ (0.02)	**$ 0.08**	$ (0.03)
Net cash flows from (used in) operations	**$21.7 Million**	$ 21.0 Million	**$ 7.4 Million**	$ 28.8 Million
Property, plant and equipment cash expenditures	**$ 7.7 Million**	$ 16.9 Million	**$17.0 Million**	$ 43.7 Million

	Balance, September 30, 2010	Balance, September 30, 2009
Cash and cash equivalents	**$27.1 Million**	$ 18.5 Million
Working capital (deficiency)*	**$21.1 Million**	$(31.9) Million

*Working capital consists of current assets less current liabilities

Outlook

- Gold production for the year from the CSH Mine is expected to increase by about 35% – 40% from last year to between 114,000 and 116,000 ounces.
- We anticipate that the Jiama acquisition will complete in the next quarter with the Company expecting to list on the Hong Kong Stock Exchange. Completion of the transaction is currently estimated for late November or early December.
- The Company will continue to work with CNG to identify potential projects that can be readily and quickly brought into production. These efforts will be supported by the grant by CNG to the Company of a non-competition covenant for non-PRC mineral projects that is contemplated as part of the completion of the Jiama Transaction and related listing on the Hong Kong Stock Exchange. The Company's objective is to identify projects that may also include the potential for further exploration to increase upon the existing resource base of the project.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Except as identified below, the significant accounting judgments and estimates that are applicable to the nine month period ended September 30, 2010 are consistent with those identified in Note 5 of the Company's annual audited consolidated financial statements.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets. A change in the estimated life of the mine from 10 years to 24 years as a result of the recent technical report released in March 2010 has resulted in Management reviewing the estimated useful life of its assets, particularly the buildings located on the mine site. A change of estimate is accounted for prospectively and as a result, Management has increased the life of the buildings from 10 years to 24 years effective January 1, 2010. The depreciation of buildings was then reduced by $65,602 and $193,803 for the three and nine months ended September 30, 2010, respectively.

The assumptions used in the valuation of gold-in-process inventories particularly the assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads were reconsidered by Management. During the year ended December 31, 2009, the recovery rate assumption of 51% less the impairment taken of $3 million resulted in a rate used of approximately 43%. For the three month period ended September 30, 2010, Management has continued to use the original rate of 43%.

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; completion of the Jiama Transaction and listing on the Hong Kong Stock Exchange; projected revenues and cash flows from gold production at the CSH Gold Project; performance of the crusher and recovery rates from the processing facility; obtaining regulatory confirmations and updated and expanded permits for the CSH Gold Project to cover all resources and reserves and the entire contemplated mine life; anticipated operating costs; the potential acquisition of other mineral property assets; completion of the proposed sale of the Dadiangou Gold Project; 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 adverse change in China Gold International’s operations or in foreign exchange rates, the prevailing price of gold, effective tax rates and other assumptions underlying the financial performance of the CSH Gold Project as listed in the CSH Technical Report; China Gold International’s ability to obtain regulatory confirmations and approvals on a timely basis; continuing positive labour 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 to China Gold International of financing; 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 that could cause actual results to differ materially from the forward-looking information actually occurs.

Forward-looking information contained herein are based on the opinions, estimates and assumptions of management. There are a number of important risk, uncertainties and other factors that could cause actual actions, events or results to differ materially from those described as forward-looking information. In particular, important factors that could cause actual results to differ from this forward-looking information include those described under the heading “Risk Factors” in this MD&A. 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.

HISTORICAL FINANCIAL INFORMATION

The condensed consolidated financial statements of the Company include the condensed consolidated financial statements of China Gold International and our controlled subsidiaries (including our operating subsidiary, namely, the CSH CJV). The assets and liabilities of the Dadiangou CJV have been segregated and held for sale. Our financial statements are presented in U.S. dollars.

Principal Income Statement Components

Revenue is derived from the principal product produced at the CSH Mine which is the gold dore bar. The sales price of gold dore bars is primarily determined based on prevailing gold prices in the market, with reference to prices on the Shanghai Gold Exchange, which in turn have historically correlated with international gold prices.

The following table sets forth the monthly weighted average sales price for the gold produced at the CSH Mine since the commencement of commercial production in July 2008:

	Weighted average sales price (US$ per ounce)		Weighted average sales price (US$ per ounce)
July 2008	940.0	September 2009	992.3
August 2008	852.6	October 2009	1027.0
September 2008	823.4	November 2009	1098.2
October 2008	789.7	December 2009	1063.0
November 2008	818.9	January 2010	1090.6
December 2008	828.8	February 2010	1115.9
January 2009	856.0	March 2010	1108.4
February 2009	948.0	April 2010	1097.9
March 2009	912.0	May 2010	1178.6
April 2009	870.4	June 2010	1215.5
May 2009	951.1	July 2010	1156.9
June 2009	937.4	August 2010	1224.3
July 2009	931.7	September 2010	1277.0

Historically, the market prices for these metals have fluctuated significantly. The prices may be influenced by numerous factors beyond our control such as world supply and demand, selling and purchase activities by central banks and other macro-economic factors such as expectations regarding inflation rates, interest rates, currency exchange rates, as well as general global economic conditions and political trends. We do not currently employ any financial instruments to hedge market fluctuations. Fluctuations in market prices will lead to fluctuations in our financial results.

Revenue represents proceeds from the sale of gold produced at the CSH Mine to customers after the commencement of commercial production on July 1, 2008. The Company's revenue was generated from the sale of gold to China National Gold and two independent third-party refineries in China. Proceeds from the sale of gold at the CSH Mine to customers prior to the commencement of commercial production were netted off against costs and were capitalized and included in mineral assets under property, plant and equipment. The measurement and valuation of gold inventory at July 1, 2008 resulted in the reclassification from mineral assets of $20,401,790 of these deferred development costs to inventory.

Our production volume is primarily determined by the reserves at our mines, our production capacity and our recovery rate with respect to the CSH Mine. We commenced pre-commercial production at the CSH Mine in July 2007 and commercial production in July 2008. The average monthly commercial production volume at the CSH Mine for three months ended September 30, 2010 and 2009 was approximately 13,173 ounces and 9,514 ounces respectively while the average monthly commercial production volume at the CSH Mine for nine months ended September 30, 2010 and 2009 was approximately 8,412 ounces and 6,424 ounces respectively. For the years ended December 31, 2009 and 2008, the average monthly commercial production volume was approximately 6,964 ounces and 5,612 ounces respectively.

Our **cost of sales** primarily consists of mining costs (which primarily include fees paid to third-party contractors), ore processing costs (which primarily include costs of raw materials used in the production process (such as chemicals and grinding balls), labour costs and utilities costs), other mine operating costs (primarily operating expenses of the CSH CJV, such as administrative and management staff salaries and benefits and office expenses), taxes, and depreciation and depletion. Historically, mining costs have been the largest component of our cost of production at the CSH Mine. Additional capital expenditures increase our depreciation and depletion which will in turn increase our cost of sales. With respect to the CSH Mine, we are subject to the "PRC" resource tax at RMB3 per tonne of ore processed as well as a resource compensation fee at a rate of 2.8% of the revenue of the CSH CJV. The rates of this tax and fee are subject to adjustment by relevant PRC government authorities from time to time. Cost of sales is netted against sales of the silver by-product because the amount of proceeds from silver sales is insignificant. Fees paid to third-party contractors are primarily for the provision of mine construction work and mining services.

Depreciation and depletion primarily consist of (i) depreciation of property, plant and equipment; and (ii) depletion of exploration expenditures incurred on sites within an existing mine or in areas within the boundary of a known mineral deposit which contain proved and probable reserves, provided that such exploration costs are economically recoverable and commercial production has already commenced at such sites. For the accounting treatment of exploration expenditure incurred at other stages, see "Exploration and evaluation expenditures" below.

General and administrative expenses primarily consists of administrative and management staff salaries, benefits and travel expenses of administrative and management staff of our head office in Canada, office expenses, investor relations expenses, professional fees, and other miscellaneous expenses relating to general administration of our head office in Canada.

Exploration and evaluation expenditures primarily consist of fees paid to third-party contractors for exploration activities such as drilling on sites other than the operating mine and on areas outside the boundary of a known mineral deposit which contains proved and probable reserves and preparing drilling reports, fees paid to obtain exploration permits, and in-house exploration staff costs.

Exploration and evaluation expenditures are charged to the consolidated statement of comprehensive income in the period incurred until such time when our management has determined that a mineral property has economically recoverable reserves. For the criteria our management uses when making assessment of economic recoverability, see note 4(k) in our annual audited consolidated financial statements. Following the establishment of economic recoverability, exploration and evaluation expenditures are capitalized and included in the carrying amount of mineral assets under property, plant and equipment.

Our long-term growth depends on our ability to grow resources at CSH organically and to acquire economic and accretive reserves. The Company is working to continue to add resources at CSH. A drilling program was implemented for the warmer months in 2010. The Company is also reviewing a number of projects with both proven and probable resources as defined under NI 43-101 and with additional exploration potential for acquisition.

Foreign exchange gain (loss) primarily consists of foreign exchange differences arising from the conversion of the balances of Canadian-dollar denominated promissory notes to U.S. dollars and the conversion of foreign subsidiaries denominated in RMB to U.S. dollars.

Our reporting currency and the functional currency of our operations is the U.S. dollar. Transactions in currencies other than the U.S. dollar are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the U.S. dollar are retranslated at the functional currency rate of exchange at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a currency other than the U.S. dollar are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All gains and losses on translation of these foreign currency transactions are included in our consolidated statements of comprehensive income.

During 2006 and 2007, we issued promissory notes denominated in Canadian dollars. In recent years, the exchange rate between the U.S. dollar and Canadian dollar has fluctuated significantly, leading to relatively substantial amounts of foreign exchange gains or losses recorded by us, which in turn had an impact on our net profit or loss.

For the nine month periods ended September 30, 2010 and 2009, we had foreign exchange losses of \$0.9 million and \$5.4 million respectively. Both were largely attributable to the Canadian dollar denominated promissory notes and the volatility or lack thereof between the CDN and US dollar. After redeeming the majority of the promissory notes to date, Series A Notes for CDN\$30.0 million on December 14, 2009 and Series B Notes for CDN\$12.5 million on January 11, 2010, the Series C Note for CDN\$7.5 million still remains outstanding until it is redeemed no later than June 26, 2011.

Interest income primarily consists of interest on bank deposits.

Finance costs consist of effective interest accrued on our borrowings and accretion on environmental rehabilitation liabilities, net of capitalized interest. Interest expenses are capitalized if the borrowings underlying the interest expenses are for a specific project or mine development purposes.

Historically, our working capital and capital expenditure needs have been primarily funded with proceeds from the issuances of promissory notes and loans from commercial banks and CNG. Effective interest consists of interest expenses and interest accretion on our borrowings. Effective interest expense on such indebtedness has been significant. It includes both the actual interest charged based on the interest rate as well as additional amounts either expensed or capitalized that relate to the original indebtedness. An example would be the promissory notes and the cost of the additional warrants issued as a result of the promissory notes. For the nine month periods ended September 30, 2010 and 2009, our effective interest (including the amount capitalized) was \$4.5 million and \$7.0 million, respectively. For the years ended December 31, 2009 and 2008, our effective interest expense (including the amount capitalized) was \$9.9 million and \$9.1 million, respectively. Finance costs, as an item on our income statement, which excludes capitalized interest, have been significantly less than our effective interest. For the nine month periods ended September 30, 2010 and 2009, our finance costs totaled \$3.7 million and \$3.9 million, respectively. For the years ended December 31, 2009 and 2008, our finance costs totaled \$6.3 million and \$3.6 million, respectively.

In the future, we expect our working capital and capital expenditure needs to continue to be partially met with bank loans like the Agricultural Bank of China Loan we presently have. Accordingly, we expect finance costs to continue to affect our results of operations. Fluctuations in interest rates will affect our finance costs, which may in turn affect our results of operations.

Fair value change on warrant liabilities records the change between two consecutive reporting periods in the fair value of warrants that were granted and outstanding as of the end of the previous reporting period. Fair value of warrants is determined using the Black-Scholes option pricing model and requires the input of various subjective assumptions such as the expected volatility of our share price and the expected per share dividend.

In December 2006 and July 2007, we issued warrants as part of a series of issuances of promissory notes. In December 2006, as part of our issuance of the Series A Notes, we issued 6,000,000 warrants with an exercise price of CDN\$1.60 per Share. In June 2007, as part of our issuance of the Series B and Series C Notes, we issued 4,000,000 warrants with an exercise price of CDN\$2.50 per Share. The fair value change on our warrant liabilities has been significant since the issuance of these warrants. For the nine month periods ended September 30, 2010 and 2009, we had fair value losses on our warrant liabilities of \$7.2 million and \$3.0 million, respectively while in the years ended 2009 and 2008, we had fair value losses of \$7.2 million and a fair value gain of \$12.8 million, respectively, on our warrant liabilities. The fair values of our warrants were determined by applying the Black-Scholes option pricing model, based on a number of assumptions which are subject to change. The significant change in fair value on our warrant liabilities has been attributable to a number of factors including a higher share price, a decrease in exchange rate between Canadian and U.S. dollars, a lower interest rate, and a shorter expected life of the warrants. As a result of our rising stock price, we were able to exercise the accelerated expiry right for the CDN\$1.60 per Share warrants on March 18, 2010, resulting in all CDN\$1.60 per Share warrants subsequently exercised by April 22, 2010. We were also able to exercise the accelerated expiry right for the CDN\$4.25 per Share warrants on April 16, 2010 with all such warrants now expiring by May 17, 2010. At September 30, 2010, all warrants have been exercised.

Income tax for the Company is subject to Canadian federal and provincial tax rates of 28.5% and 30.0% for the nine month period ended September 30, 2010 and 2009, respectively. During the same periods, our operating PRC subsidiaries, namely the CSH CJV and Dadiangou CJV, were all subject to PRC enterprise income tax at a rate of 25% and 25%.

For the three and nine months ended September 30, 2010, we recognized a deferred tax credit of \$70,000 and deferred tax expense of \$2.1 million respectively and current income tax expense of \$5.7 million and \$8.4 million respectively, for total tax expense of \$5.6 million and \$10.5 million respectively. For the three and nine months ended September 30, 2009, there was no deferred tax but current tax was recognized of \$937,000 and \$1,899,000, respectively.

RESULTS OF OPERATIONS OF OUR COMPANY

Selected Quarterly Data

	2010			2009				2008
QUARTER ENDED	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenues ($ in thousands)	$46,631	$27,181	$10,499	$34,009	$21,048	$18,304	$7,686	$16,275
Ore mined (thousand tonnes)	3,140	3,842	2,948	3,063	3,492	1,514	1,665	1,715
Average grade of ore (grams per tonne)	0.745	0.682	0.747	0.602	0.535	0.586	0.681	0.792
Gold produced (ounces)	39,520	23,716	12,484	25,758	28,543	19,899	9,328	15,593
Gold sold (ounces)	37,976	23,235	9,464	33,073	21,739	19,959	8,605	20,411
Total cost of gold sold per ounce	610	574	561	713	651	659	615	607
Cash cost per ounce (Non-IFRS measure)	539	468	416	568	576	595	470	518
Net income (loss)	13,825	4,970	(4,185)	(3,457)	(3,480)	(3,775)	2,341	5,665
Basic earnings (loss) per share	0.08	0.03	(0.03)	(0.02)	(0.02)	(0.02)	0.01	0.03
Diluted earnings (loss) per share	0.08	0.03	(0.03)	(0.02)	(0.02)	(0.02)	0.01	0.03

The following table provides selected financial data for the CSH Gold Mine for three and nine month periods ended September 30, 2010 and 2009:

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2009
Revenue	**$46,631,430**	**$84,311,336**	$21,048,168	$47,038,521
Cost of sales	**23,179,415**	**41,817,849**	14,160,124	32,598,815
Mine operating earnings	**$23,452,015**	**$42,493,487**	$ 6,888,044	$14,439,706
Gold produced (ounces)	**39,520**	**75,707**	28,543	42,980
Gold sold (ounces)	**37,976**	**70,675**	21,739	50,303
Total cost of gold sold per ounce	**$ 610**	**$ 592**	$ 651	$ 648
Cash cost per ounce (Non-GAAP measure)	**$ 539**	**$ 499**	$ 576	$ 566

Revenue increased by 71.6%, or $19.5 million, from $27.2 million for the three month period ended June 30, 2010, to $46.6 million for the three month period ended September 30, 2010. This was over double the revenue compared to the same three month period ended September 30, 2009 of $21.0 million. The increase quarter over quarter was due to an increase in the ounces of gold sold at the CSH Mine as well as a per ounce increase in the weighted average price of gold. For the three month period ended September 30, 2010, the CSH Mine produced a total of 39,520 ounces of gold and sold 37,976 ounces of gold at a weighted average price of $1,228 per ounce. For the three month period ended June 30, 2010, the CSH Mine produced a total of 23,716 ounces of gold and sold 23,235 ounces of gold at a weighted average price of $1,170 per ounce. For the three month period ended September 30, 2009, the CSH Mine produced a total of 28,543 ounces of gold and sold 21,739 ounces of gold at a weighted average price of $968 per ounce. The reason for the increase in production was due to the increasingly warmer weather during the three months ended September 30, 2010 in comparison to the earlier three months ended June 30 2010 which allowed more gold to leach resulting in higher gold production.

Cost of sales increased by 73.9% or $9.8 million, from $13.3 million for the three month period ended June 30, 2010 to $23.2 million, for the three month period ended September 30, 2010. This compares to $14.0 million cost of sales for the comparable Q3 in 2009. The increase of cost of sales was primarily due to an increase in the production and sale of gold resulting in higher cost of sales compared to the second quarter. Cost of sales as a percentage of revenue remained constant at 49.0%

for the three month period ended June 30 2010 compared to 49.7% for the three month period ended September 30, 2010 while it was a large improvement over the cost of sales as a percentage of revenue for the three month comparable period ended September 30, 2009 of 67.3%.

As a result of the foregoing, **mine operating earnings** more than doubled from $13.9 million for the three month period ended June 30, 2010 to $23.5 million for the three month period ended September 30, 2010. This was a large improvement over mine operating earnings of $6.9 million for the comparable Q3 in 2009. Mine operating earnings as a percentage of revenue remained constant at 51.0% for the three month period ended June 30 2010 compared to the three month period ended September 30, 2010 at 50.3% and a large improvement from the 32.7% for the three months ended September 30, 2009.

General and administrative expenses increased by 19.3%, or $226,000, from $1,171,000 for the three month period ended June 30, 2010 to $1,396,000 for the three month period ended September 30, 2010 while general and administrative expenses were only slightly up by 4.2% or $56,000 from the same period in 2009. The increase quarter over quarter was primarily attributable to an increase of $447,000 in professional fees, which was partially offset by a decrease of $94,000 in salaries and benefits, a decrease of $58,000 in travel, and $42,000 in administration and office expenses. The 2010 three month increase over 2009 was primarily attributable to an increase of $533,000 in professional fees, an increase in investor relations of $47,000 and an increase of $45,000 in travel which was partially offset by decrease of $190,000 in administration and office expenses and a decrease of $400,000 in shareholder information, transfer agent and filing fees. The increase in professional fees was primarily attributable to an accrual for the year-end audit fees and the third quarter review while the decrease in administration and office expenses related to the overhead allocation charged by Global Mining Management, our shared services provider, in 2009 which was not incurred in 2010.

Exploration and evaluation expenditures remained relatively constant at $69,000 for the three month period ended September 30, 2010 compared to $70,000 for the three month period ended June 30, 2010. These amounts related primarily to the implementation of a new drilling program at the CSH Mine in Q2.

As a result of the foregoing, **income from operations** increased by 74.4%, or $9.4 million, from income of $12.6 million for the three month period ended June 30, 2010 to income of $22.0 million for the three month period ended September 30, 2010.

Listing expenses decreased by 56.9%, or $679,000, from $1.2 million for the three month period ended June 30, 2010 to $514,000 for the three month period ended September 30, 2010. This decrease was primarily due to a decrease in professional services related to the proposed listing on the Hong Kong Stock Exchange.

Finance costs decreased by 2.6%, or $39,000, from $1.5 million for the three month period ended June 30, 2010 to $1.4 million for the three month period ended September 30, 2010, primarily attributable to decrease in effective interest of $35,000. As of June 26, 2010, the cost of the warrants issued to the promissory note holders has all been expensed. As a result, the effective interest rate on the remaining CDN$7.5 million promissory note, extended to June 26, 2011 under the original terms, decreased to its annual interest rate of 12%. The decrease in the capitalized interest is due to the Crusher being put into use requiring the interest to be expensed instead.

The **fair value change of warrant liabilities** decreased by 100.0%, or $873,000, from $873,000 for the three month period ended June 30, 2010 to $nil for the three month period ended September 30, 2010. The decrease represents the fair value change on a small amount of the remaining warrants which are now all exercised.

Foreign exchange changed by $240,000 from a loss of $872,000 for the three month period ended June 30, 2010 to a loss of $631,000 for the three month period ended September 30, 2010. The reason for the loss in the second quarter and in the third quarter relates to the conversion of foreign subsidiaries denominated in RMB to the US dollar functional currency.

Interest income increased by $12,000 from $2,000 for the three month period ended June 30, 2010 to $14,000 for the three month period ended September 30, 2010. This increase was primarily due to an increase in bank deposits as a result of the exercise of all the outstanding warrants as our stock price rose as well as an increase in operating income resulting in more cash in the bank.

Income tax expense increased by 72.5%, or $2.3 million, from $3.2 million for the three months period ended June 30, 2010 to $5.6 million for the three month period ended September 30, 2010 due to an increase in taxable income during the period.

As a result of the foregoing, **net income and comprehensive income** attributable to owners of the Company increased by $8.4 million from income of $4.8 million for the three month period ended June 30, 2010 to income of $13.2 million for the three months ended September 30, 2010.

Nine Month Comparative

Revenue increased by 79.2%, or $37.3 million, from $47.0 million for the nine month period ended September 30, 2009, to $84.3 million for the nine month period ended September 30, 2010. The increase was due to an increase in the ounces of gold sold at the CSH Mine as well as a $257.8 per ounce increase in the weighted average price of gold. For the nine month period ended September 30, 2010, the CSH Mine produced a total of 75,707 ounces of gold and sold 70,675 ounces of gold at a weighted average price of $1,193 per ounce. For the nine month period ended September 30, 2009, the CSH Mine produced a total of 42,980 ounces of gold and sold 50,303 ounces of gold at a weighted average price of $935 per ounce. The reason for the increase in production was primarily due to the addition of the Crushing facility which greatly reduced the ore size added to the leach pad during the nine months ended September 30, 2010 in comparison to the nine months ended September 30, 2009 which allows more gold to leach resulting in higher gold production.

Cost of sales increased by 28.3% or $9.2 million, from $32.6 million for the nine month period ended September 30, 2009 to $41.8 million, for the nine month period ended September 30, 2010. Cost of sales as a percentage of revenue decreased from 69.3% for the nine month period ended September 30, 2009 to 49.6% for the nine month period ended September 30, 2010. A concentrated effort has been made to continue to reduce the cost of sales by fine tuning processes, reducing costs of suppliers, finding and retaining the right management and employees, continually improving productivity, and building operating experience amongst other things.

As a result of the foregoing, **mine operating earnings** almost tripled from $14.4 million for the nine month period ended September 30, 2009 to $42.5 million for the nine month period ended September 30, 2010. Mine operating earnings as a percentage of revenue rose from 30.7% to 50.4% due to reduced cost of sales and an increase in the weighted average sale price of gold for the nine month period ended September 30, 2010 compared to the prior quarter.

General and administrative expenses increased by 10.5%, or $335,000, from $3.2 million for the nine month period ended September 30, 2009 to $3.5 million for the nine month period ended September 30, 2010. This increase was primarily attributable to an increase of $635,000 in professional fees, an increase of $116,000 in travel, an increase of $92,000 in investor relations, and increases of $51,000 in both depreciation and salaries and benefits which was partially offset by a decrease of $400,000 in shareholder information, transfer agent and filing fees and a decrease of $210,000 in administration and office expenses.

Exploration and evaluation expenditure decreased by 83.8%, or $840,000, from $1 million for the nine month period ended September 30, 2009 to $162,000 for the nine month period ended September 30, 2010. Although a drilling program has been planned and carried out this year at the CSH Mine site, the amount expended on exploration has decreased considerably compared with the prior year.

As a result of the foregoing, **income from operations** increased by 278.3%, or $28.6 million, from income of $10.3 million for the nine month period ended September 30, 2009 to income of $38.8 million for the nine month period ended September 30, 2010.

Listing expenses were $2.1 million for the nine month period ended September 30, 2010 compared to $0.9 million for the nine month period ended September 30, 2009. The increase was primarily due to an increase in professional fees related to our listing on the Hong Kong Stock Exchange.

Finance costs decreased by 6.5%, or $254,000, from $3.9 million for the nine month period ended September 30, 2009 to $3.7 million for the nine month period ended September 30, 2010. Although effective interest decreased by $2.5 million, it was offset by a decrease in capitalized interest expense of $2.5 million. As of June 26, 2010, the cost of the warrants issued to the promissory note holders has all been expensed. As a result, the effective interest rate on the remaining CDN$7.5 million promissory note, extended to June 26, 2011 under the original terms, decreased to its annual interest rate of 12%. The decrease in the capitalized interest is due to the Crusher being put into use requiring the interest to be expensed instead.

The **fair value change of warrant liabilities** increased by 140.0%, or $4.2 million, from $3.0 million for the nine month period ended September 30, 2009 to $7.2 million for the nine month period ended September 30, 2010. The increase represents the fair value change on the warrants as a result of our rising stock price during 2010. All warrants have now been exercised.

Foreign exchange decreased by 83.7% or $4.6 million from a loss of $5.4 million for the nine month period ended September 30, 2009 to a loss of $885,000 for the nine month period ended September 30, 2010. The greater stability between the CDN and US dollar as well as only one remaining CDN$7.5 million promissory note accounts for the decrease in 2010.

Interest income increased by 316.3%, or $12,000, from $3,700 for the nine month period ended September 30, 2009 to $15,500 for the nine month period ended September 30, 2010. This increase was primarily due to an increase in bank deposits as a result of the exercise of all the outstanding warrants as our stock price rose and an increase in operating profits resulting in increased cash.

Income tax expense increased by 451.2%, or $8.6 million, from $1.9 million for the nine month period ended September 30, 2009 to $10.5 million for the nine month period ended September 30, 2010 due to an increase in taxable income during the period.

As a result of the foregoing, **net income and comprehensive income** attributable to the owners of the Company increased $19.1 million from a loss of $5.4 million for the nine month period ended September 30, 2009 to income of $13.7 million for the nine months ended September 30, 2010.

Non-IFRS Measures

The following table provides cost information to determine the cash cost of production per ounce (non-IFRS) for three and nine months ended September 30, 2010 and 2009:

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2009
	$	$	$	$
Mining cost (Oxide ore)	**3,928,354**	**12,262,323**	6,746,795	11,871,699
Waste cost	**5,940,807**	**14,015,472**	6,830,043	9,895,344
Other mining costs	**1,051,145**	**3,427,765**	509,898	1,315,168
Total mining costs	**10,920,306**	**29,705,560**	14,086,737	23,082,211
Reagents cost	**3,745,567**	**8,367,792**	3,041,499	6,689,682
Other process costs	**2,201,685**	**4,791,779**	1,511,199	3,260,347
Total process cost	**5,947,253**	**13,159,571**	4,552,697	9,950,029

The following table provides certain unit costs for the CSH Gold Mine for three and nine months ended September 30, 2010 and 2009:

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2009
Cost of mining per tonne of ore	**$1.25**	**$1.21**	$1.93	$1.78
Cost of mining waste per tonne of ore	**$1.89**	**$1.38**	$1.96	$1.48
Other mining costs per tonne of ore	**$0.33**	**$0.34**	$0.15	$0.20
Total mining costs per tonne of ore	**$3.47**	**$2.93**	$4.04	$3.46
Cost of reagents per tonne of ore	**$1.19**	**$0.82**	$0.87	$1.00
Other processing costs per tonne of ore	**$0.70**	**$0.47**	$0.43	$0.49
Total processing cost per tonne of ore	**$1.89**	**$1.29**	$1.30	$1.49

The cash cost of production is a measure that is not in accordance with International Financial Reporting Standards ("IFRS").

The Company has included cash cost per gold ounce data to supplement its 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 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 costs are determined in accordance with the Gold Institute's Production Cost Standard. The following table provides a reconciliation of cost of sales to the cash costs of production in total dollars and in dollars per gold ounce:

	Three months ended September 30, 2010		Nine months ended September 30, 2010		Three months ended September 30, 2009		Nine months ended September 30, 2009	
		Per gold oz.		Per gold oz.		Per gold oz.		Per gold oz.
Cost of sales	**$23,179,415**	**$610**	**$41,817,849**	**$592**	$14,160,124	$651	$32,598,815	$648
Adjustments:								
Depreciation and depletion	**(2,702,206)**	**(71)**	**(6,515,334)**	**(92)**	(1,627,053)	(75)	(4,146,854)	(82)
Selling costs	**(951)**	**(0)**	**(4,057)**	**(0)**	(853)	(0)	(2,397)	(0)
Total cash costs	**$20,476,258**	**$539**	**$35,298,458**	**$499**	$12,532,218	$576	$28,449,564	$566

The total cash costs per gold oz. above differ from the unit cash costs disclosed in the BD ITR for the CSH Mine for two reasons. First, the BD ITR is prepared on a cash basis while the calculation above is prepared on an accrual basis. The cost of sales above includes an allocation of costs experienced over time while the BD ITR does not. Second, the BD ITR is prepared based on the units produced while the calculations above are based on the units sold.

Mineral Property

The CSH Mine

The CSH Gold Project is located in Inner Mongolia Autonomous Region of Northern 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 Gold Project is operated and owned by Inner Mongolia Pacific Mining Co., a CJV in which China Gold International holds a 96.5% interest and Brigade 217 holds the remaining 3.5%.

The following table shows the cumulative expenditures made as of September 30, 2010:

	December 31, 2008	Increase During the Period	December 31, 2009	Increase/ (Decrease) During the Period	September 30, 2010
	$	$	$	$	$
Exploration expenditure charged to profit or loss	8,903,877	267,299	9,171,176	118,664	**9,289,840**
Mineral assets(1)	11,957,158	6,803,216	18,760,374	5,455,158	**24,215,532**
Construction in progress(2)	28,727,117	47,255,828	75,982,945	(66,720,597)	**9,262,348**

(1) During the nine months ended September 30, 2010, additions to mineral assets were $6,171,975 ($12,019,281 for the nine months ended September 30, 2009) and additions in mineral assets resulting from changes in the provision for environmental rehabilitation were $24,232 (Nil for the nine months ended September 30, 2009).

(2) During the nine months ended September 30, 2010, additions to construction in progress were $9,992,874 ($42,039,018 for the nine months ended September 30, 2009), and $70,993,484 was transferred out of construction in progress to crusher (Nil for the nine months ended September 30, 2009), and the Group reversed $5,719,987 accruals on construction in progress upon the completion of the crushing facility construction (Nil for the nine months ended September 30, 2009).

Mineral Resources and Ore Reserves

An updated mine plan for the CSH Gold Project was developed and reported in the BD ITR dated March 30, 2010. This plan has been prepared for heap leaching with a crushing plant throughput rate of 30,000 tonnes per day which was reached as planned by the end of the first quarter of 2010.

Mineral reserves have been reported for the final pit designs at a positive net value cutoff that corresponds to a gold grade cutoff of approximately 0.3 grams per tonne gold as scheduled in the mine plan. The proven and probable reserves at CSH mine as of December 31, 2009 stand at approximately 138 million tonnes of ore with an average grade of 0.67 g/t gold, representing approximately 3.0 million ounces of contained gold.

The reserves are summarized in the table below:

CSH Mine Reserves by category, Northeast and Southwest pits combined December 2009

Classification	Cutoff Au (g/t)	Ore (M tonnes)	Grade Au (g/t)	Contained Au (kOz)	Contained Au (kgs)
Proven	0.30	83.6	0.70	1,868	58,100
Probable	0.30	55.2	0.64	1,133	35,240
Total	0.30	**138.8**	**0.67**	**3,001**	**93,340**

Resource Estimate

The latest CSH mine resource estimate was reported in the BD ITR dated March 30, 2010. The 2008 drilling campaign added significant tonnages above cutoff and also improved the grade compared to prior resource estimates, partly due to the confirmation of grades and upgrade in resource classification down-dip and laterally. The CSH deposit in the Southwest (SW) area is now well delineated, and still significant potential exists for down-dip extensions to the mineralization. Mineralization at depth in the Northeast (NE) has been confirmed, with increases in both tonnages and confidence.

At the end of December 2009, the project's Measured and Indicated Gold Resources, using 0.3 grams per tonne ("g/t") Au cut-off grade, stand at 243 million tonnes averaging 0.64 (g/t) gold. This translates into 4.99 million ounces of contained gold (inclusive of reserves) in the deposit. In the previous March 2008 ITR, 183 million tonnes of Measured and Indicated resources averaging 0.69 g/t gold were reported at the same 0.30 g/t gold cut-off grade.

Details of the new resources are summarized in the following table:

Table 2: CSH Mine Resources by category, Northeast and Southwest Zones (inclusive of reserves).

Resources by category below pit surface to December 31st, 2009, CSH Mine Project, 2009 Resource Model

	Measured		Indicated		Measured+Indicated			Inferred		
Cutoff (g/t)	M Tonnes	Au Grade (g/t)	M Tonnes	Au Grade (g/t)	M Tonnes	Au Grade (g/t)	Million Ounces Au	M Tonnes	Au Grade (g/t)	Million Ounces Au
0.3	105.8	0.68	137.6	0.61	243.4	0.64	4.993	0.53	0.43	0.007
0.35	96.1	0.71	120.8	0.65	216.9	0.68	4.716	0.35	0.49	0.005
0.4	86.5	0.75	104.1	0.69	190.6	0.72	4.400	0.24	0.54	0.004
0.45	77.2	0.79	89.1	0.74	166.3	0.76	4.068	0.18	0.57	0.003
0.5	68.0	0.83	76.2	0.78	144.2	0.80	3.732	0.12	0.62	0.002

Production Update

Since March, 2010, mine production has consisted almost entirely of crushed ore, and the crusher facility has consistently reached its design capacity of 30,000-tpd. According to the most recent column leach test done by Metcon Research of KDE, once the ore is crushed, the gold recovery will greatly improved to approximately 70% to 80% depending on the gold grades. The higher the gold grade, the better the recovery will be. Based on the BD ITR dated March 30, 2010, the mining budget for 2010 was set at 10.65 million tonnes and gold production was estimated to be 132,210 ounces. However, BD updated the ITR as of June 30, 2010 with a new forecast for total gold production for 2010 to be approximately 115,000 ounces.

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2009
Ore mined and placed on pad (tonnes)	**3,140,660**	**10,160,367**	3,492,274	6,671,056
Average grade of ore (grams per tonne)	**0.745**	**0.684**	0.535	0.622
Recoverable gold at 43% recovery rate (ounces)	**27,390**	**86,349**	33,947	67,165
Ending gold inventory (ounces)	**72,179**	**72,170**	57,914	57,914
Waste rock mined (tonnes)	**4,380,180**	**12,689,670**	3,981,765	4,737,068

For the first nine month period ended September 30, 2010, the total amount of ore put on the leach pad was 10,160,367 tonnes, while the total amount of gold put on the leach pad was 6,950,637 grams (223,468 oz). Both of these amounts were higher than expected mainly due to improved ore grade.

The amount of gold poured for the nine month period ended September 30, 2010 was lower than expected. This was mainly due to a harsh and long winter and some frozen drip meters that were not buried causing the sharp production shortfall experienced in the first half of 2010. In addition, most of the ore was placed on top (3rd to 4th) lifts or farther away from the process plant, which will take a longer time for the solution to circulate. Although leaching was slow up until the end of May, following the thaw from last year's extremely harsh winter and completion of the leach pad extension at the end of July, the daily production began to rise considerably. The Company poured 13,897 and 14,307 ounces of gold in August and September respectively. At that time, the Company believed that it was still likely to achieve aggregate gold production estimates for 2010 as outlined in the CSH Technical Report. However, from mid-August 2010, the PH levels of the leaching solution exceeded normal levels and stayed high for over two months, which has reduced the gold leaching rate and moderated gold production starting in October (approximately 13,400 ounces). Accordingly, the Company has not been able to fully compensate for the lower than expected production in the first half of the year. The Company now expects aggregate production for 2010 to amount to between approximately 114,000 and 116,000 ounces. The PH levels have now returned to a more normal state and there have been no changes to medium and long-term gold production estimates.

Inventory began to stabilize in August and September with small decreases in the amount of gold inventory still in the circuit. The Company will continue to monitor the impact of inventory on the financial statements.

Project Economics

According to the latest mine plan, the CSH mine life was extended from 2018 to 2023 with four more years of leaching afterwards. By the end of 2009 and prior to the use of the crusher, approximately 20 million tonnes of ROM ore were put under leach. The observed recovery from this uncrushed ROM material based on gold poured has been 37.3%. It is estimated that the ultimate recovery rate for the uncrushed ROM ore already on pad will be over 53%. With the new crushers now at the design capacity of 30,000 tpd, it is expected that the gold recovery will be greatly improved. According to the column test done by Metcon Research of KDE in 2009, the recovery rate for the crushed ore is a function of the ore grade. The higher the ore grade the higher the recovery rate, which ranges from the lowest of 62.1% in the SW pit to the highest of 80.9% in the NE pit. According to the updated BD ITR as of June 30, 2010 and the new mine production plan, approximately 2.35 million ounces of gold will be produced in the next 15 years starting with annual production of approximately 115,873 ounces in 2010, and gradually increasing to over 150,000 ounces in 2015 and then to over 200,000 ounces in 2022.

In the BD ITR dated March 30, 2010, gold prices ranging from $1,033 per ounce to $849 per ounce over the next 5 years were used to estimate the Pre-Income Tax NPV as of the end of December 2009 at $517 million at a 9% discount at the exchange rate of one US dollar to RMB 6.83. Please refer to the BD ITR dated March 30, 2010 for more information. Gold prices and the recovery rate are still the two most sensitive factors for the project economics.

Exploration

From 2003 through to 2005, China Gold International undertook annual drill campaigns that allowed China Gold International to complete resource estimates and quantify the size and scope of both the Northeast and Southwest Zones. This was followed by further drilling campaigns in 2007 through to 2008 to increase confidence levels in resource estimates and test extensions of mineralization. In 2007, 41 holes at approximately 11,500 metres were drilled, while in 2008, 23 holes at approximately 5,000 m were drilled.

Exploration and drilling is scheduled to continue at the CSH gold mine during the 2010 field season within the company's 25 square kilometer licensed area immediately adjoining the mining permit and mineralization at depths below the current mining permit. Priorities for exploration have been given to trenching and drilling on several gold anomalies along the prospective stratigraphy that was defined by grid rock sampling during the previous field seasons with deeper drill holes planned to explore for higher grades down dip.

Fire assay results have been received from 4 diamond drill holes from the mining permit area and 6 trenches on the surface with a total 1,418 meters in length from the exploration permit area. Highlights include intercepts of 144.50 meters grading 0.92 grams per tonne (g/t) gold in hole DDH101-1 and 134.30 meters grading 0.68 grams per tonne (g/t) gold in hole DDH9950-00, and 14 meters grading 4.14 grams per tonne (g/t) gold in trench TC4 and 28 meters grading 0.33 grams per tonne (g/t) in trench TC2. Assay results from 2 extra holes from the mining permit area have not been received yet. In addition, our drill contractor, Sinorex Drilling (Beijing) Co. Ltd., is currently drilling 2 holes at the exploration permit area to confirm the gold mineralization extension at deep depth which has been verified from the surface trenching.

Processing Plant Upgrade

The upgrading construction for the additional processing capacity of 2000 m^3 PLS solution per hour started in March, 2010, and was completed by the end of July 2010. Five new CIC columns were built each with a volume of 353.25 cubic meters (7.5 meter diameter and 8 meter tall). A new 4,192 m^3 PLS pond and a 1,551 m^3 BLS pond were built with 3 extra PLS pumps and 3 extra BLS pumps and all the necessary piping installed. The following is an update of the current major processing equipment list.

CSH Mine Major Carbon Adsorption & Stripping Equipment List

CIC Columns		**# of Columns**	**Volume of Each Column**	**Total Volume**	**Designed Processing Capacity**	**# of PLS Pumps**	**Pumping Capacity**	**# of BLS Pumps**	**Pumping Capacity**
			m^3	**m^3**	**m^3/hr**		**m^3/hr**		**m^3/hr**
Existing CIC Columns	Series 1	6	33	206	800	3	1,800	4	1,600
	Series 2	6	41	238	800				
New Addition	Series 3	5	353	1,765	2,000	3	2,250	3	2,400
A New 5 tonne Carbon Stripping Circuit is added to the processing plant, the total carbon stripping capacity is at 10 tonnes at a time.									

Additional water has been pumped into the system since early July. By the end of September 2010, the PLS processing rate has increased to 2,942 m^3 per hour.

Environmental and Community Considerations

The Company is committed to observe and dedicated to comply with Chinese and global environmental and social responsibility standards.

In 2006, an Environmental Impact Study ("EIS") was submitted to the Inner Mongolian Environment Protection Bureau ("EPB") to comply with local (Chinese) requirements, including industrial policies and regional economic development plans, and an Environmental and Social Impact Assessment for the CSH Mine was conducted by internationally recognized consultants Environmental Resources Management ("ERM") utilizing both Chinese EIA requirements as well as World Bank Group Environmental and Social Guidelines. A key aspect of this ERM assessment concerned minimization of community impact as a result of water use by the mine, and it has also been used to provide the basis for an Environmental Management Plan for the site. Various social issues were addressed in the study. This has contributed towards protection of local social heritage and culture, employment of local people (currently approximately 30% of the workforce), employment of women (currently approximately 10% of the workforce) as well as contributions towards local education, medical equipment, various community activities and support of poor families with food and coal (which collectively have been cost at approximately RMB1.6 million to date) having been implemented by the Company.

In November 2007, the CSH Gold Project received its environmental approval from the Inner Mongolian EPB following review of the documents and a site inspection by an expert panel. Environmental Approval, which requires approval of both the EIS and a Soil and Water Conservation Plan, is required to obtain a Mining Permit, thereby enabling the mining operation to commence production.

Due to the semi-desert conditions and scarce water supply in the area, the project is being developed as a zero discharge site, hence it only requires a Water Supply (and not a Discharge) Permit, to be issued by the regulatory authorities. A comprehensive Water Resource Estimation by the Baogang Engineering Investigation and Survey Institute in Baotou was followed by a similar independent study by international experts Golder Associates, and a further hydrogeology and water resources study was conducted by the Baogang Institute. The objective of the mine project in securing its water supply was to balance the extraction of water from local sources with the capacity for recharge of these sources. The collective studies have determined that a sustainable water extraction rate would be 4,000 m^3/day in an average year and 3,000 m^3/day in a dry year, which is sufficient to meet the demand of the mining operation. The current Water Permit allows water to be pumped from the Molen River and Xinhure alluvial aquifer as well as the Hushaogou bedrock aquifer, at a rate of up to approximately 1 Mm^3/year.

Environment protection measures for the mine site include programs for water management, solid waste, rock dust mitigation, noise control, rehabilitation and seismic and flood risk.

The Jiama Mine

The Company has entered into an agreement to acquire the Jiama Mineral Property ("Jiama") which is a significant copper-polymetallic mining project consisting of copper, gold, silver, molybdenum, and other minerals located in the Gandise metallogenic belt in Tibet, China.

The deposit is being developed into a combined open-pit and underground mining operation. The development includes two open pits, being the smaller Tongqianshan pit and larger Niumatang Pit, as well as an underground operation that will be accessed through two shafts having an initial 355m depth and extending to a final depth of 600m. The project is currently at the end of its first phase of development, which primarily involves the development of open-pit infrastructure at the Tongqianshan open pit, ore processing facilities and underground ore transportation system. Skyland recently commenced mining from the Tongqianshan pit and processing operations.

Mineral Resources and Ore Reserves

In September 2010, Behre Dolbear Asia Inc. ("BD") completed a technical review and, as part of its engagement, produced an NI 43-101 technical report on the Jiama Property as at June 30, 2010. Set forth below are the mineral resource and reserve estimates for the property. Further information can be found in the technical report filed on SEDAR at www.sedar.com.

The following skarn-type resources and reserves have been identified at the Jiama Property, as at June 30, 2010. The skarn-type resources are reported at a cut-off grade of 0.3% copper, 0.03% molybdenum, or 1% lead, or 1% zinc. Resources are inclusive of reserves.

Skarn-Type JORC Mineral Resource Category(1)

	Grade						Contained Metals					
Kt	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
Measured Resource												
82,928	0.83	0.042	0.30	16.0	0.06	0.05	686.9	34.42	25.11	1,326	51.9	38.7
Indicated Resource												
102,187	0.68	0.041	0.22	13.7	0.10	0.05	691.6	42.07	22.33	1,396	100.6	55.4
Measured + Indicated Resource												
185,116	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,378.5**	**76.49**	**47.44**	**2,722**	**152.5**	**94.1**
Inferred Resource												
165,763	0.64	0.053	0.21	13.1	0.14	0.06	1,068.0	88.57	35.42	2,179	239.0	106.9

(1) Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The estimate was prepared using Minesight computer mining software, based on a database of 210 diamond drill holes with a total drilled length of 69,029 meters, and 10 surface trenches with a total length of 349 meters. The database contains 26,606 assay intervals.

Skarn-type ore reserve estimates were summarized based on the block/stope unit economic values calculated for the resource blocks within the final Tongqianshan pit and Niumatang pit designs and for stopes within the planned underground mining areas.

The cutoff unit economic values used to separate ore and waste are listed below:

Cutoff Unit Economic Value for Reserve Estimation of the Jiama Project

Area	Cutoff Unit Economic Value	Total Unit Ore Operating Cost In Project Financial analysis
Tongqianshan Pit	RMB276.5/t ($40.78/t)	RMB133.2/t ($19.65/t)
Niumatang Pit	RMB249.0/t ($36.73/t)	RMB128.9/t ($19.01/t)
Underground (+4,600 m) Sublevel Stoping	RMB276.5/t ($40.78/t)	RMB201.0/t ($29.65/t)
Underground (-4,600 m) Panel Sublevel Stoping	RMB249.0/t ($36.73/t)	RMB201.0/t ($29.65/t)

Below are the estimated skarn-type ore reserves for the Jiama Property as at June 30, 2010.

Skarn-Type JORC Ore Reserve Category

	Grade						Contained Metals					
Kt	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
Total Reserve: Proved												
53,541	0.83	0.038	0.32	16.3	0.06	0.04	442.8	20.31	17.1	874	29.6	21.3
Total Reserve: Probable												
52,358	0.85	0.040	0.29	16.5	0.11	0.05	442.8	20.96	15.2	864	55.4	27.2
Total												
105,899	0.84	0.039	0.31	16.4	0.08	0.05	885.6	41.27	32.3	1,728	85.0	48.6

Mining and Production

Open pit mining will be conducted using hydraulic excavators loading onto 45t and 20t trucks. Underground mining will include open stope mining, with flatter, thick zones backfilled and steeply dipping zones not backfilled. These two mining methods will account for around 90% of the ore reserves. For zones where open stoping methods are not appropriate, room and pillar or shrinkage stoping mining methods are planned.

Skyland is developing the mining facilities in phases. Open pit operation at a rate of 3,000 tpd at Tongqianshan commenced in late July 2010, while open pit mining at an additional 6,000 tpd is scheduled to commence at Niumatang in early 2011. Underground mining is scheduled to commence, at an initial rate of 3,000 tpd, in 2012. The mine design contemplates installation of two 6,000 tpd processing plants. An initial plant has been installed, and is in operation, while a second plant is scheduled for installation in 2011 with full operation in late 2011 or possibly early 2012. Once both plants are fully operational, production is scheduled to amount to 12,000 tpd (3.6 million tpa).

Production will consist of copper concentrate, molybdenum concentrate and lead concentrate. Gold and silver will be separated and smelted in downstream processing.

According to review, the currently defined skarn-type reserves of the Jiama Mine are expected to support approximately 30 years of mine production based on an assumed production rate of 12,000 tpd (3.6 million tpa).

Operating and Capital Costs

BD calculated an overall unit cost for mine operations at $24.82 to $34.57 with a life of mine average at $29.60 and unit production cost (which includes total unit cost for mine operations, unit depreciation and amortization costs) of $31.99 to $50.04 per tonne of processed ore with a life of mine average at $35.28 per tonne of processed ore. BD also calculated a copper equivalent production in concentrate for the project based on metal in annual concentrate sales prices (excluding VAT). This calculation resulted in estimates of CuEq in annual concentrate production amounting to between approximately 28,000 to 50,000 tonnes, CuEq operating costs ranging from approximately $2,000 to $4,000 per tonne, and CuEq production costs ranging from approximately $2,500 to $4,500 per tonne.

Total capital costs are estimated at approximately $400,000,000 to bring the project to 12,000 tpd of production. To date, approximately 56% of the capital costs have been expended, with an additional approximately $170,000,000 to be expended in the balance of 2010 through to 2012. The mine plan estimates further sustaining capital expenditures will be required through the life of mine amounting to approximately $230,000,000

Economic Analysis

BD completed an economic analysis of the mining operation based on its reserves. BD used copper, molybdenum, and lead prices that represent the actual average metal market prices for the last 3 to 5 years in China. Gold and silver prices are slightly higher than the past 3-year actual averages, but they represent the expectation for the long-term prices for these two metals. In addition to the metal prices, a copper concentrate transportation credit of RMB200/t ($29.50/t) of copper metal contained in the copper concentrate was applied based on the preliminary current sales contract with a copper concentrate buyer.

Metal Prices Used for Base Case Economic Analysis for the Jiama Project

Metal	Metal with VAT Price[(1)]		Metal in Concentrate with VAT Price		Metal in Concentrate without VAT Price	
	RMB	$	RMB	$	RMB	$
Copper	55,000/t	8,112.09/t	49,275/t	7,267.70/t	41,115.39/t	6,211.71/t
Molybdenum			300,000/t	44,247.79/t	256,410.26/t	37,818.62/t
Gold	200/g	917.51/oz	166/g	761.53/oz	166/g	761.53/oz
Silver	3,500/kg	16.06/oz	2,712.5/kg	12.44/oz	2,318.38/kg	10.64/oz
Lead			12,500/t	1,843.66/t	10,683.76/t	1,575.78/t

Note: (1) VAT is 17% for all metals except gold; gold sales are not subject to VAT.

Under the base case analysis, revenue from metal sales amounts to between $200 million to $300 million per year once full phase 2 production is achieved, with after tax cash flow amounting to approximately $100 million per year for most years, and with negative after tax cash flow recorded in 2010 when substantial capital programs are contemplated.

BD adopted a discount rate of 9% for the net present value calculation. Based on these assumptions, BD calculated the after tax net present value of the discounted cash flow at $777.2 million. Payback of capital costs was estimated at 5.2 years starting from January 1, 2010.

Sensitivity analyses indicate that the NPV of the Jiama Project is very sensitive to variations in the metal prices and processing metal recoveries, moderately sensitive to variations in operating costs, and less sensitive to variations in capital costs.

Hornfels-type Resource Estimate

In addition to the skarn-type resource and reserve estimates reported above, B D Asia conducted an analysis of a large, lower grade hornfels-type copper-polymetallic deposit located above the skarn-type deposit at the Jiama property. Results of geological modeling show that the hornfels-type mineralization is likely to consist of a large, massive mineralized body over 1,500 m long, up to 1,000 m wide and up to 820 m thick. In general, the upper portion of the mineralized body is copper rich, and the lower portion of the body is molybdenum rich. A total of 3,434 assay intervals with a total length of 6,017 m are located inside the defined hornfels-type mineralized envelopes for the Jiama Project. Therefore, the average assay interval length inside the hornfels-type mineralized envelopes is 1.75 m.

BD estimated hornfels-type inferred resources of 655 million tonnes with average grades of 0.23% Cu, 0.045% Mo, 0.02 g/t Au and 1.17g/t Ag and contained metal of 1,500,000 tonnes of Cu, 290,000 tonnes of Mo, 13 tonnes of Au and 770 tonnes of Ag. The cutoff grades used are 0.3% copper, or 0.03% molybdenum, or 1% lead, or 1% zinc. The resource estimate was identified by BD as being at an early stage, and the Company cautions that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Assay Results from New Diamond Drill Holes

On September 28, 2010, the assay results from 28 new diamond drill holes were released. These assay results and other completed or undergoing drilling holes confirm the skarn-type copper polymetallic zone at the Jiama Project which continues for 3,000-metres along strike and 2,000-metres along dip, while the overlying hornfels-type copper polymetallic mineralized body reaches over 1,000-metres along strike and 800-metres along dip. Both zones remain open along strike and dip. Scientific and technical information included in the news release on the assay results is filed on SEDAR at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

We operate in a capital intensive industry. Our liquidity requirements arose principally from the need for working capital to finance development of our mining and processing operations, exploration activities and acquisition of exploration and mining rights. Our principal sources of funds have been proceeds from the issuance of promissory notes, borrowing from PRC Commercial banks and China National Gold, equity financings, and cash generated from operations. Our liquidity will primarily depend on our ability to generate cash flow from operations and obtain external financing to meet our debt obligations as they become due as well as our future operating and capital expenditure requirements.

At September 30, 2010, the Company had an accumulated deficit of $51,769,049 and working capital of $21,065,704. China Gold International's cash balance at September 30, 2010 was $27.1 million. The Company's last promissory note, Note C, for CDN$7.5 million was extended from June 26, 2010 to June 26, 2011. The first principal installment of $1.5 million, on the Company's RMB 290 million term loan from the Agricultural Bank of China ("ABC") was paid in September 2010. Quarterly interest on Promissory Note C of CDN$225,000 per quarter totaling CDN$900,000 for the year was due and paid September 30, 2010. Monthly interest payments of approximately $175,000 were paid monthly on the ABC loan for an approximate total of $1,575,000 for the year. Finally, quarterly interest payments of $0.6 million have been paid quarterly on the $40.0 million CNG term loan.

Management believes that its forecasted operating cash flows from the CSH Mine are sufficient to cover the next twelve months of CSH mine operations factoring in its planned capital expenditures and current debt repayments. Revenue and related expenses should increase as production increases. Some of the proceeds from the Hong Kong IPO will be used to repay the existing loan and promissory note owing to CNG.

Proceeds from the Hong Kong IPO will also be used to fund the increase in capital expenditures planned for Phase 2 of Jiama's development plan.

Cash flows

The following table sets out selected cash flow data from our consolidated cash flow statements for the three and nine months ended September 30, 2010 and 2009:

		Three month periods ended September 30,		Nine month periods ended September 30,	
	Notes	2010	2009	2010	2009
Net cash flows from operating activities		**21,685,553**	20,963,441	**7,430,135**	28,798,280
Net cash flows used in investing activities		**(9,479,527)**	(16,906,514)	**(7,997,192)**	(38,461,606)
Net cash flows (used in) from financing activities		**(1,237,260)**	7,110,109	**3,661,364**	16,005,759
Effect of foreign exchange rate changes on cash and cash equivalents		**(200,002)**	(20,979)	**21,049**	(25,326)
Net increase in cash and cash equivalents		**10,768,764**	11,146,057	**3,115,356**	6,317,107
Cash and cash equivalents, beginning of period		**16,331,252**	7,313,789	**23,984,660**	12,142,739
Cash and cash equivalents, end of period		**27,100,016**	18,459,846	**27,100,016**	18,459,846

For the three and nine months ended September 30, 2010

Operating cash flow

For the three months ended September 30, 2010, net cash from operating activities was $21.7 million, which was primarily attributable to net income of $19.4 million with (i) an increase in accounts payable and accrued liabilities of $9.2 million, (ii) the add back of depreciation and depletion of $2.7 million, (iii) finance costs of $1.4 million partially offset by (i) a decrease in accounts receivable of $4.1 million, and (ii) income taxes paid of $5.5 million.

For the nine months ended September 30, 2010, net cash from operating activities was $7.4 million, which was primarily attributable to net income of $25.1 million, with (i) the add back of depreciation and depletion of $6.6 million, (ii) fair value change on warrant liabilities of $7.2 million, (iii) finance costs of $3.7 million partially offset by (i) a decrease in inventory of $16.1 million, (ii) income tax paid of $7.9 million, (iii) a decrease in accounts receivable of $4.5 million, and (iv) interest paid of $4.0 million.

Investing cash flow

For the three months ended September 30, 2010, net cash used in investing activities was $9.5 million, which was attributable to (i) purchases of property, plant and equipment of $7.7 million and (ii) restricted cash paid to our joint partner on the pending sale of the Gansu project of $2.1 million partially offset by proceeds from a government subsidy of $0.3 million.

For the nine months ended September 30, 2010, net cash used in investing activities was $8.0 million, which was attributable to (i) purchases of property, plant and equipment of $17.0 million and (ii) restricted cash paid to our joint partner on the pending the sale of the Gansu project of $2.1 million partially offset by (i) restricted deposits received of $10.8 million and (ii) proceeds from a government subsidy of $0.3 million.

Financing cash flow

For the three months ended September 30, 2010, net cash used in financing activities was $1.2 million, which was attributable to the repayment of borrowings of $1.5 million partially offset by the exercise of stock options resulting in the issuance of shares of $0.3 million

For the nine months ended September 30, 2010, net cash from financing activities was $3.7 million, which was attributable to $5.4 million of borrowings repaid on the CDN$4 million balance of Note B in January of this year partially offset by the exercise of warrants and stock options during the period for $9.1 million shares.

SELECTED BALANCE SHEET ITEMS

Accounts receivable primarily represents gold sales in advance of payment, interest receivables, goods and services tax refund from relevant government authorities, listing expense receivable, and other receivables such as employee travel advances. Normally, CNG pays an estimate sale price within two days before delivery. The estimate sale price is calculated on the basis of the estimated weight of gold and silver contained in the gold dore bars we sell. The final sale price is settled when the parties finalize the weight of gold and silver contained in the gold dore bars in accordance with the weighing and sampling procedures specified in the sale agreement.

Accounts receivable increased by $4.5 million from $1.7 million as of December 31, 2009 to $6.2 million as of September 30, 2010, primarily due to an increase in the amount due from a shareholder of $4.4 million and an increase of listing expense receivable of $85,000, based on a cost sharing agreement with the owners of the Jiama property. The amount due from a shareholder relates to the sale of gold to CNG on September 30, in advance of payment, as the gold price was high and the Company did not want to risk a price drop if they waited until after the seven day Chinese National Holiday. The listing expenses include professional expenses incurred for the proposed Hong Kong Stock Exchange listing.

The following table sets forth an aging analysis of our accounts receivable as of the dates indicated:

	September 30, 2010	December 31, 2009
	$	$
GST receivable	**109,791**	65,167
Listing expense receivable	**1,270,251**	1,184,911
Amounts due from shareholder	**4,760,733**	346,437
Other receivables	**68,054**	85,365
Total accounts receivable	**6,208,829**	1,681,880

Our trade receivable turnover days for the nine month period ended September 30, 2010 and for the year ended December 31, 2009 were 15.5 days and nil days respectively. The receivable from CNG at the end of September 30, 2010 arose out of special circumstances outlined above and normally because of the two day advance payment terms, we do not have trade receivables relating to sales of our gold to CNG.

Prepaid expenses and deposits primarily consist of CSH Mine construction deposits paid to third-party contractors, deposits for supplies and services for mining operations at the CSH Mine, deposits for environmental protection, rent deposits for our corporate offices, deposits to suppliers for purchase of spare parts, insurance premium for future periods and resource tax prepaid to relevant PRC government.

As of September 30, 2010 and December 31, 2009, prepaid expenses and deposits were $3.9 million and $1.7 million, respectively. The increase of $2.2 million in prepaid expenses and deposits was primarily due (i) an increase of $1.1 million in deposits for mine supplies and services, (ii) an increase of $391,000 for spare parts, and (iii) an increase in deposits paid for environmental protection of $811,000 offset by (i) a decrease in rent deposits of $228,000, (ii) a decrease in refundable construction deposits of $31,000, and (iii) a decrease of $19,000 of insurance.

Inventory consists of gold-in-process (comprising gold contained in the ore placed on the leach pad and in-circuit material within processing operations), gold dore bars, auxiliary materials and spare parts.

Costs capitalized and included in mineral assets were mine operating costs netted off against proceeds received from sales of products prior to the commencement of commercial production on July 1, 2008. Costs of $20.4 million that were capitalized and included in mineral assets (as part of property, plant and equipment) upon commencement of commercial production in July were reclassified as and transferred to inventory.

Our inventory increased from $29.0 million as of December 31, 2009 to $45.1 million as of September 30, 2010. The extremely harsh winter slowed the leaching process down resulting in lower than normal recovery rates in the first quarter but warmed up in the second quarter. We increased the recovery rate used from 38.6% in the first quarter back to 43.0% in the second quarter. Approximately 10.2 million tonnes of ore was mined and placed on the leach pad in the first nine month period of 2010, up from 6.7 million tonnes in the same nine month period ended September 30, 2009. With the Crusher in place, the ore was crushed to a size smaller than 9 millimeters which is much smaller than the uncrushed ore place in the same period to September 2009. Inventory turnover days for the nine months ended September 30, 2010 and for the year ended December 31, 2009 were 295.4 days and 188.5 days, respectively. These inventory turnover periods were primarily attributable to the amount of gold-in-process we had which was in turn primarily attributable to the nature of the heap leaching method we use at the CSH Mine. It generally requires a significant period of time (several years) from the time when ore is placed on leach pads to the time when gold is poured. A five year leaching kinetics has been developed by KD Engineering.

As of September 30, 2010 and December 31 2009, inventory primarily consists of gold-in-process.

Accounts payable and accrued expenses primarily consists of amounts outstanding for trade purchases relating to gold production activities (such as purchases of auxiliary materials) and construction activities and fees payables to third-party contractors.

Accounts payable and accrued expenses increased from $35.1 million as of December 31, 2009 to $44.4 million as of September 30, 2010.

	September 30, 2010	December 31, 2009
	$	$
Less than 1 month	**31,423,381**	24,526,308
1 to 3 months	**1,707,158**	1,444,774
3 to 6 months	**3,945,089**	2,525,308
Over 6 months	**7,342,013**	6,576,214
Total	**44,417,640**	35,072,604

The accounts payable turnover days for the nine months ended September 30, 2010 and the year ended December 31, 2009 are calculated based on accounts payable and accrued expenses as of the period end divided by the cost of sales for the period The accounts payable turnover days for the nine months ended September 30, 2010 and the year ended December 31, 2009 was 290.8 days and 227.9 days. The accounts payable turnover days were relatively long primarily attributable to third-party mining contractors at the CSH mine, third-party vendors providing listing services due at designated milestones as outlined by their contracts, and the payable of the sale proceeds of Dadiangou project.

Warrant liabilities represented the fair value of the warrants that were outstanding as of the end of each reporting period. Warrants were granted primarily in connection with the promissory notes issued in December 2006 and June 2007, respectively, and a private placement of common shares in August 2006. For further information on the promissory notes, the private placement of common shares in August 2006 and the warrants granted in relation thereto, see note 18 of the annual audited consolidated financial statements.

Total warrant liabilities decreased from $5.3 million as of December 31, 2009 to $nil as of September 30, 2010, primarily attributable to the fact that all the warrant liabilities have been exercised.

Environmental rehabilitation primarily represents reclamation and closure costs relating to our operations at the CSH Mine. We have estimated reclamation and closure costs based on our interpretation of current regulatory requirements and the recorded amount is the net present value of estimated future cash expenditures on reclamation and closure in connection with the areas estimated to be disturbed. Reclamation and closure costs were capitalized as mine development costs (under mineral assets as part of property, plant and equipment) since the commencement of pre-commercial production and depreciated over the life of the mine on a unit-of-production basis. At the same time, we started to recognize environmental rehabilitation liabilities since the commencement of pre-commercial production with the same amount of net present value of estimated future cash expenditures on reclamation and closure and accrete the balance of the environmental rehabilitation liabilities for each reporting period through to 2030. Such accretion is recorded as part of the finance costs.

The environmental rehabilitation was calculated as the net present value of estimated future net cash outflows of the reclamation and closure costs in a total amount of approximately $9.7 million and $9.5 million discounted at 9.9% and 10.0% as of September 30, 2010 and December 31, 2009, respectively. The accretion incurred in connection with the environment rehabilitation represented interest expense calculated based on the foregoing discount rates and therefore it was recorded as part of the finance costs. Our environmental rehabilitation liabilities increased from $1.6 million as of December 31, 2009 to $1.8 million as of September 30, 2010, primarily attributable to accretion.

We had **net current assets** of $21.1 million as of September 30, 2010 and net current liabilities of $9.5 million as of December 31, 2009, respectively.

RELATED PARTY TRANSACTIONS

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

	September 30, 2010	December 31, 2009
	%	%
CNG	**39.25**	40.30

The breakdown of the sales transactions of CNG is as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
	$	$	$	$
Gold sales	**45,460,925**	21,048,168	**79,966,718**	47,038,521
Silver sales (netted in cost of sales)	—	—	**401,759**	135,058

The Group incurred the following interest expense with CNG. Interest expense has been recorded on the effective interest method. The interest relates to the term loan and the promissory note extension. Please refer to the following section on "Indebtedness" for more information.

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
	$	$	$	$
Interest	**831,736**	177,862	**2,316,466**	185,877

During the year ended December 31, 2009, the Group entered into a letter of intent with Zhongjin Gold Corporation Limited, a subsidiary of CNG to dispose of its entire interest in Gansu Pacific, the subsidiary that holds Dadiangou project. In May, an agreement was signed. The transaction has not yet been completed.

The assets of the Group include the following amounts due from related parties:

	September 30, 2010	December 31, 2009
	$	$
Assets		
Restricted cash received from CNG's subsidiary from sales of Dadiangou Gold Project	**8,687,838**	—
Amount receivable from CNG	**4,760,733**	346,437
Listing expense receivable from CNG's subsidiary	**1,270,251**	1,184,911
Prepaid expenses to CNG's subsidiary	**—**	283,451
Total related party assets	**14,718,822**	1,814,799

The accounts receivable from CNG arose from sales of gold to CNG. There is no credit period.

Listing expense receivable is from Skyland Mining Limited ("Skyland"), CNG's subsidiary and accounts receivable from CNG are included in accounts receivable and prepaid expenses to CNG's subsidiary are included in prepaid expenses and deposits in the condensed consolidated statement of financial position.

The liabilities of the Group include the following amounts due to related parties:

	September 30, 2010	December 31, 2009
	$	$
Liabilities		
Accounts payable to CNG's subsidiaries	**15,298**	109,391
Interest payable to CNG	**—**	166,667
Other payable to CNG's subsidiary for deposit from sales of Dadiangou Gold Project	**8,687,838**	—
Total related party liabilities	**8,703,136**	276,058

Key management personnel

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
	$	$	$	$
Salary cost				
Salaries and other benefits	**165,568**	209,666	**443,607**	553,753
Post employment benefits	**1,684**	3,531	**5,840**	14,466
	167,252	213,197	**449,447**	568,219

The salaries and benefits above are a summation of the amounts paid to Management of the Company.

INDEBTEDNESS

Our borrowings are denominated in RMB, US dollars and Canadian dollars. As of September 30, 2010 and December 31, 2009, we had the following outstanding borrowings:

	Effective Interest Rate	Maturity	September 30, 2010	December 31, 2009
	%		$	$
Current				
Current portion of long-term loan — ABC (ii)	5.184	September 9, 2014	**1,495,640**	1,458,619
Notes payable (i)	12.00	June 26, 2011	**7,288,630**	10,633,386
			8,784,270	12,092,005
Non-current				
Long-term loan — ABC (ii)	5.184	September 9, 2014	**40,382,286**	40,841,331
Long-term loan — CNG (ii)	6.00	December 6, 2011	**40,000,000**	40,000,000
			80,382,286	80,841,331
			89,166,556	92,933,336

Our indebtedness comprised the following:

(i) Notes A, B, and C (Notes A and B fully repaid)

On December 14, 2006 and June 26, 2007 private placement offerings were completed of senior unsecured promissory notes in the principal amount of CDN$30.0 million ($25.9 million) (Note

A) and CDN$12.5 million ($18.7 million) (Note B) and CDN$7.5 million (Note C) with interest at 12% per annum payable quarterly along with 6,000,000 and 4,000,000 warrants which entitled the holder to purchase one Share at an exercise price of CDN$1.60 per Share and CDN$2.50 per Share, respectively. We fully repaid Note A on December 14, 2009 and redeemed Note B January 11, 2010 in Canadian dollars. We exercised on early expiry dates for the warrants on March 18, 2010 and April 16, 2010, respectively. Note C, originally due June 26, 2010, was extended to June 26, 2011 under the same terms. The effective interest rate on Notes A and B was 19.5%. The effective interest rate on Note C was originally 17.7%. The effective interest rate on the extension of Note C is now the same as its annual rate of 12% with interest of CDN$225,000 payable quarterly.

(ii) Loan from the Agricultural Bank of China

In September 2009, the CSH CJV received an unsecured bank loan in the principal amount of RMB290.0 million ($42.6 million) from the Agricultural Bank of China. China National Gold provided a guarantee for the loan. The loan is repayable within five years from the date of the first draw-down. The annual interest rate for the term loan is currently 5.184% with interest of approximately $175,000 payable monthly.

(iii) Shareholder's loan from China National Gold

In December 2009, we received an unsecured non-revolving shareholder's loan from China National Gold Hong Kong in the principal amount of $40 million. The loan bears interest (payable on a quarterly basis) at an annual rate of 6% and matures in December 2011. The proceeds of the loan have partially been used to redeem Series A Notes due on December 14, 2009. We used the remaining amount of the proceeds to prepay Series B Notes in their entirety on January 11, 2010. The annual interest rate for the term loan is 6% with interest of $600,000 payable quarterly.

Restrictive covenants

We are subject to various customary conditions and covenants under the terms of our financing agreements. For example, under the indenture for the outstanding Series C Notes held by CNG, we are required to obtain note holder's consents prior to carrying out certain activities and entering into certain transactions, including but not limited to (i) incurring additional debt; (ii) creating additional charges on our assets; (iii) making guarantee in favor of any third party; (iv) dispose of material assets other than to an arm's length third party on arm's length commercial terms; (v) entering into commercial arrangements with any non-arm's length third party unless the arrangements are entered into in good faith and on arm's length commercial terms; (vi) changing the character of our main business; and (v) distributing dividends. We intend to repay the Series C Notes in full on June 26, 2011.

Under the loan agreement between CSH CJV and Agricultural Bank of China, the CSH CJV is prohibited from distributing dividends before repaying amounts due under the loan agreement in the same fiscal year. In addition, the CSH CJV is required to obtain the lender's consent prior to carrying out certain activities or entering into certain transactions such as reduction of registered capital, disposal of assets, mergers and acquisitions and provision of guaranty or creating charges over its material assets in favor of third-parties.

COMMITMENTS AND CONTINGENCIES

Operating leases

We have leased certain properties in China and Canada. All the leases are under operating lease arrangements and the leases are negotiated for an average term of three to five years. We are generally required to prepay certain amount of rental/ leasing fees under the terms of these leases.

The following table sets forth our material future aggregate minimum operating lease payments under these operating leases:

	September 30, 2010	December 31, 2009
	$	$
Within one year	**97,524**	95,482
Between two and five years	**351,782**	391,307
	449,306	486,789

Capital commitments

Our capital commitments related primarily to payments for purchase of equipment and machinery for the CSH Mine, the payments to Brigade 217, our joint venture partners for the CSH Joint Venture ("JV"), and payments to third-party contractors for provision of mining and exploration engineering work and mine construction work for the CSH Mine. We have entered into contracts that prescribed such capital commitments, but have not included them in our condensed consolidated financial statements.

The following table sets forth our capital commitments in respect of acquisition of property, plant and equipment for the CSH Mine and payments to our joint venture partners as of the dates indicated:

	September 30, 2010	December 31, 2009
	$	$
Capital expenditure in respect of acquisition of property, plant and equipment for the CSH Gold Mine contracted but not provided for	**1,536,356**	10,465,453

In addition to the table set forth above, we entered into service agreements with third-party contractors such as China Railway and China Metallurgical for the provision of mining and exploration engineering work and mine construction work for the CSH Mine. The amount of fees for such work performed and to be performed each year varies depending on the amount of work performed.

The following table details the Company's contractual obligations as of September 30, 2010:

	Payments Due By Year						
	Total	2010	2011	2012	2013	2014	Thereafter
Principal repayment on notes payable	$ 7,288,630	$ —	$ 7,288,630	$ —	$ —	$ —	$ —
Principal repayment on CNG term loan	40,000,000	—	40,000,000	—	—	—	—
Principal repayment on ABC term loan	41,877,926	—	1,494,456	1,494,456	8,966,733	17,933,467	11,988,814
Operating leases (a)	449,306	24,362	97,448	100,058	100,928	100,928	25,582
Capital commitments (b)	1,536,356	1,536,356	—	—	—	—	—
Total	**$91,152,218**	**$1,560,718**	**$48,880,534**	**$1,594,514**	**$9,067,661**	**$18,034,395**	**$12,014,396**

(a) Operating leases are primarily for premises.

(b) Capital commitments relate to contracts signed for the construction of and equipment supply for the leach pad and plant expansion for the CSH Gold Mine.

OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2010, we had not entered into any material off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

We have not paid any dividends since our incorporation. We do not currently have a fixed dividend policy. Our Directors will determine any future dividend policy on the basis of, among others, our results of operations, cash flows and financial conditions, operating and capital requirements, the amount of distributable profits and all other relevant factors.

Subject to the BCBCA, the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and 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.

In addition, we are subject to various customary conditions and covenants under the terms of our financing agreements, including those restricting our ability to declare and distribute dividends. Under the indenture for the outstanding Series C Notes held by China National Gold, we are required to obtain China National Gold's consent prior to distributing dividends. Therefore, prior to the repayment of the promissory notes in full, we will not be able to declare and distribute any dividends without the prior consent of China National Gold. We intend to repay such promissory notes in full.

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 related 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 design of the Company's DC&P and ICFR as of September 30, 2010 and, in accordance with the requirements established under 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 have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's ICFR as of September 30, 2010 and have concluded that these controls and procedures have been designed to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was 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 can provide absolute assurance that all control issues and instances of fraud will be detected. During the nine month period ended September 30, 2010, there were no changes in the Corporation's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As of September 30, 2010, 172,019,459 common shares were issued and outstanding and 975,000 stock purchase options had been granted and were outstanding. All common share purchase warrants have been exercised. On a fully diluted basis, 172,994,459 common shares were outstanding.

As of November 12, 2010, 172,019,459 common shares were issued and outstanding and 975,000 stock purchase options had been granted and were outstanding. All common share purchase warrants have been exercised. On a fully diluted basis, 172,994,459 common shares were outstanding.

QUALIFIED PERSON

Dr. Qingping Deng, a qualified person as defined by National Instrument 43-101 supervised the preparation of the technical and scientific information relating to both the CSH Gold Mine and the Jiama Mine in this MD&A.

November 12, 2010

The information sets out in this Appendix does not form part of the Accountants' Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I-A to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Unaudited Pro Forma Financial Information of the Enlarged Group" set out in Appendix I-C to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Skyland Acquisition and the Global Offering as if they had been taken place on June 30, 2010 and based on the unaudited pro forma consolidated net assets of the Group as of June 30, 2010 as shown in the Unaudited Pro Forma Financial Information of the Group, the text of which is set out in Appendix I-C to the Prospectus, and adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group after the completion of the Skyland Acquisition and the Global Offering or at any future dates.

	Unaudited pro forma consolidated net tangible assets attributable to owners of the Company as of June 30, 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share(3)
	$	$	$	$
Based on an Offer Price of HK$37.21 per Offer Share	808,260,845	245,766,000	1,054,026,845	2.66
Based on an Offer Price of HK$44.96 per Offer Share	808,260,845	297,481,000	1,105,741,845	2.79

Notes:

(1) The unaudited pro forma consolidated net tangible assets attributable to the owners of the Company as of June 30, 2010 has been extracted from the Appendix I-C to the Prospectus, representing unaudited pro forma consolidated net assets attributable to owners of the Company as at June 30, 2010 of US$851,487,905 after deducting intangible assets of US$43,227,060.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$37.21 and HK$44.96 per Share, being the lower end and higher end of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by the Group as described in the section headed "Underwriting" in the Prospectus (assuming the Over-allotment Option is not exercised). The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into US$ at an exchange rate of HK$1.00 to US$0.13 prevailing on November 10, 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to US$, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived after adjustments referred to in the preceding paragraphs and on the basis of 395,931,753 Shares (representing an aggregate of 172,019,459 Shares in issue as of September 30, 2010, 170,252,294 Shares to be issued for Skyland Acquisition and 53,660,000 Shares to be issued for Global Offering) expected to be in issue immediately after the completion of the Skyland Acquisition and the Global Offering in the future, (assuming the Over-allotment Option is not exercised). During the period from July 1, 2010 to September 30, 2010, 195,000 Shares were issued and the impact on the unaudited pro forma adjusted consolidated net tangible assets per Share is minimal.

(4) By comparing the valuation of the property interests of the Group as set out in Appendix IV to the Prospectus after taking into account a reference value of RMB130,750,000 (equivalent to US$19,568,000) for certain properties without obtaining proper title certificates and the unaudited net book value of these properties as of September 30, 2010, the valuation surplus was approximately US$3,932,000. The valuation surplus of the property interests will not be incorporated in the Group's consolidated financial statements in the future. If the valuation surplus was to be included in the consolidated financial statements, an additional depreciation charge of approximately US$163,800 per annum would be incurred.

B. UNAUDITED PRO FORMA FORECAST BASIC EARNINGS PER SHARE

The following unaudited pro forma forecast basic earnings per Share for the year ending December 31, 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Skyland Acquisition and the Global Offering as if they had taken place on January 1, 2010. This unaudited pro forma forecast basic earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the completion of the Skyland Acquisition and the Global Offering or for any future periods.

Forecast of consolidated profit attributable to owners of the Company for the year ending December 31, 2010[(1)]	not less than US$23,400,000 (equivalent to approximately HK$181,598,040)
Unaudited pro forma forecast basic earnings per Share[(2)]	not less than US$0.10 (equivalent to approximately HK$0.76)

Notes:

(1) The bases on which the forecast of consolidated profit attributable to owners of the Company for the year ending December 31, 2010 has been prepared are set out in "Appendix III — Profit Forecast" to the Prospectus. The Forecast prepared by the Directors of the Company is based on (i) the audited consolidated results for the six months ended June 30, 2010, unaudited consolidated management accounts for the three months ended September 30, 2010 and a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2010 and (ii) a forecast of the results of Skyland Mining Limited and its subsidiaries for the one month ending December 31, 2010.

The forecast of consolidated profit attributable to owners of the Company for the year ending December 31, 2010 should not be used in any way as an indication or forecast of our Group's performance for another period.

(2) The unaudited pro forma forecast basic earnings per Share on a weighted average basis is calculated by dividing the forecast of consolidated profit attributable to owners of the Company for the year ending December 31, 2010 by 239,326,702 shares, assuming that the Global Offering were completed on January 1, 2010 and no outstanding share options of the Company will be exercised during the period from the date of this Prospectus to December 31, 2010.

(3) The unaudited pro forma forecast basic earnings per Share is converted from US$ into Hong Kong dollars at an exchange rate of US$0.13 to HK$1.00 prevailing on November 10, 2010. No representation is made that the US$ amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

C. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

We report on the unaudited pro forma financial information of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed global offering might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated November 17, 2010 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on page II-1 and II-2 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as of June 30, 2010 or any future date.
- the earnings per share of the Group for the year ending December 31, 2010 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
November 17, 2010

PART A

A. Overview

The Directors forecast that on the bases and assumptions set out in this Appendix, and in the absence of unforeseeable circumstances, the forecast of the consolidated profit attributable to owners of the Company for the year ending December 31, 2010 will be not less than US$23.4 million.

B. Bases and Assumptions

The Directors have prepared the forecast consolidated profit attributable to owners of the Company for the year ending December 31, 2010 based on the audited consolidated results of the Group for the six months ended June 30, 2010, unaudited consolidated results for the three months ended September 30, 2010 and a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2010 (the "Forecast Period"). The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as set out in note 4 of "Appendix I-A Accountants' Report" to the Prospectus and the following assumptions.

(a) General assumptions

The Directors have adopted the following general assumptions in the preparation of the profit forecast:

- There will be no material changes in the existing government policies or political, legal, fiscal, market or economic conditions in the PRC or in any other countries or territories in which the Group currently operates or which are otherwise material to the business.
- There will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group's operations.
- The Group's operations will not be adversely affected or interrupted by factors which are beyond the management's control, including but not limited to natural disasters, fire, disease, labour disputes and shortage in supply of water, electricity and gas.
- The Group can substantially maintain its business relationship with all major suppliers and secure a stable supply of water, electricity and other utilities during the Forecast Period.
- The Group will be able to retain its key management and personnel during the Forecast Period.
- The Group is not materially and adversely affected by any of the risk factors set out in the section headed "Risk Factors" of the Prospectus.
- There will be no significant fluctuation in unit price of gold, copper and molybdenum during the Forecast Period.

Further details regarding the data behind these assumptions can be found in the technical reports and description of our business in the Prospectus.

(b) Assumption relating to the acquisition of Skyland

It is assumed that the acquisition of Skyland (the "Skyland Acquisition") will be completed upon the completion of the Global Offering which is expected to be in November 2010. According to the Sale and Purchase Agreement, the Company agreed to acquire 100% equity interests in Skyland and the assumption of shareholders' loans at a consideration of approximately US$742,300,000 (subject to adjustment). The consideration is to be settled by the issue of 170,252,294 shares of the Company at a price of US$4.36 per share (which is based on the share price of the Company on the last trading date immediately before the signing of the Sale and Purchase Agreement). Further details of the Skyland Acquisition are set out in Appendix IX to the Prospectus.

For the purpose of preparing the profit forecast, it is assumed that the purchase consideration is US$742,300,000 which equals to the total fair value of the identifiable assets and liabilities of Skyland and its subsidiaries. The fair value of the purchase consideration will be determined at the market price of the Company's shares on completion date. If the market price of the Company's shares is higher or lower than US$4.36 per share on completion date, it may give rise to goodwill or gain from bargain purchase. An impairment loss on goodwill or a gain from bargain purchase will decrease or increase the consolidated profit of the Group for the year ending December 31, 2010. Likewise, should the fair value of the identifiable assets and liabilities of Skyland and its subsidiaries at completion date differ materially from the value estimated by the Directors of the Company with reference to the fairness opinion issued by Haywood Securities Inc. as mentioned in Appendix IX to the Prospectus, such difference would have the effect of increasing or decreasing the consolidated profit for the year ending December 31, 2010.

While we consider the assumptions upon which the forecast is based are reasonable, changes in the fair value of our share price are dependent on market conditions and factors that are beyond our control at the time we prepared the profit forecast.

C. Sensitivity analysis on average selling price of gold

The following table illustrates the sensitivity of the consolidated profit attributable to owners of the Company for the year ending December 31, 2010 as a result of changes in the average selling price of gold produced from the CSH Mine from October 1, 2010 to December 31, 2010.

% change in average selling price based on US$1,282 per ounce	**-30%**	**-20%**	**-10%**	**+10%**	**+20%**	**+30%**
Impact on consolidated profits attributable to owners of the Company for the year ending December 31, 2010 (US$ million)						
CSH Mine	-6.6	-4.4	-2.2	+2.2	+4.4	+6.6

The sensitivity range has been selected by reference to historical movements in gold prices during the period from January 2009 to July 2010 published by the Shanghai Gold Exchange in China. It is important to note that the increase in gold price from 2009 to 2010 was unusually high due to extremely strong market demand for gold and limited supply. The current range used for the price sensitivity analysis is +/-30% for the period from October 1, 2010 to December 31, 2010. Taking into account the historical volatility of gold prices, the Directors believed this sensitivity analysis is sufficiently broad and it is able to properly capture historical price volatility.

The above illustrations are intended to be for reference only and any variation in gold price could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While the Directors have considered, for the purposes of the profit forecast, what they believe is the best estimate of an average selling price for the period from October 1, 2010 to December 31, 2010, the average selling price as of the relevant time may differ materially from their estimate and are dependent on market conditions and other factors which are beyond their control.

PART B

Set out below is the text of the letter received by the Directors from the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus in connection with the profit forecast.

Deloitte.
德勤

德勤‧關黃陳方會計師行
香港金鐘道 88 號
太古廣場一座 35 樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

November 17, 2010

The Board of Directors
China Gold International Resources Corp. Ltd.
Citigroup Global Markets Asia Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2010 (the "Forecast") attributable to owners of the Company, for which the Directors of the Company are solely responsible, as set out in the prospectus dated November 17, 2010 issued by the Company (the "Prospectus"). The Forecast is prepared based on (i) the audited results of the Group for the six months ended June 30, 2010, the results shown in the unaudited management accounts of the Group for the three months ended September 30, 2010, a forecast of the results of the Group for the remaining three months of the year ending December 31, 2010 and (ii) a forecast of the results of Skyland Mining Limited ("Skyland") and its subsidiaries for the one month ending December 31, 2010.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in part A of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended December 31, 2009 and the six months ended June 30, 2010 as set out in Appendix I-A to the Prospectus.

Without qualifying our opinion above, we draw to your attention that the Directors of the Company have disclosed in the section headed "Profit Forecast" in the Appendix III to the Prospectus that in preparing the Forecast, the Directors have assumed (i) the acquisition of Skyland (the "Skyland Acquisition") will be completed in November 2010, (ii) the purchase consideration of the Skyland Acquisition to be US$742,300,000 (which is estimated based on 170,252,294 shares to be issued and the assumed market price of US$4.36 per share) and (iii) there is no goodwill or gain from bargain purchase resulting from the Skyland Acquisition. The actual fair value of the purchase consideration of the Skyland Acquisition will depend on the market price of the Company's shares on completion date. Should the actual market price of the Company's shares on completion date is higher or lower than US$4.36 per share, it may give rise to goodwill (subject to impairment test) or gain from bargain purchase. An impairment loss on goodwill or a gain from bargain purchase would have the effect of decreasing or increasing the forecast consolidated profit of the Group for the year ending December 31, 2010 attributable to owners of the Company.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PART C

LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, which we have received from Citigroup Global Markets Asia Limited, the Sole Sponsor, in connection with the profit forecast of the consolidated net profit of China Gold International Resources Corp. Ltd.. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") attributable to equity holders of the Company for the year ending 31 December 2010.

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

17 November 2010

The Directors
China Gold International Resources Corp. Ltd

Dear Sirs,

We refer to the forecast consolidated net profit attributable to equity holders of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31 December 2010 (the "Profit Forecast") as set out in the prospectus issued by the Company dated 17 November 2010 (the "Prospectus"). We understand that the Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited results of the Group for the six months ended 30 June 2010, the consolidated results shown in the unaudited financial information of the Group for the three months ended 30 September 2010 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2010. We have discussed with you the bases and assumptions made by the directors of the Company as set out in part A of Appendix III to the Prospectus, to the extent applicable, upon which the Profit Forecast has been made. We have also considered, and relied upon, the letter dated 17 November 2010 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu (the "**Reporting Accountant**") regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by the reporting accountants, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of

Citigroup Global Markets Asia Limited
Richard Zhang
Director
Head of Greater China Metals and Mining

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as of 30 September 2010 of the property interests of the Group and Skyland Group.

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

17 November 2010

The Board of Directors
China Gold International Resources Corp. Ltd.
Suite 1030, One Bentall Centre
505 Burrard Street
Box 31
Vancouver
British Columbia
V7X 1M5
Canada

Dear Sirs,

We refer to your instructions to value the properties in which China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Canada. On 30 August 2010, the Company entered into a Sale and Purchase Agreement with China National Gold Group Hong Kong Limited and Rapid Result Investment Limited to acquire a 100% interest in Skyland Mining Limited ("Skyland"). We are further instructed to value the properties in which Skyland and its subsidiaries (hereinafter together refer to as "Skyland Group") have interests in the PRC. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as of 30 September 2010 (the "date of valuation").

We have categorized the property interests valued into two parts: Part I (Groups I to III) — property interests relating to the Group and Part II (Groups IV to V) — property interests relating to Skyland Group.

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest of property no. 4 in Group I by the direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the properties in Group I (excluding property no. 4) and Group IV and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Groups II, III and V, which are leased by the Group and Skyland Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests in the PRC and have caused searches on the title ownership in respect of the property in Canada if available. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendments. We have relied considerably on the advice given by the Company's PRC legal advisers — Haiwen & Partners, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rate adopted in our valuations is approximately CAD1 = RMB6.478 which was the prevailing exchange rate at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC, extensive property valuation experience in Hong Kong and the United Kingdom, relevant valuation experience in the Asia-Pacific region and certain America countries.

SUMMARY OF VALUES

PART I — PROPERTY INTERESTS RELATING TO THE GROUP

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as of 30 September 2010	Interest attributable to the Group	Capital value attributable to the Group as of 30 September 2010
		RMB		RMB
1.	A parcel of land, 60 buildings and various structures located at Moren Gacha Village Xinhure Sumu Wulate Zhong Banner Bayannur City Inner Mongolia Autonomous Region The PRC	220,640,000	96.5%	212,918,000
2.	9 buildings located at Moren Gacha Village Xinhure Sumu Wulate Zhong Banner Bayannur City Inner Mongolia Autonomous Region The PRC	No commercial value	96.5%	No commercial value
3.	Various structures located at Moren Gacha Village Xinhure Sumu Wulate Zhong Banner Bayannur City Inner Mongolia Autonomous Region The PRC	No commercial value	96.5%	No commercial value
4.	Unit 608 on Level 6 of a 28-storey Wanhao International Building No. 33 Steel & Iron Avenue Kunlun District Baotou City Inner Mongolia Autonomous Region The PRC	No commercial value	96.5%	No commercial value
	Sub-total:	**220,640,000**		**212,918,000**

Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Capital value in existing state as of 30 September 2010	Interest attributable to the Group	Capital value attributable to the Group as of 30 September 2010
		RMB		RMB
5.	A parcel of land located at Moren Gacha Village Xinhure Sumu Wulate Zhong Banner Bayannur City Inner Mongolia Autonomous Region The PRC	No commercial value	96.5%	No commercial value
6.	An office unit on Level 3 Entrance 1, Block 1 National Tax Bureau Community Xianlong Road Chengguan Town Liangdang County Longnan City Gansu Province The PRC	No commercial value	71%	No commercial value
	Sub-total:	**Nil**		**Nil**

Group III — Property interest leased and occupied by the Group in Canada

No.	Property	Capital value in existing state as of 30 September 2010	Interest attributable to the Group	Capital value attributable to the Group as of 30 September 2010
		RMB		RMB
7.	Unit 1030 on Level 10 One Bentall Centre No. 505 Burrard Street Vancouver British Columbia Canada	No commercial value	100%	No commercial value
	Sub-total:	**Nil**		**Nil**
	Grand total of Groups I to III:	**220,640,000**		**212,918,000**

PART II — PROPERTY INTERESTS RELATING TO SKYLAND GROUP

Group IV — Property interests held and occupied by Skyland Group in the PRC

No.	Property	Capital value in existing state as of 30 September 2010	Interest attributable to Skyland Group	Capital value attributable to Skyland Group as of 30 September 2010
		RMB		RMB
8.	A parcel of land, an industrial building and an ancillary structure located at Longda Village Jiama Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	2,126,000	100%	2,126,000
9.	5 parcels of land, 34 buildings and various structures located at Zizirong Village Jiama Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	137,710,000	100%	137,710,000
	Sub-total:	**139,836,000**		**139,836,000**

Group V — Property interests leased and occupied by Skyland Group in the PRC

No.	Property	Capital value in existing state as of 30 September 2010	Interest attributable to Skyland Group	Capital value attributable to Skyland Group as of 30 September 2010
		RMB		RMB
10.	10 parcels of land located at Jiama Town and Zhaxigang Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	No commercial value	100%	No commercial value
11.	Unit 3 on Level 2, Block 3 No. 377 Chadianzi Road Jinniu Avenue Jinniu District Chengdu City Sichuan Province The PRC	No commercial value	100%	No commercial value
12.	Villa 2, Entrance 7 Agriculture Bank Community No. 90 Jinzhu West Road Lhasa City Tibet Autonomous Region The PRC	No commercial value	100%	No commercial value
13.	An office building No. 34 Jinzhu Zhong Road Lhasa City Tibet Autonomous Region The PRC	No commercial value	100%	No commercial value
14	A warehouse located at Longda Village Jiama Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	No commercial value	100%	No commercial value
15.	Nanjing Hotel located at the southern side of National Highway 318 Jiama Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	No commercial value	100%	No commercial value
	Sub-total:	**Nil**		**Nil**
	Grand total of Groups IV to V:	**139,836,000**		**139,836,000**

VALUATION CERTIFICATE

PART I — PROPERTY INTERESTS RELATING TO THE GROUP

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
1.	A parcel of land, 60 buildings and various structures located at Moren Gacha Village Xinhure Sumu Wulate Zhong Banner Bayannur City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 99,535 sq.m. and 60 buildings and various structures erected thereon which were completed in 2007 and 2009. The buildings have a total gross floor area of approximately 38,094.7 sq.m. The buildings mainly include an office building, industrial buildings, transfer stations and dormitories. The structures mainly include fences and roads. The land use rights of the property have been granted for a term with the expiry date on 20 June 2056 for industrial use.	The property is currently occupied by the Group for production, ancillary facilities and office purposes.	220,640,000 96.5% interest attributable to the Group: RMB 212,980,000

Notes:

(1) Pursuant to a State-owned Land Use Rights Certificate — Wu Zhong Guo Yong (2010) Di No. 20100267, the land use rights of a parcel of land with a site area of approximately 99,535 sq.m. have been granted to Inner Mongolia Pacific Mining Co. Limited ("CSH CJV") for a term with the expiry date on 20 June 2056 for industrial use.

(2) Pursuant to 3 Building Ownership Certificates — Fang Quan Zheng Zi Di Nos. 200900401, 200900403 and 20090402, 60 buildings with a total gross floor area of approximately 38,094.7 sq.m. are owned by CSH CJV.

(3) As advised by the Group, Pacific PGM (Barbados) Inc., a wholly-owned subsidiary of the Company, holds 96.5% interest in CSH CJV.

(4) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. CSH CJV has legally obtained the land use rights of the property and has the rights to use, occupy, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term stipulated in the State-owned Land Use Rights Certificate legally;

b. CSH CJV has legally obtained the building ownership certificates of the buildings and has the rights to use, occupy, transfer, lease, mortgage or otherwise dispose of these buildings in accordance with the PRC laws; and

c. The property is not subject to security interest, mortgage, expropriation, lawsuit, dispute or circumstance of any other material adverse effect on it.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010 RMB
2.	9 buildings located at Moren Gacha Village Xinhure Sumu Wulate Zhong Banner Bayannur City Inner Mongolia Autonomous Region The PRC	The property comprises 9 buildings completed in 1990. The buildings have a total gross floor area of approximately 1,769.12 sq.m. The buildings include 2 storages, a boiler room, 4 dormitories and 2 office buildings.	The property is currently vacant.	No commercial value

Notes:

(1) Pursuant to a Building Ownership Certificate — Fang Quan Zheng Zi Di No. 145, 9 buildings with a total gross floor area of approximately 1,769.12 sq.m. are owned by Ningxia Pacific Mining Co., Limited, the former name of Inner Mongolia Pacific Mining Co. Limited ("CSH CJV").

(2) We have not been provided with any title certificates relating to the land on which the property is erected.

(3) As advised by the Group, Pacific PGM (Barbados) Inc., a wholly-owned subsidiary of the Company, holds 96.5% interest in CSH CJV.

(4) In the valuation of this property, we have attributed no commercial value to the property which is erected on the land without proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as of the date of valuation would be RMB372,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

(5) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. Since CSH CJV have not obtained relevant State-owned Land Use Rights Certificate pertaining to the land on the property is erected, (i) the property may be ordered to be dismantled or seized in accordance with relevant PRC laws; and (ii) CSH CJV may be fined no higher than RMB 30 per sq.m. according to the land area by the relevant local authority; and

b. As advised by CSH CJV, the property has been vacant since June 2007 and CSH CJV currently has no plans to use the property, so it is no material adverse effect on CSH CJV caused by the legal defect of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
3.	Various structures located at Moren Gacha Village Xinhure Sumu Wulate Zhong Banner Bayannur City Inner Mongolia Autonomous Region The PRC	The structures mainly include road, wells, weirs & water pipeline. The property is erected a parcel of land with a site area of approximately 909,958 sq.m., the details of which please refer to note 1.	The property is currently occupied by the Group for ancillary facilities purpose.	No commercial value

Notes:

(1) Pursuant to a Grassland Use Right Lease Agreement dated 10 November 2005 entered into among Inner Mongolia Pacific Mining Co. Limited ("CSH CJV"), as Leasee, Moren Gacha, Xinhure Sumu, Wulate Central Banner, Inner Mongolia Autonomous Region (an independent third party), as Leasor, and the People's Government of Wulate Central Banner, Inner Mongolia Autonomous Region (an independent third party), as Endorser, a parcel of land with a site area of approximately 18,392 mu (12,261,395 sq.m.) (the "Land") is leased to CSH CJV for a term of 20 years expiring on 9 November 2025 for mining and ancillary production and living facilities or other business activities uses at a total rent of RMB4,600,000.

As advised by CSH CJV, (a) a State-owned Land Use Rights Certificate pertaining to a portion of the Land with a site area of approximately 99,535 sq.m. has been obtained and is set out in property no. 1; (b) the property is erected on the portion of the Land with a site area of approximately 909,958 sq.m.; and (c) the remaining portion of the Land with a total site area of approximately 11,251,902 sq.m. has not been occupied by CSH CJV and no buildings or structures are erected thereon.

(2) As advised by the Group, Pacific PGM (Barbados) Inc., a wholly-owned subsidiary of the Company, holds 96.5% interest in CSH CJV.

(3) In the valuation of this property, we have attributed no commercial value to the property which is erected on the leased land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the property (excluding the land element) as of the date of valuation would be RMB129,908,000 assuming all relevant title certificates have been obtained and it could be freely transferred.

(4) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. Pursuant to a Short-term Land Use and Re-cultivation Agreement dated 28 October 2009 entered into between CSH CJV and Wulate Central County Substation, Bayannur City Bureau of State-owned Land and Resources, CSH CJV has obtained the short-term land use rights of a portion of the Land with a site area of approximately 1,364.93 mu (909,958 sq.m.) for a term of 2 years and is entitled to use such portion in accordance with valid term, conditions and usage stipulated in the Short-term Land Use and Re-cultivation Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
4.	Unit 608 on Level 6 of a 28-storey Wanhao International Building No. 33 Steel & Iron Avenue Kunlun District Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises an office unit on Level 6 of a 28-storey office building completed in 2008. The unit has a gross floor area of approximately 75.62 sq.m.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

(1) Pursuant to a Baotou Commodity Property Sale & Purchase Contract — No. 2007-8002469 dated 25 September 2009 entered into between CSH CJV and Baotou Hongfa Real Estate Development Co., Ltd., a unit with a gross floor area of approximately 75.62 sq.m. was contracted to be sold to Inner Mongolia Pacific Mining Co. Limited ("CSH CJV") at a consideration of RMB437,083.60.

(2) We have not been provided with any title certificate of the property.

(3) As advised by the Group, Pacific PGM (Barbados) Inc., a wholly-owned subsidiary of the Company, holds 96.5% interest in CSH CJV.

(4) In the valuation of this property, we have attributed no commercial value to it without any proper title certificate. However, for reference purpose, we are of the opinion that the capital value of it as of the date of valuation would be RMB470,000 assuming all relevant title certificates have been obtained and it could be freely transferred.

(5) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. If CSH CJV follows the required legal procedures in applying for the state-owned land use rights certificate and building ownership certificate of the property, there shall be no material legal impediment for CSH CJV to obtain those certificates; and

b. CSH CJV will be entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the property upon obtaining relevant State-owned Land Use Rights Certificate and Building Ownership Certificate.

VALUATION CERTIFICATE

Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010 RMB
5.	A parcel of land located at Moren Gacha Village Xinhure Sumu Wulate Zhong Banner Bayannur City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of leased land with a site area of approximately 12,261,395 sq.m. The property is leased to Inner Mongolia Pacific Mining Co. Limited ("CSH CJV") from an independent third party for a term of 20 years expiring on 10 November 2025 at a total rent of RMB4,600,000.	The property is currently occupied by the Group for production purpose except for a portion of the property with a site area of approximately 11,251,902 sq.m. which is vacant.	No commercial value

Notes:

(1) Pursuant to a Grassland Use Right Lease Agreement dated 10 November 2005 entered into among Inner Mongolia Pacific Mining Co. Limited ("CSH CJV"), as Leasee, Moren Gacha, Xinhure Sumu, Wulate Central Banner, Inner Mongolia Autonomous Region (an independent third party), as Leasor, and the People's Government of Wulate Central Banner, Inner Mongolia Autonomous Region (an independent third party), as Endorser, a parcel of land with a site area of approximately 18,392 mu (12,261,395 sq.m.) (the "Land") is leased to CSH CJV for a term of 20 years expiring on 9 November 2025 for mining and ancillary production and living facilities or other business activities uses at a total rent of RMB4,600,000.

As advised by CSH CJV, (a) a State-owned Land Use Rights Certificate pertaining to a portion of the Land with a site area of approximately 99,535 sq.m. has been obtained and is set out in property no. 1; (b) property no.3 is erected on a portion of the Land with a site area of approximately 909,958 sq.m.; (c) the remaining portion with a site area of approximately 11,251,902 sq.m. has not been occupied by CSH CJV and no buildings or structures are erected thereon; and (d) the property consists of the portion on which property no. 3 is located and the vacant portion together having a total site area of approximately 12,261,395 sq.m.

(2) As advised by the Group, Pacific PGM (Barbados) Inc., a wholly-owned subsidiary of the Company, holds 96.5% interest in CSH CJV.

(3) We have been provided with a legal opinion on the legality of the Lease Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. Pursuant to a Short-term Land Use and Re-cultivation Agreement dated 28 October 2009 entered into between CSH CJV and Wulate Central County Substation, Bayannur City Bureau of State-owned Land and Resources, CSH CJV has obtained the short-term land use rights of a portion of the Land with a site area of approximately 1,364.93 mu (909,958 sq.m.) for a term of 2 years and is entitled to use the such portion in accordance with valid term, conditions and usage stipulated in the Short-term Land Use and Re-cultivation Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
6.	An office unit on Level 3, Entrance 1 Block 1, National Tax Bureau Community Xianlong Road Chengguan Town Liangdang County Longnan City Gansu Province The PRC	The property comprises a unit on Level 3 of a 6-storey building completed in about 2006. The property has a lettable area of approximately 146 sq.m. The property is leased to Gansu Pacific Mining Company Limited from an independent third party for a term expiring on 31 December 2010 at a monthly rent of RMB600, exclusive of water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

(1) Pursuant to a Lease Agreement, the property is leased to Gansu Pacific Mining Company Limited ("Dadiangou CJV") from an independent third party (the "Lessor") for a term expiring on 31 December 2010 at a monthly rent of RMB600, exclusive of water and electricity charges.

(2) As advised by the Group, Gansu Mining Company (Barbados) Limited, a wholly-owned subsidiary of the Company, holds 71% interest in Dadiangou CJV.

(3) We have been provided with a legal opinion on the legality of the Lease Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. It is uncertain whether the Lease Agreement is legal and valid or Dadiangou CJV's rights under the Lease Agreement could be protected by relevant PRC laws; and

   b. Pursuant to an Undertaking Letter issued by the Lessor, the Lessor has undertaken to indemnify Dadiangou CJV against any losses and potential income suffered from the absence of title certificate.

VALUATION CERTIFICATE

Group III — Property interest leased and occupied by the Group in Canada

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
7.	Unit 1030 on Level 10 One Bentall Centre No. 505 Burrard Street Vancouver British Columbia Canada	The property comprises a unit on Level 10 of a 20-storey office building completed in about 1967. The unit has a lettable area of approximately 333 sq.m. The property is leased to the Company from an independent third party for a term of 5 years and 7 months expiring on 31 March 2015. The monthly rent is CAD100,352 from 1 September 2009 to 31 March 2012 and CAD139,776 from 1 April 2012 to 31 March 2015, exclusive of rates, management fees, water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

(1) The registered owner of the property is BTC Properties II Co., Inc.

(2) Pursuant to a Lease Agreement entered into between BTC Properties II Ltd., 670763 British Columbia Ltd. and the Great -West Life Assurance Company, 3 independent third parties, the property is leased to 670763 British Columbia Ltd. from BTC Properties II Ltd. and the Great -West Life Assurance Company for a term of 6 years expiring on 31 March 2015.

(3) Pursuant to a Lease Agreement entered into between the Company and 670763 British Columbia Ltd. and an Assignment and Assumption Agreement entered into between the Company, 670763 British Columbia Ltd., BTC Properties II Ltd., the Great -West Life Assurance Company and Barclay Street Real Estate Ltd., 4 independent third parties, the property is sub-leased to the Company for a term of 5 years and 7 months expiring on 31 March 2015. The monthly rent is CAD100,352 from 1 September 2009 to 31 March 2012 and CAD139,776 from 1 April 2012 to 31 March 2015, exclusive of rates, management fees, water and electricity charges for office use.

VALUATION CERTIFICATE

PART II — PROPERTY INTERESTS RELATING TO SKYLAND GROUP

Group IV — Property interests held and occupied by Skyland Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
8.	A parcel of land, an industrial building and an ancillary structure located at Longda Village Jiama Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 33,333.5 sq.m. and an industrial building and an ancillary structure erected thereon which were completed in about 2008. The building has a gross floor area of approximately 1,096.82 sq.m. The structure includes boundary fences. The land use rights of the property have been granted for a term expiring on 30 May 2047 for industrial use.	The property is currently occupied by Skyland Group for temporary storage purpose.	2,126,000 100% interest attributable to Skyland Group: RMB 2,126,000

Notes:

(1) Pursuant to a State-owned Land Use Rights Certificate — Mo Guo Tu Guo Yong (2009) Di No. 081244, the land use rights of a parcel of land with a site area of approximately 33,333.5 sq.m. have been granted to Huatailong Mining Development Co., Ltd. ("Huatailong") for a term expiring on 30 May 2047 for industrial use.

(2) As advised by the Group, Huatailong is an indirectly wholly-owned subsidiary of Skyland.

(3) We have not been provided with any title certificate of the building.

(4) In the valuation of this property, we have attributed no commercial value to the building without Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land element) as of the date of valuation would be RMB1,478,000 assuming all relevant title certificates have been obtained and it could be freely transferred.

(5) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. Huatailong has legally obtained the land use rights of the property and has the rights to use, occupy, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term stipulated in the State-owned Land Use Rights Certificate;

b. As advised by Huatailong, the building is not essential for production and operation and will be dismantled; and

c. The land use rights are not subject to security interest, mortgage, expropriation, lawsuit, dispute or circumstance of any other material adverse effect on it.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
9.	5 parcels of land, 34 buildings and various structures located at Zizirong Village Jiama Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	The property comprises 5 parcels of land with a total site area of approximately 484,658.2 sq.m. and 34 industrial buildings with a total gross floor area of approximately 44,177 sq.m. erected thereon which were completed in 2006 and 2009. The structures mainly include fences, roads and pools. The land use rights of the property have been granted for terms with the expiry dates between 15 September 2059 and 13 November 2059 for industrial use.	The property is occupied by Skyland Group for production use.	137,710,000 100% interest attributable to Skyland Group: RMB 137,710,000

Notes:

(1) Pursuant to 4 State-owned Land Use Rights Grant Contracts — GF-2009-Nos. 461, 462, 463 and 464 dated 15 September 2009 entered into between the State-owned Land and Resources of Mozhugongka County and Huatailong Mining Development Co., Ltd. ("Huatailong"), the land use rights of 4 parcels of land with a total site area of approximately 29,855.9 sq.m. were contracted to be granted to Huatailong for terms of 50 years expiring on 15 September 2059 for industrial use. The total land premium was RMB1,791,354.

(2) Pursuant to a State-owned Land Use Rights Grant Contract — GF-No. 465 dated 13 November 2009 entered into between the State-owned Land and Resources of Mozhugongka County and Huatailong, the land use rights of a parcel of land approximately 454,802.3 sq.m. were contracted to be granted to Huatailong for a term of 50 years expiring on 13 November 2059 for industrial use. The land premium was RMB23,194,800.

(3) Pursuant to 5 State-owned Land Use Rights Certificates — Mo Zhu Guo Yong 2009 Di Nos. 081233 to 081236 and 081243, the land use rights of the 5 parcels of land mentioned in notes (1) and (2) with a total site area of approximately 484,658.2 sq.m. have been granted to Huatailong for terms with the expiry dates between 15 September 2059 and 13 November 2059 for industrial use.

(4) As advised by the Group, Huatailong is an indirectly wholly-owned subsidiary of Skyland.

(5) Pursuant to a Construction Work Planning Permit — No. 2009007 in favour of Huatailong, 35 buildings with a total gross floor area of approximately 41,646.37 sq.m. have been approved for construction. As confirmed by Huatailong, 2 of the 35 buildings with a total gross floor area of approximately 469.37 sq.m. have not commenced to be constructed as of the date of valuation.

(6) Pursuant to a Construction Work Commencement Permit — No. 2009011 in favour of Huatailong, permission by relevant local authority was given to commence the construction work of the 35 buildings mentioned in note 5.

(7) We have not been provided with any title certificates relating to the remaining one building with a gross floor area of approximately 3,000 sq.m.

(8) In the valuation of this property, we have attributed no commercial value to the 34 buildings without any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding the land element) as of the date of valuation would be RMB163,128,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

(9) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. Huatailong has legally obtained the land use rights of the property and has the rights to use, occupy, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates;

b. As advised by Huatailong, the building mentioned in note (7) is not essential for production and will be dismantled;

c. For the 33 newly completed buildings with a total gross floor area of approximately 41,177 sq.m., Huatailong has obtained all requisite construction permits, and there shall be no material legal impediment to obtain relevant Building Ownership Certificates on condition that these buildings have passed the completion and acceptance inspection and Huatailong can follow the required legal procedures in applying for title registration;

d. Huatailong will be entitled to legally occupy, use, transfer, lease and mortgage the 33 newly completed buildings of the property upon obtaining relevant Building Ownership Certificates; and

e. The property is not subject to security interest, mortgage, expropriation, lawsuit, dispute or circumstance of any other material adverse effect on it.

VALUATION CERTIFICATE

Group V — Property interests leased and occupied by Skyland Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
10.	10 parcels of land located at Jiama Town and Zhaxigang Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	The property comprises 10 parcels of land with a total site area of approximately 2,091,820.22 sq.m. The property is leased to Huatailong Mining Development Co., Ltd. ("Huatailong") from 4 independent third parties for various terms with the expiry dates between 7 November 2010 and 9 December 2028 at a total annual rent of RMB1,908,081.60.	The property is currently occupied by Skyland Group for ancillary production purpose.	No commercial value

Notes:

(1) Pursuant to 10 Land Lease Agreements entered into between Huatailong and 4 independent third parties, 10 parcels of land with a total site area of approximately 2,091,820.22 sq.m. are leased to Huatailong for various terms with the expiry dates between 7 November 2010 and 9 December 2028 at a total annual rent of RMB1,908,081.60.

Location	Usage	Site Area (sq.m.)
Zizirong and Chikang Villages	Mining, roads, silos	474,867.78
Zizirong Village	Mineral dregs depositories	24,066.79
Zhaxigang Town	Roads	165,053.49
Jiama Mining Area	Mining area	1,427,832.16
Total:		**2,091,820.22**

(2) As advised by the Group, Huatailong is an indirectly wholly-owned subsidiary of Skyland.

(3) We have been provided with a legal opinion on the legality of the Land Lease Agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. As advised by the Company, no permanent buildings and structures will be constructed on the property. Huatailong has obtained the relevant Short-term Land Use Rights Approvals issued by Mozhugongka County Planning Bureau of State-owned Land and Resources. It is legal for Huatailong to use the 10 parcels of land for a term of 2 years according to the terms, conditions and the usages stipulated in the Approvals of the Short-term Land Use Rights. Also, Huatailong can apply for extending the use term of land one month before the expiry date of relevant Short-term Land Use Rights Approvals on the condition of compliance with relevant PRC laws.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010
				RMB
11.	Unit 3 on Level 2 Block 3 No. 377 Chadianzi Road Jinniu Avenue Jinniu District Chengdu City Sichuan Province The PRC	The property comprises a unit on Level 2 of a 7-storey building completed in about 2006. The property has a lettable area of approximately 216.39 sq.m. The property is leased to Huatailong Mining Development Co., Ltd. ("Huatailong") from an independent third party for a term of 2 years expiring on 7 January 2011 at an annual rent of RMB42,000, exclusive of water and electricity charges.	The property is currently occupied by Skyland Group for office purpose.	No commercial value

Notes:

(1) Pursuant to a Lease Agreement, the property is leased to Huatailong from an independent third party for a term of 2 years expiring on 7 January 2011 at an annual rent of RMB42,000, exclusive of water and electricity charges.

(2) As advised by the Group, Huatailong is an indirectly wholly-owned subsidiary of Skyland.

(3) We have been provided with a legal opinion on the legality of the Lease Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. The Lease Agreement is binding on both signing parties and is consistent with the PRC laws; and

b. Huatailong has the rights to use and occupy the property in accordance with the Lease Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010 RMB
12.	Villa 2, Entrance 7 Agriculture Bank Community No. 90 Jinzhu West Road Lhasa City Tibet Autonomous Region The PRC	The property comprises a 2-storey villa completed in about 2003. The property has a lettable area of approximately 195.78 sq.m. The property is leased to Huatailong Mining Development Co., Ltd. ("Huatailong") from an independent third party for a term of one year expiring on 16 November 2010 at an annual rent of RMB24,000, exclusive of management fees, water and electricity charges.	The property is currently occupied by Skyland Group for staff quarters purpose.	No commercial value

Notes:

(1) Pursuant to a Lease Agreement, the property is leased to Huatailong from an independent third party for a term of one year expiring on 16 November 2010 at an annual rent of RMB24,000, exclusive of management fees, water and electricity charges.

(2) As advised by the Group, Huatailong is an indirectly wholly-owned subsidiary of Skyland.

(3) We have been provided with a legal opinion on the legality of the Lease Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. The Lease Agreement is binding on both signing parties and is consistent with the PRC laws; and

b. Huatailong has the rights to use and occupy the property in accordance with the Lease Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010 RMB
13.	An office building No. 34 Jinzhu Zhong Road Lhasa City Tibet Autonomous Region The PRC	The property comprises a 3-storey office building completed in about 1998. The property has a lettable area of approximately 1,200 sq.m. The property is leased to Huatailong Mining Development Co., Ltd. ("Huatailong") from an independent third party for a term of 3 years expiring on 1 January 2011 at an annual rent of RMB330,000, inclusive of management fees, water and electricity charges.	The property is currently occupied by Skyland Group for office and staff quarters purposes.	No commercial value

Notes:

(1) Pursuant to a Lease Agreement, the property is leased to Huatailong from an independent third party (the "Lessor") for a term of 3 years expiring on 1 January 2011 at an annual rent of RMB330,000, inclusive of management fees, water and electricity charges.

(2) As advised by the Group, Huatailong is an indirectly wholly-owned subsidiary of Skyland.

(3) We have been provided with a legal opinion on the legality of the Lease Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. It is uncertain whether the Lease Agreement is legal and valid or Huatailong's rights under the Lease Agreement could be protected by relevant PRC laws; and

b. Pursuant to an Undertaking Letter issued by the Lessor, the Lessor has undertaken to indemnity Huatailong against any losses and potential income suffered from the absence of title certificate.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010 RMB
14.	A warehouse located at Longda Village Jiama Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	The property comprises a warehouse completed in about 2003. The property has a lettable area of approximately 1,378 sq.m. The property is leased to Huatailong Mining Development Co., Ltd. from ("Huatailong") an independent third party for a term expiring on 30 September 2010 at an annual rent of RMB60,000, exclusive of management fees, water and electricity charges. As advised by Huatailong, the lease agreement has expired and terminated.	The property is currently occupied by Skyland Group for ancillary facility purpose.	No commercial value

Notes:

(1) Pursuant to a Lease Agreement, the property is leased to Huatailong from an independent third party (the "Lessor") for a term expiring on 30 September 2010 at an annual rent of RMB60,000, exclusive of management fees, water and electricity charges. As advised by Huatailong, the Lease Agreement has terminated after the expiry date of 30 September 2010.

(2) As advised by the Group, Huatailong is an indirectly wholly-owned subsidiary of Skyland.

(3) We have been provided with a legal opinion on the legality of the Lease Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. It is uncertain whether the Lease Agreement is legal and valid or Huatailong's rights under the Lease Agreement could be protected by relevant PRC laws; and

b. Pursuant to an Undertaking Letter issued by the Lessor, the Lessor has undertaken to indemnity Huatailong against any losses and potential income suffered from the absence of title certificate.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of 30 September 2010 RMB
15.	Nanjing Hotel located at the southern side of National Highway 318 Jiama Town Mozhugongka County Lhasa City Tibet Autonomous Region The PRC	The property comprises a 2-storey hotel completed in about 2000. The property has a lettable area of approximately 800 sq.m. The property is leased to Huatailong Mining Development Co., Ltd. ("Huatailong") from an independent third party for a term of 3 years expiring on 1 January 2011 at an annual rent of RMB80,000, exclusive of management fees, water and electricity charges.	The property is currently occupied by Skyland Group for staff quarters purpose.	No commercial value

Notes:

(1) Pursuant to a Lease Agreement, the property is leased to Huatailong from an independent third party (the "Lessor") for a term of 3 years expiring on 1 January 2011 at an annual rent of RMB80,000, exclusive of management fees, water and electricity charges.

(2) As advised by the Group, Huatailong is an indirectly wholly-owned subsidiary of Skyland.

(3) We have been provided with a legal opinion on the legality of the Lease Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. It is uncertain whether the Lease Agreement is legal and valid or Huatailong's rights under the Lease Agreement could be protected by relevant PRC laws; and

b. Pursuant to an Undertaking Letter issued by the Lessor, the Lessor has undertaken to indemnity Huatailong against any losses and potential income suffered from the absence of title certificate.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1.0 SUMMARY

This Independent Technical Report ("ITR") is prepared for China Gold International Resources Corporation Limited ("China Gold International" or the "Company", formerly Jinshan Gold Mines Inc. ("Jinshan")), a Canadian company whose shares are listed on the Toronto Stock Exchange ("TSX"), to support its filings under Canadian securities laws. This ITR covers the operating Changshanhao gold mine (the "CSH Mine") in Inner Mongolia Autonomous Region of the People's Republic of China ("PRC" or "China"), which is currently 96.5%-owned by China Gold International.

This ITR is an update of the ITR with the same title dated March 30, 2010 and filed on www.sedar.com. Resources, reserves and other project information have an effective date of December 31, 2009 for the March 30, 2010 ITR and an effective date of June 30, 2010 for the current updated ITR.

1.1 The CSH Mine

The CSH Mine is currently China Gold International's primary mining asset. It is owned and operated by Inner Mongolia Pacific Mining Company Limited ("IMP", formerly Ningxia Pacific Mining Company Limited), which is a joint venture ("JV") company between China Gold International (96.5%) and the 217 Brigade (3.5%) of Northwest Geology and Exploration Bureau of China National Nuclear Corporation ("CNNC") in Yinchuan, Ningxia Hui Autonomous Region, located west of Inner Mongolia. The CSH Mine is a conventional open-pit mining, heap-leach processing, gold-mining operation, mining a large, bulk-tonnage, low-grade gold deposit. It is currently one of the largest operating gold mines in China in terms of mineral resources considered compliant to the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1999 and revised in 2004 and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards — for Mineral Resources and Mineral Reserves prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on December 11, 2005.

The CSH Mine started mining operation in April 2007. It loaded 7.5 million tonnes ("Mt") of run-of-mine ("ROM", uncrushed) ore with an average gold grade of 0.63 grams per tonne ("g/t") and 2.2 Mt of crushed ore with an average gold grade of 0.60 g/t on the leach pad and produced approximately 2,599 kilograms ("kg") or 83,570 ounces ("oz") of gold in doré bars in 2009. A three-stage crushing plant with a designed production capacity of 30,000 tonnes per day ("tpd") of ore was installed in August 2009, which ramped up to its designed production capacity in March 2010. The mine plans to increase its ore production to 12.00 million tonnes per annum ("Mtpa") of mostly crushed ore with an average gold grade of 0.63 g/t and gold production to approximately 3,604 kg or 116,000 oz in 2010. The CSH Mine produced 2,392 kg or 75,707 oz of gold in doré bars from January to September 2010 with September 2010 month production of 445 kg or 14,307 oz of gold.

The basic infrastructure for the mining operation at the CSH Mine has been well established. Access road conditions are excellent. Power and water supplies to the mining operation and mining camp are sufficient.

1.2 Resource and Reserves

Gold mineralization in the CSH Mine area occurs as numerous sub-parallel, quartz/sulfide veinlets/stringers hosted by a sub-vertical, ductile-brittle shear zone in Proterozoic meta-sediments.

These gold-bearing quartz/sulfide veinlets/stringers form a large near-surface bulk-tonnage, low-grade gold deposit. Gold mineralization at the mine is divided into a Northeast Zone and a Southwest Zone. The two zones are offset by a fault structure.

Surface work and diamond core drilling have defined the mineralized zone over a strike length of 4.8 kilometers ("km") trending east-northeasterly across the CSH Mine area, with drilling to a maximum vertical depth of 375 meters ("m"). Width of the mineralized zone varies, and a maximum width of approximately 300 m was found in the eastern part of the deposit.

The Northeast Zone has a strike of N55°E. It is approximately 1,650-m long along strike and 20-m to over 300-m wide. The Southwest Zone is located 400 m to the southwest of the Northeast Zone and has a strike of N75°E. The zone is approximately 2,250-m long and 40-m to 100-m wide. The two mineralized zones are generally open at depth.

Gold occurs as native gold and/or electrum associated with sulfide minerals in seams and within the quartz vein material. Mineralogical work done by SGS Lakefield in Canada in 2002 on composite weathered (oxide and mixed) and fresh (sulfide) mineralization samples found 77% of the gold was free in the sulfide composite and 100% of the gold was free in the weathered composite. Sulfide minerals are mostly pyrite with some pyrrhotite; trace amounts of arsenopyrite, chalcopyrite, sphalerite, and galena have also been reported.

Alteration related to gold mineralization is generally weak, with only chlorite and silica alterations noticed in the drill logs. The host sediments have been moderately to strongly metamorphosed to phyllite and schist, with abundant sericite. Andalusite crystals up to 3-centimeters ("cm") in length are prominently developed in some of the schists, and andalusite schists host a significant portion of the gold mineralization in both the Northeast Zone and the Southwest Zone.

IMP holds a valid mining license with an area of 10.0892 square kilometers ("km^2") and a mean sea level ("MSL") elevation range from 1,436 m to 1,696 m, covering most of the mineralization in the Northeast Zone and Southwest Zone; it also holds an exploration license with an area of 25.91 km^2 and with no elevation limit for the surrounding area of the mining license. IMP is in the process to apply for an adjustment for the lower elevation limit of the current mining license to the relevant governmental agencies to cover all the defined mineral resources and mineral reserves in the deposit.

Mineral resources of the CSH Mine were estimated by Qualified Person, Mr. Mario Rossi, of Geosystems International Inc. in Delray Beach, Florida, USA, in 2006 and 2008 using the MineSight computer mining software system; these resource estimates were summarized in NI43-101 reports filed on Sedar in Canada. The current mineral resource estimate was also produced by Mr. Rossi using similar procedures and the drill hole database as of the end of 2008, and the estimate was summarized in a February 5, 2010 internal company report and have been reviewed by BDASIA in this ITR. The drill hole database used for the resource estimation consists of 185 inclined drill holes with a total drilled length of 41,483 m. BDASIA's Qualified Person, Dr. Qingping Deng, has reviewed the geology interpretation, drilling database, procedures and parameters used for the resource estimation as well as the estimation result and considers the resource estimation conforms to the industry standard.

Mineral resources, inclusive of mineral reserves, as of June 30, 2010 under the CIM Standards and estimated by Mr. Mario Rossi in a February 5, 2010 internal company report for the CSH Mine and revised by the Company using the June 30, 2010 pit topography as adopted by BDASIA are shown in Table 1.1.

Table 1.1
Resource Estimates as of June 30, 2010 under the CIM Standards for the CSH Mine

(inclusive of mineral reserves)

Cutoff	Measured			Indicated			Measured + Indicated			Inferred		
g Au/t	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz
Northeast Zone Resources												
0.26	72.8	0.67	1.570	107.0	0.60	2.059	179.8	0.63	3.629	0.7	0.39	0.009
0.28	70.8	0.68	1.553	102.9	0.61	2.023	173.7	0.64	3.577	0.6	0.41	0.008
0.30	**68.7**	**0.69**	**1.533**	**98.4**	**0.63**	**1.982**	**167.1**	**0.65**	**3.515**	**0.5**	**0.43**	**0.007**
0.40	56.9	0.77	1.400	75.0	0.71	1.719	131.9	0.74	3.119	0.2	0.54	0.004
0.50	45.6	0.84	1.238	56.3	0.80	1.450	101.9	0.82	2.687	0.1	0.62	0.002
0.60	35.5	0.93	1.060	41.9	0.89	1.197	77.4	0.91	2.257	0.1	0.74	0.001
Southwest Zone Resources												
0.26	34.7	0.61	0.686	40.8	0.54	0.710	75.5	0.58	1.396	0.0	—	0.000
0.28	33.4	0.63	0.674	39.1	0.55	0.696	72.5	0.59	1.370	0.0	—	0.000
0.30	**32.1**	**0.64**	**0.662**	**37.5**	**0.56**	**0.681**	**69.6**	**0.60**	**1.343**	**0.0**	—	**0.000**
0.40	25.4	0.72	0.587	28.0	0.64	0.574	53.4	0.68	1.161	0.0	—	0.000
0.50	18.8	0.81	0.492	19.3	0.72	0.449	38.1	0.77	0.941	0.0	—	0.000
0.60	13.9	0.91	0.405	12.6	0.82	0.331	26.5	0.86	0.736	0.0	—	0.000
Total Resources												
0.26	107.5	0.65	2.255	147.8	0.58	2.770	255.2	0.61	5.025	0.7	0.39	0.009
0.28	104.3	0.66	2.228	142.0	0.60	2.719	246.3	0.62	4.947	0.6	0.41	0.008
0.30	**100.8**	**0.68**	**2.196**	**135.9**	**0.61**	**2.663**	**236.7**	**0.64**	**4.858**	**0.5**	**0.43**	**0.007**
0.40	82.2	0.75	1.987	103.0	0.69	2.293	185.3	0.72	4.280	0.2	0.54	0.004
0.50	64.4	0.84	1.730	75.6	0.78	1.898	140.0	0.81	3.628	0.1	0.62	0.002
0.60	49.4	0.92	1.465	54.5	0.87	1.528	103.9	0.90	2.993	0.1	0.73	0.001

BDASIA's review indicates that drilling, sampling, sample preparation and analysis, quality control, and resource estimation have followed standard industry practice. Comparison between the current resource model and pit blast hole assay data for the period from January 2007 to June 2010 generally supports the current resource estimation, but it also showed that the current resource model may have slightly overestimated the tonnage and contained gold . Crushing plant sampling results for the first half of 2010 showed an average gold grade of 0.58 g/t for ore placed on the leach pads, approximately 18% lower than the pit blast hole sampling average gold grade of 0.71 g/t and approximately 5% lower than the reserve gold grade of 0.61 g/t. The mine management believes that the crushing plant sampling for the first half of 2010 was not representative as only the coarser fraction of the ore on the top of the conveyor belt was collected whereas the finer fraction of the crushed ore may have a higher gold grade based on CSH Mine's preliminary screen analysis. The mine management is in the process of modifying the crushing plant sampling system, and the future crushing plant sampling results will confirm if the resource and reserve estimates for the CSH Mine are appropriate.

Open-pit mining started in April 2007 at the CSH Mine. The current mine design and mineral reserve estimation were conducted by Nilsson Mine Service ("NMS") in Vancouver, Canada based on the resource model developed using the 2008 year-end drill hole database in February 2010. A mine plan was prepared for a 30,000-tpd crushed ore heap leach production.

Pit optimization of the CSH Mine was undertaken using MineSight mining software. A complex wall slope Lerchs Grossman algorithm was used to develop the unsmoothed ultimate pit limits utilizing appropriate technical and economic parameters.

Final pit design was accomplished by smoothing the pit walls in the optimized ultimate pit shells and by incorporating a ramp system. The mining bench height is 6 m, with triple benching and a berm width varying from 7.8 m to 10.25 m, depending on the design sector. The haul road was designed to be 25-m wide to include a running surface, ditches and berms, with a maximum slope of 10%. The final pit design includes one large pit for the Northeast Zone and one elongated pit for the Southwest Zone. Waste dumps were located to the north and east of the open pits. The north waste dump will accommodate 94 million cubic meters ("m^3") of waste rock to the 1,700-m MSL elevation, which is sufficient for all the waste from both the Northeast Zone and Southwest Zone pits.

Table 1.2 summarizes the mineral reserves, waste, and strip ratio within the final pit designs, using a gold cutoff grade of 0.30 g/t, under the pit topography as of June 30, 2010 for the CSH Mine. The measured resource and the indicated resource above the cutoff grade within the pits were converted to proven reserve and probable reserve, respectively. BDASIA has reviewed the reserve estimates completed by NMS, considers them reasonable at this stage, and has adopted the reserve estimates in this ITR. However, there is a possibility that the reserve tonnage and contained gold is slightly overestimated. Detailed production reconciliation based on appropriate sampling results from the crushing plant in the future will be used to confirm the reserve estimates. Should there be a significant discrepancy between the reserve estimate and the accrual production based on appropriate crushing plant sampling results, the ore reserves of the CSH Mine would need to be reestimated in the future.

Table 1.2
CIM Compliant Mineral Reserve Summary for the CSH Mine as of June 30, 2010

Reserve Class	M tonnes	g Au/t	Au (k ounce)
Northeast Pit			
Proven	58.2	0.71	1,325
Probable	41.9	0.64	856
Subtotal	100.1	0.68	2,182
Southwest Pit			
Proven	21.5	0.66	459
Probable	10.3	0.61	203
Subtotal	31.8	0.65	661
Total Ore			
Proven	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	131.9	0.67	2,843
Total Waste in Pits	173.7		
Strip Ratio	1.32		

Drilling for gold mineralization at the CSH Mine is largely limited to within the MSL elevation range of the mining license from 1,436 m to 1,696 m. The deepest drilling intercept is at the depth of 375 m. The gold mineralization zone is generally open at depth, and gold grade has a tendency to increase with depth. Therefore, there is a significant additional exploration potential at depth.

1.3 Mining Operation

Mining in the large Northeast pit and the elongate Southwest pit is carried out by a contractor utilizing an equipment fleet of thirty-two, 50-tonne ("t") Euclid off-highway haulage trucks, six, 4.5-m^3 Hitachi backhoes and five blasthole drills that drill 180-milimeter ("mm") diameter holes 6.6-m deep. The lower benches are below the water table and require mainly wet-hole blasting using slurry. The mining is performed under a 10-year contract, signed in November 2008. The contract provides for additional payment by the mine owner for one-way haulage distances above 2.5 km and for the higher cost of wet-hole explosives, but it does not contain a diesel fuel escalator. The contractor performs all required maintenance on his fleet in his own building. The owner provides and supervises the separation of ore and waste and does a monthly survey of the cubic meters of each of these materials mined, and this is the basis of the monthly payments to the contractor. Material is hauled to one of three destinations: the primary crusher, the heap leach pads, or the waste dumps. No low-grade material is stockpiled. The remaining life-of-mine waste-to-ore strip ratio is 1.32 to 1. Dilution of the ore by waste, a common problem when a mining contractor is doing the mining, is not a major problem at the CSH Mine, because the ore zones are wide and ore waste interfaces are small in number. There have been no significant pit slope failures since the start of operations.

1.4 Processing

The processing method is conventional heap leaching, widely and successfully used for the recovery of gold from large tonnage, low-grade deposits around the world. At the CSH operation, it comprises crushing, heap leaching, and gold extraction, the three interdependent phases of the process.

A crushing plant at a designed production capacity of 30,000 tpd to 80% -9 mm was installed in August 2009 to process the fresh (sulfide) ore. The plant includes two primary jaw crushers in open circuit; two HP800 standard, coarse bowl crushers in closed circuit with screens; and four HP800 standard, fine bowl crushers also in closed circuit with screens. The early trial runs demonstrated design problems related to ore chutes feeding the crushers and the conveyor belts. These difficulties did not allow the plant to function properly, and it was shut down to modify and correct the critical areas during BDASIA's site visit in October 2009. The plant modifications were completed at the end of October 2009 and it is now in operation. The crushing plant ramped up gradually to its designed capacity of 30,000 tpd in March 2010. The crushed ore is currently transported to the leach pads by highway trucks. An overland conveyor system is in the planning stage to transport the ore from the crushing plant to the leach pads.

The leaching operation involves ore stacking, irrigation with leaching solution, and recovery of gold pregnant leach solution ("PLS"). Initially, the leach pad was loaded mostly with the coarse ROM ore from the upper portion of the CSH deposit. The leach pad has been 100% stacked with the crushed or since July 2010. The leaching of the ROM ore was not satisfactory, as its leaching kinetics was slow and the resulting gold recovery was low. The upper portion of the CSH deposit was not oxidized as predicted originally, resulting in a significantly lower than predicted gold recovery. Once the crushing section is in full operation, it is expected that the rate of leaching as well as gold recovery will improve.

The gold extraction from the PLS involves Carbon-in-Column ("CIC") adsorption, carbon elution, stripping, refining and smelting. Namely, the PLS from the leaching pad is passed through carbon-filled columns, where the dissolved gold is adsorbed on the carbon grains. Then, the gold from the loaded carbon is stripped, followed by electro-winning. The gold-bearing product, now deposited on the cathodes, is water washed, filtered, dried, and then subjected to smelting in an induction furnace. The furnace product is gold doré assaying about 90% to 95% gold plus silver, with an average silver-to-gold ratio of 0.375 by weight to the end of 2009.

The process selection and plant design were the result of a comprehensive testwork on numerous samples performed in China, Canada and the USA. The earlier testwork was on two major ore types, i.e.

the near-surface weathered (oxide and mixed) ore and the fresh (sulfide) ore, below the weathered zone. Gravity concentration, flotation, agitation leaching and column leaching were evaluated alone or in various combinations. Heap leaching was selected as the most economical approach.

The originally classified weathered (oxide and mixed) ore appeared not to need crushing prior to leaching to yield an overall gold recovery (the gold recovery rate achieved when gold leaching process is completed for ore loaded on the leach pad) of about 80%. Crushing the fresh (sulfide) ore to 80% -9 mm was estimated to yield about 70% overall gold recovery after a leaching time of 5 years. The uncrushed ROM fresh ore was expected to yield an overall gold recovery of only 40%.

Actual production from 2007 to 2009 yielded an overall gold recovery of only 37.3% for the ROM ore from the zone originally defined as weathered. As the total leach time is expected to be at least 5 years, the eventual total gold recovery may reach 53%, but still much less than the 80% recovery initially expected. The primary reason for such low recovery was inadequate definition of the ore as "weathered" and not requiring crushing when it was actually a mixture of oxide and sulfide material and required crushing.

As the "weathered" ore being depleted, the most recent column leach testwork conducted by METCON used ore samples composited from the drill core in the fresh zone of the CSH deposit and representative of the ore to be mined and leached in the coming years. The test results were reported in "On-site Open Cycle Column Leach Tests" dated November 13, 2009. Two composites were subjected to the testwork: Northeast and Southwest. There were nine sets of tests on the Northeast and six sets on the Southwest composites at different head grades. Most importantly, the effect of ore size on gold extraction was recognized and each set was run on two crush sizes: 80% passing 9 mm and 80% passing 6 mm. Some of the tests were run in duplicate. BDASIA considers these tests results as significant and reliable. Based on the column leach test results, KD Engineering ("KDE") has developed gold recovery formulas for the 80% -9-mm crushing size for the Northeast Zone and Southwest Zone, respectively. These formulas will be used to calculate gold recoveries of the crushed fresh ore to be stacked on the leach pads in the remaining years of mine life of the CSH Mine. The gold recovery formulas and the corresponding gold recoveries at certain relevant gold grades are summarized in Table 1.3 below.

Table 1.3
Gold Recovery Rate Estimates for the 80% -9-mm Crushed Ore of the CSH Mine

	Gold Extraction Rate (%)	
Head Grade (g Au/t)	Northeast Zone	Southwest Zone
0.4	—	62.1
0.5	66.2	65.4
0.6	68.7	68.6
0.7	71.1	71.9
0.8	73.6	75.2
0.9	76.0	—
1.0	78.5	—
1.1	80.9	—
Gold Recovery Rate Formula	$y = 24.539x + 53.932$	$y = 32.871x + 48.926$

The above recovery rates are modified values obtained by subtracting five percent from the trend line equations which were derived from the test results. The five percent deduction was applied to make correction for the strictly controlled laboratory test conditions as compared to the less controllable industrial conditions.

Overall heap leach gold recoveries, based on the above estimates and calculated from average annual gold grades, are estimated to be 71.08% for the Northeast ore assaying averagely 0.68 g/t of gold, and 70.34% for the Southwest ore assaying averagely 0.65 g/t gold. These recoveries are expected to be achieved in the period of 5 years after having placed the ore on the pad.

The 2008 drilling increased the mineable reserves to 138.8 Mt at an average grade of 0.67 g/t gold for the CSH Mine as of December 31, 2009. The mine production schedule was developed to provide 10.65 Mtpa of ore to the leaching facility. This required a revision and expansion of the earlier conceived Heap Leaching Facilities ("HLF"). The earlier plans, reported on March 28, 2008 called for the total heap leach capacity of 105 Mt of ore. In November 2009 this capacity was increased to a total of 166 Mt by increasing:

- Rate of stacking from 20,000 tpd to 30,000 tpd;
- Rate of PLS processing from 1,050 cubic meters per hour ("m^3/hr") to 1,400 m^3/hr; and
- Phase 2 leach pad area from 353,000 m^2 to 473,000 m^2.

As of December 31, 2009, the leach pad capacities are envisaged as follows:

- The South HLF: Phase 1 leach pad area of 406,000 m^2 is completed and is stacking. Phase 2 is 64% completed. Combined Phases 1 and 2 will have the capacity of 71 Mt;
- The North HLF (Phases 3 to 5), with the total pad area of 698,000 m^2 and the capacity of 49 Mt, is in the preliminary design stage;
- Phases 6 and 7, which will have combined pad areas of 471,000 m^2 and the capacity of 46 Mt, are in the conceptual design phase; and
- When all 7 phases are completed, the total life-of-mine leach pad area will be 2,048,000 m^2 and the capacity 166 Mt.

1.5 Production

Historical and forecast life-of-mine production for the CSH Mine is summarized by Table 1.4. The projected overall gold recovery for each type of ore is expected to be reached in at least five years. BDASIA considers that the mine production targets of 30,000 tpd are readily achievable; however, the crushing production target may not always be achievable because a single large crushing system is used. Equipment breakdown at the crushing plant could cause some delays in crushing production. Actual gold production from the mine for the first half of 2010 was only 1,157 kg, significantly lower than half of the originally planned gold production of 4,112 kg for 2010. The explanation from the mine management for the short fall in production is primarily due to the unusually long and harsh cold winter, added by the mine management's decision to test not burying by ore but just covering by plastic films the drip emitters during the winter months. Considerable measures have been taken recently by the mine management to improve the gold recovery from the leach pads and gold recovery for the last couple of months improved significantly. The mine management informed BDASIA that actual gold production was 340 kg, 438 kg and 445 kg in July, August and September 2010, respectively and believes that the 2010 reduced gold production target of 3,604 kg can be reached, which BDASIA considers possible. Gold production targets will largely depend on the crusher production and heap leach gold recovery rate. At this moment, gold recoveries for the crushed ore are based on projection according to the column leach test results and have not yet been proved by actual heap leach operation. Heap leach operations in the next couple of years will provide more definite heap leach gold recoveries for the CSH Mine.

Historically, the CSH Mine used the pit blast hole assay gold grades as the gold grades of actual produced ore placed on the lead pads. The March 30, 2010 BDASIA ITR also used the same mine production gold grades. However, crushing plant sampling results in the first half of 2010 and more detailed analysis indicates that the pit blast hole gold grades could be significantly higher than the actual mine production ore grades because of mining dilution and misclassification. In this version of the ITR, the historical mine production gold grades are revised to the gold grades in the resource model, which reduced the gold contents in the ore placed on the leach pads to date. As gold recovery is expected to be a five-year process, forecast total gold production in the next several years have also been reduced slightly.

Table 1.4

Historical and Life-of-Mine Forecast Production for the CSH Mine

(The Company's attributable share of the following production from the CSH Mine is 96.5%.)

	Historical Production				Forecast Production																	
ITEM	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**Total Jul 2010-Dec 2026**
Heap Leached Ore																						
ROM Ore, Northeast Pit (kt)	4,613	5,786	3,930	1,830																		
Average Gold Grade (g/t)	0.59	0.59	0.59	0.55																		
Contained Gold (kg)	2,722	3,414	2,319	1,014																		
ROM Ore, Southwest Pit (kt)			3,611																			
Average Gold Grade (g/t)			0.59																			
Contained Gold (kg)			2,130																			
Crushed Ore, Northeast Pit (kt)				4,840	5,117	10,650	10,650	10,650	10,522	9,947	7,810	7,112	6,207	4,314	4,049	6,544	6,537					**100,109**
Average Gold Grade (g/t)				0.63	0.65	0.61	0.56	0.53	0.64	0.65	0.67	0.68	0.70	0.75	0.81	0.91	0.97					**0.68**
Contained Gold (kg)				3,049	3,337	6,507	5,998	5,607	6,690	6,511	5,239	4,837	4,350	3,214	3,292	5,969	6,314					**67,865**
Crushed Ore, Southwest Pit (kt)			2,158	213					128	703	2,840	3,538	4,443	6,336	6,600	4,106	3,119					**31,813**
Average Gold Grade (g/t)			0.60	0.51					0.56	0.56	0.59	0.60	0.61	0.63	0.66	0.72	0.76					**0.65**
Contained Gold (kg)			1,303	109					71	391	1,663	2,123	2,708	3,965	4,343	2,943	2,364					**20,572**
Total Ore	**4,613**	**5,786**	**9,699**	**6,883**	**5,117**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**9,656**					**131,923**
Average Gold Grade (g/t)	**0.59**	**0.59**	**0.59**	**0.61**	**0.65**	**0.61**	**0.56**	**0.53**	**0.63**	**0.65**	**0.65**	**0.65**	**0.66**	**0.67**	**0.72**	**0.84**	**0.90**					**0.67**
Contained Gold (kg)	**2,722**	**3,414**	**5,752**	**4,171**	**3,337**	**6,507**	**5,998**	**5,607**	**6,761**	**6,902**	**6,902**	**6,960**	**7,058**	**7,179**	**7,635**	**8,912**	**8,678**					**88,437**
Contained Gold (koz)	**87.50**	**109.75**	**184.92**	**134.11**	**107.29**	**209.20**	**192.84**	**180.28**	**217.39**	**221.90**	**221.90**	**223.76**	**226.93**	**230.82**	**245.49**	**286.53**	**279.00**					**2,843.30**
Cumulative Contained Gold (kg)	**2,722**	**6,135**	**11,887**	**16,058**	**19,395**	**25,902**	**31,900**	**37,507**	**44,268**	**51,170**	**58,072**	**65,032**	**72,090**	**79,269**	**86,905**	**95,817**	**104,495**	**104,495**	**104,495**	**104,495**	**104,495**	
Cumulative Contained Gold (koz)	**87.50**	**197.26**	**382.17**	**516.28**	**623.57**	**832.76**	**1,025.60**	**1,205.88**	**1,423.26**	**1,645.16**	**1,867.06**	**2,090.82**	**2,317.75**	**2,548.57**	**2,794.05**	**3,080.58**	**3,359.58**	**3,359.58**	**3,359.58**	**3,359.58**	**3,359.58**	
Projected Total Gold Recovery (%)[1]																						
ROM Ore, Northeast Pit	53.0%	53.0%	53.0%	40.0%																		
ROM Ore, Southeast Pit	53.0%	53.0%	53.0%																			
Crushed Ore, Northeast Pit	53.0%	53.0%	53.0%	69.4%	69.9%	68.9%	67.8%	66.9%	69.5%	70.0%	70.4%	70.6%	71.1%	72.2%	73.9%	76.3%	77.6%					**71.09%**
Crushed Ore, Southeast Pit	53.0%	53.0%	53.0%						67.3%	67.2%	68.2%	68.7%	69.0%	69.5%	70.6%	72.5%	73.8%	48.9%				**70.33%**
Cumulative Gold Recovery (%)[2]	**25.1%**	**40.3%**	**42.7%**	**38.6%**	**44.7%**	**51.1%**	**54.8%**	**56.9%**	**58.5%**	**59.9%**	**61.0%**	**61.9%**	**62.7%**	**63.4%**	**64.0%**	**64.8%**	**65.7%**	**67.3%**	**67.8%**	**68.0%**	**68.1%**	
Gold Production in Doré (kg)	**684**	**1,789**	**2,599**	**1,126**	**2,479**	**4,559**	**4,238**	**3,874**	**4,546**	**4,738**	**4,789**	**4,845**	**4,938**	**5,045**	**5,398**	**6,407**	**6,552**	**1,848**	**487**	**191**	**95**	**64,944**
Gold Production in Doré (koz)	**21.99**	**57.51**	**83.57**	**36.19**	**79.69**	**146.57**	**136.25**	**124.54**	**146.17**	**152.34**	**153.99**	**155.78**	**158.76**	**162.20**	**173.56**	**205.99**	**210.65**	**59.42**	**15.67**	**6.13**	**3.05**	**2,088.01**
Cumulative Gold Production (kg)	**684**	**2,473**	**5,072**	**6,198**	**8,676**	**13,235**	**17,473**	**21,347**	**25,893**	**30,631**	**35,421**	**40,266**	**45,204**	**50,249**	**55,647**	**62,054**	**68,606**	**70,369**	**70,856**	**71,047**	**71,142**	
Cumulative Gold Production (koz)	**21.99**	**79.50**	**163.07**	**199.26**	**278.95**	**425.52**	**561.77**	**686.31**	**832.48**	**984.82**	**1,138.81**	**1,294.59**	**1,453.35**	**1,615.54**	**1,789.11**	**1,995.10**	**2,205.75**	**2,262.42**	**2,278.09**	**2,284.21**	**2,287.27**	
Silver Production in Doré (kg)[3]	**262**	**718**	**926**	**479**	**867**	**1,596**	**1,483**	**1,356**	**1,591**	**1,658**	**1,676**	**1,696**	**1,728**	**1,766**	**1,889**	**2,242**	**2,293**	**647**	**171**	**67**	**33**	**22,730**
Silver Production in Doré (koz)	**8.42**	**23.09**	**29.76**	**15.39**	**27.89**	**51.30**	**47.69**	**43.59**	**51.16**	**53.32**	**53.89**	**54.52**	**55.57**	**56.77**	**60.75**	**72.10**	**73.73**	**20.80**	**5.49**	**2.14**	**1.07**	**730.80**

Notes:

(1) Total gold recovery for all types of ore on the leach pad as of December 31, 2009 is projected to be 53% based on a recovery model produced by IMP. Historical gold recovery for the first half of 2010 as well and forecast total gold recovery is 40% for the ROM ore and calculated from the recovery formulas developed by KDE in February 2010 for the crushed ore.

(2) Cumulative gold recovery is the ratio of cumulatively recovered gold from the heap leach process to the cumulative gold loaded on the leach pad.

(3) Forecast silver production is based on a silver/gold production ratio of 0.35 for the period from July 2010 to December 2026, which is slightly lower than the actual average silver/gold production ratio of approximately 0.39 from January 2007 to June 2010.

1.6 Operating Costs and Capital Costs

Historical and forecast operating costs and capital costs for the CSH Mine are summarized in Tables 1.5 and 1.6, respectively. Forecast operating costs are generally based on either existing contracts or past operating expenditures and are considered reasonable by BDASIA. However, BDASIA notes that no inflation has been factored into the operating cost estimates. Future increase in costs for labor, fuel, and other materials can have a large impact on the mining operation.

Most capital expenditures for the mine have already been spent. Any sustaining mining capital expenditures will be the responsibility of the mining contractor. The remaining capital expenditures consist primarily of costs for leach pad expansion and construction of a conveyor belt system from the crushing plant to the leach pads. BDASIA considers that a sustaining capital (2% per year) will be needed for the crushing plant and the gold recovery plant.

The unit gold-equivalent ("AuEq", i.e. silver production is converted to equivalent gold based on the silver to gold revenue ratio based on actual and/or forecast gold and silver prices as well as refining charges as listed in Table 1.7) production operating (cash) cost and the total production costs have been calculated and are expressed in US dollars per troy ounce ("US$/oz").

Table 1.5

Historical and Life-of-Mine Forecast Operating Costs for the CSH Mine

	Historical Cost				Forecast Cost												
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Mining Cost (US$/t of ore)																	
Mining Ore	1.35	1.80	1.41	1.19	1.27	1.27	1.30	1.28	1.30	1.30	1.30	1.31	1.31	1.31	1.31	1.36	1.38
Mining Waste	1.34	3.04	1.39	1.51	4.04	3.17	3.27	2.76	2.37	2.21	1.92	1.66	1.40	1.07	0.82	0.82	0.25
Mining Overhead	0.27	0.37	0.54	0.04	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Total Mining	**2.96**	**5.21**	**3.34**	**2.75**	**5.59**	**4.73**	**4.85**	**4.33**	**3.96**	**3.80**	**3.51**	**3.25**	**3.00**	**2.66**	**2.42**	**2.46**	**1.91**
Processing Cost (US$/t of ore)																	
Processing ROM Ore	0.48	0.97	0.99	0.93													
Processing Crushed Ore			0.99	0.74	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.92	0.91	0.86	1.82	1.82
Average Processing	**0.48**	**0.97**	**0.99**	**0.79**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.92**	**0.91**	**0.86**	**1.82**	**1.82**
G&A and Other Cost (US$/t of ore)	**0.97**	**1.86**	**1.19**	**0.69**	**1.77**	**1.38**	**1.33**	**1.24**	**1.27**	**1.25**	**1.26**	**1.27**	**1.22**	**1.14**	**1.16**	**1.21**	**1.25**
Total Operating Cost (US$/t of ore)	**4.41**	**8.04**	**5.52**	**4.24**	**9.18**	**7.93**	**8.00**	**7.38**	**7.05**	**6.87**	**6.59**	**6.34**	**6.14**	**4.71**	**4.43**	**5.49**	**4.98**
Deprec/Amort Cost (US$/t of ore)	**0.58**	**1.26**	**1.00**	**2.98**	**4.01**	**1.93**	**1.71**	**1.37**	**1.32**	**1.27**	**1.25**	**1.14**	**0.76**	**0.76**	**0.21**	**0.12**	**0.07**
Total Production Cost (US$/t of ore)	**4.99**	**9.30**	**6.52**	**7.22**	**13.19**	**9.86**	**9.71**	**8.75**	**8.37**	**8.14**	**7.84**	**7.48**	**6.90**	**5.46**	**4.64**	**5.61**	**5.04**
AuEq Operating (Cash) Cost (US$/oz)	**921**	**805**	**638**	**800**	**586**	**573**	**621**	**628**	**510**	**477**	**453**	**431**	**409**	**307**	**270**	**282**	**227**
AuEq Total Production Cost (US$/oz)	**1,042**	**931**	**753**	**1,364**	**843**	**712**	**755**	**744**	**606**	**566**	**538**	**508**	**460**	**356**	**283**	**288**	**230**

Note: AuEq is calculated using the following formula: AuEq = Au + Ag × (Ag price-Ag Refining Charge)/1.03/(Au price-Au Refining Charge) based on actual and/or forecast gold and silver prices and refining charges listed in Table 1.7. The reason for dividing the silver revenue by 1.03 is because the silver price includes a 3% VAT.

Table 1.6
Historical and Life-of-Mine Forecast Capital Costs for the CSH Mine

	Historical Cost				Forecast Cost													
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total Jul 2010-Dec 2022**
Capital Cost in US$ (×10³)																		
Mining		1,837	11,552															
Heap Leach	5,498		3,434	4,613				7,467	5,407	5,226								18,099
Processing	23,117	406	1,179	2,212														
Crusher		25,524	32,979		5,852													5,852
Infrastructure and G&A	6,503		83	737														
Exploration	18,797	654																
Closing																		
Land	1,593		732															
Property Acquisition																		
Other																		
Total	**55,508**	**28,421**	**49,958**	**7,563**	**5,852**			**7,467**	**5,407**	**5,226**								**23,951**

1.7 Project Economics

BDASIA conducted a base case economic analysis for the CSH Mine using the technical and economic parameters discussed in the ITR (Table 1.7). The gold price is variable over the life of the mine and represents the projected average price estimated by 18 international financial institutions. The discount rate of 9% for the net present value ("NPV") calculation was provided by Citi, China Gold International's financial adviser, which BDASIA considers generally reasonable for the CSH Mine. The middle year discount method was used in calculation the NPV.

Based on the assumptions listed in Table 1.7, the CSH Mine has a total pre-tax NPV of US$486.05M and a total after-tax NPV of US$377.89M as of June 30, 2010.

Sensitivity analyses indicate that the NPV of the CSH Mine is very sensitive to the variation in the gold price and heap leach gold recovery, moderately sensitive to variation in operating costs, and less sensitive to variation in capital costs.

Table 1.7

Base Case Cash Flow Analysis at June 30, 2010 for the CSH Mine

	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Revenue																		
Gold Production in Doré (koz)	79.69	146.57	136.25	124.54	146.17	152.34	153.99	155.78	158.76	162.20	173.56	205.99	210.65	59.42	15.67	6.13	3.05	**2,088.01**
Silver Production in Doré (koz)	27.89	51.30	47.69	43.59	51.16	53.32	53.89	54.52	55.57	56.77	60.75	72.10	73.73	20.80	5.49	2.14	1.07	**730.80**
Gold Price (US$/oz)	1033.00	1033.00	955.00	970.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	
Silver Price (US$/oz)[1]	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	
Gold Refining Charge (US$/oz)	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	
Silver Refining Charge (US$/oz)	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	
Gold Sales Revenue (US$ M)	81.97	150.78	129.54	120.27	123.47	128.68	130.07	131.59	134.10	137.01	146.61	174.00	177.94	50.20	13.24	5.17	2.58	**1,834.88**
Silver Sales Revenue (US$ M)[1]	0.43	0.79	0.74	0.67	0.79	0.83	0.83	0.84	0.86	0.88	0.94	1.12	1.14	0.32	0.08	0.03	0.02	**11.31**
Total Sales Income (US$ M)	**82.40**	**151.57**	**130.27**	**120.95**	**124.26**	**129.51**	**130.91**	**132.43**	**134.96**	**137.89**	**147.55**	**175.12**	**179.08**	**50.52**	**13.32**	**5.21**	**2.60**	**1,846.19**
Operating Costs (US$ M)																		
Mining	28.61	50.38	51.65	46.07	42.19	40.49	37.37	34.66	31.96	28.36	25.73	26.24	18.46					**462.16**
Processing	9.30	19.36	19.36	19.36	19.36	19.36	19.36	19.36	20.45	9.64	9.16	19.36	17.55					**220.95**
G&A and Others	9.05	14.71	14.16	13.18	13.52	13.36	13.44	13.52	13.00	12.12	12.30	12.84	12.04	0.99	0.26	0.10	0.05	**168.59**
Total Operating Cost	**46.96**	**84.44**	**85.16**	**78.61**	**75.07**	**73.20**	**70.16**	**67.53**	**65.41**	**50.11**	**47.20**	**58.44**	**48.05**	**0.99**	**0.26**	**0.10**	**0.05**	**851.71**
Depreciation/Amortization (US$ M)	20.53	20.53	18.24	14.59	14.07	13.52	13.29	12.14	8.09	8.05	2.26	1.33	0.65					**147.29**
Taxable Income (US$ M)	14.91	46.60	26.87	27.75	35.13	42.78	47.46	52.76	61.46	79.73	98.09	115.34	130.37	49.53	13.06	5.11	2.54	**847.19**
Income Tax @25% (US$ M)	3.73	11.65	6.72	6.94	8.78	10.70	11.86	13.19	15.37	19.93	24.52	28.84	32.59	12.38	3.27	1.28	0.64	**211.80**
After-Tax Income (US$ M)	**31.72**	**55.48**	**38.39**	**35.40**	**40.41**	**45.61**	**48.88**	**51.71**	**54.19**	**67.84**	**75.83**	**87.83**	**98.43**	**37.15**	**9.80**	**3.83**	**1.91**	**782.69**
Total Capital Costs (US$ M)	8.80			7.47	5.41	5.23												**26.90**
Loan Principle Payment (US$ M)	1.47	1.47	8.85	17.70	13.27													**42.77**
After-Tax Cash Flow (US$ M)	**21.44**	**54.01**	**29.54**	**10.24**	**21.73**	**40.38**	**48.88**	**51.71**	**54.19**	**67.84**	**75.83**	**87.83**	**98.43**	**37.15**	**9.80**	**3.83**	**1.91**	**713.01**
Years to discount to Jun 30, 2010	0.25	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	
Discount Factor at 9%	0.979	0.917	0.842	0.772	0.708	0.650	0.596	0.547	0.502	0.460	0.422	0.388	0.356	0.326	0.299	0.275	0.252	
After-Tax NPV (US$ M)	**20.98**	**49.55**	**24.87**	**7.90**	**15.39**	**26.24**	**29.15**	**28.29**	**27.19**	**31.24**	**32.03**	**34.04**	**35.00**	**11.55**	**2.93**	**1.05**	**0.48**	**377.89**
Pre-Tax Cash Flow (US$ M)	**25.17**	**65.65**	**36.26**	**17.17**	**30.51**	**51.08**	**60.75**	**64.90**	**69.55**	**87.77**	**100.35**	**116.67**	**131.03**	**49.53**	**13.06**	**5.11**	**2.54**	**924.81**
Pre-Tax NPV (US$ M)	**24.63**	**60.23**	**30.52**	**13.26**	**21.62**	**33.20**	**36.22**	**35.50**	**34.91**	**40.41**	**42.39**	**45.21**	**46.58**	**16.15**	**3.91**	**1.40**	**0.64**	**486.05**

1.8 Environmental, Occupational Health and Safety Issues

Mine management at CSH has sought to comply not only with Chinese environment protection requirements but also with international norms for the mining industry. An Environmental and Social Impact Assessment for the CSH Mine was conducted by internationally recognized consultants Environmental Resources Management utilizing World Bank Group Environmental and Social Guidelines. The mine has a current environmental approval and a valid Water Permit, enabling it to obtain an adequate and reliable source of water for the mine and processing operations. China Gold International has designed the site to be a zero water discharge site, recycling all process water back into the process circuit. An Environmental and Social Management Program is being implemented and a Closure Plan has been approved as a component of the Soil and Water Plan.

China Gold International has a policy of protection of local social heritage and culture, community assistance and contribution towards community development, financially supporting local education, medical and social initiatives, and providing support to poor local families living near the mine site.

The Company seeks to conduct its operations in accordance with both national and international safety standards and has an occupational health and safety system in place. The mine has maintained a good safety record to date.

1.9 Conclusions and Recommendation

Based on our analysis, BDASIA believes that the CSH Mine will be a profitable, low-grade, bulk-tonnage open-pit mining, heap leach processing operation under current economic conditions, provided that the predicted heap leach gold recoveries for the crushed fresh (sulfide) ore can be realized and reserve gold grade estimates can be confirmed by the detailed crushing plant sampling program in actual production.

Historically stacked ore (mostly ROM) to the leach pads from 2007 to 2009 is expected to yield a final gold recovery of approximately 53%, significantly less than the 80% ROM recovery for weathered (oxidized) ore as projected originally before the start of the mining operation. The primary reason for the lower than expected historical recovery was that the original weathered (oxidized) zone was incorrectly defined and significantly sulfide material are present at the lower portion of the originally-defined weathered zone. Gold recovery for the uncrushed sulfide material is low and slow, resulting in significantly lower total gold recovery for the historical ore stacked to the leach pad before 2009. Currently predicted gold recoveries for the crushed ore are based on recent comprehensive column leach test results, but these recoveries will need to be proved by actual heap leach operation.

Ore placed on the leach pads are primarily crushed material starting from the beginning of 2010. However, gold production from the CSH Mine for the first half of 2010 was only 1,157 kg, significantly lower than half of the originally planned gold production of 4,112 kg for 2010. The explanation from the mine management for the short fall in production is primarily due to the unusually long and harsh cold winter, added by the mine management's decision to test not burying by ore but just covering by plastic films the drip emitters during the winter months. In order to improve the gold recovery from the leach pads, the CSH Mine built five new CIC columns (each with a volume of approximately 353 m^3) and a new 4,192-m^3 PLS pond from March to July 2010. Significantly more water will be pumped into the leaching system and significantly more PLS solution will be processed starting in August, 2010. Gold recovery improved significantly in August and September. The mine management expects that gold recovery will improve further in the next several months before December and the reduced gold production target of 3,604 kg could be reached in 2010. BDASIA considers that the mine management's expectation is possible, but it needs to be confirmed by the actual gold production from the mine in the remaining of 2010.

BDASIA recommends continuing the mining operation of the CSH Mine.

BDASIA recommends the Company to construct the overland conveyer system between the crushing plant and the leach pads and to expand the current leach pad for accommodate future ore production. BDASIA understands that the Company has completed the current phase of the leach pad expansion by the end of June 2010 but the overland conveyer system is in the planning stage.

BDASIA recommends collecting accurate ore production tonnage and grade data from the crushing plant, allowing accurate production reconciliation to be performed, which will be used as a guide for future resource modeling and reserve estimation of the deposit.

2.0 INTRODUCTION

China Gold International Resources Corporation Limited (formerly Jinshan Gold Mines Inc.) is a Canadian mining company whose shares are listed on the TSX with a trading symbol CGG. China National Gold Group Hong Kong Limited ("China Gold Group HK") currently owns approximately 39% of the listed shares of China Gold International and is the largest shareholder. Through its subsidiaries, China Gold International owns 96.5% of the operating CSH Mine in Wulatezhong Banner, Inner Mongolia Autonomous Region of China.

The CSH Mine is currently China Gold International's primary mining asset. It is owned and operated by IMP (formerly Ningxia Pacific Mining Company Limited), which is a JV company between China Gold International (96.5%) and the 217 Brigade (3.5%) of Northwest Geology and Exploration Bureau of CNNC in Yinchuan, Ningxia Hui Autonomous Region, located west of Inner Mongolia. The CSH Mine is a conventional open-pit mining, heap-leach processing gold mining operation, mining a large, bulk-tonnage, low-grade gold deposit, and is currently one of the largest operating gold mines in China in terms of mineral resources considered compliant to the JORC Code and the CIM Standards. The mine started mining operation in April 2007. It loaded 7.5 Mt of ROM ore with an average gold grade of 0.63 g/t and 2.2 Mt of crushed ore with an average gold grade of 0.60 g/t on the leach pad and produced approximately 2,599 kg or 83,570 oz of gold in doré bars in 2009. A three-stage crushing plant with a designed production capacity of 30,000 tpd of ore to 80% -9 mm was installed in August 2009 and the plant ramped up to its designed production capacity in March 2010. The Company now plans to increase the mine's ore production to 12.00 Mt of mostly crushed ore, with an average gold grade of 0.63 g/t, and to increase gold production to approximately 3,604 kg or 116,000 oz in 2010.

The Company engaged Behre Dolbear Asia, Inc. ("BDASIA"), a wholly owned subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), as their independent technical adviser to undertake an independent technical review of the Company's CSH Mine and to prepare an ITR for filing as a technical report in Canada pursuant to applicable securities reporting requirements.

Mineral resources and mineral reserves of the CSH Mine have been reviewed in accordance with the CIM Standards, and have been reconciled with mineral resources and ore reserves under the

Australasian JORC Code. The report format follows the requirements under the Canadian National Instrument 43-101 ("NI 43-101").

BDASIA's project team for this technical review consists of senior-level professionals from Behre Dolbear's offices in Denver, Colorado in the United States; Sydney, Australia; and London in the United Kingdom. Behre Dolbear personnel contributing to the study and to this ITR include:

- **Dr. Qingping Deng (B.S., M.S. and Ph.D.),** a senior associate of Behre Dolbear's Denver office, was BDASIA's **Project Manager** and **Project Geologist** for this technical review. Dr. Deng is a geologist with more than 26 years of professional experience in the areas of exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geostatistics, cash-flow analysis, project evaluation/valuation, and feasibility studies in North, Central, and South America, Asia, Australia, Europe and Africa. Dr. Deng is a Certified Professional Geologist with the American Institute of Professional Geologists, a Qualified Professional Member of Mining and Metallurgical Society of America, and a Registered Member of The Society of Mining, Metallurgy, Exploration, Inc. ("SME") and meets all the requirements for "Competent Person" as defined in the 2004 Australasian JORC Code and all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101. Dr. Deng is fluent in both English and Chinese. He was the president and chairman of BDASIA before June 30, 2010.

- **Mr. Michael Martin (B.S. and M.A.),** a senior associate of Behre Dolbear's Denver, Colorado office, was BDASIA's **Project Mining Engineer** for this review. Mr. Martin has over 30 years of experience in the areas of engineering, operations, management, exploration, acquisitions, and development in the mineral industry, principally in the open-pit mining of gold, copper, molybdenum, and iron. He has had responsibility for capital and operating costs, infrastructure, and organization. He has been involved in many feasibility and due diligence studies, property evaluations, operational audits and optimizations, and mine equipment selection and costing. In addition, Mr. Martin has been responsible for all mining related items, including mine schedules, ore control, mine equipment, cash flow forecast reviews, and site management assessment. His consulting activities have included work in the United States and more than 17 foreign countries. Mr. Martin is a Qualified Professional Member of Mining and Metallurgical Society of America and meets all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101.

- **Mr. Vuko M. Lepetic (B.S. and M.S.),** a senior associate of Behre Dolbear's London office, was BDASIA's **Project Metallurgist**. Mr. Lepetic has over 30 years of worldwide experience in mineral processing and metallurgy. He has worked with and has extensive knowledge of processes employed and products produced by the Company. Mr. Lepetic holds patents for stibnite and cassiterite flotation (both industrially employed) as well as records of invention for the processing of iron, lead and zinc oxide minerals, rare earths, and phosphates. Mr. Lepetic is a Qualified Professional Member of Mining and Metallurgical Society of America and meets all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101.

- **Ms. Janet Epps (B.S. and M.S.),** a senior associate of Behre Dolbear's Sydney, Australia office, was BDASIA's **Project Environmental and Occupational Health and Safety Specialist**. She has over 30 years experience in environmental and community issues management, sustainability, policy development, and regulatory consultancy services.

Ms. Epps has worked extensively with the private sector, governments, and the United Nations, the World Bank, the IFC, and the Multilateral Investment Guarantee Agency ("MIGA"), as well as with the mining industry. She has provided policy advice to governments of developing countries on designated projects and contributed toward sustainable development and environmental management strategies. She has completed assignments in Australasia, the Pacific, Asia, the Middle East, the CIS countries, Africa, Eastern Europe, South America, and the Caribbean. Ms. Epps is a Fellow of the Australasian Institute of Mining and Metallurgy and meets all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101.

- **Mr. Bernard J. Guarnera (B.S. and M.S.),** president and chairman of the Behre Dolbear Group Inc., the parent company of Behre Dolbear & Company, Inc., was BDASIA's **Project Adviser**. He is a Certified Mineral Appraiser, with extensive experience in the valuation of mineral properties and mining companies. He is a registered Professional Engineer, a Registered Professional Geologist, and a Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy. Mr. Guarnera has over 30 years of professional experience, and his career has included senior-level positions in exploration and development at a number of major U.S. natural resource companies. Mr. Guarnera meets all the requirements for "Competent Person" in Australia and "Qualified Person" in Canada.

BDASIA's project team, with the exception of Mr. Guarnera, traveled to China and visited the Company's CSH property. Dr. Deng visited the CSH Mine from August 12 to August 13, 2009. Dr. Deng, Messrs Martin and Lepetic, and Ms. Epps visited the CSH Mine from October 24 to October 26, 2009. During BDASIA's visit, discussions were held with technical and managerial staff at the mine and plant sites. Operating performance from 2007 to the first 9 months of 2009 and life-of-mine production schedules, budgets, and forecasts were reviewed.

The source of information for this ITR includes published technical reports for the CSH Mine by KDE in Tucson, Arizona, USA, in 2006 and 2008 and an unpublished internal company technical report prepared by KDE in February 2010, technical and financial information provided by China Gold International, and BDASIA professionals' site visit to the CSH Mine and interviews with the CSH Mine management and technical personnel as well as outside consultants.

This ITR contains forecasts and projections prepared by BDASIA based on information provided by the Company. BDASIA's assessment of the projected production schedules and capital and operating costs is based on technical reviews of project data and project site visits.

The metric system is used throughout this ITR. The currency used is the Chinese Yuan ("RMB") and/or the United States dollar ("US$"). The exchange rate used in the ITR is RMB6.78 for US$1.00, the rate of the People's Bank of China prevailing on June 30, 2010.

3.0 RELIANCE ON OTHER EXPERTS

BDASIA has relied on certain technical and financial information for the CSH Mine prepared by the Company and KDE.

4.0 PROPERTY DESCRIPTION AND LOCATION

The CSH Mine is located in Wulatezhong Banner, Inner Mongolia Autonomous Region in China (Figure 4.1). The nearest major city is Baotou, located approximately 126 km (road distance approximately 210 km) to the south-southeast. Baotou has a population of approximately 1.5 million ("M") and is the most important industrial city in Inner Mongolia.

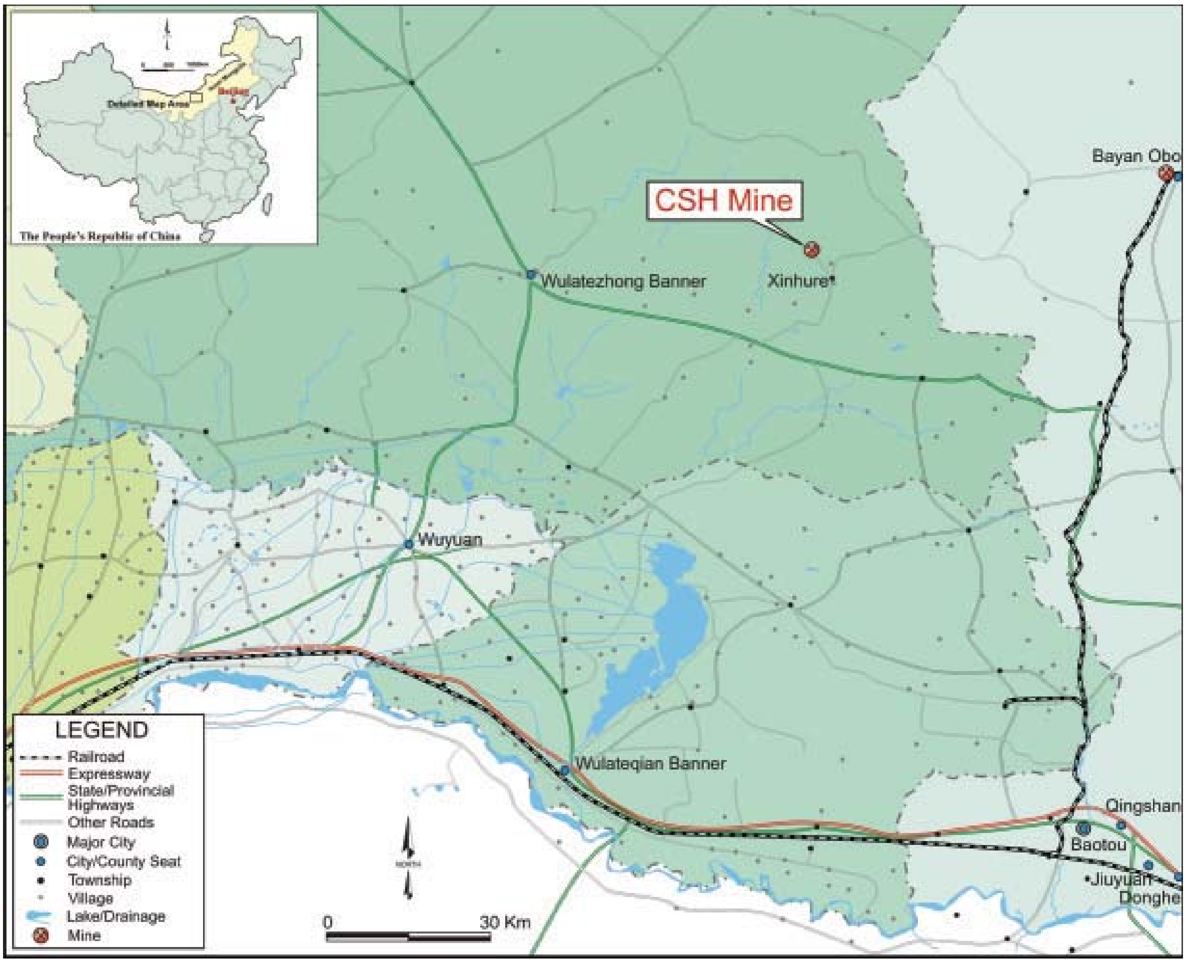


Figure 4.1 Location of the CSH Mine

The CSH Mine is currently owned and operated by IMP which is a JV company between China Gold International (96.5%) and the 217 Brigade (3.5%). The property was originally held by the 217 Brigade. Under the terms of the JV Agreement dated April 5, 2002, Jinshan (the former name for China Gold International) can earn a 96.5% interest in the JV by making three staged payments totaling US$750,000 to the 217 Brigade over a 3-year period. An additional payment of US$1M to the 217 Brigade is due within 30 days of the decision to commence construction and installation of a commercial mining operation and a further additional payment of US$1M to the 217 Brigade was due after the commencement of commercial mining. Jinshan has completed all these payments to the 217 Brigade on schedule.

The CSH Mine currently holds a permit for a mining right and a permit for an exploration right. The mining license, with an area of 10.0892 square kilometers ("km^2"), for the CSH Mine is currently held by IMP. The license is valid until August 2013 and extendable thereafter. The license number is

C10000020091041024, which was issued by the MOLAR. The horizontal license boundary is defined by 19 corner points, and the vertical boundaries are at the mean sea level ("MSL") elevations of 1,436 m and 1,696 m. The production rate specified on the mining license is 6.6 Mtpa (or 20,000 tpd based on 330 working days per annum). BDASIA notes that a portion of the currently defined mineral resources and mineral reserves are located below the current mining license lower MSL elevation limit. Based on a interview with the Development Division of the MOLAR by the Company's legal counsel on December 15, 2009, this portion of the mineral resources and mineral reserves located below the mining license lower boundary should also belong to the Company; however, the Company will need to go through the revision process to adjust the mining license lower boundary before mining this portion of the mineral reserves. BDASIA understands that IMP is in the process of applying for an adjustment to the lower elevation limit of the mining license from relevant governmental agencies to cover all the defined mineral resources and mineral reserves.

The exploration license surrounding the mining license, with an area of 25.91 km^2 and with no vertical elevation limits, is also held by Ningxia Pacific Mining Company Limited (the former name for IMP) and is in the process of being assigned to IMP. The license number is T01120081102018362, which is issued by the MOLAR. This license is valid until August 2010 and is extendable thereafter. The license area is defined by 10 corner points, excluding the CSH Mine mining license area inside the exploration license boundary. The license area is located between longitudes from 109°11'00"E to 109°17'00"E and latitudes from 41°38'00"N to 41°41'00"N.

BDASIA has reviewed the copies of the mining license and exploration license provided by the Company and consider that they are valid and typical of mining and exploration licenses issued by relevant governmental agencies in China.

China Gold International has secured sufficient surface land areas through leases for current mining operation and planned expansion.

The CSH Mine has obtained all necessary permits and licenses to conduct current open pit mining, heap leaching processing at the CSH Mine. In order to retain the CSH property, the Company is obligated to conduct all the mining and processing activities at the CSH Mine site in accordance with the state and local laws and regulations, and pay any license fees and taxes to the relevant governmental agencies on a timely basis.

Mining operation at the CSH Mine is subject to a resource tax of RMB3.00 per tonne of processed ore and a resource compensation levy of 2.8% for 70% of the sales revenue. The corporate income tax rate for IMP is 25%.

To renew an exploration license, all exploration permit fees must be paid and the minimum exploration expenditure should have been made for the area designated under the exploration permit. To renew a mining permit, all mining permit fees and resource compensation levies must be paid to the state for the area designated under the mining permit. The renewal application should be submitted to the relevant state or provincial authorities at least 30 days before the expiration of a permit.

There are no recognized environmental problems that might preclude or inhibit mining operations in the CSH Mine area, although given the past artisanal and/or illegal mining activities environmental baseline studies are underway to clearly identify potential environmental issues.

Figure 4.2 shows the mining license boundary, the open pit mine, waste dumps, leach pads, processing facilities, and infrastructure items of the CSH Mine. Waste dumps must accommodate a further 174 Mt of waste rock from the Northeast and Southwest pits as of June 30, 2010.

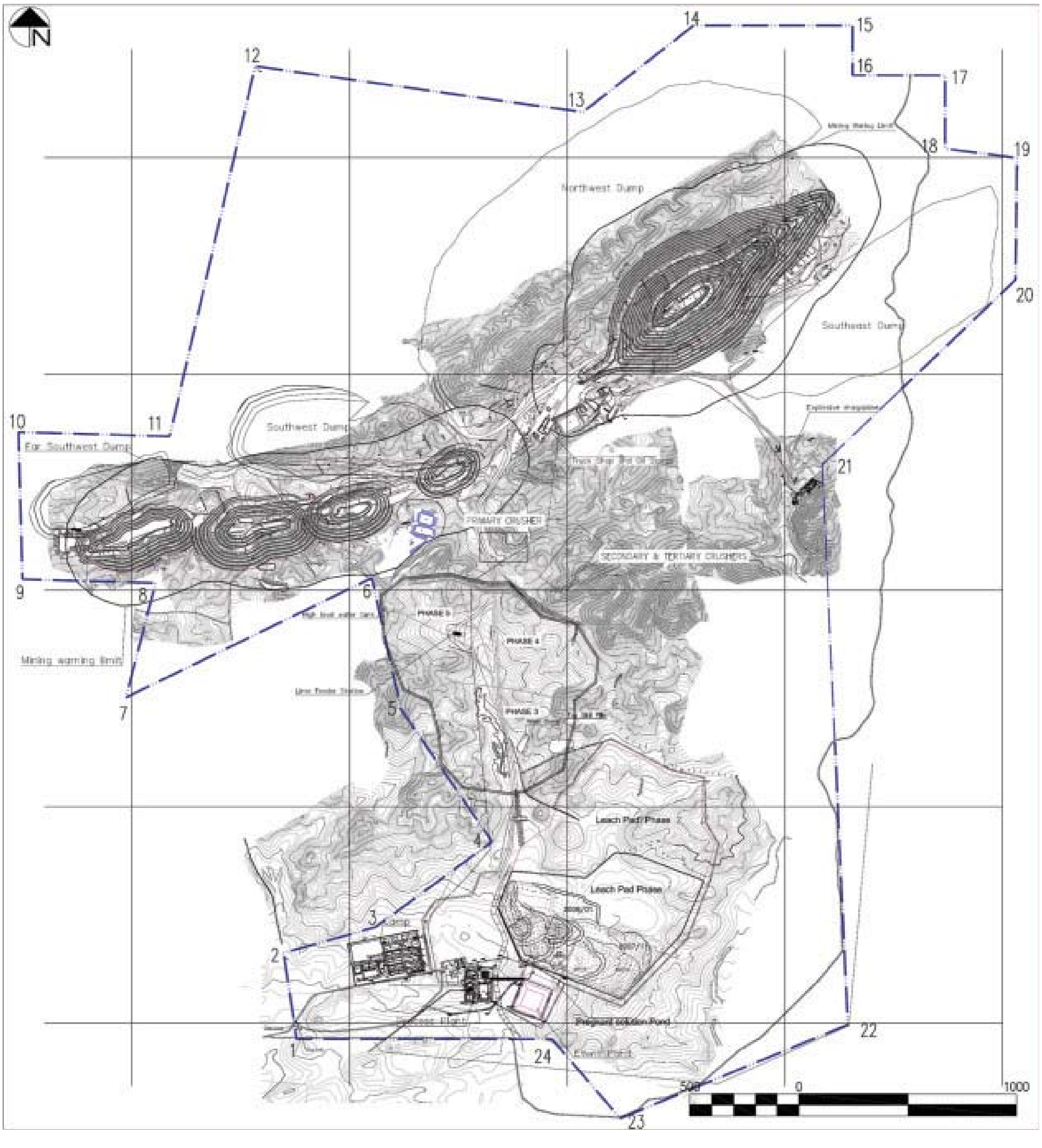


Figure 4.2 CSH Mine site map

5.0 PHYSIOGRAPHY, CLIMATE, ACCESSIBILITY, LOCAL RESOURCES AND INFRASTRUCTURE

The CSH Mine is located in an area of gently rolling hills with MSL elevations ranging from 1,550 m to 1,750 m in a semi-desert on the Inner Mongolian Plateau. Vegetation in the area consists of sparse desert grasses with shrub bushes. Outcrop exposure is abundant. There are few inhabitants within the general area of the mine with most of the land being used only for low-intensity sheep and goats grazing.

The area has a typical continental interior climate in semi-desert conditions. The summers are dry and comfortable with temperatures rarely exceeding 30°C. The winters are cold and windy, with cold spells down to -25°C. Winter conditions prevail from early October through mid-March, but snowfall is minimal. Average annual precipitation is approximately 230 millimeters ("mm"), which is far less than the estimated annual evaporation rate of 2,500 mm. Most of the precipitation occurs as rains in July to September.

Access to the CSH Mine area from Baotou is via 210 km of mostly paved two-lane highways, with a driving time of about 3 hours. The road distance from Baotou to Beijing is approximately 657 km on a national expressway, with a driving time of about 6 hours. There are a number of daily flights from Baotou to Beijing and other cities in China. Baotou is a major steel-making center in north China and is the central service and supply point for the general area of the mine. Many of the skilled laborers at the CSH Mine are from this center.

With the open, rolling terrain, an abundance of land is available for mine infrastructure purposes, including open pits, waste dumps, heap-leach pads, and processing plant, as well as office buildings and living facilities. The Company has secured sufficient surface lands through leases for current mining operation and planned expansion, such as additional leach pads.

Electricity for the CSH Mine is supplied by a 30-km-long, 35-kV power transmission line from the Chulutu substation south of the mine, where electricity is provided by the 110-kV district power grid. Two substations were constructed in the mine area to convert the electricity from 35 kV to the appropriate voltages for the production equipment and other applications. The CSH Mine management has stated that power supply for production is sufficient, as the area in general is in surplus for electric power. The mine also has a backup diesel generator to supply sufficient electricity for the gold recovery plant and the mining camp in case of an electricity breakdown.

Water for production and the mine camp is supplied by the Molen River located 5.2-km west of the mine. The mine has received appropriate water usage permits to pump a maximum of 980,000 m^3 of water from the river and nearby aquifers, which is sufficient for the mine production and the mining camp usage.

In addition to the mining and processing facilities, a 550-person mining camp was also constructed for the CSH Mine. Currently, IMP has 314 employees, including six in the senior management team, 11 as middle level managers, and 35 technical personnel. In addition, the mining contractor has approximately 230 people working in the mine area.

6.0 HISTORY

Gold mineralization associated with extremely narrow quartz veins at the CSH Mine area was discovered by the 512 Brigade of the Bureau of Geology and Mineral Resources of Inner Mongolia in the 1970s. However, the mineralization was considered too small and discontinuous to be of interest and consequently was abandoned. The 217 Brigade acquired the prospect in 1991 and explored the property from 1992 to 1998. Exploration work completed by the 217 Brigade included soil and rock geochemical sampling, surface trenching, the driving of a 188-m-long decline, and the heap leaching of a 30,000-t test sample on site.

In 1998, the 217 Brigade entered into a JV with Mr. Wang Kong, a Chinese individual resident in Vancouver, Canada, who agreed to finance a drilling program. However, the program was abandoned when the rig failed to drill beyond 80 m in the first hole, and further funding was withheld.

In 1999, the 217 Brigade entered into another JV with a Canadian consortium, Southwestern — Global Pacific Joint Venture (“SWGP”). This JV covered not only the 36-km^2 area of the CSH property held by the 217 Brigade but also the approximately 342-km^2 area surrounding the CSH property controlled by Inner Mongolia Exploration Bureau of China National Non-ferrous Metals Corporation. The combined areas were operated as a single project known as the Haoya Project. Work completed in 1999 included satellite imagery, geological mapping, extensive trenching and rock geochemistry (more than 3,000 samples), and the drilling of ten widely-spaced diamond drill holes (“DDH”), with a total drilled length of 2,797 m. The 1999 work confirmed the presence of a major low-grade gold mineralization system and suggested a significant potential for a bulk-tonnage, low-grade, open-pit gold target. The SWGP JV agreement was terminated in 2000 largely due to the downturn in the mining industry as a consequence of low gold prices.

In 2002, the 217 Brigade formed the current JV with Pacific Minerals Inc. (“PMI”, renamed as Jinshan Gold Mines Inc. in 2004, then renamed as China Gold International Resources Corporation Limited in July 2010), and a major drilling program comprising 4,997 m of drilling in 23 DDH holes was completed in the same year. In addition, a 750-kg bulk sample from core and surface trenches was sent to SGS Lakefield Research in Canada for preliminary metallurgical test work.

Several additional phases of drilling and metallurgical testing were completed by PMI/Jinshan from 2003 to 2005. A positive feasibility study for a conventional open-pit mining, heap-leach processing operation was completed by KDE in Tucson, Arizona, USA in May 2006.

The CSH Mine started construction in January 2006 and mining operation in April 2007. In July 2007, Jinshan completed the construction of the 20,000-tpd gold recovery facility, consisting of ROM heap leaching, carbon-in-column (“CIC”) gold absorption, carbon stripping, carbon regeneration and acid washing, bullion smelting, and reagent systems, along with the necessary ancillaries such as plant-site electrical systems, water system, shops, camp facilities, and access roads. By the end of July 2007, Jinshan successfully produced its first 500-oz gold doré bar.

Initial production was from the heap leaching of the ROM ore from the weathered (oxide and mixed) zone of the CSH deposit. A major 30,000-tpd crushing plant was completed in August 2009 and was in the process of commissioning and adjustment during BDASIA’s site visit in late October 2009. The production of the crushed ore ramped up gradually to the designed production capacity in March 2010 and the ore will be mostly crushed before stacking onto the leach pad starting in 2010.

Before the current mining operation, four types of historical gold mining activities occurred in the CSH Mine area, including historical small-scale alluvial or placer gold mining in the nearby CSH creek, small-scale artisanal mining on small gold-bearing quartz veins and sulfide stringers from mineralized zones worked on by the 217 Brigade from 1993 to 1998, unlicensed small open-pit mining — heap leaching operation on the Southwest Zone by the 208 Brigade of the CNNC in the periods of 1997-1999 and 2002-2004, and limited trial-mining and test-leaching from the Northeast Zone by the 217 Brigade from 1995 to 1997. Total gold production from these historical mining activities is estimated to be approximately 15,000 oz. These historical mining activities were generally confined to the near-surface zones of the mineralization and do not have any significant impact on the current mining operation.

7.0 GEOLOGICAL SETTING

7.1 Regional Geological Setting

The CSH Mine area is located within the North China gold belt extending along the northern margin of the North China craton. The area has undergone a complex geological history and tectonic evolution.

7.2 Local Geology

Gold mineralization of the CSH Mine is hosted by the Middle to Upper Proterozoic metasedimentary rocks of the Bayan Obo Group, which is also the host for the famous world-class rare earth-iron deposits at Bayan Obo some 50 km east-northeast of the CSH Mine. The Bayan Obo Group is divided, in a stratigraphically ascending order, into the Duhala Formation meta-conglomerates, meta-feldspathic quartzose sandstones, and meta-feldspathic wackes; Jianshan Formation slates, andalusite hornfels, meta-siltstones, and meta-quartzose wackes; Halabougete Formation dolomitic limestones intercalated with cherty slates and siliceous, calcareous clastic units, including sandstones, siltstones, and slates; Bilute Formation phyllites, schists, meta-sandstones, meta-siltstones, and meta-wackes; Baiyinbaolage Formation meta-sandstones, slates, and meta-siltstones; and Hujirtu Formation limestones, hornfels, skarns, slates, and meta-sandstones.

Only the middle portion of the Bayan Obo Group is present at the CSH Mine area, including the Jianshan, Halabougete and Bilute Formations. The second member of the Bilute Formation is the host for all significant gold mineralization on the property, and it consists of carbonaceous intercalated phyllites and andalusite-garnet schists, with minor meta-siltstones and meta-wackes. Schistosity of this unit dips quite uniformly to the north at 82°±10° but noticeably steepens and is even slightly overturned in the western part of the property. The metasedimentary rocks have been folded into a tight syncline in the mine area.

Intrusive rocks emplaced during the Late Caledonian, Hercynian, and Indosinian orogenies (413 to 205 Ma) are widely distributed in the CSH Mine area. Major granitoid batholiths outcrop to the north and south of the CSH gold deposit. Within the area of gold mineralization, numerous igneous bodies, traditionally described as dikes of various compositions, are present within the metasedimentary sequence. These bodies include diabase, lamprophyre, diorite, alpines, and pegmatite. The pegmatite and some diorite and lamprophyre bodies appear concordant with the bedding, as indicated by the drill cores. These bodies are generally barren of gold values.

7.3 Deposit Geology

Gold mineralization is controlled by an east-northeast-trending ductile-brittle shear zone located in the second member of the Bilute Formation in the south limb of the syncline. The shear zone is generally parallel to the foliation of the regional metamorphism but with a small cutting angle of around 10° to the foliation.

Figure 7.1 is a geology map of the CSH Mine area.

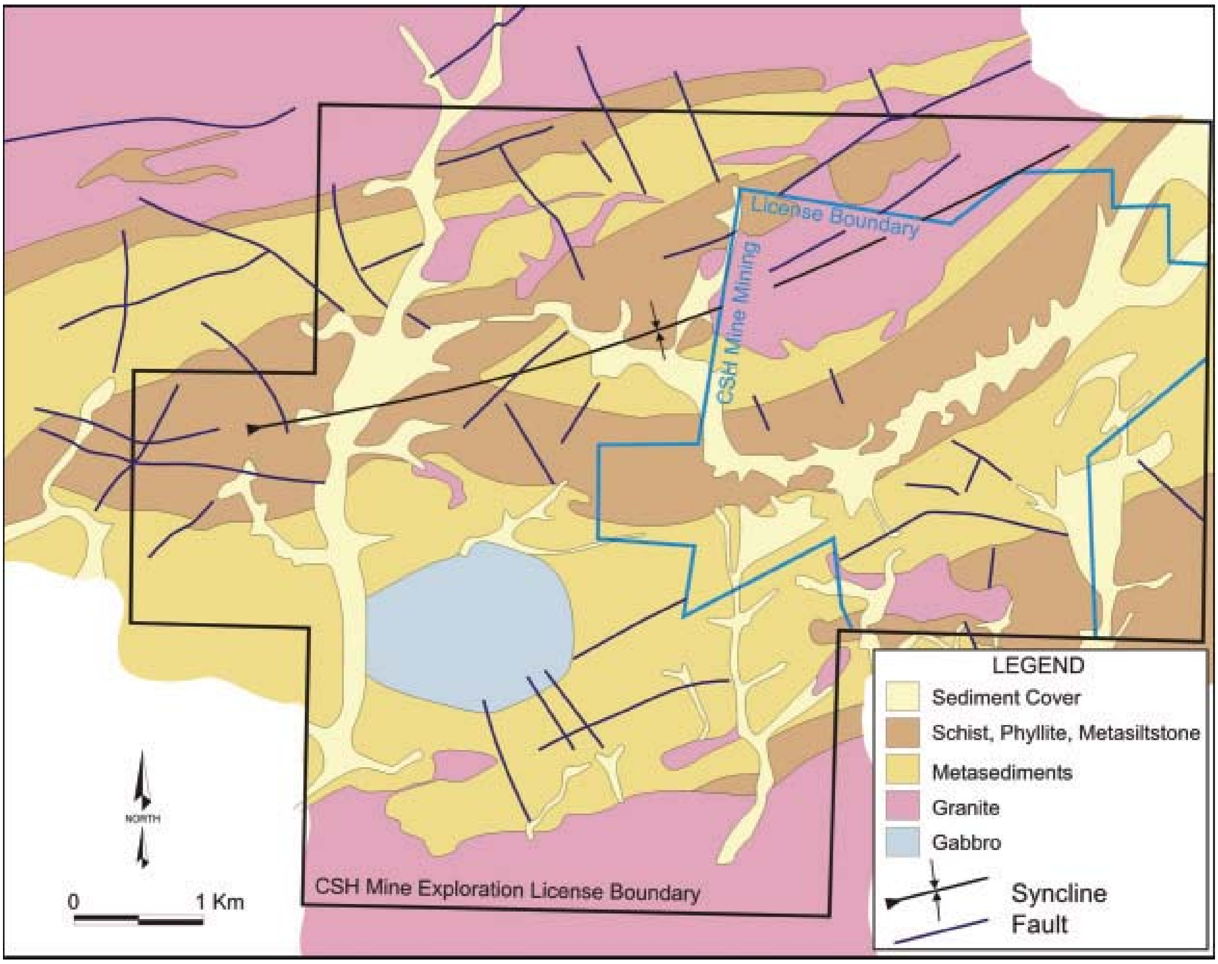


Figure 7.1 Geology of the CSH Mine area

8.0 DEPOSIT TYPES

Gold mineralization in the CSH Mine area occurs as numerous sub-parallel quartz/sulfide veinlets/stringers hosted by a sub-vertical ductile-brittle shear zone in Proterozoic meta-sediments. These gold-bearing quartz/sulfide veinlets/stringers form a large, near-surface, bulk-tonnage, low-grade gold deposit.

9.0 MINERALIZATION

Gold mineralization at the CSH Mine is divided into a Northeast Zone and a Southwest Zone (Figure 9.1). The two zones are offset by a fault structure.

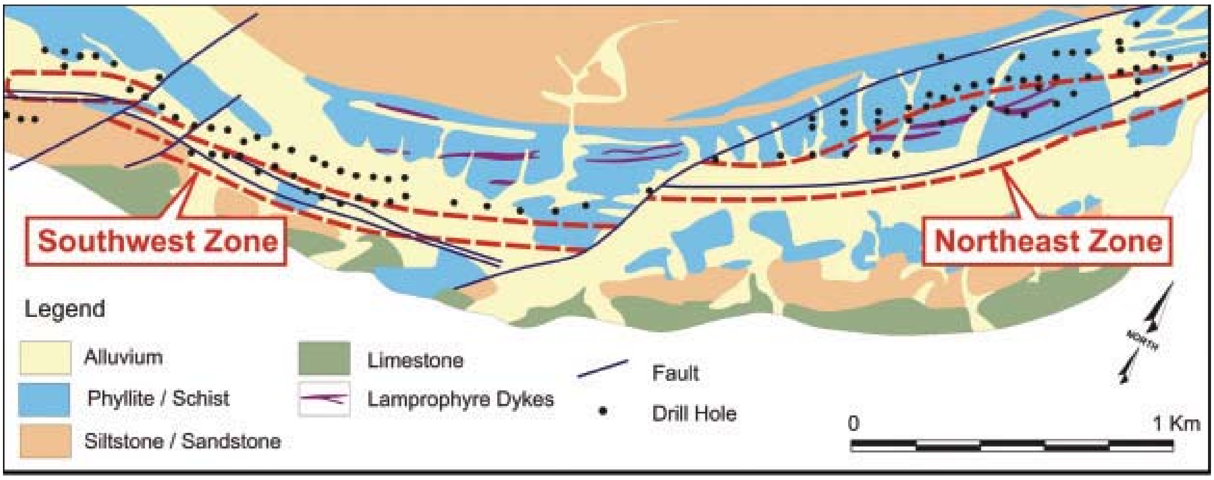


Figure 9.1 Distribution of drill holes and mineralized zones for the CSH Mine

Gold mineralization is composed of thin (typically 1 mm to 10 mm) sulfide and quartz-sulfide seams/veinlets, stringers, and boudinaged lenses, which are generally concordant with the bedding and/or schistosity of the host rock and trend along the shear structure. Much quartz vein material has been logged in the drill holes associated with the higher-grade gold sections. Most of the "veins" are probably derived from remobilization of siliceous exhalative layers in the hydrothermal process, perhaps related to basin dewatering during regional deformation and metamorphism. The higher-grade gold zones are parallel or sub-parallel to the regional metamorphic foliation texture. In most sections, connecting of the higher-grade intervals shows relatively consistent dip angle of the mineralized zones ranging from 82°-85° to the north in the Northeast Zone and from 87°-89° to the south in the Southwest Zone.

Three distinctive styles of mineralization are noted within the target stratigraphy:

- In the upper third of the sequence, the mineralization is dominantly quartz-rich, with only minor sulfide seams;
- In the lower third of the sequence, the mineralization is dominantly of the sulfide seam type, with only rare scattered quartz material; and
- In the middle third of the sequence, the mineralization is an even mixture of the above two types.

Gold occurs as native gold or electrum associated with the sulfide in seams and with the quartz vein material. Mineralogical work done by SGS Lakefield in Canada in 2002 on composite weathered (oxide and mixed) and fresh (sulfide) mineralization samples found 77% of the gold was free in the sulfide composite and 100% of the gold was free in the weathered composite. Sulfide minerals are mostly pyrite with some pyrrhotite; trace amounts of arsenopyrite, chalcopyrite, sphalerite, and galena have also been reported.

Alteration related to gold mineralization is generally weak, with only chlorite and silica alterations noticed in the drill logs. The host sediments have been moderately to strongly metamorphosed to phyllite and schist, with abundant sericite. Andalusite crystals up to 3 cm in length are prominently developed in some of the schists, and andalusite schists host a significant portion of the gold mineralization in both the Northeast Zone and the Southwest Zone.

Surface work and diamond core drilling have defined the mineralized zone over a continuous strike length of 4.8 km trending east-northeasterly across the CSH Mine area, with drilling to a maximum vertical depth of 375 m. Width of the mineralized zone varies, and a maximum width of approximately 300 m was found in the eastern part of the deposit.

The Northeast Zone has a strike of N55°E. It is approximately 1,650-m long along strike and 20-m to over 300-m wide. The Southwest Zone is located 400 m to the southwest of the Northeast Zone and has a strike of N75°E. The zone is 2,250-m long and 40-m to 100-m wide. The two mineralized zones are generally open at depth.

In addition to the fault that offsets the two mineralized zones, there is also a major fault parallel to the mineralization longitudinally. There are also several other small-scale, cross-cutting faults with limited offset within the mineralized zone.

The upper part of the mineralized zone has been weathered (or oxidized) to a depth of generally between 40 m to 70 m; however, the sulfide minerals have not been completely oxidized at the lower portion of the weathered zone. Therefore, the weathered zone actually consists of both oxide and mixed materials.

BDASIA has reviewed the interpretation of the geology and gold distribution of the CSH Mine by China Gold International geologists and considers that the interpretation is reasonable.

10.0 EXPLORATION

Several phases of drilling and exploration work have been conducted by China Gold International (previously PMI then Jinshan) in the CSH Mine area since signing the JV agreement in 2002.

In 2002, Jinshan completed magnetic and electromagnetic surveys along the length of the shear structure, which were used to guide the follow-up drilling program. A 750-kg bulk sample was shipped to SGS-Lakefield in Canada for preliminary metallurgical testing. A total of 4,997 m in 23 DDH holes was completed, with most of this drilling concentrated on the Northeast Zone. This drilling program demonstrated the wide, low-grade intervals that support the potential for a low-grade, bulk-tonnage gold deposit. These results justified a further drilling campaign in 2003.

In 2003, Jinshan shipped a further one-t sample to SGS-Lakefield for leach testing and drilled an additional 33 DDH holes totaling 6,056 m. Some of these holes in-filled the previous drilling in the Northeast Zone, but most were drilled on sections at 200-m intervals to test the structure along strike to the southwest. Additional holes were completed on 100-m sections in the Southwest Zone. The 2003 drilling confirmed the presence of extensive low-grade gold mineralization that justified more detailed drilling in 2004.

In 2004, 35 DDH holes with a total drilled length of 6,598 m were completed as 50-m-spaced in-fill holes in the Northeast Zone and the eastern part of the Southwest Zone. This drilling further confirmed the continuity of the gold mineralization in the deposit. A 310-m decline with a 101.8-m crosscut was driven to the center of the Northeast Zone below the weathered/fresh interface for metallurgical sampling. As a pilot mining program, a total of 100,000 t of oxide ore were mined from the Northeast Zone for heap-leach testing at the site, which was completed in 2005.

In 2005, 20 DDH holes totaling 4,630 m were drilled as 25-m spaced in-fill drilling in the Northeast Zone, as 50-m-spaced infill drilling in the western part of the Southwest Zone, and as step-out holes for the Southwest Zone. A western extension to Southwest Zone mineralization has been indicated by three 50-m-spaced step-out holes, expanding the open-ended zone further to the west. The 2005 drilling brought the total drilling at the CSH Mine area to 25,078 m in 121 holes, which was the drill hole database used for the 2006 feasibility study resource model.

In 2007, a total of 11,432 m in 41 DDH holes was drilled on the property, including 3,073 m in 14 in-fill and step-out holes for the Southwest Zone, 8,147 m in 25 holes for the deeper extension of the mineralized zone in the Northeast Zone, and two short prospecting holes further west along the mineralization trend. The drilling database as of the end of 2007 was used to generate the resource model for the March 2008 KDE NI 43-101 technical report.

In 2008, a total of 4,973 m in 23 DDH holes were drilled on the property, including 2,584 m in 10 DDH holes for the Northeast Zone, 1,639 m in 10 holes for the Southwest Zone and 750 m in 3 holes to test the western extension of the Southwest Zone. These 2008 DDH holes, together with the pre-2008 drilling database, were used by KDE to produce an updated resource model for the CSH Mine in an internal company report dated February 5, 2010. This resource model is reviewed by BDASIA and has been adopted by this ITR.

11.0 DRILLING

All of the drilling to date has been completed using the Chinese-equivalent of HQ core equipment, producing cores approximately 60 mm in diameter.

The first 10 holes drilled by Southwestern Gold in 1999 were completed by a conventional Chinese drilling contractor using antiquated equipment, with poor productivity, low core recovery (generally ranging from 60% to 90%, averaging about 80%), and numerous breakdowns. These 10 holes were drilled from north of the mineralized zone to the east-southeast direction at dip angles of between -74° and -76°.

However, all the follow-up holes drilled by Jinshan were completed by two different Chinese contractors using modern Longyear, Atlas Copco, and Boyles Bros. equipment with wire line, mudding systems, and double or triple wall rods. Core recoveries were very good, averaging more than 98% with output averaging 30 m to 40 m per rig per 24-hour day.

All holes were down-hole surveyed using a Sperry-Sun type single-shot survey instrument providing a photographic record of the hole angle and direction at 50-m intervals. The collar locations of the holes were surveyed using a laser total station and tied to survey control points established with differential GPS.

Most of the Jinshan holes were drilled from the north side of the mineralized zone toward the east-southeast direction at a dip angle of -45° (sometimes increasing to -60°). A small portion of the holes were drilled from the south side of the zone toward the west-northwest direction at similar dip angles.

All cores were logged by geologists and sampled at the core logging, sampling, and storage facility on site. The procedures for core logging and sampling were as follows:

- fitting the core together in the trays, then measuring core recovery and RQD of each run;
- estimating percentage of quartz veinlets and sulfide or oxide content, and identifying weathered rock and fresh rock interface;
- marking sample intervals by the geologist;
- cutting the core into two halves using a diamond saw. Half of the core was sent to the laboratory for preparation, and the other half was returned to the original core box and then stored in the core storage facility;
- measuring the angle between core axis and bedding, foliation, dikes, and other structures; and
- describing lithology, mineralogy, structure, and mineralization.

The topography surface used for resource modeling and mine planning was based on a survey completed by the Baogang team in the summer of 2005 and an additional patch to the southwest of the mineralized zone. Topographic surface for the operating pit area was constantly surveyed by Total Stations and was merged into the larger topographic surface. The topographic surface used for the current resource model was dated June 30, 2010.

Figures 11.1 and 11.2 shows the drill hole traces and the defined mineralized zones for the Northeast Zone and Southwest Zone of the CSH Mine, respectively.

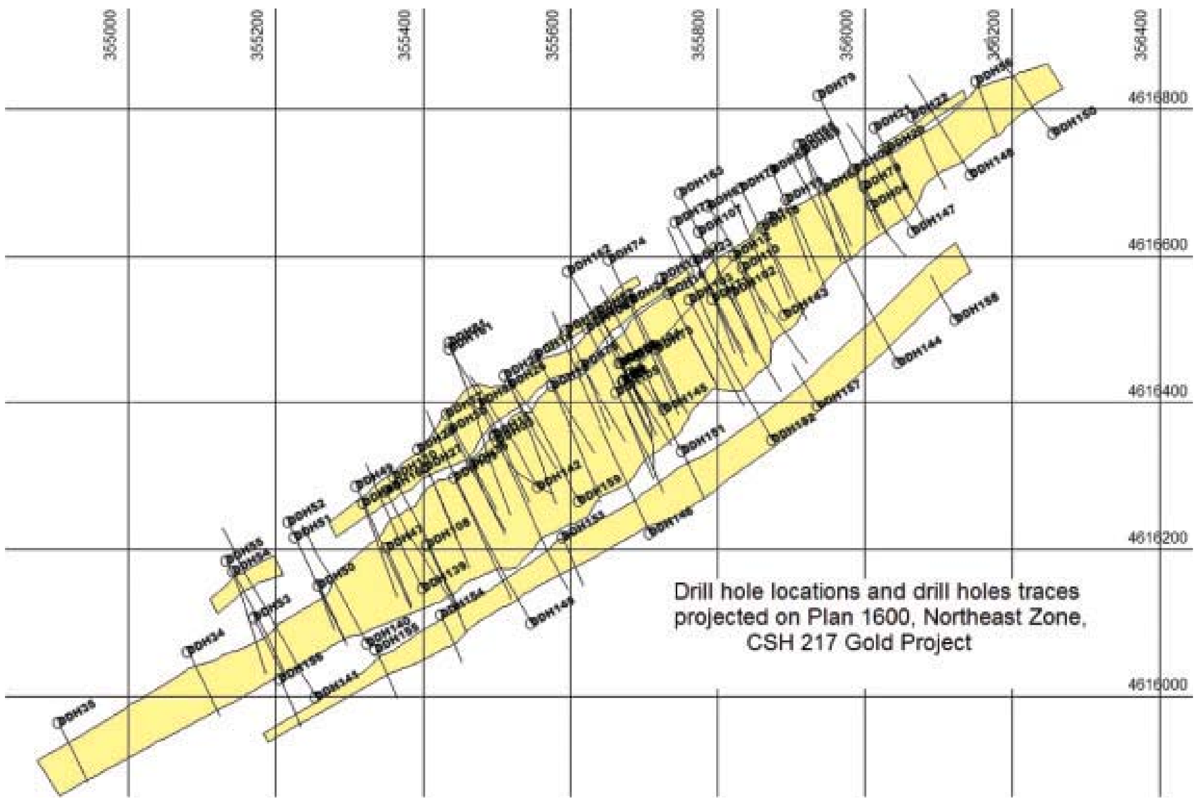


Figure 11.1 Drill hole traces and the mineralized zones in the Northeast Zone

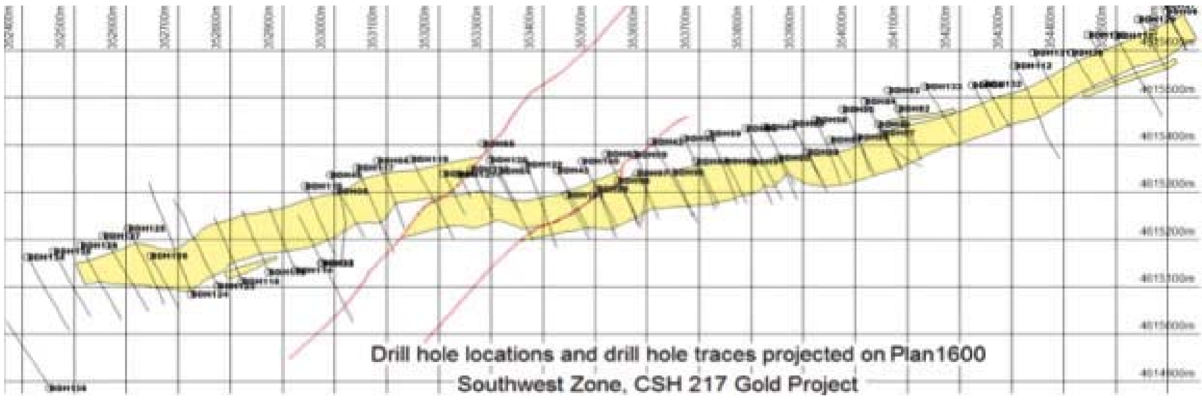


Figure 11.2 Drill hole traces and the mineralized zones in the Southwest Zone

The details of the drill hole information for holes completed prior to 2006 can be found in a NI 43-101 report titled "Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Final Feasibility Study" by KDE for Jinshan in 2006; the details of the drill hole information for drill holes completed in 2007 can be found in a NI 43-101 report titled "Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Throughput Expansion Technical Report" by KDE for Jinshan in 2008; and the details of the drill hole information for drill holes completed in 2008 are summarized in Tables 11.1 to 11.3.

Table 11.1
2008 Northeast Zone Drill Holes

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery	No. of Samples
DDH167	4,616,348	355,700.9	1,636.3	-60°	155°	210.3	100%	88
DDH169	4,616,396	355,776.5	1,636.2	-50°	155°	180.0	100%	81
DDH170	4,616,458	355,863.6	1,635.9	-45°	155°	135.1	100%	60
DDH171	4,616,018	354,984.7	1,647.7	-45°	155°	144.2	100%	64
DDH173	4,615,913	354,805.1	1,644.8	-45°	155°	150.1	99%	68
DDH175	4,616,116	355,087.4	1,655.1	-55°	155°	228.0	99%	98
DDH177	4,616,241	355,166.7	1,659.2	-45°	155°	303.7	99%	135
DDH179	4,616,342	355,280.0	1,653.9	-60°	155°	391.0	99%	163
DDH181	4,616,409	355,366.4	1,647.7	-63°	155°	381.4	100%	93
DDH183	4,616,505	355,427.4	1,659.9	-65°	155°	460.1	100%	118
Total						**2,583.9**	**100%**	**968**

Table 11.2
2008 Southwest Zone Drill Holes

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery	No. of Samples
DDH164	4,615,471	354,377.9	1,632.6	-45°	335°	107.8	93%	40
DDH165	4,615,750	354,683.9	1,647.3	-45°	155°	199.5	98%	83
DDH166	4,615,402	354,270.5	1,639.3	-45°	335°	135.2	96%	60
DDH168	4,615,372	354,181.6	1,637.0	-45°	335°	135.1	97%	58
DDH172	4,615,316	353,982.5	1,633.4	-50°	335°	125.4	95%	51
DDH174	4,615,271	353,702.5	1,632.4	-45°	335°	130.2	91%	56
DDH176	4,615,212	353,450.2	1,643.8	-55°	335°	181.0	93%	70
DDH178	4,615,208	353,395.9	1,654.2	-47°	335°	155.0	92%	58
DDH180	4,615,218	353,292.6	1,667.6	-50°	335°	240.2	96%	109
DDH182	4,615,227	353,193.8	1,641.7	-50°	335°	230.0	99%	92
Total						**1,639.3**	**95%**	**677**

Table 11.3
2008 Exploration Drill Holes

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery	No. of Samples
DDH184	4,615,519	352,083.9	1,618.2	-45°	180°	252.0	97%	70
DDH185	4,615,628	351,373.8	1,600.1	-45°	180°	247.7	100%	77
DDH186	4,615,541	351,716.0	1,613.7	-45°	180°	250.0	99%	68
Total						**749.7**	**99%**	**215**

As the mineralized zones are subvertical at the CSH Mine, and as the drill holes were drilled at -45° and -65°, the true thickness of the mineralized zone at the location of a drill hole is only 0.707 and 0.423 times of the drilled intercepted mineralized zone length, respectively.

These drilling results defined the lateral extents and gold grade distribution of the mineralization for the Northeast Zone and Southwest Zone, and formed a solid basis for the mineral resource and mineral reserve estimates for the CSH Mine.

12.0 SAMPLING METHOD AND APPROACH

Gold mineralization in the Northeast Zone and the Southwest Zone of the CSH Mine is sampled by DDH drill holes. Resource database used for the resource estimates in this ITR consists of 185 inclined DDH holes with a total drilled length of 41,483 m. Drill hole spacing in the central portion of the mineralized zones ranges from 25 m to 50 m, and drill hole spacing in the peripheral zones generally ranges from 50 m to 100 m. The drill core samples from the Northeast Zone cover an area of 1,600-m long and 350-m wide while the Southwest Zone, an area of 2,300-m long and 150-m wide.

Core recovery is generally good, averaging over 98% for the Jinshan DDH holes completed from 2002 to 2008. The 10 DDH holes completed in 1999 have a lower average core recovery of approximately 80%, but they only represent less than 8% of the drill hole database.

As gold mineralization in the CSH deposit is low-grade and gradational, with the exception of a few metallurgical holes, all drill cores were split in half by a diamond saw, with half of the core sent for assay and the other half retained on site for reference. Sample length was generally 2 m, unless geological breaks dictated otherwise, with a maximum length of 3 m and minimum of 0.22 m. The average sample weight for a 2-m interval is approximately 7 kg, which is a large weight that ensures sample representativeness. As the mineralized zones are subvertical at the CSH Mine, and as the drill holes were drilled at -45° and -65°, the true thickness for a 2-m long core sample is 1.4 m and 0.85 m, respectively.

From 2002 to 2007, a total of 18,601 core samples were shipped to the assay laboratory, with an average sample length of 1.83 m and average sample weight of 7.1 kg. In 2008, a total of 1,860 samples with similar average length and weight were shipped for assays.

The following information was recorded by the field geologist for all geological samples collected for analysis and for reference samples: field sample numbers; laboratory sample numbers where samples, standards and duplicates were numbers in the same consecutive numbering system; drill hole numbers and sample intervals; date of sample collection.

BDASIA's review indicates that the drilling and sampling for the CSH Mine have been performed by the industry standards, the core samples are representative of the gold mineralization in the deposit and should not produce any material bias for gold distribution.

A detailed list of the mineralized intervals in drill holes completed prior to 2006 can be found in a NI 43-101 report titled "Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Final Feasibility Study" by KDE for Jinshan in 2006, and a detailed list of the mineralized intervals in drill holes completed in 2007 can be found in a NI 43-101 report titled "Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Throughput Expansion Technical Report" by KDE for Jinshan in 2008.

13.0 SAMPLE PREPARATION, ANALYSIS AND SECURITY

Sample preparation was conducted by the Langfang Laboratory at the Institute of Geophysical and Geochemical Exploration located at the Langfang Research Center, Hebei Province, about a 1-hour drive south of Beijing, from 2002 to 2004. This laboratory is certified by the Chinese government. Since 2005, sample preparation has been conducted by the Baotou Laboratory in Baotou, Inner Mongolia, another Chinese government certified laboratory.

The entire received sample was crushed to -10 mesh (approximately 2 mm), then split to produce a 500-gram ("g") sample for shipment to Canada for gold assay by ALS Chemex in North Vancouver from 2002 to 2005 and to the SGS laboratory ("SGS") in Tianjin, China since 2007. SGS in Tianjin is part of the SGS Group and is ISO 9001-2000 certified as well as Chinese National Accreditation Board for Laboratories ("CNAL") accredited.

At ALS Chemex, the samples were pulverized to -100 mesh (0.15 mm), and gold grade of the samples was determined using the standard ALS Chemex metallic screen fire assays on one-assay-tonne (30 g) samples. This assay procedure involves screening the sample using a 100-mesh sieve and assaying the entire portion of the sample above the sieve and two 30-g sub-samples for the portion of the sample below the sieve using the fire assay-atomic absorption spectrometry ("AAS") finish method. The sample gold grade is calculated from these three assays, and the weights of the plus and under sized portions of the sample.

At SGS in Tianjin, the samples were dried, pulverized to approximately 95% -200 mesh (0.075 mm), and sieved at 200 mesh, and the weights were recorded for the plus and minus fractions. Sample gold grade was determined from one fire assay — AAS finish for all the plus portion of the sample and two assays of the under sized portion of the sample, and the respective weights were recorded for the plus and minus fractions.

Sample security was sound. Core samples were delivered to the sample preparation laboratories by a Jinshan employee by truck. However, none of the Jinshan employees, officers, directors or associates were involved to conduct the sample preparation.

BDASIA considers the sample preparation procedures and analytic method utilized are appropriate for this type of gold deposit.

14.0 DATA VERIFICATION

Quality assurance and quality control ("QAQC") of assay results for China Gold International's drill hole database was carried out by inserting standard reference material samples and blanks and by conducting duplicate assays.

The blank sample was collected from a quartzite outcrop located southeast of the CSH Mine or from barren or almost barren material from some of the formations that are wall rock to the mineralized zones in the mine area.

Standard reference material used for the QAQC included a number of commercial standards purchased by China Gold International from Rocklabs, Ltd. in New Zealand, with gold grades ranging from 0.098 g/t to 2.77 g/t.

The samples assayed by ALS Chemex included approximately 5% blank samples, 7.5% duplicate samples, and 7.3% commercial standards.

Of the blank samples assayed by ALS Chemex, only a few returned gold grades above the detection limit of 0.05 g/t. One of the 2005 assays was 0.24 g/t, indicating a possible bag or tag swap. This implies that there is a probability of cross contamination from one sample to the other, but it is considered as a low-risk factor. Significantly more blank samples returned gold assay grades above detection limit in 2007, as the blank samples were sourced within the mine area and were not true blanks. The highest grade blank assay was only 0.1 g/t for the Southwest Zone, but there were 12 assays with gold grades ranging from 0.10 g/t to 0.16 g/t for the Northeast Zone. In 2008, there were 4 assays with gold grades ranging from 0.10 g/t to 0.21 g/t for blank samples. As the 2007 and 2008 blanks were not true blanks, it is difficult to evaluate the assay quality from these results. Therefore, BDASAI believes that true blank samples should be used for the project.

Most of the assay results for the standard reference materials were reported by ALS Chemex and SGS within the certified value ± two times of standard deviation, indicating the assay quality is generally good. However, there were also some assay results located below or above this grade range.

Assay results for duplicate samples generally show relatively large variation, indicating the heterogeneity of gold distribution in the deposit. A heterogeneity test indicated a confidence level for individual samples above 0.20 g/t gold at ±25%. This poor precision has an impact on the expected accuracy of the individual estimated grades on a block-by-block basis, but it is not considered significant when larger volumes are considered.

China Gold International geologists and the Qualified Person, Mr. Mario Rossi, who prepared the resource estimation for the CSH Mine, consider that the drilling, surveying, sampling, sample preparation and analysis, and QAQC of the CSH Mine have generally been conducted in accordance with the industry standards. BDASIA concurs with this statement based on reviewing the QAQC data provided by the Company.

BDASIA has verified the gold mineralization by observing the mineralized drill cores and exposures in the open pits, ores loaded on the leach pads, and gold doré bars produced by the CSH Mine.

15.0 ADJACENT PROPERTIES

No information is publically available for any relevant mining properties in the adjacent area of the CSH Mine.

16.0 METALLURGICAL TESTING AND MINERAL PROCESSING

16.1 Metallurgical Testing

For the purpose of this ITR the whole body of the testwork is divided into three groups. The first group of tests deals with exploratory and initial testwork and encompasses the 1995 to 2003 period. The second group includes comprehensive testwork on large samples in 2004 and 2005. The third group of tests, completed most recently in 2009, investigated the effects of feed head grade and crush size on the extraction of gold by leaching.

The third group tests were conducted on representative composites prepared from the drill cores in the fresh zone of the CSH deposit. This group of tests is considered to have produced the most reliable results so far because of the representativeness of the test feed and the comprehensive testing approach.

The testwork samples originated from drill cores, trenches, and pits which were dug for this purpose. In the course of the initial group one of the tests, the head gold values varied widely. For the weathered (oxide and mixed) ore, the average head gold grade for all samples was 1.07 g/t, while the range was from 0.65 g/t to 1.8 g/t. The average head gold assay for the fresh (sulfide) ore was 0.95 g/t, while the range of the heads for various samples was between 0.6 g/t and 1.2 g/t. The later, group two, comprehensive testwork used weathered (oxide and mixed) and fresh (sulfide) samples that averaged 0.71 g/t gold (0.52 g/t to 0.87 g/t gold range of calculated heads) and 0.56 g/t gold (0.46 to 0.68 g/t gold range), respectively. The recent, 2009, testwork was conducted on representative composites prepared from the drill cores. These composites assayed, on the average, 0.81 g/t gold for the Northeast ore and 0.60 g/t gold for the Southwest ore.

ICP scan analyses of various testwork samples indicated the presence of small amounts of deleterious and/or potential "preg robbing" elements, i.e. those which increase cyanide consumption (copper and zinc), precipitate the gold from the cyanide solution (nickel), and use up oxygen required for gold dissolution (arsenic and antimony). Some graphite (adsorbing gold onto its surface) was identified as well. However, the tests indicated that "preg robbing" is not a significant problem and that it will not adversely affect the extraction of gold.

Mineralogical investigations indicated that gold occurs as native gold or in electrum. Both may be associated with sulfide in seams and with quartz in veins. About 77% of the gold is free. Sulfides are mostly pyrite and pyrrhotite. There are traces of arsenopyrite, chalcopyrite, sphalerite and galena. The host sediments have been moderately to strongly metamorphosed to phyllite and schist, with abundant sericite. Andalusite schist carries significant portions of gold. In general, the results of the quantitative chemical analyses, ICP analyses, and mineralogical examinations indicated that these ores are clean and have low concentrations of detrimental impurities that might adversely affect the processing.

16.1.1 Exploratory and Initial Testwork, 1995-2004

Exploratory and initial testwork are summarized in Table 16.1. The test results showed that both ore types are amenable to cyanide leaching and that the most significant factor affecting the gold recovery is the size of the feed. This same behavior is evident in both agitation and column leach tests.

Table 16.1
Summary of Exploratory and Initial Testwork

Year	Testwork By	Ore Type	Head g/t Au	Recovery Method	Feed Size	Days (Hours)	Recovery % Au
1995	Brigade 217	Oxide	0.90	Test Heaps	ROM	32	64.7
1999	IME(1)	Oxide(2)	0.65-1.8(3)	Bottle Roll	80%-0.6mm	4	80.2
		Sulfide	0.6-1.2(3)				74.8
2001	Brigade 217	Oxide	2.95	Agitation	75%-200mesh	(36)	91.9
				Column	-5 mm	17	90.6
2002-2003	SGS Lakefield	Oxide	1.04(3)	Metallic	Screen	Analyses	
		Sulfide	0.97(3)				
		Oxide(4)	0.73	Agitated Leach	80%-325mesh	(48)	87.7
		Sulfide(4)	0.93		80%-200mesh	(48)	97.9
2003-2004	SGS Lakefield	Oxide	1.22(3)	Metallic	Screen	Analyses	
		Sulfide	0.97(3)				
		Oxide	1.17(3)	Column Leach	-1 inch	83	47.0
		Oxide	1.08(3)		-¼ inch	83	84.2
		Sulfide	1.05(3)		-1 inch	83	45.1
		Sulfide	0.94(3)		-¼ inch	83	73.0
2003	Yinchuan	Oxide	N/A	Bottle Roll	200 mesh	(36)	95
		Sulfide				(36)	92
		Oxide	N/A	Column Leach	80%-10mm	66	79.9
					80%-25mm	66	75.1
					80%-50mm	66	65.6
		Sulfide	N/A	Column Leach	80%-10mm	41	74.0
					80%-25mm	66	67.6

Notes:

(1) International Metallurgical and Environmental Inc.

(2) From surface trench

(3) Calculated

(4) Whole ore

16.1.2 Comprehensive Testwork on Large Samples, 2004-2005

The comprehensive testwork aimed at providing design parameters was conducted on large samples. It comprised column leaching and pilot heap leaching experiments. Some cursory evaluation of gravity + flotation followed by agitation leaching was also performed. The results of the comprehensive testwork are summarized in Table 16.2.

Table 16.2
Summary of Comprehensive Testwork on Large Samples

Year	Testwork By	Ore Type	Head % Au	Recovery Method	Feed Size	Days (Hours)	Recovery % Au
2004-2005	Metcon	Oxide	0.76[(1)]	Column Leach	80%-55mm	90	78.5[(1)]
	Baogang	Oxide	0.87[(1)]	Column Leach	80%-25mm	90	77.9[(1)]
	Baogang	Oxide	0.85[(1)]	Column Leach	80%-6mm	90	84.1[(1)]
	Baogang	Sulfide	0.58[(1)]	Column Leach	80%-75mm	120	46.3[(1)]
	Baogang	Sulfide	0.60[(1)]	Column Leach	80%-25mm	120	59.0
	Baogang	Sulfide	0.55[(1)]	Column Leach	80%-6mm	120	71.3
2004-2005	Metcon	Oxide	0.66[(2)]	Gravity + Flotation	80%-65mesh	N/A	~81
		Oxide	0.52[(2)]		80%-100mesh		~79
		Oxide	0.57[(2)]		80%-150mesh		~83
		Oxide	0.71[(2)]		80%-200mesh		~87
		Sulfide	0.46[(2)]		80%-65mesh		~78
		Sulfide	0.68[(2)]		80%-100mesh		~86
		Sulfide	0.54[(2)]		80%-150mesh		~79
		Sulfide	0.51[(2)]		80%-200mesh		~81
2004-2005	China Gold International	Oxide		Pilot Heap Leach	ROM	90	63.3[(3)]
					Crushed	80	67[(3)]
					ROM	240	80[(4)]
					Crushed	240	85[(4)]

Notes:

(1) Average

(2) Calculated

(3) Actual

(4) Predicted

This testwork confirmed that the gold recovery is a function of the feed size, all other variables remaining essentially the same.

In the Metcon-Baogang 2004-2005 column leach testwork, the gold recovery from the oxide ore rose from 78% to 84% when the feed size was reduced from 80% -55 mm to 80% -6 mm. The recovery from the sulfide ore rose from 46% to 71% when the feed size was reduced from 80% -75 mm to 80% -6 mm. In the China Gold International 2004-2005 pilot heap leach tests on oxide ore, the crushed ore gold recovery after 80 days of leaching was 67% as compared to 63% for 90 days leach of the ROM ore. This portion of the testwork confirmed again, along with the whole body of testwork results, that the gold recovery from either ore type is closely related to the size of feed. Consequently, the ores must be subjected to crushing as fine as economically feasible. This is valid for the fresh sulfide as well as for the transitional ore being mined now. The true weathered, oxide ore appears to have been limited to the area very close to the surface and was exhausted at the early stage of mining operation. Most of ore loaded on the leach pad is transitional in nature with a much lower heap leach gold recovery than the true weathered, oxide ore.

The comprehensive testwork, in addition to generating required design parameters, had the objective of estimating gold recoveries and its production. For this reason, a series of column leach tests were performed, all in duplicate on different feed sizes for each weathered (oxide and mixed) and fresh (sulphide) ore sample. These results are summarized in Table 16.3 showing the actual and predicted gold recoveries for the two ore types.

Table 16.3
Actual and Predicted Gold Recovery for Weathered Oxide and Fresh Sulfide Ores

Leaching Days	Weathered Oxide Ore					
	80%-55 mm		80%-25 mm		80%-6 mm	
	Actual	Predicted	Actual	Predicted	Actual	Predicted
15	55.7%	53.1%	56.1%	54.4%	67.6%	61.9%
30	63.9%	63.8%	65.2%	64.1%	73.7%	69.6%
45	70.0%	70.0%	70.9%	69.8%	78.6%	74.2%
60	73.7%	74.4%	73.9%	73.9%	80.4%	77.4%
75	76.0%	77.8%	75.6%	77.0%	82.3%	79.9%
90	77.8%	80.6%	77.3%	79.6%	83.5%	82.0%
105		83.0%		81.8%		83.7%
120		85.0%		83.6%		85.2%

Leaching Days	Fresh Sulfide Ore					
	80%-75 mm		80%-25 mm		80%-6 mm	
	Actual	Predicted	Actual	Predicted	Actual	Predicted
30	33.3%	33.0%	45.7%	44.3%	44.9%	45.2%
60	37.4%	38.4%	49.4%	50.5%	54.9%	55.8%
90	41.4%	41.5%	53.7%	54.2%	62.0%	62.0%
120	45.3%	43.8%	57.9%	56.7%	69.5%	66.4%
150		45.5%		58.7%		69.8%
180		46.9%		60.4%		72.6%

Recovery dependence on the feed size was again clearly demonstrated, particularly for the fresh (sulfide) ore. In this case reducing the leach feed size from 80% -75 mm to 80% -6 mm resulted in an actual increase of 24 recovery points, i.e. from 45.3% to 69.5% for 120 days of leaching. Predictions for the 180 days of PLS production indicated 72.6% gold recovery if the feed is crushed to 80% -6 mm and under laboratory conditions. KDE believed that under commercial production conditions this recovery would be 70% gold.

Gold recovery estimates for the two ore types at ROM or tertiary crushed feeds ore in the March 2008 KDE NI 43-101 report are tabulated in Table 16.4.

Table 16.4
KDE's Ultimate Gold Extraction Estimates by Ore Type in 2008

Ore Type	Estimated Gold Recovery
ROM Weathered (Oxide and Mixed)	80%
Tertiary Crushed Weathered (Oxide and Mixed)	85%
ROM Fresh (Sulfide)	40%
Tertiary Crushed Fresh (Sulfide)	70%

BDASIA notes that the KDE predicted heap leach gold recoveries for the weathered (oxide and mixed) ore are for the truly weathered or oxidized material. However, a large portion of the material in the currently defined weathered (oxide and mixed) zone, now depleted, was actually a mixed ore with significant amount of fresh (sulfide) material. Therefore, the actual ROM weathered ore heap leach gold recovery is significantly lower than the 80% gold recovery predicted by KDE in Table 16.4.

16.1.3 The 2009 On-Site Column Leaching Testwork

This investigation was conducted on the drill cores from the fresh zone of the CSH deposit and examined, in detail, the effect of feed size and feed gold grade on the extraction of gold from the ore which will be mined and leached in the future. The results of the tests on Northeast and Southwest composites are presented in Tables 16.5 and 16.6, respectively.

The Northeast composite was subjected to 9 sets of tests or 22 tests in total. The purpose was to evaluate gold and silver extraction against the feed size. The leaching time was held nearly constant, i.e. between 120 and 121 days. The reagent consumption was held within the leaching process chemical requirements.

Table 16.5
On Site Column Leach Test Results, Northeast Composite Samples

Test Number	Composite Sample ID	Feed Crush Size 80%-mm	Head Screen Assay (g/t)		Calc. Head Assay (g/t)		Extraction (%)	
			Au	Ag	Au	Ag	Au	Ag
1	NE09-A	9	0.52	0.36	0.58	0.36	67.22	37.86
24		6	0.65	0.34	0.71	0.31	77.11	64.76
2	NE09-B	9	0.68	0.26	0.72	0.27	81.37	63.43
3		9(1)	0.68	0.26	0.77	0.22	82.49	77.56
25		6	0.84	0.31	0.89	0.22	82.41	55.21
4	NE09-C	9	0.68	0.33	0.77	0.29	85.29	83.32
5		9(1)	0.68	0.33	0.72	0.28	81.60	84.68
26		6	0.68	0.34	0.77	0.30	89.72	60.87
6	NE09-D	9	0.86	0.30	0.94	0.32	80.17	72.15
7		9(1)	0.86	0.30	0.87	0.29	81.40	76.95
27		6	0.93	0.32	0.95	0.32	86.75	70.52
8	NE09-E	9	0.75	0.31	0.74	0.36	73.27	83.67
9		9(1)	0.75	0.31	0.74	0.28	75.75	69.51
28		6	0.76	0.26	0.83	0.28	88.00	54.73
10	NE09-F	9	0.83	0.24	0.80	0.23	79.98	54.59
29		6	0.88	0.27	0.71	0.26	80.29	56.62
11	NE09-G	9	0.77	0.25	0.85	0.22	79.16	56.82
30		6	0.67	0.24	0.71	0.26	90.19	52.02
12	NE09-H	9	0.55	0.33	0.51	0.24	66.92	54.15
31		6	0.54	0.26	0.55	0.21	79.21	45.18
13	NE09-I	9	1.04	0.30	1.03	0.28	77.46	76.67
32		6	0.92	0.27	0.91	0.28	83.57	67.42

Note:
(1) Duplicate column leach test

The test results in Table 16.5 show:

- The gold extraction rate was higher at the 6 mm crush size than at the 9 mm size.
- The silver extraction, unexpectedly, was higher at the 9 mm size than 6 mm size in eight out of nine sets of tests.

The data and the results of the six sets of tests on the Southwest composite are shown in the table below.

Table 16.6
On Site Column Leach Test Results, Southwest Composite Samples

Test Number	Composite Sample ID	Feed Crush Size 80%-(mm)	Head Screen Assay (g/t) Au	Head Screen Assay (g/t) Ag	Calc. Head Assay (g/t) Au	Calc. Head Assay (g/t) Ag	Extraction (%) Au	Extraction (%) Ag
14	SW09-J	9	0.45	0.21	0.47	0.17	74.72	61.10
33		6	0.50	0.25	0.45	0.24	76.61	39.41
15	SW09-K	9	0.71	0.20	0.77	0.17	75.79	70.14
34		6	0.74	0.27	0.82	0.24	86.89	37.01
16	SW09-L	9	0.46	0.27	0.49	0.30	68.60	69.26
17		9(1)	0.46	0.27	0.49	0.28	69.18	62.08
35		6	0.55	0.22	0.56	0.20	65.75	20.39
18	SW09-M	9	0.58	0.10	0.57	0.12	73.51	72.50
19		9(1)	0.58	0.10	0.59	0.12	74.56	83.31
36		6	0.53	0.11	0.56	0.12	71.34	61.33
20	SW09-N	9	0.67	0.10	0.73	0.10	83.56	48.65
21		9(1)	0.67	0.10	0.72	0.12	78.89	56.45
37		6	0.72	0.10	0.79	0.10	78.06	36.28
22	SW09-O	9	0.65	0.10	0.59	0.11	66.70	52.65
23		9(1)	0.65	0.10	0.58	0.10	70.91	47.93
38		6	0.54	0.19	0.55	0.16	78.02	24.30

Note:
(1) Duplicate column leach test

The test results show:

- The gold extraction rate was higher at 9 mm in three sets and higher at 6 mm in another three sets.
- The silver extraction was higher at 9 mm feed size for all 6 sets of tests.

Based on the test data the relationships between gold head assay values and gold extraction were plotted for each Northeast and Southwest ore zones, for 80% passing 6 mm and 9 mm sizes. From the obtained linear trend lines, the relevant equations were derived. The trend line equations formulae were modified by subtracting five percent from the equations constant to obtain an estimate of gold extraction under the industrial leaching operation conditions. These estimates are shown in Table 16.7.

Table 16.7
Gold Extraction Rate Estimates for the 80% -9 mm Crushed Ore of the CSH Mine

Head Assay (g Au/t)	Northeast Zone Trend Formula % Au Extraction	Northeast Zone Modified Formula % Au Extraction	Southwest Zone Trend Formula % Au Extraction	Southwest Zone Modified Formula % Au Extraction
0.4	—	—	67.1	62.1
0.5	71.2	66.2	70.4	65.4
0.6	73.6	68.7	73.6	68.6
0.7	76.1	71.1	76.9	71.9
0.8	78.6	73.6	80.2	75.2
0.9	81.0	76.0	—	—
1.0	83.5	78.5	—	—
1.1	85.9	80.9	—	—
	Trend	$y = 24.539x + 58.932$	Trend	$y = 32.871x + 53.926$
	Modified	$y = 24.539x + 53.932$	Modified	$y = 32.871x + 48.926$

Similar exercises were conducted for the 6 mm crush size. However, there is a very high probability that the 6 mm crush would not be employed as the crushing plant may be not able to crush 30,000 tpd thus fine. Also, additional ore fines generated while crushing, may adversely affect the leaching operation. Consequently, it is recommended that the 9 mm data be used for gold extraction estimates.

16.2 Processing

KDE designed the CSH project as a heap leaching operation using a multiple lift, single-use leach pads. The 2008 drilling increased the mineable reserves to 138.8 Mt at an average gold grade of 0.67 g/t as of the end of 2009. The mine production schedule was developed to provide 10.65 Mtpa of ore to the leaching facility. This required a revision and expansion of the earlier conceived HLF. The earlier plans, reported on March 28, 2008, called for the total heap leach capacity of 105 Mt of ore. In November 2009 this was increased to a total of 166 Mt by increasing:

- Rate of stacking from 20,000 tpd to 30,000 tpd;
- Rate of PLS processing from 1,050 m^3/hr to1,400 m^3/hr; and
- Phase 2 leach pad area from 353,000 m^2 to 473,000 m^2.

As of June 30, 2010, the leach pad capacities are envisaged as follows:

- The South HLF: Phase 1 leach pad area of 406,000 m^2 is completed and is stacking. Phase 2 is 64% completed. Combined Phases 1 and 2 will have the capacity of 71 Mt.
- The North HLF (Phases 3 to 5), with the total pad area of 698,000 m^2 and the capacity of 49 Mt, is in the preliminary design stage.
- Phases 6 and 7, which will have combined pad areas of 471,000 m^2 and the capacity of 46 Mt are in the conceptual design phase.

When all 7 phases are completed, the total life-of-mine leach pad area will be 2,048,000 m^2 and the pad capacity will be 166 Mt. The ore fed to the leaching operation is crushed to 80% -9 mm prior to leaching.

The crushing plant was fully operational in March 2010; after that, the ROM ore is dumped into the crusher dump pocket and fed by an apron feeder to a grizzly screen. Grizzly oversize is crushed in one of two jaw crushers operating in parallel. Grizzly undersize and crusher discharge are conveyed to the coarse ore surge bin. Coarse ore is reclaimed and fed to a closed circuit secondary and tertiary crushing circuit. The crushed ore, at 80% -9 mm, is discharged to a surge bin before it is transferred to the leach pad by conveyer or loaded into trucks and hauled to the pad for leaching. Lime is added to the crushed ore before it is trucked or conveyed to the crushed ore surge bin. Currently the crushed ore is transported to the leach pads by highway trucks. An overland conveyor system, designed to transport the ore from the crushing plant to the leach pads, is in the planning stage. The crushing plant flowsheet is presented in Figure 16.1.

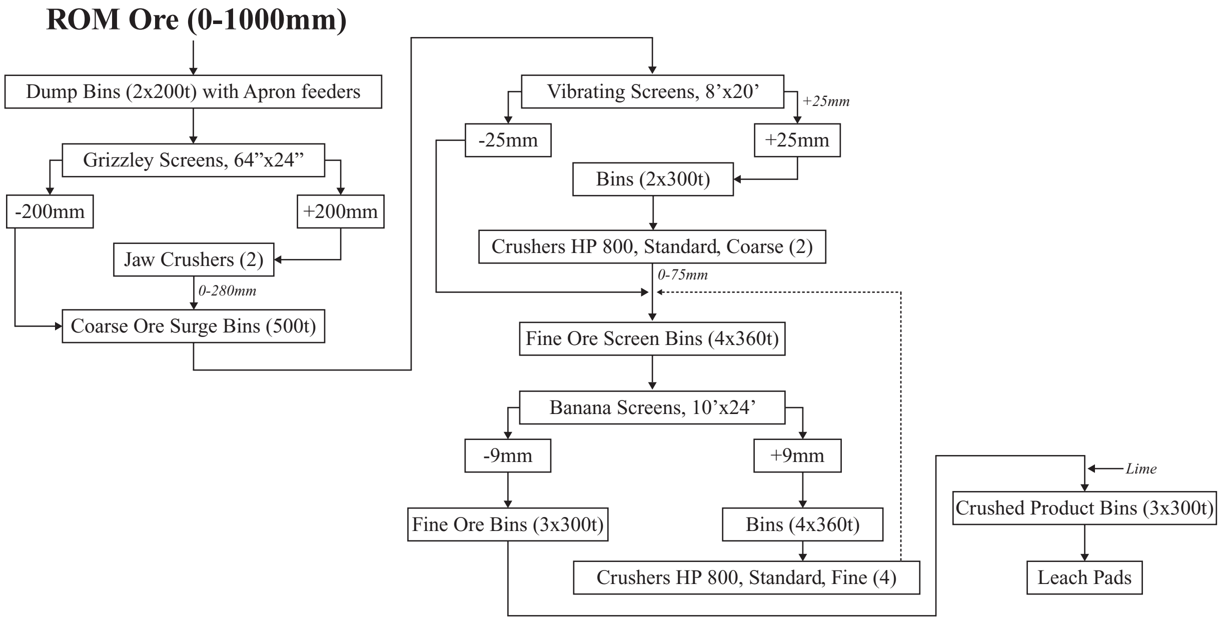


Figure 16.1 Crushing plant flowsheet at the CSH Mine

The crushed ore may be stacked on the pad using trucks and bulldozers. A conveyor stacking system is planned to be built in the second half of 2010 or 2011. The ore is placed on the pad in 10-m lifts. Barren solution is applied to the newly stacked ore to begin the leaching process. Leach solution is applied using buried drip emitters during the winter months and using drip emitters placed on top of the stacked ore during the remaining months. The buried drip emitters facilitate cold weather operation in northern China and reduce water loss due to evaporation. PLS flows to the PLS pond through a drainage system placed above the synthetic pad liner. The solution ponds associated with the heap leach facility are designed for cold weather operation and are sized to contain projected rainfall amounts. An additional external solution pond is included to contain leach solution in excess of that required for normal operations. The flowsheet describing leaching is provided in Figure 16.2.

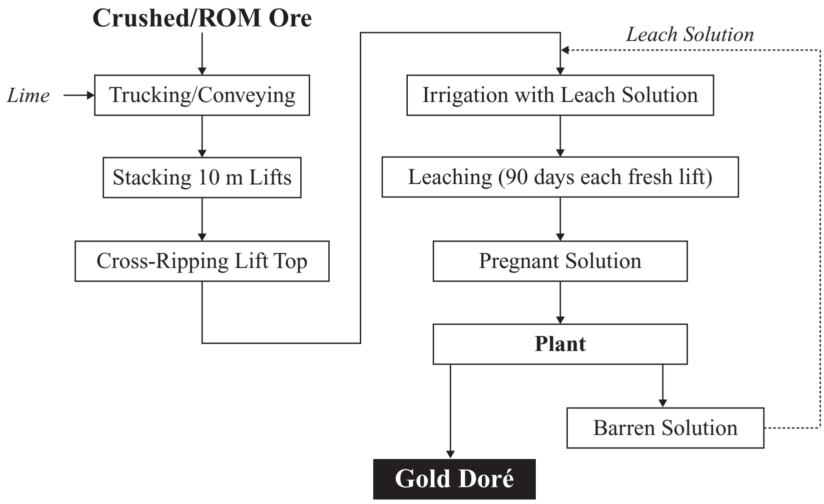


Figure 16.2 Heap leaching flowsheet at the CSH Mine

PLS from the leach is pumped from the PLS pond to a carbon adsorption-desorption-recovery ("ADR") plant to recover the gold and silver from solution. The flow rate for the increased production scenario is increased accordingly. Adsorption takes place in five carbon adsorption columns in series. For the increased production, an additional series of five columns is added. Solution flows from each adsorption stage to the next stage by gravity. Carbon is advanced countercurrent to the solution flow by a carbon advance pump. Each carbon column is approximately 3.8 m in diameter and 4.5-m high and is sized to contain 2 t of carbon. Barren solution discharging from adsorption flows to a barren tank from which it is pumped to the ore heap for further leaching. High-strength cyanide solution is injected into the barren solution to maintain the cyanide concentration at the desired level.

Loaded carbon from the adsorption circuit is transferred to the acid wash vessel and washed with dilute (3%) hydrochloric acid before elution. The acid is removed from the carbon by washing with fresh water. After acid washing, the carbon is pumped to the elution vessel. The process used for gold elution is proprietary in China. It does not require heat, and the strip solution containing about 2% sodium hydroxide and some unknown regents is circulated through the carbon elution vessel to recover the precious metals from the carbon.

Precious metals are recovered from the strip solution by electro-winning. When the electro-winning cell is appropriately loaded with gold, the stainless steel wool cathodes are washed with high-pressure water inside the cells to flush the gold and silver from the cathodes. The gold mud slurry then flows to a holding tank and to a pressure filter. The stripped cathodes are returned to the electro-winning cells. The filter cake is then treated in a retort to dry the cake and recover any mercury that has dissolved from the ore and has precipitated during electrolysis. The dried product from the retort is melted in an induction furnace and poured into 500-oz to 1,000-oz doré bars. Doré assaying approximately 90 to 95 percent combined gold and silver and 5 to 10 percent impurities is produced and shipped to commercial facilities for refining. The silver-to-gold ratio in the doré bars averages 0.375 by weight to the end of 2009.

The stripped carbon is transferred by pressure eduction from the elution column over a screen and into the reactivation furnace feed tank. Carbon reactivation is accomplished in an electric rotary kiln-type furnace. Facilities for mixing and adding reagents to the process and elution circuits, and facilities for adding new carbon and short-term storage of stripped and regenerated carbon, are included in the process design. Additional elution vessels and electro-winning cells can also be added in the future, if required, to increase production.

The ADR plant flowsheet is shown in Figure 16.3.

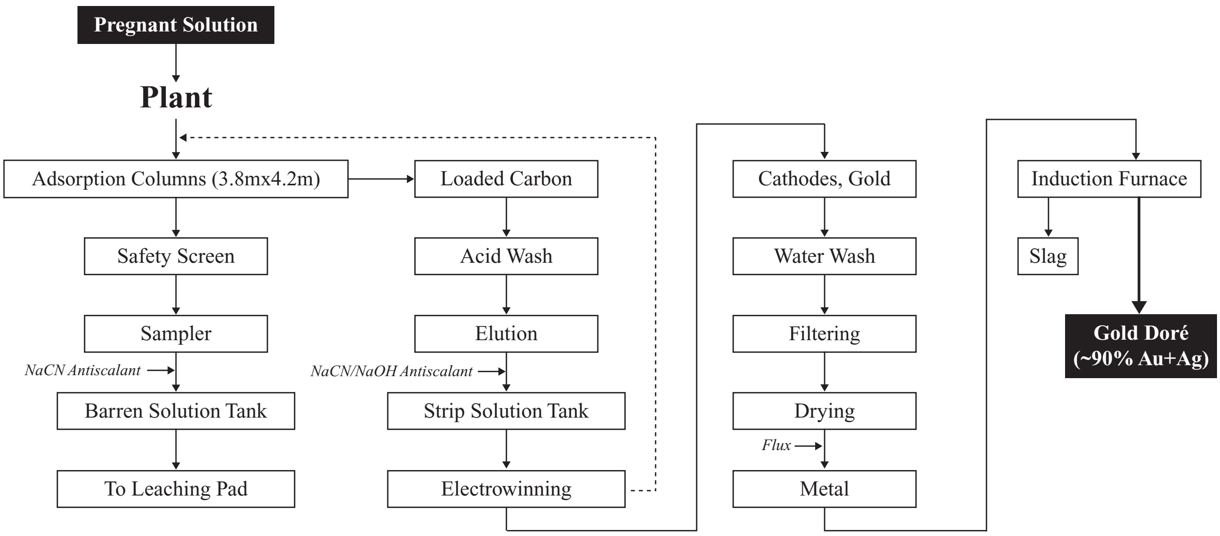


Figure 16.3 Gold recovery plant flowsheet at the CSH Mine

16.3 Discussions

Processing of the CSH ore types was diligently studied by metallurgical laboratories in Canada, China, and the USA over a period of 14 years, beginning in 1995 and is still continuing to this time.

Leaching with cyanide, agitation or heap; gravity plus flotation followed by the leaching of the concentrates; and gravity concentration alone, were all examined. Cyanide heap leaching was determined to be the most economically feasible approach. Crushing of the heap leach feed was firmly established as necessary. The initial commercial heap leaching recoveries from the so-called weathered (oxide and mixed) ROM ore appeared to have been significantly lower (only around 53%) than the 80% predicted in the KDE March 2008 NI 43-101 report. After careful consideration of the testwork results and the visit to the open pit, it appeared probable that the so-called weathered ore was actually mostly a mixed ore with significant amounts of fresh (sulfide) material. This was probably the primary reason for the lower gold recovery experienced over the past 3 years. BDASIA believes that the remaining, so-called weathered (oxide and mixed) ore should be basically treated as fresh (sulfide) material when predicting heap leach gold recoveries.

To ensure satisfactory recovery from the fresh (sulfide) ore, a crushing plant encompassing primary, secondary, and tertiary crushing was added. This plant, after several trial runs in 2009, was found to require modifications. These modifications were on the ore chutes feeding the crushers and on the conveyor belts. The crushing plant was not functioning at the time of BDASIA's visit. The crushing plant repair was completed and limited crushing resumed in early November 2009. The crushing plant was ramped up to its full capacity of 30,000 tpd in March 2010.

Crushing the ore is expected to substantially improve the extraction of gold and the profitability of the operation. However, this was not reflected by the gold production data from the mine for the first half of 2010. The mine placed 6.883 Mt of ore with an average gold grade of 0.61 g/t (including 5.053 Mt of crushed ore with an average gold grade of 0.62 g/t and 1.830 Mt of ROM ore with an average gold grade of 0.55 g/t) on the leach pads, significantly more than originally planned (4.895 Mt of crushed ore and 0.430 Mt of ROM ore, both with an average gold grade of 0.65 g/t). However, gold production from the mine was only 1,126 kg, significantly lower than half of the originally planned gold production of 4,112 kg for 2010. The explanation from the mine management for the short fall in production is primarily due to the unusually long and harsh cold winter, added by the mine management's decision to test not burying by ore but just covering by plastic films the drip emitters during the winter months.

BDASIA agrees that the unusually long and harsh cold winter and the mine management's experiment could have severely affected the gold recovery for the first half of the year. However, information provided by the CSH Mine indicates that the ore placed on the leach pad could also have a lower gold grade. The ore placed on the leach pads was never directly sampled and assayed before 2010 and gold grade based on pit blast hole assays for the ore before mining was assumed to be the gold grade for ore placed on the leach pads. BDASIA believes that the pit blast hole average gold grade should be higher than the actual average gold grade for ore placed on the leach pads because of mining dilution and blast hole misclassification.

The installation of the crushing plant made the direct sampling of the ore to be placed on the leach pads possible. The CSH Mine was testing different ways to sample the crushed ore at the crushing plant. From January to early May 2010, a manual grab sample was taken every hour from the crushed ore on the conveyor belt; and from middle May on, a mechanic sampler was installed over the conveyor belt. Average gold grade obtained from the conveyor belt sampling for the first half of 2010 was 0.58 g/t, approximately 18% lower than the average blast hole assay gold grade of 0.71 g/t and approximately 5% lower than the resource block model gold grade of 0.61 g/t. In order to explain the difference of these gold grades, the mine management reviewed the crushing plant sampling system closely and found that both the manual grab sampling from January to early May and the mechanical sampling from middle May to June took only the coarser ore fragments on top of the conveyor belt, whereas the finer ore fragments may have a higher gold grades based on CSH Mine's preliminary screen analysis. Therefore, the crushing plant sampling results for the first half of 2010 might be biased low as only the coarser ore fragments were sampled. The mine management is in the process of modifying the crushing plant sampling procedures to collect more representative samples from the end of the conveyor belt so that an entire section of the crushed ore can be sampled each time. BDASIA considers that the crushing plant sampling procedures for the first half of 2010 may partially explain the gold grade difference between the pit blast hole samples and crushing plant samples. However, the actual ore placed on the leach pads should still be lower in gold grade than the pit blast hole samples because of mining dilution and blast hole misclassification. Because of the gold grade difference between the pit blast holes and the crushing plant samples for the first half of 2010, the original block model grade was assumed for the ore placed on the leach pads for the historical mine production from

January 2007 to June 2010 in this ITR. The average block model gold grade is approximately 5% higher than the average crushing plant sampling gold grade and approximately 14% lower than the average pit blast hole sampling gold grade. The improved CSH Mine crushing plant sampling will confirm if this treatment is appropriate.

In order to improve the gold recovery from the leach pads, the CSH Mine built five new CIC columns (each with a volume of approximately 353 m^3) and a new 4,192-m^3 PLS pond from March to July 2010. Significantly more water will be pumped into the leaching system and significantly more PLS solution will be processed starting in August. Gold recovery improved significantly in August and September 2010. The mine management expects that gold recovery will further improve in the next several months before December and the reduced gold production target of 3,604 kg could be reached in 2010. BDASIA considers that the mine management's expectation is possible, but it needs to be confirmed by the actual gold production from the mine in the remaining of 2010.

17.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

Mineral resources and mineral reserves of the CSH Mine were estimated under the CIM Standards.

17.1 Mineral Resource Estimates

Mineral resources of the CSH Mine were estimated by Qualified Person, Mr. Mario Rossi, of Geosystems International Inc. in Delray Beach, Florida, USA, in 2006 and 2008 using the MineSight computer mining software system and the results were included in NI43-101 reports filed on Sedar in Canada. The current resource estimates were also generated by Mr. Rossi using drill hole database as of the end of 2008, and the estimate was summarized in an internal company technical report dated February 5, 2010. BDASIA's Qualified Person, Dr. Qingping Deng, has reviewed the geology interpretation, drilling database, procedures and parameters used for the resource estimation as well as the estimation result, considers the resource estimation conforms to the industry standard, and has adopted the resource estimates in this ITR. The following description of the database, procedures and parameters, and results of the resource estimation was summarized from the February 5, 2010 internal company KDE technical report based on BDASIA's review.

17.1.1 Database Used for Resource Modeling

The drill hole database used for the current CSH Mine resource model is summarized in Table 17.1. It consists of a total of 185 DDH holes, with a total drilled length of 41,483 m. All holes are inclined DDH holes drilled from the surface.

Table 17.1
Drill Hole Database used for CSH Mine Resource Estimation

Drilling Campaign	Number	Total Meters
1999 Southwestern Gold	10	2,797
2002 PMI	23	4,997
2003 PMI	33	6,056
2004 Jinshan	35	6,598
2005 Jinshan	20	4,630
2007 Jinshan	41	11,432
2007 Jinshan	23	4,973
Total	**185**	**41,483**

The drill hole database used for the resource estimation consists of 181 inclined surface DDH holes with 20,647 gold assays. Apparently, four holes listed in Table 17.1 were not used for resource estimation as they are located outside the mineralized zones.

Topography used for the resource estimation was based on a 2005 topographic survey completed by the Baogang team as well as an additional patch to the southwest of the mineralized zones. Additional lateral topography was derived from an IKONOS satellite image. The open-pit surface as of December 31, 2009 was surveyed with Total Stations, and this survey was used originally to report the in-situ mineral resource estimate as of December 31, 2009. The June 30, 2010 open-pit surface was then used by the CSH Mine to update the resource estimate to the date of June 30, 2010.

Bulk density measurements were conducted on selected drill core samples. A total of 361 core samples were measured using the industry standard wax-coating displacement method by the 217 Brigade laboratory in Yinchuan, Ningxia Hui Autonomous Region, and SGS Lakefield Research in Canada. The average bulk density of 81 measurements for samples in the weathered zone is 2.72 tonnes per cubic meter ("t/m^3") and the average bulk density of 280 measurements for samples from the fresh zone is 2.79 t/m^3. These bulk densities have been used for the resource modeling for the CSH deposit.

17.1.2 Procedures and Parameters Used for Resource Modeling

The following procedures and parameters were used in the current resource estimation for the CSH Mine:

- **Geological Modeling**: Geological modeling was performed by China Gold International's geologist. The mineralized zone was modeled by a gold grade envelope at the cutoff grade of 0.20 g/t. The minimum mineralized zone width and the maximum waste inclusion width are 6 m. The 0.20 g/t gold mineralization envelopes can be traced from section to section as a consistent zone, 150-m to 200-m wide in the Northeast Zone and 60-m to 90-m wide in the Southwest Zone. A weathered/fresh interface surface was modeled and used to separate the weathered and fresh material in the deposit in the previous resource models. However, all mineralized materials are considered as fresh (sulfide) materials in the current resource model.
- **Compositing**: Original gold assays were composited to 2-m fixed-length composites. The minimum composite length was 1 m. Composites with length less than 1 m were discarded from the database. The 0.20-g/t grade envelope boundary was used as hard boundaries in compositing. A total of 8,590 composites were produced inside the Northeast Zone envelop, and a total of 3,262 composites were from inside the Southwest Zone envelope.
- **Gold Grade Statistical Analysis**: The undeclusted average gold grade for 2-m length composites inside the 0.20-g/t gold mineral envelope in the Northeast Zone is 0.64 g/t. The standard deviation of the composites within the envelope is 0.62, resulting in a coefficient of variation ("CV") of 0.97. The maximum gold grade is 15.63 g/t. For the Southwest Zone, the undeclusted average 2-m composite gold grade is 0.57 g/t for composites inside the mineralized envelope. The standard deviation is 0.70, resulting in a CV of 1.22. The maximum sample gold grade is 13.82 g/t.
- **Grade Capping**: The impact of high-grade samples for the mineral resources in the CSH deposit is expected to be limited because of the relatively small CVs for the composite. However, the capping gold grade determined based on the grade probability distribution was 7.0 g/t for the Northeast Zone and 6.5 g/t for the Southwest Zone. Grade capping was only applied to the second and third kriging passes in grade estimation.

- **Variography**: Correlograms were modeled for the 2-m length composite gold grades above and below 0.20 g/t, as well as for all composites inside the 0.20 g/t gold grade envelopes. A global correlogram model outside the 0.20 g/t envelope was also obtained for the limited estimation of grades outside the envelope. In addition, an indicator variogram model at 0.20 g/t was obtained, which provides an indication of how continuous the mineralized zones are. The correlogram models show that the grade correlation of the 2-m composites is generally 50 m to 75 m for the Northeast Zone and 30 m to 50 m for the Southwest Zone, if considering ranges that correspond to about 60% and 80% of the total variance. Relative nugget effects are 40%. Grade continuity is much better along the strike and down-dip directions than along the across strike direction.

- **Block Model Definition**: Separate 3-dimensional block models were defined for the Northeast Zone and the Southwest Zone. The Northeast Zone block model used a parent block size of 12.5×12.5×6 m and sub-block size of 6.25×6.25×3 m. A reblocked model with 12.5×12.5×6 m blocks with an estimation of proportion of the block above 0.20 g/t and the grade of that material was delivered for mine planning. The Southwest Zone block model used a parent block size of 12.5×12.5×6 m and sub-block size of 3.125×3.125×3 m. A reblocked model with 6.25×6.25×6 m blocks was used for mine planning.

- **Grade Estimation**: Block grade estimation was done using the Indicator-modified Ordinary Kriging method ("IOK"). In this method, a model block was used to estimate the proportion of the block above 0.20 g/t using indicator variables for all blocks within the envelope. Block gold grade of the proportion above and below the 0.20 g/t cutoff grade was estimated by Ordinary Kriging ("OK"), using composites above or below the 2.0 g/t cutoff grade, by a three-pass procedure. The block grade then was calculated from the two OK grades, using the proportions as weights. A three-pass search strategy was used for OK grade estimation inside the grade envelopes; the search ellipsoids were oriented with the grade envelope, and search distances were 40×28×16 m (strike×dip×direction perpendicular to the mineralized plane) for pass one, 100×70×40 m for pass two, and 150×105×60 m for pass three for the Northeast Zone. Search distances used for the Southwest Zone were 35×35×17.5 m for pass one, 95×95×47.5 m for pass two, and 175×175×87.5 m for pass three. The number of composites used for block grade estimation ranged from five to eight for pass one, 5 to 10 for pass two, and 3 (Southwest Zone) or 4 (Northeast Zone) to 12 for pass three. Octant search was used. The maximum number of composites per octant was two for the first and second passes in the Northeast Zone and three for the third pass in the Northeast Zone and all three passes in the Southwest Zone. Composite gold grades for pass two and pass three were capped at 7.0 g/t for the Northeast Zone and 6.5 g/t for the Southwest Zone.

- **Validation**: The resource model was checked statistically and graphically to ensure that there is no global grade bias and that the amount of grade smoothing is reasonable.

- **Resource Classification**: Model blocks were classified into Measured, Indicated, and Inferred resources under the CIM Standards. All blocks with a pass-one grade estimation were classified as Measured; all blocks with a pass-two grade estimation were classified as Indicated; and all blocks with a pass-three grade estimation were classified as Inferred.

BDASIA has reviewed the procedures and parameters used by Mr. Rossi in the resource model for the CSH Mine and found they have generally been performed using normal industry practice.

17.1.3 Production Reconciliation

Global production reconciliation from 2007 to 2009 as well as for the first half of 2010 was compiled by BDASIA for the CSH mining operation based on data provided by the Company (Table 17.2). Historically, the mine production was estimated from the pit blast hole assay data and survey results by the CSH mine, which might be different from the actual mine production delivered to the leach pads because of mining dilution and blast hole misclassification. Cutoff gold grade used in January 2007-June 2010 mining operation was between 0.26 and 0.28 g/t. The resource model tonnage and grade at a cutoff gold grade of 0.28 g/t between the original topography and the pit surfaces as of December 31, 2009 and June 30, 2010 were summarized from the current resource model by Mr. Rossi. Comparison in Table 17.2 shows that the 2007-2009 mine production based on pit blast hole assays is 18.6% lower in tonnage, 16.7% higher in gold grade, and 5.1% lower in total contained ounces than the current resource model. For the first half of 2010, mine production based on pit blast hole assays was 1.0% lower in tonnage, 16.7% higher in gold grade, and 14.4% higher in total contained ounces than the current resource model.

Table 17.2
Comparison of Resource Model and Blast Hole Mine Production for the CSH Mine

	Resource Model			Mine Production based on Blast Holes			Percentage Difference		
Period	**k tonnes**	**g Au/t**	**Au kg**	**k tonnes**	**g Au/t**	**Au kg**	**k tonnes**	**g Au/t**	**Au kg**
2007 – 2009	24,698	0.57	14,177	20,098	0.67	13,461	-18.6%	+16.7%	-5.1%
Jan. – June 2010	6,954	0.61	4,271	6,883	0.71	4,887	-1.0%	+15.6%	+14.4%
Total	31,652	0.58	18,449	26,981	0.68	18,348	-14.8%	+16.7%	-0.5%

As discussed previously in this ITR, the crushing plant sampling results showed an average gold grade of 0.58 g/t for ore placed on the leach pad for the first half of 2010, approximately 18% lower than the average pit blast hole assay gold grade of 0.71 g/t and approximately 5% lower than the resource model gold grade of 0.61 g/t. The mine management believes that the primary reason for the lower gold grade for the crushing plant sampling is that the samples taken from the top of the conveyor belt were only the coarser fraction of the crushed ore, whereas the finer fraction of the crushed ore tends to have a higher gold grade based on CSH Mine's preliminary screen analysis. Therefore, the crushing plant sampling results for the first half of 2010 may not represent the true gold grade of the crushed ore. The mine management is in the process of modifying the crushing plant sampling system to collect more representative samples. BDASIA agrees that there might be some problem with the crushing plant sampling results for the first half of 2010, but BDASIA would expect that the crushing plant sampling gold grade still be somewhat lower than the pit blast hole sampling gold grade because of mining dilution and blast hole misclassification.

Based on the above discussion, BDASIA considers that overall the current resource model is reasonable, but the tonnage and contained gold of the resource model might be slightly overestimated from the actual mineral resources of the CSH Mine.

The improved crushing plant sampling results in the future will be crucial to confirm the actual ore tonnage and gold grade of the ore placed on the leached pads, allowing the compilation of better production reconciliation.

17.1.4 Resource Estimation Results under the CIM Standards

Mineral resources, inclusive of mineral reserves, as of June 30, 2010 under the CIM Standards estimated by Mr. Rossi in February 2010 and revised by the Company using the pit topography as of June 30, 2010 for the CSH Mine as adopted by BDASIA in this ITR are shown in Table 17.3.

Table 17.3
Resource Estimates as of June 30, 2010 under the CIM Standards for the CSH Mine

(inclusive of mineral reserves)

Cutoff	Measured			Indicated			Measured + Indicated			Inferred		
g Au/t	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz
Northeast Zone Resources												
0.26	72.8	0.67	1.570	107.0	0.60	2.059	179.8	0.63	3.629	0.7	0.39	0.009
0.28	70.8	0.68	1.553	102.9	0.61	2.023	173.7	0.64	3.577	0.6	0.41	0.008
0.30	68.7	0.69	1.533	98.4	0.63	1.982	167.1	0.65	3.515	0.5	0.43	0.007
0.40	56.9	0.77	1.400	75.0	0.71	1.719	131.9	0.74	3.119	0.2	0.54	0.004
0.50	45.6	0.84	1.238	56.3	0.80	1.450	101.9	0.82	2.687	0.1	0.62	0.002
0.60	35.5	0.93	1.060	41.9	0.89	1.197	77.4	0.91	2.257	0.1	0.74	0.001
Southwest Zone Resources												
0.26	34.7	0.61	0.686	40.8	0.54	0.710	75.5	0.58	1.396	0.0	—	0.000
0.28	33.4	0.63	0.674	39.1	0.55	0.696	72.5	0.59	1.370	0.0	—	0.000
0.30	32.1	0.64	0.662	37.5	0.56	0.681	69.6	0.60	1.343	0.0	—	0.000
0.40	25.4	0.72	0.587	28.0	0.64	0.574	53.4	0.68	1.161	0.0	—	0.000
0.50	18.8	0.81	0.492	19.3	0.72	0.449	38.1	0.77	0.941	0.0	—	0.000
0.60	13.9	0.91	0.405	12.6	0.82	0.331	26.5	0.86	0.736	0.0	—	0.000
Total Resources												
0.26	107.5	0.65	2.255	147.8	0.58	2.770	255.2	0.61	5.025	0.7	0.39	0.009
0.28	104.3	0.66	2.228	142.0	0.60	2.719	246.3	0.62	4.947	0.6	0.41	0.008
0.30	100.8	0.68	2.196	135.9	0.61	2.663	236.7	0.64	4.858	0.5	0.43	0.007
0.40	82.2	0.75	1.987	103.0	0.69	2.293	185.3	0.72	4.280	0.2	0.54	0.004
0.50	64.4	0.84	1.730	75.6	0.78	1.898	140.0	0.81	3.628	0.1	0.62	0.002
0.60	49.4	0.92	1.465	54.5	0.87	1.528	103.9	0.90	2.993	0.1	0.73	0.001

17.2 Mineral Reserve Estimates

Open-pit mining started in April 2007 at the CSH Mine. The current mine design and mineral reserve estimation were conducted by NMS in Vancouver Canada based on the resource model developed using the 2008 year-end drill hole database in February 2010. A mine plan was prepared for a 30,000-tpd of crushed ore, heap leach operation.

Pit optimization of the CSH Mine was undertaken using MineSight mining software. A complex wall slope Lerchs Grossman algorithm was used to develop the unsmoothed ultimate pit limits. Technical and economic parameters used for pit optimization are summarized in Table 17.4.

Table 17.4
Technical and Economic Parameters Used for Pit Optimization of the CSH Mine

Item	Unit	Parameter
Ore production rate	×1,000t/day	30.0
Waste mining cost by contractor	RMB/t (US$/t)	9.34 (1.366)
Ore mining cost by contractor	RMB/t (US$/t) ore	9.21 (1.347)
Mining engineering	RMB/t (US$/t) ore	0.38 (0.055)
Processing cost	RMB/t (US$/t) ore	12.43 (1.819)
Pad construction	RMB/t (US$/t) ore	2.52 (0.368)
G&A expenses	RMB/t (US$/t) ore	2.35 (0.343)
Royalties and compensation	RMB/t (US$/t) ore	6.53 (0.955)
Plant, leach and G&A	RMB/t (US$/t) ore	22.83 (3.485)
All ore related onsite costs	RMB/t (US$/t) ore	33.42 (4.887)
Pit slope (inter-ramp)	degree	44 - 55
Gold price	RMB/oz (US$/oz)	186.8 (850.00)
Refining/off-site costs	RMB/oz (US$/oz)	0.77 (3.50)
Exchange rate	RMB/US$	6.835

Gold heap leach recoveries used for pit optimization were based on the results of recent column leach tests. Gold recovery is a function of gold grade. Formulas used to calculate block gold recovery as well as gold recoveries at some typical gold grades in the Northeast Zone and Southwest Zone of the CSH deposit is listed in Table 17.5. Gold grade used to calculate gold recovery was capped at 1.0 g/t, i.e. any blocks with gold grade higher than 1.0 g/t used the gold recovery when gold grade equals 1.0 g/t.

Table 17.5
Gold Heap Leach Recoveries used for Pit Optimization

Northeast Zone		Southwest Zone	
Gold Grade (g/t)	Gold Recovery (%)	Gold Grade (g/t)	Gold Recovery (%)
0.50	66.2	0.40	62.1
0.60	68.7	0.50	65.4
0.70	71.1	0.60	68.6
0.80	73.6	0.70	71.9
0.90	76.0	0.80	75.2
1.00	78.5		
1.10	80.9		
Formula: Recovery (%) = 24.539×Gold Grade (g/t) + 53.932		Formula: Recovery (%) = 32.871×Gold Grade (g/t) + 48.926	

In addition, block values were discounted to reflect impact of the time value of pit development. Only the measured and indicated resource blocks were used as potential ore in the pit optimization.

Based on the cost parameters in Table 17.4 and the gold heap leach recovery formulas in 17.5, a break-even cutoff gold grade to recover all ore related onsite costs was calculated at approximately 0.3 g/t for both the Northeast Zone and the Southwest Zone. This cutoff gold grade of 0.3 g/t is used for reserve estimation and mine planning.

Final pit design was accomplished by smoothing the pit walls in the optimized ultimate pit shells and by incorporating a ramp system. The mining bench height is 6 m, with triple benching and berm width varying from 7.8 m to 10.25 m, depending on the design sector. The haul road was designed to be 25-m wide, with a maximum slope of 10%. The final pit design includes one large pit for the Northeast Zone and one elongated pit for the Southwest Zone (Figure 17.1). Waste dumps were located to the north and east of the open pits. The north waste dump can accommodate 94 million m³ of waste rock to the 1,700-m MSL elevation, which is sufficient for waste from both the designed Northeast Zone and Southwest Zone pits

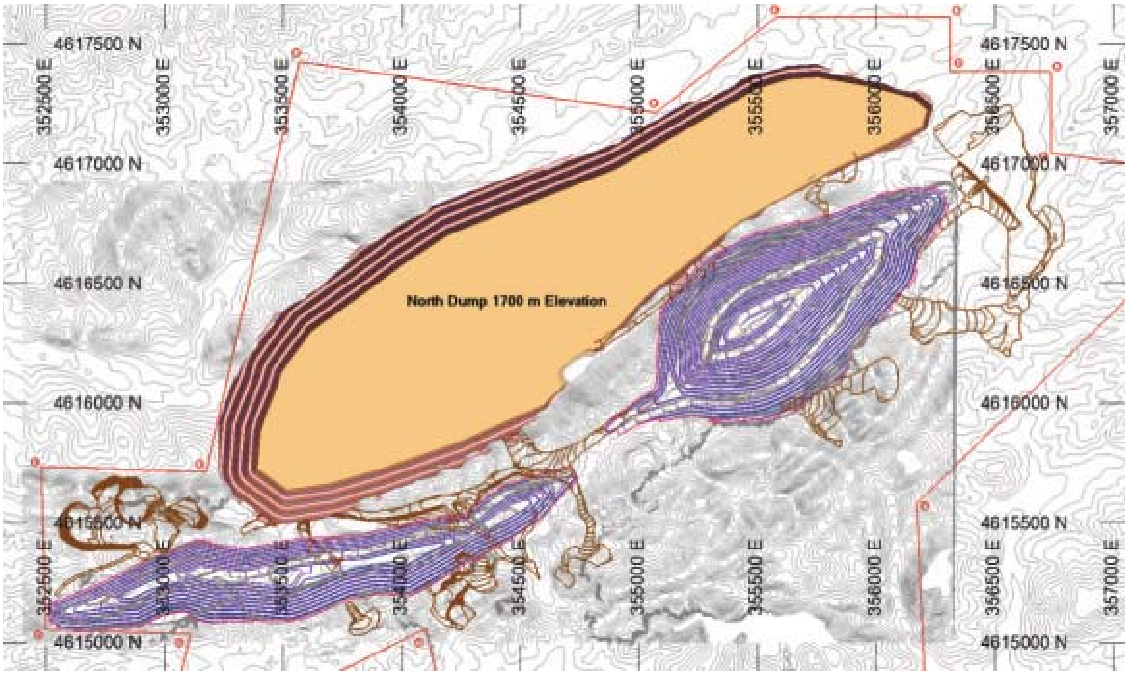


Figure 17.1 Open-pit and waste dump design for the Northeast Zone and Southwest Zone

Table 17.6 summarize the mineral reserves, waste, and strip ratio within the final pit designs using a gold cutoff grade of 0.30 g/t, under the pit topography as of June 30, 2010 for the CSH Mine. The measured resource and the indicated resource above the cutoff grade within the pit were converted to proven reserve and probable reserve, respectively. BDASIA noted that no additional mining dilution and mining losses other than those included in the resource block model have been incorporated into the mineral reserve estimate. BDASIA agrees that certain mining dilution and mining losses have been built into the resource model because of the grade smoothing in the kriging process; however, BDASIA considers that these built-in mining dilution and mining losses may not be sufficient to account for all the mining dilution and mining losses and suggests the inclusion of an additional mining dilution factor and mining loss factor in the order of 2% to 5% on the resource model. Available production reconciliation result is inconclusive because of the incomplete information.

BDASIA has reviewed the reserve estimates in Table 17.6 below, considers them generally reasonable at this stage, and has adopted the reserve estimates in this ITR. However, there is a possibility that the reserve tonnage and contained gold is slightly overestimated. Detailed production reconciliation based on good sampling results from the crushing plant in the future will be used to confirm the reserve estimates. Should there be a significant discrepancy between the reserve estimate and the accrual production based on appropriate crushing plant sampling results, the ore reserves of the CSH Mine would need to be reestimated in the future.

Table 17.6
CIM Compliant Mineral Reserve Summary for the CSH Mine as of June 30, 2010

Reserve Type and Class	M tonnes	g Au/t	Au (k ounce)
Northeast Zone			
Proven	58.2	0.71	1,325
Probable	41.9	0.64	856
Subtotal	100.1	0.68	2,182
Southwest Zone			
Proven	21.5	0.66	459
Probable	10.3	0.61	203
Subtotal	31.8	0.65	661
Total Ore			
Proven	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	131.9	0.67	2,843
Total Waste in Pits	173.7		
Strip Ratio	1.32		

17.3 Additional Exploration Potential

Drilling for gold mineralization at the CSH Mine is largely limited within the MSL elevation range of the mining license from 1,436 m to 1,696 m. The deepest drilling intercept is at a depth of 375 m. The gold mineralization zone is generally open at depth, and there is a tendency for the gold grade to get higher with depth. Therefore, there is significant additional exploration potential at depth.

Exploration potential along the northeastern and southwestern extensions of the mineralized zone seems limited as the mineralized zone has been well closed by drilling along the strike direction.

Within the exploration license, gold anomalies have been identified in other areas that have similar stratigraphic and structural background, representing additional exploration potential.

17.4 Mine Life Analysis

Based on the June 30, 2010 mineral reserve estimates of 131.9 Mt and the long-term production rate of 10.65 Mtpa, the remaining mine life of the CSH Mine as of June 30, 2010 is approximately 12.4 years. This mineral reserve mine life may change significantly in the future due to the following reasons:

- The mineralization is generally open to depth, and additional exploration may increase the mineral resources significantly. Depending on economic conditions, some of the increased mineral resources could be converted into mineral reserves, increasing the mine life; and
- Changes in the production rate would also change the mine life. The mine life would be shortened if the production rate is increased to a level higher than the anticipated long-term production level.

17.5 Resource/Reserve Reconciliation under the JORC Code

The Australasian JORC Code is a resource/reserve classification system very similar to the CIM Standards. There is basically no material difference between the two classification systems. Resource/reserve estimates under the CIM Standards can be easily converted to resource/reserve estimates under the JORC Code. However, it should be noted that under the CIM Standards, the inferred mineral resource cannot be combined with measured and indicated mineral resources, whereas under the JORC Code, the three categories may be combined in resource statements. Accordingly, as this ITR follows the NI 43-101 report disclosure guidelines, the inferred resource has not been added to the measured and indicated resources under the JORC Code in this ITR.

The mineral resource estimate, inclusive of ore reserves, and ore reserve estimate under the JORC Code for the CSH Mine as of June 30, 2010 are the same as those estimated under the CIM Standards, as summarized in Tables 17.7 and 17.8, respectively.

Table 17.7
Resource Estimates as of June 30, 2010 under the JORC Code for the CSH Mine

(inclusive of mineral reserves)

Cutoff	Measured			Indicated			Measured + Indicated			Inferred		
g Au/t	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz
					Northeast Zone Resources							
0.26	72.8	0.67	1.570	107.0	0.60	2.059	179.8	0.63	3.629	0.7	0.39	0.009
0.28	70.8	0.68	1.553	102.9	0.61	2.023	173.7	0.64	3.577	0.6	0.41	0.008
0.30	68.7	0.69	1.533	98.4	0.63	1.982	167.1	0.65	3.515	0.5	0.43	0.007
0.40	56.9	0.77	1.400	75.0	0.71	1.719	131.9	0.74	3.119	0.2	0.54	0.004
0.50	45.6	0.84	1.238	56.3	0.80	1.450	101.9	0.82	2.687	0.1	0.62	0.002
0.60	35.5	0.93	1.060	41.9	0.89	1.197	77.4	0.91	2.257	0.1	0.74	0.001
					Southwest Zone Resources							
0.26	34.7	0.61	0.686	40.8	0.54	0.710	75.5	0.58	1.396	0.0	—	0.000
0.28	33.4	0.63	0.674	39.1	0.55	0.696	72.5	0.59	1.370	0.0	—	0.000
0.30	32.1	0.64	0.662	37.5	0.56	0.681	69.6	0.60	1.343	0.0	—	0.000
0.40	25.4	0.72	0.587	28.0	0.64	0.574	53.4	0.68	1.161	0.0	—	0.000
0.50	18.8	0.81	0.492	19.3	0.72	0.449	38.1	0.77	0.941	0.0	—	0.000
0.60	13.9	0.91	0.405	12.6	0.82	0.331	26.5	0.86	0.736	0.0	—	0.000
					Total Resources							
0.26	107.5	0.65	2.255	147.8	0.58	2.770	255.2	0.61	5.025	0.7	0.39	0.009
0.28	104.3	0.66	2.228	142.0	0.60	2.719	246.3	0.62	4.947	0.6	0.41	0.008
0.30	100.8	0.68	2.196	135.9	0.61	2.663	236.7	0.64	4.858	0.5	0.43	0.007
0.40	82.2	0.75	1.987	103.0	0.69	2.293	185.3	0.72	4.280	0.2	0.54	0.004
0.50	64.4	0.84	1.730	75.6	0.78	1.898	140.0	0.81	3.628	0.1	0.62	0.002
0.60	49.4	0.92	1.465	54.5	0.87	1.528	103.9	0.90	2.993	0.1	0.73	0.001

Table 17.8
Mineral Reserves under the JORC Code for the CSH Mine as of June 30, 2010

Reserve Type and Class	M tonnes	g Au/t	Au (k ounce)
Northeast Zone			
Proven	58.2	0.71	1,325
Probable	41.9	0.64	856
Subtotal	100.1	0.68	2,182
Southwest Zone			
Proven	21.5	0.66	459
Probable	10.3	0.61	203
Subtotal	31.8	0.65	661
Total Ore			
Proven	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	131.9	0.67	2,843
Total Waste in Pits	173.7		
Strip Ratio	1.32		

18.0 INTERPRETATION AND CONCLUSIONS

Based on our analysis, BDASIA believes that the CSH Mine will be a profitable, low-grade, bulk-tonnage open-pit mining, heap leach processing operation under current economic conditions, provided that the predicted heap leach gold recoveries for the crushed fresh (sulfide) ore can be realized and reserve gold grade estimates can be confirmed by the detailed crushing plant sampling program in actual production.

Historically stacked ore (mostly ROM) to the leach pads from 2007 to 2009 is expected to yield a final gold recovery of approximately 53%, significantly less than the 80% ROM recovery for weathered (oxidized) ore as projected originally before the mining operation. The primary reason for the lower than expected historical recovery was that the original weathered (oxidized) zone was incorrectly defined and significantly sulfide material are present at the lower portion of the originally-defined weathered zone. Gold recovery for the uncrushed sulfide material is low and slow, resulting in significantly lower total gold recovery for the historical ore stacked to the leach pad before 2009. Currently predicted gold recoveries for the crushed ore are based on recent comprehensive column leach test results, but these recoveries will need to be proved by actual heap leach operation.

Ore placed on the leach pads are primarily crushed material starting from the beginning of 2010. However, gold production from the CSH Mine for the first half of 2010 was only 1,157 kg, significantly lower than half of the originally planned gold production of 4,112 kg for 2010. The explanation from the mine management for the short fall in gold production is primarily due to the unusually long and harsh cold winter, added by the mine management’s decision to test not burying by ore but just covering by plastic films the drip emitters during the winter months. In order to improve the gold recovery from the leach pads, the CSH Mine built five new CIC columns (each with a volume of approximately 353 m^3) and a new 4,192-m^3 PLS pond from March to July 2010. Significantly more water will be pumped into the leaching system and significantly more PLS solution will be processed starting in August, 2010. Gold recovery improved significantly in August and September. The mine management expects that gold recovery will improve further in the next several months before December and the overall gold production could still reach 3,604 kg in 2010. BDASIA considers that the mine management’s expectation is possible, but it needs to be confirmed by the actual gold production from the mine in the remaining of 2010.

19.0 RECOMMENDATIONS

BDASIA recommends continuing the mining operation of the CSH Mine.

BDASIA recommends the Company to construct the overland conveyer system between the crushing plant and the leach pads and to expand the current leach pad for accommodate future ore production. BDASIA understands that the Company is currently working on the leach pad expansion and the overland conveyer system is in the planning stage.

BDASIA recommends collecting accurate tonnage and grade data from the crushing plant, allowing accurate production reconciliation to be performed, which will be used as a guide for future resource modeling and reserve estimation of the deposit.

20.0 REFERENCES

Keane, J. M. of KD Engineering, 2006: Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Final Feasibility Study. (a NI43-101 report filed on Sedar in Canada) 249p. May 2006.

Keane, J. M., Rossi, M., Nilsson, J., and Browne, R. of KD Engineering, 2008: Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Throughput Expansion Technical Report. (a NI 43-101 report filed on Sedar in Canada) 229p. March 2008.

Keane, J. M., Rossi, M., Nilsson, J., and Browne, R. of KD Engineering, 2010: Chang Shan Hao (CSH) Gold Project, Inner Mongolia, People's Republic of China, Throughput Expansion Update Technical Report. (an internal company report) 158p. February 5, 2010.

Deng, Q., Martin, M. D., Lepetic V. M., and Epps, J. M. of Behre Dolbear Asia, Inc., 2010: Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia Autonomous Region, the People's Republic of China. (a NI 43-101 report filed on Sedar in Canada) 67p. March 30, 2010.

21.0 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES

21.1 Mining Operations

A mine plan and production schedule for the CSH mine were developed in February 2010 by NMS based on drilling completed through 2008 and a gold price of $850 per ounce. This mine plan and production schedule was updated to the date of June 30, 2010 by the CSH Mine based on the actual production results of the first half of 2010. BDASIA has reviewed the mine plan and production schedule and used them as the basis for the economic analysis of the CSH Mine in this ITR. The historical mine production from 2007 to 2009 was generally by open-pit mining and heap leach processing at a rate of approximately 20,000 tpd of ROM weathered (oxide and mixed) ore; the mine historical production for the first half of 2010 was mostly crushed fresh (sulfide) ore with a small portion of the uncrushed ROM ore and at a rate higher than the planned 30,000-tpd rate. Forecast production from the second half of 2010 on is at a 30,000-tpd heap leach processing rate for crushed fresh (sulfide) ore. The three-stage crushing plant, designed to produce a product of 80% passing 9 mm, reached its designed production capacity in March 2010.

21.1.1 Historical and Forecast Mine Production

Table 21.1 lists the historical and forecast ore production and waste stripping for the CSH Mine for the period from 2007 through the end of mine life in 2022.

Table 21.1

Historical and Forecast Ore Mining and Waste Stripping for the CSH Mine

(The Company's attributable share of the following production from the CSH Mine is 96.5%.)

	Historical Production				Forecast Production													
Item	2007	2008	2009	2010 Jan-Jun	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total Jul 2010-Dec 2022
ROM Ore Mining (kt)																		
Northeast Pit	4,613	5,786	3,930	1,830														
Southwest Pit			3,611															
Subtotal (kt)	4,613	5,786	7,540	1,830														
Crushed Ore Mining (kt)																		
Northeast Pit				4,840	5,117	10,650	10,650	10,650	10,522	9,947	7,810	7,112	6,207	4,314	4,049	6,544	6,537	**100,109**
Southwest Pit			2,158	213					128	703	2,840	3,538	4,443	6,336	6,600	4,106	3,119	**31,813**
Subtotal (kt)			2,158	5,053	5,117	10,650	10,650	10,650	10,650	10,650	10,650	10,650	10,650	10,650	10,650	10,650	9,656	**131,923**
Total Ore Mining (kt)																		
Northeast Pit	**4,613**	**5,786**	**3,930**	**6,670**	**5,117**	**10,650**	**10,650**	**10,650**	**10,522**	**9,947**	**7,810**	**7,112**	**6,207**	**4,314**	**4,049**	**6,544**	**6,537**	**100,109**
Southwest Pit			**5,769**	**213**					**128**	**703**	**2,840**	**3,538**	**4,443**	**6,336**	**6,600**	**4,106**	**3,119**	**31,813**
Total	**4,613**	**5,786**	**9,699**	**6,883**	**5,117**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**9,656**	**131,923**
Waste Stripping (kt)	**5,628**	**11,327**	**17,686**	**7,575**	**14,505**	**23,747**	**24,451**	**20,447**	**17,879**	**16,564**	**13,911**	**11,855**	**9,851**	**7,538**	**5,707**	**5,705**	**1,523**	**173,683**
Strip Ratio	**1.22**	**1.96**	**1.82**	**1.10**	**2.83**	**2.23**	**2.30**	**1.92**	**1.68**	**1.56**	**1.31**	**1.11**	**0.92**	**0.71**	**0.54**	**0.54**	**0.16**	**1.32**

21.1.2 Pit Design

There are two mineralized zones, the Northeast Zone and the Southwest Zone, separated by a barren zone of about 400 m. The Northeast Zone strikes approximately N55°E, whereas the Southwest Zone strikes nearly N75°E. The dip of both zones is sub-vertical. The down-dip extent of the mineralization has not yet been established by drilling but is in excess of 400 m in the Northeast Zone. The width of the mineralization averages approximately 200 m in the Northeast Zone and approximately 80 m in the Southwest Zone.

The newly-designed final Northeast pit, which will mine 77% of the total reserve tonnage, measures at surface 1,725-m long by 700-m wide and has a total depth of 378 m. The dimensions at the pit bottom are 365-m long by 60-m wide. The Southwest mineralization will be mined by an elongate pit with a surface length of 2,300 m, surface width up to 200 m, and a depth of 180 m. The combined strip ratio of the two pits is 1.32 to 1 as of June 30, 2010. The land surface MSL elevation varies from 1,636 m to 1,720 m along the rims of the two pits.

The mining bench height is 6 m, and the final pit walls are to be triple-benched with berm widths varying between 7.8 m and 10.25 m, depending on the final slope design factors. Haul road grades are a maximum of 10%, and widths are 25 m. Final pit slopes were based on Golder Associates' recommendations in 2006. Inter-ramp hanging wall slopes vary from 44° to 47°, and inter-ramp footwall slopes are 55°. The overall footwall slope was flattened by 3° degrees to accommodate the main haulage ramp.

Current average one-way haulage distances from the current pit centers are approximately 1.5 km to the waste dumps, 1.7 km to the primary crusher, and 4.5 km to the leach pad. The primary crusher dump MSL elevation is 1,672 m, and the MSL elevations of the four pit throats are 1,642 m, 1,636 m, 1,624 m, and 1,630 m, from northeast to southwest.

21.1.3 Contract Mining

All mining is carried out by a mining contractor, China Railway No. 19 Bureau Group Corporation, as directed by company personnel. A 10-year contract, commencing on November 25, 2008, sets out the terms, which do not include provisions for fuel or other cost escalation but do allow cost increases for haul distances and for increased explosive costs due to wet blasting. Specifically, there is a basic cost of RMB24.1 (US$3.53)/$m^3$ of ore or waste for one-way haulage distances that do not exceed 2.5 km. Above this distance, costs increase by RMB2.00 (US$0.293)/$m^3$ for each 1-km increase (and fractions proportionately) in one-way haul distances. Below 2.5 km, costs decrease by RMB0.80 (US$0.117)/$m^3$ for each 1-km decrease (and fractions proportionally). The contractor's haul trucks carry 50 t, but they are neither weighed nor counted. Payment to the contractor is based on the monthly pit survey of cubic meters of ore and waste and a specific gravity of 2.72 t/m^3 for the weathered material and 2.79 t/m^3 for the fresh material, respectively.

The contractor's loading and hauling fleet is comprised of six 4.5-m^3 Hitachi backhoes and thirty-two 50-t Euclid rear-dump off-highway trucks. Blasthole drilling is done with three Chinese electric-powered and two Atlas Copco diesel-powered machines drilling 6.6-m-deep, 180-mm-diameter, vertical holes. Drilling patterns average 5-m by 5-m spacing for waste and 4-m by 4-m to 4.5-m by 4.5-m spacing for ore. Powder factors are 0.60 kilograms per tonne ("kg/t") of ore and 0.45 kg/t of waste.

The contractor maintains its equipment in a mine maintenance shop that it owns. While water inflow to the pit is low, mining is now below the water table in the lower benches and the contractor does the pit de-watering through two pipelines out of the pit. Total contractor manpower is currently approximately 230 persons.

21.1.4 Discussions

- **Mining Dilution:** As is customary, the block model necessarily includes some dilution and some ore loss. During mining operations some additional dilution and some ore loss will occur at all ore/waste interfaces. Because of the wide ore zones at the CSH Mine, both dilution and ore loss will be low, and close supervision of the mining contractor should not be necessary. The CSH Mine is currently crushing all the ore to be placed on the leach pads, an appropriate crushing plant sampling system will provide good actual mine production data, allowing detailed production reconciliation to be carried out for the mine. BDASIA believes that the mining dilution factor and mining loss factor obtained from the detailed production reconciliation should be used to adjust the reserve estimate of the mine in the future.
- **Waste Dumps:** Waste dumps must accommodate 174 Mt of waste rock from both the Northeast and Southwest pits as of June 30, 2010. The newly designed waste dump on north side of the Northeast pit and the Southwest pit has sufficient storage capacity for the planned waste. The dump is relatively close to the pit throats, making for short hauls, and the dump is relatively low, with final top MSL elevations at 1,700 m (versus the primary crusher MSL elevation of 1,672 m).
- **Slope Stability:** No significant slope failures have been experienced to date, although the pits are still relatively shallow. The final pit slope design is reasonable but needs to be monitored as the pits get deeper.
- **Company Mine Personnel and Vehicles:** Company mine personnel number 21, including four pit supervisors who cover the round-the-clock operations. Vehicles assigned to company mine personnel are one SUV and two pickup trucks, all 4-wheel drive.

BDASIA believes that the final pit designs have been correctly done at the assumed technical and economic conditions and should not present operational problems. The mining contractor has a good selection of major mining equipment and adequate units to carry out the currently required tonnages of ore and waste. BDASIA does note that working benches are not always being kept at design elevations by the mining contractor, and company management should insist that this be corrected. The effect of this lapse on the overall performance of the mine is small.

Should management decide that an increase in ore production to the crusher is desirable, for the purpose of increasing gold production from the pads, the mining contractor should readily be able to accommodate such an increase.

21.2 Markets, Contracts and Taxes

Based on an agreement between China Gold International and China National Gold Group Corporation, all gold and silver in doré bars produced from the CSH Mine will be sold to China National Gold Group Corporation based on the Shanghai Gold Exchange spot market prices less refining charge of RMB0.95/g or RMB29.55/oz (US$4.36/oz) of gold and RMB0.50/g or RMB15.55/oz (US$2.29/oz) for silver. Gold sales price does not contain VAT, but silver sales price does contain a VAT, which is 3% for IMP as it is a small silver producer.

The CSH Mine does not have any gold and silver hedging contracts. Mining operation is conducted by a mining contractor and the mining contract is discussed in Section 21.1 of this ITR.

The CSH Mine production is subject to a resource tax of RMB3.00/t of actual processed ore, a resource compensation levy of 2.8% for 70% of the sales revenue, and a corporate income tax rate of 25%.

21.3 Production

Historical heap leached ore, processing recoveries, and gold production in doré from January 2007 through June 2010 and production forecasts from July 2010 to the end of mine life for the CSH Mine are summarized in Table 21.2.

Historically, the CSH Mine used the pit blast hole assay gold grades as the gold grades of actual produced ore placed on the lead pads. The March 30, 2010 BDASIA ITR also used the same mine production gold grades. However, crushing plant sampling results in the first half of 2010 and more detailed analysis indicates that the pit blast hole gold grades could be significantly higher than the actual mine production ore grades because of mining dilution and misclassification. In this version of the ITR, the historical mine production gold grades were revised to the gold grades in the resource model, which reduced the gold contents in the ore placed on the leach pads to date. As gold recovery is expected to be a five-year process, forecast total gold production in the next several years have also been reduced slightly.

Table 21.2

Historical and Life-of-Mine Forecast Production for the CSH Mine

(The Company's attributable share of the following production from the CSH Mine is 96.5%.)

	Historical Production			Forecast Production																		
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**Total Jul 2010-Dec 2026**
Heap Leached Ore																						
ROM Ore, Northeast Pit (kt)	4,613	5,786	3,930	1,830																		
Average Gold Grade (g/t)	0.59	0.59	0.59	0.55																		
Contained Gold (kg)	2,722	3,414	2,319	1,014																		
ROM Ore, Southwest Pit (kt)			3,611																			
Average Gold Grade (g/t)			0.59																			
Contained Gold (kg)			2,130																			
Crushed Ore, Northeast Pit (kt)				4,840	5,117	10,650	10,650	10,650	10,522	9,947	7,810	7,112	6,207	4,314	4,049	6,544	6,537					**100,109**
Average Gold Grade (g/t)				0.63	0.65	0.61	0.56	0.53	0.64	0.65	0.67	0.68	0.70	0.75	0.81	0.91	0.97					**0.68**
Contained Gold (kg)				3,049	3,337	6,507	5,998	5,607	6,690	6,511	5,239	4,837	4,350	3,214	3,292	5,969	6,314					**67,865**
Crushed Ore, Southwest Pit (kt)			2,158	213					128	703	2,840	3,538	4,443	6,336	6,600	4,106	3,119					**31,813**
Average Gold Grade (g/t)			0.60	0.51					0.56	0.56	0.59	0.60	0.61	0.63	0.66	0.72	0.76					**0.65**
Contained Gold (kg)			1,303	109					71	391	1,663	2,123	2,708	3,965	4,343	2,943	2,364					**20,572**
Total Ore	**4,613**	**5,786**	**9,699**	**6,883**	**5,117**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**9,656**					**131,923**
Average Gold Grade (g/t)	**0.59**	**0.59**	**0.59**	**0.61**	**0.65**	**0.61**	**0.56**	**0.53**	**0.63**	**0.65**	**0.65**	**0.65**	**0.66**	**0.67**	**0.72**	**0.84**	**0.90**					**0.67**
Contained Gold (kg)	**2,722**	**3,414**	**5,752**	**4,171**	**3,337**	**6,507**	**5,998**	**5,607**	**6,761**	**6,902**	**6,902**	**6,960**	**7,058**	**7,179**	**7,635**	**8,912**	**8,678**					**88,437**
Contained Gold (koz)	**87.50**	**109.75**	**184.92**	**134.11**	**107.29**	**209.20**	**192.84**	**180.28**	**217.39**	**221.90**	**221.90**	**223.76**	**226.93**	**230.82**	**245.49**	**286.53**	**279.00**					**2,843.30**
Cumulative Contained Gold (kg)	**2,722**	**6,135**	**11,887**	**16,058**	**19,395**	**25,902**	**31,900**	**37,507**	**44,268**	**51,170**	**58,072**	**65,032**	**72,090**	**79,269**	**86,905**	**95,817**	**104,495**	**104,495**	**104,495**	**104,495**	**104,495**	
Cumulative Contained Gold (koz)	**87.50**	**197.26**	**382.17**	**516.28**	**623.57**	**832.76**	**1,025.60**	**1,205.88**	**1,423.26**	**1,645.16**	**1,867.06**	**2,090.82**	**2,317.75**	**2,548.57**	**2,794.05**	**3,080.58**	**3,359.58**	**3,359.58**	**3,359.58**	**3,359.58**	**3,359.58**	
Projected Total Gold Recovery (%)[(1)]																						
ROM Ore, Northeast Pit	53.0%	53.0%	53.0%	40.0%																		
ROM Ore, Southeast Pit	53.0%	53.0%	53.0%																			
Crushed Ore, Northeast Pit	53.0%	53.0%	53.0%	69.4%	69.9%	68.9%	67.8%	66.9%	69.5%	70.0%	70.4%	70.6%	71.1%	72.2%	73.9%	76.3%	77.6%					**71.09%**
Crushed Ore, Southeast Pit	53.0%	53.0%	53.0%						67.3%	67.2%	68.2%	68.7%	69.0%	69.5%	70.6%	72.5%	73.8%	48.9%				**70.33%**
Cumulative Gold Recovery (%)[(2)]	**25.1%**	**40.3%**	**42.7%**	**38.6%**	**44.7%**	**51.1%**	**54.8%**	**56.9%**	**58.5%**	**59.9%**	**61.0%**	**61.9%**	**62.7%**	**63.4%**	**64.0%**	**64.8%**	**65.7%**	**67.3%**	**67.8%**	**68.0%**	**68.1%**	
Gold Production in Doré (kg)	**684**	**1,789**	**2,599**	**1,126**	**2,479**	**4,559**	**4,238**	**3,874**	**4,546**	**4,738**	**4,789**	**4,845**	**4,938**	**5,045**	**5,398**	**6,407**	**6,552**	**1,848**	**487**	**191**	**95**	**64,944**
Gold Production in Doré (koz)	**21.99**	**57.51**	**83.57**	**36.19**	**79.69**	**146.57**	**136.25**	**124.54**	**146.17**	**152.34**	**153.99**	**155.78**	**158.76**	**162.20**	**173.56**	**205.99**	**210.65**	**59.42**	**15.67**	**6.13**	**3.05**	**2,088.01**
Cumulative Gold Production (kg)	**684**	**2,473**	**5,072**	**6,198**	**8,676**	**13,235**	**17,473**	**21,347**	**25,893**	**30,631**	**35,421**	**40,266**	**45,204**	**50,249**	**55,647**	**62,054**	**68,606**	**70,369**	**70,856**	**71,047**	**71,142**	
Cumulative Gold Production (koz)	**21.99**	**79.50**	**163.07**	**199.26**	**278.95**	**425.52**	**561.77**	**686.31**	**832.48**	**984.82**	**1,138.81**	**1,294.59**	**1,453.35**	**1,615.54**	**1,789.11**	**1,995.10**	**2,205.75**	**2,262.42**	**2,278.09**	**2,284.21**	**2,287.27**	
Silver Production in Doré (kg)[(3)]	**262**	**718**	**926**	**479**	**867**	**1,596**	**1,483**	**1,356**	**1,591**	**1,658**	**1,676**	**1,696**	**1,728**	**1,766**	**1,889**	**2,242**	**2,293**	**647**	**171**	**67**	**33**	**22,730**
Silver Production in Doré (koz)	**8.42**	**23.09**	**29.76**	**15.39**	**27.89**	**51.30**	**47.69**	**43.59**	**51.16**	**53.32**	**53.89**	**54.52**	**55.57**	**56.77**	**60.75**	**72.10**	**73.73**	**20.80**	**5.49**	**2.14**	**1.07**	**730.80**

Notes:

(1) Total gold recovery for all types of ore on the leach pad as of December 31, 2009 is projected to be 53% based on a recovery model produced by IMP. Historical gold recovery for the first half of 2010 as well and forecast total gold recovery is 40% for the ROM ore and calculated from the recovery formulas developed by KDE in February 2010 for the crushed ore.

(2) Cumulative gold recovery is the ratio of cumulatively recovered gold from the heap leach process to the cumulative gold loaded on the leach pad.

(3) Forecast silver production is based on a silver/gold production ratio of 0.35 for the period from July 2010 to December 2026, which is slightly lower than the actual average silver/gold production ratio of approximately 0.39 from January 2007 to June 2010.

Current mining capacity for the CSH Mine has reached 30,000 tpd. The 30,000-tpd crushing plant was installed in August 2009 and reached its designed production capacity in March 2010.

As recoverable gold loaded on the leach pads is expected to be recovered in approximately 5 years, cumulative gold loaded on leach pads, cumulative gold recovery, and cumulative recovered gold are used in Table 21.2 for the calculation of gold production. Actual cumulative recovery for the ore, mostly ROM ore with a small portion of crushed ore from the weathered zone, loaded to the leach pads was only approximately 42.3% as of December 31, 2009. As heap leach is a long recovery process, several years are generally needed to fully recover the recoverable gold in the ore loaded on the leach pad. The CSH Mine management has estimated a total recovery of 53% for the ore already loaded on the leach pad as of December 31, 2009 and has estimated that a total of 5 years will be needed to achieve this total recovery, with an average yearly recovery of 37.5%, 7.5%, 4.0%, 2.5%, and 1.5% for year 1 through year 5, respectively. BDASIA considers that the management's estimates are reasonable. It should be noted that this recovery distribution has been revised from the March 30, 2010 ITR as the historical mine production gold grades have been revised to the resource model grades instead of the pit blast hole grades.

Forecast production for the CSH Mine will be mostly from the fresh (sulfide) zone of the deposit. Based on the metallurgical test work, heap leach recovery of the fresh or sulfide material is very sensitive to the grain size as well as the average gold grade of the ore hauled to the leach pads. It was expected by the KDE February 2010 technical report that the gold recovery is a function of the ore gold grade, and the expected gold recovery for fresh ore crushed to 80% passing 9 mm at a gold grade of 0.7 g/t would be 71.1% for the Northeast Zone and 71.9% for the Southwest Zone, whereas gold recovery for fresh ROM ore would be only 40%.

Forecast production for the CSH Mine will be all crushed, fresh (sulfide) ore. Forecast gold recoveries are based on the KDE report. Gold recovery for the crushed fresh ore will be calculated from the formulas developed by KDE. The total gold recovery will be achieved in 5 years, with a yearly recovery percentage of 79.43%, 13.00%, 4.71%, 1.43%, and 1.43% for year 1 through year 5. Because of the unusually long and harsh cold winter and the mine management's experiment to cover the drip emitters during the winter months in a different way, gold recovery was extremely slow for the first half 2010. Therefore, gold recovery based on the above recovery rate distribution was delayed for two months in the production schedule for 2010 and the following years in Table 21.2.

Gold recovery from the leach pads will continue for another 4 years after mining operations cease in 2022 at the CSH Mine.

The forecast ore grade is based on detailed production scheduling from the resource block model and is in line with the mineral reserve estimates of the deposit. The forecast annual feed gold grades increase gradually from 0.65 g/t in 2010 to 0.90 g/t for the last partial year of mine life in 2022, reflecting the general gradual increase of gold grade with depth.

In addition to gold, some silver is also recovered in the gold doré bars produced by the CSH mine. The CSH Mine forecasts that the silver to gold ratio in the produced gold doré bars will be 0.35, which is slightly lower than the average silver-to-gold ratio of 0.375 in gold doré bars produced from 2007 to 2009.

BDASIA considers that these production targets are generally achievable. However, BDASIA also needs to point out that the gold recovery of the crushed fresh ore is based only on column leach tests, which have not yet been proved by actual mine production. And also, reserve gold grade estimates need to be confirmed by an appropriate crushing plant sampling program.

21.4 Operating Costs

Based on information provided by the Company, BDASIA has calculated historical unit mining, processing and G&A and others costs on a per-tonne basis for ore hauled to the leach pads during the period from January 2007 through June 2010 and has developed forecast unit costs from July 2010 to the end of mine life for the CSH Mine. BDASIA has also calculated a unit gold-equivalent ("AuEq", i.e. silver production is converted to equivalent gold based on silver and gold revenue ratio based on actual and forecast gold and silver prices as well as refining charges listed in Table 21.6) operating cash cost and a total production cost (Table 21.3). Operating costs by categories are summarized in Table 21.4.

The operating cash costs include mining costs, processing costs, G&A costs, selling costs, environmental protection costs, production taxes, resource compensation levy, interests on loans, and other cash cost items. The total production costs comprise the operating cash costs and depreciation/amortization costs.

The mining cost consists of ore mining cost, waste mining cost, and mining overhead. The forecast ore mining cost and waste mining cost are based on a mining contract signed with the mining contractor in November 2008 and the expected hauling distance for ore and waste from different pits to different destinations, as well as the yearly strip ratio. The gradual increase of unit ore mining costs generally reflects the increase in hauling distance resulting from the deepening of the open pits. The unit waste mining cost on a per tonne of ore hauled to the leach pad basis decreases gradually over the mine life, as the strip ratio is decreasing gradually. The forecast unit mining cost is generally lower than the actual mining cost from 2007 to 2009 as the current mining contract has lowered the unit mining cost.

The processing costs include crushing cost (including hauling of the crushed ore to the leach pads by highway trucks or conveying the crushed ore to the leach pads after an overland conveyor system is constructed in 2010), heap leach cost, and gold recovery costs.

The unit AuEq production cash cost and the total production costs are expressed in RMB per gram ("RMB/g") and US dollars per troy ounce ("US$/oz") using an exchange rate of RMB6.78 to US$1.00.

BDASIA would note that inflation is generally not factored into the forecast operating costs in Tables 21.3 and 21.4. Increases in costs for labor, fuel, and other materials can have a large impact on the mining operation.

Table 21.3
Historical and Life-of-Mine Forecast Operating Costs for the CSH Mine

	Historical Cost				Forecast Cost												
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Mining Cost (US$/t of ore)																	
Mining Ore	1.35	1.80	1.41	1.19	1.27	1.27	1.30	1.28	1.30	1.30	1.30	1.31	1.31	1.31	1.31	1.36	1.38
Mining Waste	1.34	3.04	1.39	1.51	4.04	3.17	3.27	2.76	2.37	2.21	1.92	1.66	1.40	1.07	0.82	0.82	0.25
Mining Overhead	0.27	0.37	0.54	0.04	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Total Mining	**2.96**	**5.21**	**3.34**	**2.75**	**5.59**	**4.73**	**4.85**	**4.33**	**3.96**	**3.80**	**3.51**	**3.25**	**3.00**	**2.66**	**2.42**	**2.46**	**1.91**
Processing Cost (US$/t of ore)																	
Processing ROM Ore	0.48	0.97	0.99	0.93													
Processing Crushed Ore			0.99	0.74	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.92	0.91	0.86	1.82	1.82
Average Processing	**0.48**	**0.97**	**0.99**	**0.79**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.92**	**0.91**	**0.86**	**1.82**	**1.82**
G&A and Other Cost (US$/t of ore)	**0.97**	**1.86**	**1.19**	**0.69**	**1.77**	**1.38**	**1.33**	**1.24**	**1.27**	**1.25**	**1.26**	**1.27**	**1.22**	**1.14**	**1.16**	**1.21**	**1.25**
Total Operating Cost (US$/t of ore)	**4.41**	**8.04**	**5.52**	**4.24**	**9.18**	**7.93**	**8.00**	**7.38**	**7.05**	**6.87**	**6.59**	**6.34**	**6.14**	**4.71**	**4.43**	**5.49**	**4.98**
Deprec/Amort Cost (US$/t of ore)	0.58	1.26	1.00	2.98	4.01	1.93	1.71	1.37	1.32	1.27	1.25	1.14	0.76	0.76	0.21	0.12	0.07
Total Production Cost (US$/t of ore)	**4.99**	**9.30**	**6.52**	**7.22**	**13.19**	**9.86**	**9.71**	**8.75**	**8.37**	**8.14**	**7.84**	**7.48**	**6.90**	**5.46**	**4.64**	**5.61**	**5.04**
AuEq Operating (Cash) Cost (US$/oz)	**921**	**805**	**638**	**800**	**586**	**573**	**621**	**628**	**510**	**477**	**453**	**431**	**409**	**307**	**270**	**282**	**227**
AuEq Total Production Cost (US$/oz)	**1,042**	**931**	**753**	**1,364**	**843**	**712**	**755**	**744**	**606**	**566**	**538**	**508**	**460**	**356**	**283**	**288**	**230**

Note: AuEq is calculated using the following formula: AuEq = Au + Ag × (Ag price-Ag Refining Charge)/1.03/(Au price-Au Refining Charge) based on actual and/or forecast gold and silver prices and refining charges listed in Table 21.6. The reason for dividing the silver revenue by 1.03 is because the silver price includes a 3% VAT.

Table 21.4
Historical and Life-of-Mine Forecast Operating Costs by Categories for the CSH Mine

	Historical Cost				Forecast Cost												
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Contract Mining (US$/t of ore)	2.69	4.84	2.80	2.71	5.31	4.44	4.56	4.04	3.68	3.52	3.22	2.97	2.72	2.38	2.13	2.18	1.63
Workforce Employment and Transportation of Workforce(1) (US$/t of ore)	0.27	0.37	0.54	0.04	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Consumables (US$/t of ore)	0.37	0.85	0.88	0.68	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.66	0.65	0.60	1.56	1.56
Fuel, Electricity and Water (US$/t of ore)	0.11	0.11	0.11	0.11	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
On and Off-Site Management (US$/t of ore)	0.55	0.99	0.47	0.26	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Environmental Protection and Monitoring (US$/t of ore)	0.04	0.03	0.02	0.01	0.02	0.02	0.02	0.02	0.13	0.13	0.14	0.14	0.09	0.00	0.00	0.00	0.00
Product Marketing and Transport (US$/t of ore)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-Income Taxes, Royalties and Other Governmental Charges (US$/t of ore)	0.33	0.74	0.64	0.42	0.77	0.73	0.69	0.67	0.68	0.68	0.69	0.69	0.69	0.70	0.72	0.77	0.81
Interest Expense (US$/t of ore)	0.05	0.11	0.06	0.41	0.42	0.20	0.19	0.11	0.03	—	—	—	—	—	—	—	—
Contingency Allowances(2) (US$/t of ore)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Operating Cost (US$/t of ore)	**4.41**	**8.04**	**5.52**	**4.64**	**9.05**	**7.93**	**8.00**	**7.38**	**7.05**	**6.87**	**6.59**	**6.34**	**6.14**	**4.71**	**4.43**	**5.49**	**4.98**

Notes:

(1) Cost for transport of workforce was included in the workforce employment cost in the feasibility study report.

(2) Contingency allowance was not separated from other cost items in the feasibility study report.

21.5 Capital Costs

Historical capital costs from January 2007 to June 2010 and forecast capital costs from July 2010 to the end of mine life for the CSH Mine are shown in Table 21.5. Costs for mining equipment are the responsibility of the mining contractors. It can be seen that most capital expenditures have been incurred in the last 3 and half years, and the remaining capital expenditures for the mine are not significant. The remaining capital expenditures consist primarily of costs for the construction of additional leach pads and a conveyor belt system between the crushing plant and the leach pads.

BDASIA notes that no sustaining capital was budgeted in the forecast capital expenditures and suggests that equipment replacement costs of approximately 2% of the total equipment costs for the crushing and gold recovery plants be budgeted for each year, except the last two or three, following the completion of the construction.

Table 21.5

Historical and Life-of-Mine Forecast Capital Costs for the CSH Mine

Item	Historical Cost				Forecast Cost													
	2007	2008	2009	2010 Jan-Jun	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total Jul 2010-Dec 2023
Capital Cost in US$ (×10³)																		
Mining		1,837	11,552															
Heap Leach	5,498		3,434	4,613				7,467	5,407	5,226								18,099
Processing	23,117	406	1,179	2,212														
Crusher		25,524	32,979		5,852													5,852
Infrastructure and G&A	6,503		83	737														
Exploration	18,797	654																
Closing																		
Land	1,593		732															
Property Acquisition																		
Other																		
Total	**55,508**	**28,421**	**49,958**	**7,563**	**5,852**			**7,467**	**5,407**	**5,226**								**23,951**

21.6 Base Case Economic Analysis

BDASIA conducted a base case economic analysis for the CSH Mine using the technical and economic parameters discussed in this ITR (Table 21.6). The forecast gold price is variable over the life of the mine and represents the average price projected by 18 international financial institutions. The discount rate of 9% for the net present value ("NPV") calculation was provided by Citi, China Gold International's financial adviser, which BDASIA considers generally reasonable for the CSH Mine. The middle of the year discount method was used in calculation of the NPV.

Based on the assumptions listed above, the CSH Mine has a total pre-tax NPV of US$486.05 M and a total after-tax NPV of US$377.89 M as of June 30, 2010.

Table 21.6
Base Case Cash Flow Analysis at June 30, 2010 for the CSH Mine

	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Revenue																		
Gold Production in Doré (koz)	79.69	146.57	136.25	124.54	146.17	152.34	153.99	155.78	158.76	162.20	173.56	205.99	210.65	59.42	15.67	6.13	3.05	**2,088.01**
Silver Production in Doré (koz)	27.89	51.30	47.69	43.59	51.16	53.32	53.89	54.52	55.57	56.77	60.75	72.10	73.73	20.80	5.49	2.14	1.07	**730.80**
Gold Price (US$/oz)	1033.00	1033.00	955.00	970.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	
Silver Price (US$/oz)[1]	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	
Gold Refining Charge (US$/oz)	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	
Silver Refining Charge (US$/oz)	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	
Gold Sales Revenue (US$ M)	81.97	150.78	129.54	120.27	123.47	128.68	130.07	131.59	134.10	137.01	146.61	174.00	177.94	50.20	13.24	5.17	2.58	**1,834.88**
Silver Sales Revenue (US$ M)[1]	0.43	0.79	0.74	0.67	0.79	0.83	0.83	0.84	0.86	0.88	0.94	1.12	1.14	0.32	0.08	0.03	0.02	**11.31**
Total Sales Income (US$ M)	**82.40**	**151.57**	**130.27**	**120.95**	**124.26**	**129.51**	**130.91**	**132.43**	**134.96**	**137.89**	**147.55**	**175.12**	**179.08**	**50.52**	**13.32**	**5.21**	**2.60**	**1,846.19**
Operating Costs (US$ M)																		
Mining	28.61	50.38	51.65	46.07	42.19	40.49	37.37	34.66	31.96	28.36	25.73	26.24	18.46					**462.16**
Processing	9.30	19.36	19.36	19.36	19.36	19.36	19.36	19.36	20.45	9.64	9.16	19.36	17.55					**220.95**
G&A and Others	9.05	14.71	14.16	13.18	13.52	13.36	13.44	13.52	13.00	12.12	12.30	12.84	12.04	0.99	0.26	0.10	0.05	**168.59**
Total Operating Cost	**46.96**	**84.44**	**85.16**	**78.61**	**75.07**	**73.20**	**70.16**	**67.53**	**65.41**	**50.11**	**47.20**	**58.44**	**48.05**	**0.99**	**0.26**	**0.10**	**0.05**	**851.71**
Depreciation/Amortization (US$ M)	20.53	20.53	18.24	14.59	14.07	13.52	13.29	12.14	8.09	8.05	2.26	1.33	0.65					**147.29**
Taxable Income (US$ M)	14.91	46.60	26.87	27.75	35.13	42.78	47.46	52.76	61.46	79.73	98.09	115.34	130.37	49.53	13.06	5.11	2.54	**847.19**
Income Tax @25% (US$ M)	3.73	11.65	6.72	6.94	8.78	10.70	11.86	13.19	15.37	19.93	24.52	28.84	32.59	12.38	3.27	1.28	0.64	**211.80**
After-Tax Income (US$ M)	**31.72**	**55.48**	**38.39**	**35.40**	**40.41**	**45.61**	**48.88**	**51.71**	**54.19**	**67.84**	**75.83**	**87.83**	**98.43**	**37.15**	**9.80**	**3.83**	**1.91**	**782.69**
Total Capital Costs (US$ M)	8.80			7.47	5.41	5.23												**26.90**
Loan Principle Payment (US$ M)	1.47	1.47	8.85	17.70	13.27													**42.77**
After-Tax Cash Flow (US$ M)	**21.44**	**54.01**	**29.54**	**10.24**	**21.73**	**40.38**	**48.88**	**51.71**	**54.19**	**67.84**	**75.83**	**87.83**	**98.43**	**37.15**	**9.80**	**3.83**	**1.91**	**713.01**
Years to discount to Jun 30, 2010	0.25	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	
Discount Factor at 9%	0.979	0.917	0.842	0.772	0.708	0.650	0.596	0.547	0.502	0.460	0.422	0.388	0.356	0.326	0.299	0.275	0.252	
After-Tax NPV (US$ M)	**20.98**	**49.55**	**24.87**	**7.90**	**15.39**	**26.24**	**29.15**	**28.29**	**27.19**	**31.24**	**32.03**	**34.04**	**35.00**	**11.55**	**2.93**	**1.05**	**0.48**	**377.89**
Pre-Tax Cash Flow (US$ M)	**25.17**	**65.65**	**36.26**	**17.17**	**30.51**	**51.08**	**60.75**	**64.90**	**69.55**	**87.77**	**100.35**	**116.67**	**131.03**	**49.53**	**13.06**	**5.11**	**2.54**	**924.81**
Pre-Tax NPV (US$ M)	**24.63**	**60.23**	**30.52**	**13.26**	**21.62**	**33.20**	**36.22**	**35.50**	**34.91**	**40.41**	**42.39**	**45.21**	**46.58**	**16.15**	**3.91**	**1.40**	**0.64**	**486.05**

Sensitivity analyses (Table 21.7 and Figure 21.1) indicate that the NPV of the CSH Mine is very sensitive to variation in the gold price and heap leach gold recovery, moderately sensitive to variation in operating costs, and less sensitive to variation in capital costs.

Table 21.7
Sensitivity analysis for after-tax NPV as of June 30, 2010 for the CSH Mine

	After-Tax NPV Variation (US$M)				
Sensitivity Item Variation	**-20%**	**-10%**	**Base Case**	**+10%**	**+20%**
Gold/Silver Price	214.0	296.0	377.9	459.8	541.7
Gold/Silver Recovery	214.2	296.1	377.9	459.7	541.5
Operating Costs	460.6	419.2	377.9	336.5	295.2
Capital Costs	382.2	380.0	377.9	375.7	373.6

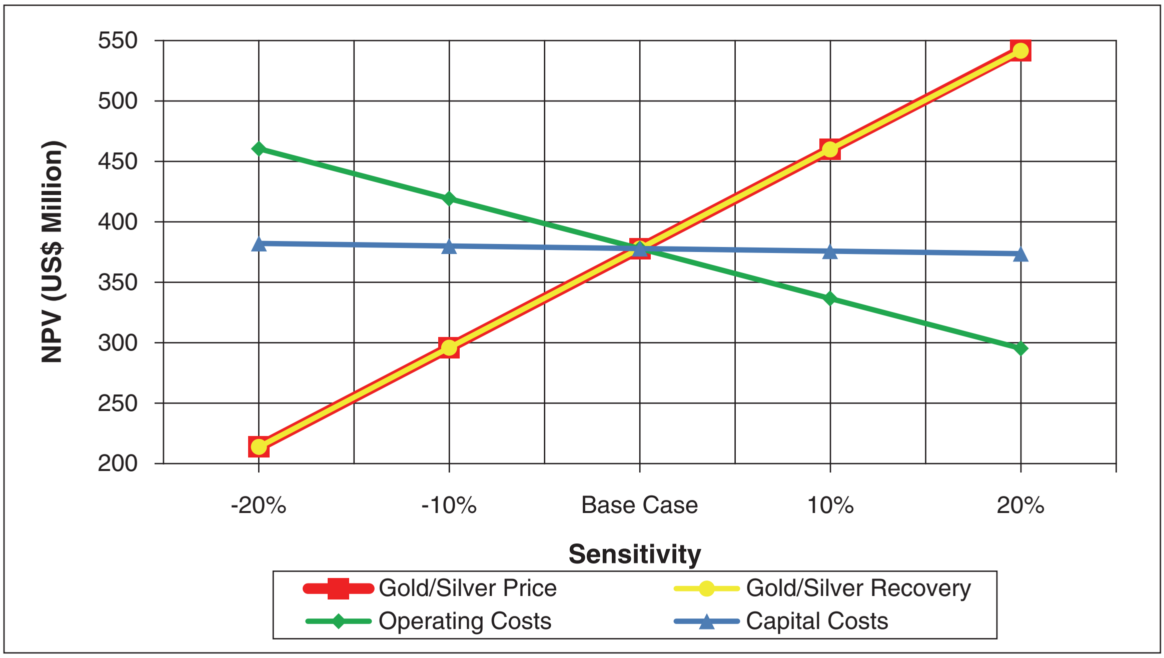


Figure 21.1 After-tax NPV sensitivity analysis for the CSH Mine

21.7 Environmental and Community Considerations

Environmental protection has been taken seriously by mine management at the CSH Mine, which has sought to comply not only with Chinese requirements but also with international norms for the industry as a demonstration of their commitment to a high standard of environmental protection.

In 2006, an Environmental Impact Study ("EIS") was submitted to the Inner Mongolian Environment Protection Bureau ("EPB") to comply with local (Chinese) requirements, including industrial policies and regional economic development plans, and an Environmental and Social Impact Assessment for the CSH Mine was conducted by internationally recognized consultants Environmental Resources Management ("ERM") utilizing both Chinese EIA requirements as well as World Bank Group Environmental and Social Guidelines. A key aspect of this ERM assessment concerned minimization of community impact as a result of water use by the mine, and it has also been used to provide the basis for an Environmental Management Plan for the site. Various social issues were addressed in the study. This has contributed towards protection of local social heritage and culture, employment of local people (currently approximately 60% of the workforce), employment of women (currently approximately 32% of the workforce) as well as contributions towards local education, medical equipment, various community activities and support of poor families with food and coal (which collectively have been cost at approximately RMB1.6 M to date) having been implemented by the Company.

In November 2007, the CSH Mine project received its environmental approval from the Mongolian EPB following review of the documents and a site inspection by an expert panel. Environmental Approval, which requires approval of both the EIS and a Soil and Water Conservation Plan, is required to obtain a mining license, thereby enabling the mining operation to commence production.

Due to the semi-desert conditions and scarce water supply in the area, the project is being developed as a zero discharge site, hence it only requires a Water Supply (and not a Discharge) Permit, to be issued by the regulatory authorities. A comprehensive Water Resource Estimation by the Baogang Engineering Investigation and Survey Institute in Baotou was followed by a similar independent study by international experts Golder Associates, and a further hydrogeology and water resources study was conducted by the Baogang Institute. The objective of the mine project in securing its water supply is to balance the extraction of water from local sources with the capacity for recharge of these sources. The collective studies have determined that a sustainable water extraction rate would be 4,000 m^3/day in average years and 3,000 m^3/day in dry years, which is sufficient to meet the demand of the mining operation. The current Water Permit allows water to be pumped from the Molen River and Xinhure alluvial aquifer as well as the Hushaogou bedrock aquifer, at a rate of up to approximately 1 Mm^3/year.

Water is extracted from two wells in the river alluvium and pumped via a 10-km pipeline to the process plant area. In addition to these water resources there is an additional water resource in the CSH mining area that must be extracted to keep the mine pit from flooding.

The CSH Mine has a current Water Permit from the Autonomous Region Water Resources Department and the Bayannaoer City Water Bureau to enable it to undertake mining and processing activities at the site.

China Gold International has a policy of protection of local social heritage and culture, community assistance and social development, financially supporting local education, medical and social initiatives, and providing food and fuel to poor local families living near the mine site. The closest village to the mine site is Xinhure, which is located 10 km south of the mine. Local people are hired by China Gold International whenever possible. Approximately 60% of the workforce are hired locally, at least half of whom are females.

An Environmental and Social Management Program is being implemented. Environment protection measures for the mine site include:

- **Water management**: the site is being developed as a zero discharge site, recycling all used process water, which is cycled to the carbon columns then returned to the heap. Rainfall runoff is either added to process water or is used for dust suppression. The Company holds a current Water Permit for top up and domestic water, which is taken from the nearby Molen River and local aquifers, which provide reliable water supplies. The risk of cyanide-bearing water moving beyond the heap leach area is minimized by the use of diversion channels and ditches to direct rainfall away from the heap leach pads and installation of an Event Pond (capacity of 80,000 m^3) to accommodate maximum process flow plus a 1 in 100 year, 24-hour rainfall event all at the one time. The leach pads are sited outside any significant drainage lines to minimize the impact from storm flows, both during operations and after closure. The leach pad is lined with a synthetic liner to both maximize solution recovery and minimize any impact on groundwater from the heap leach process. A 300-mm liner bedding subgrade consisting of a high clay content material, taken from a local source, provides an impermeable layer for the leach pad below the HDPE membrane liner. A 300-mm layer of sand in the base and a non-woven geotextile (filter fabric) on the side slopes of the Preg Pond provide a leak detector mechanism. Groundwater monitoring is conducted on a regular basis to ensure there is no contamination of groundwater sources. Waste water treatment includes sewage treatment and reuse in the replanting and revegetation program and for dust mitigation purposes. While there is potential for some acid mine drainage, the low sulfide levels of the ore and the dry climate minimize this potential hazard;

- **Solid waste rock**: surplus waste material is being placed on designed waste dumps;
- **Dust mitigation**: including use of dust collectors and baghouses for the boiler houses and the crushing and screening plant, and exhaust fan for the reagent preparation area. Mitigation measures include the use of water sprays, water trucks, and road aggregate to reduce dust generated from mining and truck transport activities. Personal protection devices ("PPE") are issued to workers to provide additional personal protection from dust;
- **Noise control:** methods of noise control include use of silencers, noise and vibration dampening on mobile equipment, enclosure of noisy equipment, and regular equipment maintenance. Company policy requires PPE use, such as ear muffs or ear plugs, for noise-affected workers;
- **Environmental monitoring**: a comprehensive air, water (both surface and groundwater), and climatic monitoring plan is in place to build up an environmental baseline database, and also databases specific to groundwater levels and any indications of chemical contamination in soil or water. Ground water monitoring wells have been installed upstream and downstream from the leach pad. Old leach pads from historical operations are also monitored. All analytical results are to comply with Chinese National Standard GB-5749-85 for drinking water, with the exception of nitrate, which is locally elevated due to agricultural influences;
- **Rehabilitation**: a mine closure plan has been produced and approved as part of the Soil and Water Conservation Plan. The plan will be continually updated as the operation progresses; however, revegetation to reduce windblown dust and stabilize slopes is ongoing. Heap leach pads and waste rock dumps are to be properly rehabilitated upon mine closure; and
- **Seismic and flood risk:** structures are being designed to withstand a 1 in 100 year flood event and are designed to withstand a seismic event using a 0.10-g peak acceleration, in keeping with the Earthquake Zone 7 rating of the area.

21.8 Occupational Health and Safety

The CSH Mine has been operating since 2007 and is conducting its operations in accordance with specific national laws and regulations covering occupational health and safety ("OH&S") in mining, production blasting and explosives handling, mineral processing, hazardous wastes, environmental noise, construction, fire protection and fire extinguishment, sanitary provisions, power provision, lightning and seismic protection, and labor and supervision.

To manage the health and safety of the workforce the mine is implementing a comprehensive OH&S management system in line with national and international standards, with a full-time safety administration department, safety induction, safety training of workers, and regular checks. There is very good use of safety signs and personal and engineered protective measures. The housekeeping level is good. There is a medical clinic on site, and workers receive annual medical checks. Safety statistics for the mine over the last 3 and half years demonstrate a good safety record. There has been one fatality (of a contractor) and no significant injuries.

The mine holds a current Safety Permit, valid to February 1, 2011, issued by the Inner Mongolian Safety Bureau. An Emergency Response Plan is in place, including an Environmental Emergency Response Plan for the management of chemical spill, flood, fire, etc.

21.9 Risk Analysis

When compared with many industrial and commercial operations, mining is a relatively high-risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behavior during mining and processing can never be accurately predicted.

Estimations of the tonnes, grade, and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling or channel sampling, which, even at close sample spacing, remain very small samples of the entire orebody. There is always a potential error in the projection of sampling data when estimating the tonnes and grade of the surrounding rock, and significant variations may occur. Reconciliations of past production and ore reserves can confirm the reasonableness of past estimates but cannot categorically confirm the accuracy of future predictions.

Estimations of project capital and operating costs are rarely more accurate than ±10% and will be at least ±15% for projects in the planning stages. Mining project revenues are subject to variations in metal prices and exchange rates, though some of this uncertainty can be removed with hedging programs and long-term contracts.

The Company's CSH Mine reviewed in this ITR has been in operation for over 2 years and the risks are reduced by the knowledge and experience gained from the ongoing operations. The life-of-mine production projections are largely based on recent production and planned upgrading. Forecast cost parameters are considered generally reasonable.

In reviewing the CSH Mine, BDASIA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected production and resulting cash flows. The assessment is necessarily subjective and qualitative. Risk has been classified as low, moderate, or high based on the following definitions:

- High Risk: the factor poses an immediate danger of a failure, which if uncorrected, could have a material impact (>15%) on the project cash flow and performance and could potentially lead to project failure.
- Moderate Risk: the factor, if uncorrected, could have a significant impact (>10%) on the project cash flow and performance unless mitigated by some corrective action.
- Low Risk: the factor, if uncorrected, could have little or no effect on project cash flow and performance.

Risk Component	Comments
Mineral Resources *Low to moderate Risk*	The measured and indicated mineral resources at the CSH Mine are generally defined using DDH holes spaced from 25-m to 50-m. Procedures and parameters used for resource estimation generally conform to the industry standard. Comparison between pit blast hole sampling results and the resource block model to date generally confirms the resource model; however, the tonnage and contained gold may have been slightly overestimated. The crushing plant sampling results indicated a lower average gold grade for the ore placed on the leach pads than the pit blast hole samples and the resource block model for the first half of 2010, but the results is inconclusive as the mine management believes that the crushing plant sampling for the first half of 2010 was not representative because only the coarser fraction of the crushed ore on the conveyor belt was collected for analysis. The CSH Mine is in the process of modifying the crushing plant sampling system to collect more representative samples, which should provide a more accurate tonnage and gold grade for the ore placed on the leach pads. BDASIA believes that it is very important to collect actual tonnage and grade data from the crushing plant in the future, allowing accurate production reconciliation to be performed.
Ore Reserves *Moderate Risk*	Current mineral reserves were defined using generally appropriate technical and economic parameters. However, no mining dilution factor was used on the resource model for reserve estimation, and there is a possibility that actual mining dilution is higher than that has been built into the resource model and the actual reserve gold grade is lower than that in the current reserve estimation. Detailed production reconciliation based on appropriate crushing plant sampling results will confirm what is the appropriate dilution factor and mining loss factor for reserve estimation from the current resource model. All reserves are assumed to fresh (sulfide) material and will mostly crushed before stacking on the leach pads.
Open-Pit Mining *Low Risk*	BDASIA sees only low risks in all aspects of the mining process, with the possible exception of future slope failures as the Northeast pit deepens considerably and undiscovered zones of rock weakness might appear. Slope designs are reasonable, however, and overall mining risk remains low.
Ore Processing *Moderate Risk*	There is moderate risk that the gold recovery may not reach the expected level of around and above 70% for the crushed fresh (sulfide) ore. This may occur should the crushing plant fail to perform as required. Also, there is a minor to moderate risk that the heap leach feed may have different processing characteristics than the testwork samples.
Infrastructure *Low Risk*	The basic infrastructure for mining operation at the CSH Mine has been well established. Access road conditions are excellent. Power and water supplies to the mining operation and mining camp are sufficient.

Risk Component	Comments
Production Targets *Moderate Risk*	The mining target of 30,000 tpd can be easily achieved from the various pits by the mining contractor. The crushing production target can also be achieved as the crushing plant has reached its designed production capacity. Equipment breakdown at the crushing plant could cause some delays in crushing production. Gold production from the mine was significantly less than planned for the first half of 2010 because of an unusually long and harsh cold winter and the mine management's decision to test a different method to cover the drip emitters during the winter months. The mine management has taken considerable measures to improve gold recoveries from the leach pads and gold production was improving for the last couples of months. The mine management believes that the entire 2010 production target can still be reached, which needs to be confirmed by actual gold production from the mine in the next several months. Heap leach operations in the next couple of years will provide more definite heap leach recoveries for the crushed fresh (sulfide) ore and the actual gold grade of the ore placed on the leach pads.
Operating Cost *Low to Moderate Risk*	Forecast operating costs are generally based on either existing contracts or past operating experience and are generally considered reasonable by BDASIA. However, BDASIA notes that no inflation has been factored into the cost estimates. Increase in costs for labor, fuel, and other materials can have a large impact on the mining operation. BDASIA notes that no provision for higher oil prices has been allowed for in the mining contract, which has 8 years left to run. It is likely that either at the end of the 8 years, or even before then if oil prices rise steeply, contract mining costs can be expected to increase.
Capital Cost *Low Risk*	Most capital expenditures for the mine have already been incurred. Mining capital expenditures will be the responsibility of the mining contractor. The remaining capital expenditures consist primarily of costs for leach pad expansion and construction of a conveyor belt from the crushing plant to the leach pads. BDASIA believes that some sustaining capital (2% per year) will be needed for the crushing plant and the gold recovery plant.
Environment *Low Risk*	Mitigation measures are being put in place to ensure that environmental and social risks are minimized and regulatory environmental requirements are satisfied. The heap leach pads are designed to withstand potential flood and seismic impact, while all structures and infrastructure have been designed to withstand a Level 7 seismic event. An Environmental and Social Management Program is being implemented. Some risk to the CSH Mine results from its water requirement in such a dry barren area. Dust generation through the dry, cold, windy period from October to April is a risk particularly due to its impact on the local community; however, appropriate dust mitigation measures are being taken.

Risk Component	Comments
Occupational Health and Safety *Low Risk*	The Company seeks to conduct its operations in accordance with both national and international safety standards and has an OH&S system in place. The mine has maintained a good safety record to date.

22.0 DATE PAGE AND CERTIFICATES

The effective date of this ITR is November 17, 2010.

Signatures of the Qualified Persons for the ITR are as follows:

"ORIGINAL SIGNED BY AUTHOR"

Qingping Deng, Ph.D., C.P.G.
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Michael D. Martin Q.P.Mining of MMSA
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Vuko M. Lepetic Q.P.Metallurgy of MMSA
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Janet M. Epps, FAusIMM
November 17, 2010

Qingping Deng, Ph.D., C.P.G.
Behre Dolbear Asia, Inc.
999 Eighteenth Street, Suite 1500, Denver, CO 80202 USA
Phone: +1.303.620.0020 Fax: +1.303.620.0024
Email: qdeng@aol.com

I, Qingping Deng, Ph.D., C.P.G., do hereby certify that:

1. I am currently a senior associate of Behre Dolbear Asia, Inc., which is a member of the minerals industry advisory firm, Behre Dolbear Group Inc.
2. I graduated with a degree of B.Sc. in Geology and a degree of M.Sc. in Geology from the Central South Institute of Mining and Metallurgy in China in 1981 and 1984. I graduated with a degree of Ph.D. in Geology from the University of Texas at El Paso 1990.
3. I am a Certified Professional Geologist in good standing with the American Institute of Professional Geologists (certification number: 10515). I am a Qualified Professional Member (Geology and Ore Reserves) in good standing with the Mining and Metallurgical Society of America (certification number 01135QP). I am a Founding Registered Member in good standing with the Society for Mining, Metallurgy, and Exploration, Inc. (certification number 785284RM).
4. I have worked as a geologist, ore reserve specialist and project manager for a total of 26 years since my graduation from university. I have been involved in exploration and mining projects in North, Central and South Americas, Asia, Australia, Africa and Europe.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for the overall supervision and preparation of the report titled of "Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia Autonomous Region, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property two times in conjunction with the Technical Report. The first visit was from August 12 to August 13, 2009 and the second visit was from October 24 to October 26, 2009.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of National Instrument 43-101.
10. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"**ORIGINAL SIGNED BY AUTHOR**"

Qingping Deng, Ph.D., C.P.G.

Michael D. Martin, M.A., B.Sc., Q.P.Mining
Behre Dolbear & Company, (USA) Inc.
999 Eighteenth Street, Suite 1500, Denver, CO 80202 USA
Phone: +1.303.620.0020 Fax: +1.303.620.0024
Email: michael.martin@dolbear.com

I, Michael D. Martin, Q.P.Mining, do hereby certify that:

1. I am currently a Senior Associate of Behre Dolbear & Company, (USA) Inc. with an address of 999 Eighteenth Street, Suite 1500, Denver, CO 80202 USA.
2. I graduated with a degree of M.A. (Natural Science) from Cambridge University, England in 1950, and a degree of B.Sc. in Mining Engineering from The Royal School of Mines, London University, England in 1953.
3. I am a Qualified Professional Member (Mining) in good standing with the Mining and Metallurgical Society of America (certification number 01326QP). I am a Legion of Honor Registered Member in good standing with the Society for Mining, Metallurgy, and Exploration, Inc.
4. I have worked as a mining engineer and in various sub-managerial and managerial positions in the corporate mining industry, and as a consultant to the mining industry for a total of 56 years since my graduation from university.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for Section 21.1 Mining Operations and other mining-related statements in the report entitled "Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property from October 24 to October 26, 2009 in conjunction with the Technical Report.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the mining sections of the Technical Report contain all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of National Instrument 43-101.
10. I have read National Instrument 43-101 and Form 43-101F1, and the mining sections of the Technical Report have been prepared in compliance with that instrument and form.

Dated this 17th day of November, 2010

Signature of Qualified Person

"**ORIGINAL SIGNED BY AUTHOR**"

Michael D. Martin Q.P.Mining

Vuko M. Lepetic, Q.P.Metallurgy
Behre Dolbear International Ltd.
Winchester House, 259.269 Old Marylebone Road, London, NW 1 5RA, UK
Phone: +4420.7170.4034
Email: vl_carpediem@yahoo.com

I, Vuko M. Lepetic, Dipl.Ing., M.SC., Q.P.Metallurgy, do hereby certify that:

1. I am currently a Senior Associate of Behre Dolbear International Ltd. With an address of Winchester House, 259.269 Old Marylebone Road, London, NW 1 5RA, United Kingdom.
2. I graduated with a degree of Dipl.Ing. in Mining Engineering at the School of Mining and Geology, University of Belgrade, Yugoslavia in 1961. I received a M.Sc. degree in Mineral Engineering from the Henry Krumb School of Mines, Columbia University, New York, USA in 1964.
3. I am a Qualified Professional Member (Metallurgy) in good standing with the Mining and Metallurgical Society of America (certification number 01382QP).
4. I have worked as a mineral processing specialist for 45 years in the mining industry since my graduation. I have been involved in mineral processing and mining projects in North, Central and South Americas, Asia, Australia, Africa and Europe.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for Section 16.0 Metallurgical Testing and Mineral Processing and other mineral processing-related statements in the report titled "Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property one time in conjunction with the Technical Report. The visit was from October 24 to October 26, 2009.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of National Instrument 43-101.
10. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"**ORIGINAL SIGNED BY AUTHOR**"

Vuko M. Lepetic Q.P.Metallurgy

Janet M. Epps, M.Env.Stud., B.Sc., FAusIMM
Behre Dolbear Australia
Level 9, 80 Mount Street, North Sydney, NSW, 2090 Australia
Phone: +61 2 9954 4988 Fax: +61 2 9929 2549
Email: emcint@bigpond.com

I, Janet M. Epps, M.Env.Stud., FAusIMM, do hereby certify that:

1. I am a Senior Associate of Behre Dolbear Australia Pty Limited of Level 9, 80 Mount Street, North Sydney, NSW 2060, Australia.
2. I graduated with degrees in Bachelor of Science in Geology (1971) from the University of New England, Armidale, and Master of Environmental Studies (1980) from Macquarie University, Sydney, both in NSW, Australia.
3. I am a Fellow of the Australasian Institute of Mining and Metallurgy (Member number 101317).
4. I have worked as a professional Environmental Specialist for 35 years and previously worked as a geoscientist for a further three years.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for Section 21.7 Environmental Considerations and Section 21.8 Occupational Health & Safety, together with the section concerning risk relating to these two areas of the report titled "Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property from October 24 to October 26, 2009 in conjunction with producing the Technical Report.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of National Instrument 43-101.
10. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"ORIGINAL SIGNED BY AUTHOR"

Janet M. Epps, FAusIMM

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1.0 SUMMARY

This independent technical report ("ITR") is prepared for China Gold International Resources Corporation Limited ("China Gold International" or the "Company", previously Jinshan Gold Mines Inc.), a Canadian company whose shares are listed on the Toronto Stock Exchange ("TSX"), to support its initial public offering ("IPO") on the main board of The Stock Exchange of Hong Kong Limited ("SEHK") and its filings under Canadian securities laws. China National Gold Group Hong Kong Limited ("China Gold Group HK") is the largest shareholder of China Gold International and currently owns approximately 39% of the listed shares. This ITR covers the Jiama copper-polymetallic project ("Jiama Project") currently under construction in Tibet Autonomous Region of the People's Republic of China ("PRC" or "China"). The Jiama Project will be injected into the Company during the IPO process.

1.1 The Jiama Project

The Jiama Project is currently owned and operated by Tibet Huatailong Mining Development Company Limited ("Huatailong"), which is wholly owned by a joint venture ("JV") company between China Gold Group HK (51%) and Rapid Result Investment Limited ("Rapid Result", 49%), a company registered in the British Virgin Islands ("BVI").

Jiama is a large, skarn-type, copper-polymetallic deposit and will be developed into a large, combined open-pit and underground mining operation, producing copper, molybdenum, and lead concentrates with significant gold and silver contents using flotation processing methods. There is also a large, less-well defined, lower-grade, hornfels-type, copper-polymetallic mineralization above the skarn-type mineralization in the Jiama Project. The designed Phase I production capacity for the skarn-type mineralization is 6,000 tonnes per day ("tpd") of ore, and Phase II of the project will increase the production capacity to 12,000 tpd of ore. During BDASIA's site visit in December 2009, construction of the Phase I, 6,000-tpd flotation processing plant and related tailings storage facilities ("TSF") was near completion. Pre-production stripping of the smaller Tongqianshan pit was also near completion, and a small stockpile of ore mined from the pit was accumulated at the processing plant site. Pre-production stripping for the larger Niumatang pit was initialized, and construction of the primary underground haulage tunnel at a mean sea level ("MSL") elevation of 4,261 m and the secondary underground ore haulage tunnel at a MSL elevation of 4,087 m was well under way. It was reported by Huatailong that the Phase I concentrator trial production started in July 2010, and Phase I commercial mining/processing operating of the Jiama Project started in September 2010. When it is fully developed, the Jiama Project will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production, and mineral resources considered compliant under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Minerals Council of Australia in 1999 and revised in 2004 and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards — for Mineral Resources and Mineral Reserves prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on December 11, 2005.

Access to the Jiama Project site is good. Surface water is sufficient to support the planned production. A new 110-kV power transmission line has been constructed to connect the project site to the Central Tibet power grid. The Tibet government has been executing a power-supply development plan for the period from 2006 to 2010, which includes building several new power generation plants, with the goal of connecting the Central Tibet power grid to the national power grid in China. When this development plan is completed, the supply of electricity will be sufficient for Phase I mine production as well as the Phase II expansion at Jiama. The Jiama Project has been designated as one of the most important projects in Tibet and has been granted priority in electricity supply by the Tibet government. However, power shortage for production, especially during the dry winter months, could be experienced before the government's power-supply development plan is completed.

Huatailong holds two valid mining licenses and two valid surrounding exploration licenses, which combine to yield a total area of 145.50 square kilometers ("km^2") for the Jiama Project. The Jiama mining license was consolidated in 2007 from four mining licenses held by different operators in accordance with the Chinese government's consolidation policy for mining properties; the Niumatang mining license adjacent to the Jiama mining license was issued to Huatailong in July 2010. All the currently defined mineral resources and ore reserves are covered by these mining and exploration licenses.

Mining operation for the Jiama Project is subject to a resource tax of RMB15 (US$2.21) per tonne of the processed ore and a resource compensation levy of 2% for the sales revenue generated from the operation. Copper, molybdenum, lead, zinc, and silver produced from the mine are subject to a value-added-tax ("VAT") of 17%. Gold production is exempted from VAT in China. The Jiama Project is also subject to a city-maintenance-and-construction tax of 7% of the VAT and an education tax of 3% of the VAT. The corporate income tax rate for Huatailong is 15%.

The Jiama Project is required to post an environmental reclamation bond of approximately RMB35 million ("M") (US$5.2 M). A first payment of RMB1.5 M (US$0.22 M) was made in 2009, and the remaining amount will be paid in five installments in the 5 years following the commencement of Phase I production at the Jiama Project.

1.2 Geology and Mineralization

The Jiama deposit is a skarn-type, copper-polymetallic deposit controlled mostly by an interlayer structural zone between the underlying Upper-Jurassic Duodigou Formation marbles and the overlying Lower-Cretaceous Linbuzong Formation hornfels. Some lower-grade copper-polymetallic mineralization has also been encountered in the overlying Linbuzong hornfels. The hornfels-type mineralization is potentially very large; however, its existence and economic meaning will need to be determined by further drilling and technical studies.

The I-1 mineralized body controlled by the interlayer structural zone is the primary skarn-type mineralized body in the deposit. This mineralized body is stratiform, tabular, or lenticular in shape. It strikes west-northwesterly and dips to the northeast. The upper part of the mineralized body has a steeper dip angle, averaging around 60°, whereas the lower portion of the mineralized body has a much flatter angle, averaging around 10°. The I-1 mineralized body is approximately 2,400-m long along strike and 150-m to over 1,900-m wide in the dip direction. Its thickness ranges from 2 m to 240 m, with an average of 33.24 m. This mineralized body was defined by over 170 drill holes and contains over 97% of the currently defined mineral resources in the deposit.

Seven other smaller mineralized bodies (I-2 to I-8) have also been modeled, but they are generally not well defined by the current drilling data in the Jiama deposit.

Copper is the most important economic metal in the deposit. Other metals with economic value include molybdenum, lead, gold, silver, and zinc. These metals are distributed differently in the deposits. In general, the copper grade is higher at the upper and northwest portions and lower in the northeast portion. Molybdenum seems negatively correlated with copper, with higher grades in the northeast portion of the deposit. Gold and silver have a distribution pattern similar to that of copper in the deposit. Lead and zinc are only enriched in the upper part at the southwest portion of the I-1 mineralized body, which was part of the historical mining targets. Contents of harmful elements, such as arsenic, antimony, and mercury, are generally low in the deposit and will not cause a problem for marketing concentrate produced from the deposit.

Metallic minerals in the deposit include chalcopyrite, bornite, molybdenite, tetrahedrite, galena, sphalerite, chalcocite, digenite, covellite, native copper, pyrite, marcasite, pyrrhotite, magnetite, limonite, malachite, and azurite. Nonmetallic minerals include garnet, diopside, wollastonite, tremolite, epidote, quartz, feldspar, biotite, sericite, muscovite, chlorite, calcite, anhydrite, fluorite, and kaolinite. The metallic minerals occur as disseminations, massive aggregates, or stockwork in the skarns.

Oxidation occurs only at the near surface portion of the deposit. The majority of the defined mineral resources are in the unoxidized sulfide zone.

1.3 Resource and Reserve Estimates

Current mineral resources of the Jiama Project under the JORC Code were estimated by Competent Person Dr. Qingping Deng, of Behre Dolbear ASIA, Inc. (“BDASIA”), using the MineSight computer mining software system and the drill hole database as of the end of October 2009 and a geological model developed by geologists of the Mineral Resource Research Institute (the “Resource Institute”) of Chinese Academy of Geological Sciences. The geological database used for the resource estimation consists of 22 historical diamond drill holes (“DDH”) with a total drilled length of 6,518 meters (“m”), 10 historical surface trenches with a total channel-sampled length of 349 m, and 188 new DDH holes with a total drilled length of 62,511 m completed by Huatailong in 2008 and 2009.

Skarn-type mineral resources, inclusive of ore reserves, as of June 30, 2010 under the Australasian JORC Code for the Jiama Project are summarized in Table 1.1. These resource estimates are also compliant with the CIM standards and Canadian National Instrument 43-101 ("NI 43-101"). (Cutoff grades used for the resource summary are 0.3% copper, or 0.03% molybdenum, or 1% lead, or 1% zinc.

Table 1.1
Skarn-Type Mineral Resource Estimates for the Jiama Project as of June 30, 2010

(Cutoff grade for the resource estimate is 0.3% Cu, or 0.03% Mo, or 1% Pb, or 1% Zn.)

	Grade						Contained Metal					
kt	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
Measured Resource												
82,928	0.83	0.042	0.30	16.0	0.06	0.05	686.9	34.42	25.11	1,326	51.9	38.7
Indicated Resource												
102,187	0.68	0.041	0.22	13.7	0.10	0.05	691.6	42.07	22.33	1,396	100.6	55.4
Measured + Indicated Resources												
185,116	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,378.5**	**76.49**	**47.44**	**2,722**	**152.5**	**94.1**
Inferred Resource												
165,763	0.64	0.053	0.21	13.1	0.14	0.06	1,068.0	88.57	35.42	2,179	239.0	106.9

Hornfels-type mineral resources, as of June 30, 2010 under the Australasian JORC Code for the Jiama Project, are summarized in Table 1.2. Only inferred resources were estimated for the hornfels-type mineralization as the mineralization is currently defined by only widely-spaced drill holes. These resource estimates are also compliant with the CIM standards and Canadian NI 43-101. Cutoff grades used for the resource summary are 0.3% copper, or 0.03% molybdenum, or 1% lead, or 1% zinc.

Table 1.2
Hornfels-Type Mineral Resource Estimates for the Jiama Project as of June 30, 2010

(Cutoff grade for the resource estimate is 0.3% Cu, or 0.03% Mo, or 1% Pb, or 1% Zn.)

	Grade						Contained Metal					
Mt	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
Inferred Resource												
655	0.23	0.045	0.02	1.17	0.00	0.01	1,500	290	13	770	—	—

BDASIA would note that mineral resources that are not mineral reserves do not have demonstrated economic viability. BDASIA would also note that the inferred resource estimates have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that all of an inferred mineral resource will be upgraded to a higher resource category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for preliminary assessment or a scoping study as defined under Canadian NI 43-101. Investors are cautioned not to assume that all of the inferred resources exists, or is economically or legally mineable.

BDASIA's review indicates that drilling, sampling, sample preparation and analysis, quality control, and resource estimation have followed standard industry practice.

Mine planning and ore reserve estimation for the skarn-type mineralization were conducted by the Changsha Engineering and Research Institute of Non-ferrous Metals Metallurgy (the "Changsha Institute") in Changsha, Hunan Province of China, a state-owned and licensed mining engineering company, using the Jiama computer resource model produced by BDASIA and other appropriate technical and economic parameters, and are summarized in its December 2009 feasibility study report for the Jiama Project. Two open pits, the smaller Tongqianshan pit and the larger Niumatang pit, and an underground mine have been designed for the Jiama Project. The Changsha Institute's feasibility study mine planning and ore reserve estimation have been reviewed by BDASIA in this ITR.

BDASIA has reviewed the procedures and parameters used in the Changsha Institute's reserve estimation and the reserve estimation results, and considers that the reserve estimates have been completed in accordance with the industry standards and that the results are reasonable. Therefore, BDASIA has adopted the Changsha Institute's reserve estimates in this ITR.

Skarn-type ore reserve estimates under the JORC Code as of June 30, 2010 for the Jiama Project are summarized in Table 1.3. The block economic value calculated from selected metal in concentrate prices, metallurgical recoveries, and appropriate mining dilution factors and mining recovery factors was used as the cutoff parameter for the Jiama reserve estimates. The economic cutoff values for the Jiama reserve estimates are RMB276.5/t (US$40.78/t) for the smaller Tongqianshan pit, RMB249.0/t (US$36.73/t) for the larger Niumatang pit, RMB276.5/t (US$40.78/t) for the upper, steeply-dipping ore zone of the underground mine, and RMB249.0/t (US$36.73/t) for the lower, flatter ore zone of the underground mine. These reserve estimates are also compliant with the CIM Standards as the JORC and CIM reserve classifications are exactly the same.

Table 1.3
JORC Skarn-Type Ore Reserve Estimates for the Jiama Project as of June 30, 2010

		Grade						Contained Metal					
Type	kt	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
Tongqianshan Pit													
Proved	1,208	0.64	0.015	0.20	10.0	0.21	0.05	7.7	0.18	0.24	12	2.5	0.6
Probable	2,524	0.77	0.012	0.24	13.4	0.51	0.09	19.4	0.29	0.60	34	13.0	2.3
Subtotal	3,733	0.73	0.013	0.23	12.3	0.41	0.08	27.1	0.47	0.84	46	15.5	2.8
Waste	20,826												
Strip ratio	5.58												
Niumatang Pit													
Proved	14,473	1.04	0.039	0.45	21.6	0.03	0.03	150.9	5.66	6.56	313	4.2	3.9
Probable	5,423	1.06	0.035	0.49	21.7	0.03	0.03	57.7	1.89	2.63	118	1.8	1.7
Subtotal	19,897	1.05	0.038	0.46	21.6	0.03	0.03	208.6	7.55	9.19	430	6.0	5.6
Waste	146,224												
Strip ratio	7.35												
Total Open Pits													
Proved	**15,682**	**1.01**	**0.037**	**0.43**	**20.7**	**0.04**	**0.03**	**158.6**	**5.83**	**6.80**	**325**	**6.7**	**4.5**
Probable	**7,948**	**0.97**	**0.027**	**0.41**	**19.1**	**0.19**	**0.05**	**77.2**	**2.18**	**3.23**	**151**	**14.8**	**4.0**
Subtotal	**23,630**	**1.00**	**0.034**	**0.42**	**20.1**	**0.09**	**0.04**	**235.8**	**8.02**	**10.03**	**476**	**21.5**	**8.5**
Waste	**167,050**												
Strip ratio	**7.07**												
Underground Reserve													
Proved	**37,860**	**0.75**	**0.038**	**0.27**	**14.5**	**0.06**	**0.04**	**284.2**	**14.48**	**10.3**	**550**	**22.9**	**16.9**
Probable	**44,410**	**0.82**	**0.042**	**0.27**	**16.0**	**0.09**	**0.05**	**365.6**	**18.77**	**12.0**	**712**	**40.6**	**23.2**
Subtotal	**82,269**	**0.79**	**0.040**	**0.27**	**15.3**	**0.08**	**0.05**	**649.8**	**33.25**	**22.3**	**1,262**	**63.5**	**40.1**
Total Reserves													
Proved	**53,541**	**0.83**	**0.038**	**0.32**	**16.3**	**0.06**	**0.04**	**442.8**	**20.31**	**17.1**	**874**	**29.6**	**21.3**
Probable	**52,358**	**0.85**	**0.040**	**0.29**	**16.5**	**0.11**	**0.05**	**442.8**	**20.96**	**15.2**	**864**	**55.4**	**27.2**
Total	**105,899**	**0.84**	**0.039**	**0.31**	**16.4**	**0.08**	**0.05**	**885.6**	**41.27**	**32.3**	**1,738**	**85.0**	**48.6**

1.4 Mining Operation

The Jiama project mine plan contemplates mining approximately 105.9 million tonnes ("Mt") of ore by open-pit and underground mining operations at a production rate of 3.6 million tonnes per annum ("Mtpa") or 12,000 tpd based on 300 working days per annum over a mine life of 31 years. Open-pit operation start in late July 2010 from the smaller Tongqianshan pit at a rate of 3,000 tpd or 900,000 tpa; open-pit mining at the Niumatang pit will start in April 2011 at a rate of 6,000 tpd or 1.8 Mtpa, increasing the total open-pit mining production to 9,000 tpd or 2.7 Mtpa; underground mining is planned to start in January 2012 at a rate of 3,000 tpd or 900,000 tpa, increasing the total mine production to 12,000 tpd or 3.6 Mtpa. Underground mining is planned to ramp up to 6,000 tpd or 1.8 Mtpa in 2014 when the Tongqianshan pit will be depleted. Therefore, the mine will maintain a total production rate of 12,000 tpd or 3.6 Mtpa. At the depletion of the Niumatang pit in 2021, underground capacity will be increased to 12,000 tpd or 3.6 Mtpa. Ore from the open pits will be hauled by truck to a crusher and ore pass within close proximity to the Niumatang pit, which will connect to a rail haulage system that will haul the ore underground to the processing plant, a distance of approximately 8.4 kilometers ("km").

Open-pit mining is planned to use conventional mining methods, using hydraulic excavators and trucks for loading and haulage of ore and waste. The Tongqianshan open pit is a relatively small open pit located at the southern section of the I-1 mineralized zone, where the ore zone is relatively steeply-dipping. The open-pit design was not based on a pit optimization analysis but was designed to meet the waste-to-ore strip ratio that ensured the pit's profitability and provided early production for the start up of the operation. In addition, the open pit met the project's need to provide sufficient waste rock to establish an operational work area at the base of the valley for surface infrastructure for the underground mine. The designed final pit contains approximately 3.7 Mt of ore and 20.8 Mt of waste at a strip ratio of 5.6:1 (waste:ore) by weight. Ore and waste rocks within the Tongqianshan pit are competent rocks, with no significant faulting or structures. The pit has been designed with an overall pit slope of 45°.

The design of the Niumatang open pit that contains the majority of the open-pit reserves was based on optimization work undertaken by the Changsha Institute and reviewed by BDASIA. Mine parameters used in the analysis were similar to, or slightly more conservative than, those used in the life-of-mine financial model. The selected shell from the pit optimization analysis was chosen to maximize profitability and minimize the strip ratio. The open-pit design followed the selected optimization shell, with the designed final pit containing approximately 19.9 Mt of ore and 146.2 Mt of waste at a strip ratio of 7.4:1 (waste:ore) by weight. The open-pit slope parameters for the design are similar to the Tongqianshan pit, with an overall open-pit slope angle of 45°. The maximum wall height within the pit is 570 m, and further geotechnical analysis on the final slope angles is justified.

The underground mine will be accessed via two inclined shafts and a decline ramp for trackless equipment. In planning the mine, the Changsha Institute divided the ore zone into the steeply-dipping (approximately 60°) section above the 4,550-m level and the flatter (dipping at an average of 10°) and relatively thick section below the 4,550-m level. The resource split within the two ore zones is approximately 20% and 80% respectively. The mining method planned for both the steeply-dipping and flatter, thick zones is open stope mining with variations based on access, stope dimensions, and sublevel intervals. Stopes within the flatter section are planned to be backfilled with classified tailings, with and without cement depending on the requirements for accessing ore adjacent to each stope. Trackless electric load-haul-dump ("LHD") units will be used to extract ore from the stopes and tipped to intermediate level rail haulage that will transport the ore to the main ore pass connecting to the main rail transport system to the processing plant. Trackless equipment will also be used for development, production drilling, and blasting, as well as for the provision of services.

The two mining methods described above account for around 90% of the ore reserves. For zones where open stoping mining methods are not appropriate due to ore dimensions, room-and-pillar or shrinkage stoping mining methods are planned depending on the thickness of the ore zone and the dip. Ground conditions are anticipated to be good within the skarn orebody, where the majority of underground development is planned; ground conditions for the mine infrastructure in the surrounding wall rocks are also expected to be good.

1.5 Processing

The Jiama processing facility will treat two types of ore: the copper-lead ore and the copper-molybdenum ore. A mixture of these two ore types will be treated during the initial 2 years of operation. After that period, only the copper-molybdenum ore will be processed. The processing capacity will be 6,000 tpd or 1.8 Mtpa for Phase I operation and 12,000 tpd or 3.6 Mtpa after the Phase II expansion, both based on 300 working days per year.

It was reported by Huatailong that trial production for the Phase I concentrator started in July 2010, but adjustments have to be made to the plant which have delayed its commissioning. BDASIA was informed by Huatailong that commercial production of the Phase I plant started in September 2010 and the original ore production target for 2010 as presented in the production schedule of this report will be reduced by approximately 60% as the commission of the Phase I plant was delayed by several months due to longer than expected time to attune the machine, equipment and test run of the polymetallic flotation/separation method.

The Phase II 6,000-tpd mill was originally planned to be constructed in 2010 and become operational in early 2011 with a total 2.7 Mt of ore processed by the two processing plants in 2011. BDASIA was informed by Huatailong that construction of the Phase II plant will not start until December 2010. If the construction commences on time in December 2010 as currently planned, it is likely that the originally planned production targets for 2011 will be reduced by at least 10% due to the delayed starting of the Phase II plant construction.

Based on the Changsha Institute feasibility study, the ore processing rate is expected to be approximately 5,000 tpd from April 2010, 9,000 tpd from January 2011, and 12,000 tpd from January 2012. Ore processed in the first year will consist of ore mined from the Tongqianshan pit, stockpiled ore from pre-production stripping of the Tongqianshan pit, and pre-production stripped ore from the Niumatang pit.

The processing method and plant will be rather typical for such ores. After crushing to minus 12 millimeters (“mm”) and grinding to 70% minus 0.074 mm, the ground ore is subjected to copper-lead-molybdenum bulk flotation. The obtained bulk concentrates are subjected to the separation of a lead concentrate and a bulk copper-molybdenum concentrate. Then the bulk copper-molybdenum concentrate is separated into copper and molybdenum concentrates. Consequently, individual copper, lead, and molybdenum concentrates will be produced in the initial 2 years of the Jiama mine life. No lead concentrate will be produced thereafter as the plants will treat only the copper-molybdenum ore. The concentrates will be dewatered and sold to the smelter buyers.

The laboratory test work indicated that the ores are relatively easy to treat and that satisfactory results can be obtained.

The final copper concentrate is expected to assay approximately 26% copper. Copper recovery is expected to be 90% when the average copper grade of the processed ore is above 0.8% and 85% when the copper ore grade is no more than 0.8%.

The final lead concentrate is expected to assay 60% lead at a lead recovery of 80% when the lead ore grade is at least 0.3%. No lead concentrate will be produced when the lead ore grade is less than 0.3%.

The final molybdenum concentrate is expected to assay 45% molybdenum at a molybdenum recovery of approximately 70% when the molybdenum ore grade is at least 0.011%.

Gold will only be recovered in copper concentrate, with an expected recovery of approximately 50%. The gold grade in the copper concentrates is expected to generally range from 5 g/t to 6 g/t.

Silver will be recovered in both the copper and lead concentrates. Silver recovery is expected to be 50% in the copper concentrate and 35% in the lead concentrate when both copper and lead concentrates are produced. Silver recovery is expected to be 80% in the copper concentrate when no lead concentrate is produced. The silver grade is expected to generally range between 300 g/t to 500 g/t in the copper concentrate and above 500 g/t in the lead concentrate.

1.6 Production

Forecast life-of-mine annual processed ore, processing recoveries, and concentrate production from 2010 through the end of mine life for the Jiama Project are summarized in Table 1.4.

Table 1.4
Life-of-Mine Forecast Production for the Jiama Project

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Milled Ore Production																
from open pits (kt)	1,121	2,700	2,700	2,700	1,909	1,800	1,800	1,800	1,800	1,800	1,800	1,700				
from underground (kt)			900	900	1,691	1,800	1,800	1,800	1,800	1,800	1,800	1,900	3,600	3,600	3,600	3,600
Total milled ore production (kt)	1,121	2,700	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
average Cu grade (%)	0.83	0.96	1.10	0.95	0.85	1.11	0.98	0.97	0.99	1.03	0.76	0.97	0.91	0.85	0.81	0.83
average Mo grade (%)	0.015	0.040	0.051	0.043	0.048	0.053	0.032	0.028	0.031	0.044	0.052	0.021	0.023	0.046	0.047	0.033
average Au grade (g/t)	0.26	0.39	0.40	0.35	0.28	0.42	0.38	0.38	0.41	0.44	0.30	0.44	0.30	0.33	0.31	0.36
average Ag grade (g/t)	17.3	19.1	19.3	17.5	16.1	21.3	17.2	18.3	19.4	21.7	14.3	17.4	16.5	17.0	19.0	17.7
average Pb grade (%)	0.92	0.20	0.04	0.03	0.01	0.07	0.07	0.04	0.02	0.04	0.01	0.01	0.25	0.11	0.23	0.18
average Zn grade (%)	0.16	0.05	0.02	0.02	0.02	0.06	0.05	0.03	0.02	0.03	0.02	0.04	0.12	0.07	0.03	0.07
contained Cu metal (kt)	9.33	25.84	39.55	34.07	30.54	39.92	35.30	34.92	35.72	37.01	27.34	35.05	32.78	30.67	29.19	29.84
contained Mo metal (kt)	0.16	1.08	1.83	1.57	1.74	1.90	1.15	1.01	1.12	1.59	1.88	0.76	0.84	1.66	1.69	1.21
contained Au metal (kg)	292	1043	1452	1251	1009	1501	1381	1368	1477	1568	1092	1577	1076	1174	1107	1295
contained Ag metal (t)	19.34	51.61	69.37	62.90	58.11	76.79	62.07	65.73	69.93	77.97	51.60	62.55	59.36	61.35	68.57	63.59
contained Pb metal (kt)	10.30	5.35	1.46	1.05	0.49	2.34	2.54	1.32	0.89	1.41	0.45	0.48	8.83	3.96	8.35	6.45
contained Zn metal (kt)	1.78	1.32	0.88	0.80	0.56	2.25	1.68	1.02	0.84	0.91	0.69	1.27	4.42	2.47	1.21	2.37
Milling Recovery (%)																
Cu to Cu concentrate	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	85.0	90.0	90.0	90.0	90.0	90.0
Au to Cu concentrate	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Ag to Cu concentrate	50.0	50.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0
Mo to Mo concentrate	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0
Pb to Pb concentrate	80.0	80.0														
Ag to Pb concentrate	35.0	35.0														
Concentrate Production																
Cu concentrate (t)	32,311	89,444	136,917	117,931	105,711	138,189	122,198	120,878	123,648	128,115	89,374	121,335	113,469	106,154	101,032	103,287
Cu grade (%)	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Au grade (g/t)	4.52	5.83	5.30	5.30	4.77	5.43	5.65	5.66	5.97	6.12	6.11	6.50	4.74	5.53	5.48	6.27
Ag grade (g/t)	299	289	405	427	440	445	406	435	452	487	462	412	419	462	543	493
Contained Cu metal (t)	8,401	23,255	35,598	30,662	27,485	35,929	31,771	31,428	32,148	33,310	23,237	31,547	29,502	27,600	26,268	26,855
Contained Au metal (kg)	146	522	726	625	505	750	691	684	738	784	546	788	538	587	554	648
Contained Ag metal (t)	9.67	25.81	55.49	50.32	46.49	61.43	49.65	52.58	55.95	62.38	41.28	50.04	47.49	49.08	54.86	50.87
Mo concentrate (t)	256	1,684	2,846	2,436	2,711	2,955	1,796	1,571	1,747	2,477	2,927	1,176	1,301	2,584	2,633	1,876
Mo grade (%)	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Contained Mo metal (t)	115	758	1,281	1,096	1,220	1,330	808	707	786	1,115	1,317	529	586	1,163	1,185	844

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Pb concentrate (t)	13,735	7,130														
Pb grade (%)	60.0	60.0														
Ag grade (g/t)	493	2,534														
Contained Pb metal (t)	8,241	4,278														
Contained Ag metal (t)	6.77	18.06														

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Milled Ore Production																
from open pits (kt)																23,630
from underground (kt)	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	2,700	1,500	81,591
Total milled ore production (kt)	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	2,700	1,500	105,221
average Cu grade (%)	0.91	0.71	0.71	0.71	0.71	0.75	0.71	0.70	0.63	0.80	0.77	0.82	0.66	0.70	0.47	0.83
average Mo grade (%)	0.022	0.033	0.036	0.031	0.025	0.030	0.036	0.054	0.065	0.032	0.038	0.028	0.041	0.062	0.092	0.039
average Au grade (g/t)	0.38	0.24	0.24	0.25	0.25	0.25	0.23	0.25	0.22	0.28	0.27	0.26	0.17	0.16	0.20	0.31
average Ag grade (g/t)	19.5	14.6	15.7	15.5	17.4	18.9	14.1	14.4	12.5	17.0	14.9	15.1	8.8	8.3	9.6	16.5
average Pb grade (%)	0.10	0.06	0.03	0.05	0.04	0.10	0.06	0.04	0.06	0.16	0.02	0.07	0.02	0.02	0.01	0.08
average Zn grade (%)	0.03	0.03	0.02	0.03	0.05	0.09	0.06	0.03	0.06	0.12	0.03	0.07	0.02	0.02	0.01	0.05
contained Cu metal (kt)	32.64	25.44	25.62	25.54	25.51	26.94	25.47	25.29	22.58	28.72	27.64	29.60	23.58	18.78	7.09	877.52
contained Mo metal (kt)	0.78	1.17	1.30	1.11	0.89	1.08	1.29	1.95	2.35	1.14	1.36	1.01	1.47	1.67	1.38	41.17
contained Au metal (kg)	1,361	878	850	916	893	900	835	903	783	993	986	930	608	442	298	32,239
contained Ag metal (t)	70.26	52.63	56.57	55.83	62.51	68.19	50.61	51.87	45.00	61.12	53.62	54.34	31.64	22.46	14.33	1,731.84
contained Pb metal (kt)	3.49	2.18	1.15	1.77	1.59	3.61	2.06	1.29	2.05	5.90	0.87	2.38	0.80	0.44	0.08	85.32
contained Zn metal (kt)	0.96	1.17	0.76	1.06	1.81	3.13	2.22	0.99	2.23	4.25	1.03	2.37	0.68	0.43	0.16	47.73
Milling Recovery (%)																
Cu to Cu concentrate	90.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	90.0	85.0	85.0	85.0	
Au to Cu concentrate	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	
Ag to Cu concentrate	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	
Mo to Mo concentrate	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	
Pb to Pb concentrate																
Ag to Pb concentrate																
Concentrate Production																
Cu concentrate (t)	112,996	83,177	83,762	83,507	83,412	88,065	83,252	82,686	73,834	93,878	90,368	102,453	77,089	61,380	23,188	2,973,039
Cu grade (%)	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Au grade (g/t)	6.02	5.28	5.07	5.49	5.35	5.11	5.02	5.46	5.30	5.29	5.46	4.54	3.94	3.60	6.42	5.42
Ag grade (g/t)	497	506	540	535	600	619	486	502	488	521	475	424	328	293	494	459
Contained Cu metal (t)	29,379	21,626	21,778	21,712	21,687	22,897	21,646	21,498	19,197	24,408	23,496	26,638	20,043	15,959	6,029	772,990
Contained Au metal (kg)	681	439	425	458	446	450	418	452	391	496	493	465	304	221	149	16,120
Contained Ag metal (t)	56.21	42.11	45.26	44.66	50.01	54.55	40.49	41.49	36.00	48.90	42.90	43.47	25.32	17.97	11.46	1,364.19

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Mo concentrate (t)	1,216	1,821	2,030	1,727	1,392	1,681	2,011	3,038	3,657	1,768	2,120	1,578	2,289	2,597	2,142	**64,044**
Mo grade (%)	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	**45.0**
Contained Mo metal (t)	547	819	913	777	626	756	905	1,367	1,646	796	954	710	1,030	1,169	964	**28,820**
Pb concentrate (t)																**20,864**
Pb grade (%)																**60.0**
Ag grade (g/t)																**1,190**
Contained Pb metal (t)																**12,519**
Contained Ag metal (t)																**24.84**

Based on the production schedule developed by the December 2009 Changsha Institute feasibility study report for the Jiama Project, the Phase I 6,000-tpd mill is expected to start operation at the beginning of the second quarter of 2010, with 1.121 Mt of ore processed in that year. Actual trial production of the Phase I concentrator started in July 2010, but adjustments that had to be made to the plant delayed its commissioning. BDASIA was informed by Huatailong that commercial production of the Phase I plant started in September 2010 and actual ore production will be reduced by approximately 60% from the original production target for 2010 as presented in Table 1.4 because of the delay in Phase I plant commissioning. Ore processed in the first year will consist of ore mined from the Tongqianshan pit, stockpiled ore from pre-production stripping of the Tongqianshan pit, and pre-production stripped ore from the Niumatang pit. The Phase II 6,000-tpd mill was originally planned to be constructed in 2010 and become operational in early 2011 with a total 2.7 Mt of ore processed by the two processing plants in 2011. BDASIA was informed by Huatailong that construction of the Phase II plant will not start until December 2010. If the construction commences on time in December 2010 as currently planned, it is likely that the originally planned production targets for 2011 will be reduced by at least 10% due to the delayed starting of the Phase II plant construction. The full production rate of 12,000 tpd or 3.6 Mtpa is expected to be reached at the end of 2011 and will continue to 2038; after that, the two processing plants will be operated at a reduced rate for the final 2 years of the mine life. The forecast ore grades are based on the detailed production scheduling from the economic measured and indicated mineral resources in the computer resource model developed by BDASIA. An attempt has been made to schedule the mining of the relatively higher-grade Niumatang open pit and the flatter, thick underground stopes below the 4,550-m level in the earlier years of the mine life, resulting in relatively higher ore grades in the first half of the mine life. Appropriate mining dilution and mining loss factors have been adopted in the production scheduling process.

During the first 2 years of operation, a mixture of the copper-lead ore and copper-molybdenum ore will be processed; copper, molybdenum, and lead concentrates will be produced. Subsequently, the copper-lead ore will be exhausted, only copper-molybdenum ore will be processed, and only copper and molybdenum concentrates will be produced. The annual tonnage of copper, molybdenum, and lead concentrate will vary with the types of ore processed and the metal grades in the plant feed. In addition to copper, the copper concentrate produced will also contain generally 4 to 6 g/t of gold and 300 to 500 g/t of silver. The lead concentrate will generally contain at least 500 g/t of silver. The types of concentrate produced and their annual production tonnages, metal grades, and metal contents are presented in detail in Table 21.2. The forecast processing recoveries for each type of concentrate are based on the metallurgical testwork.

BDASIA considers that there is a degree of uncertainty for forecast production targets for the first two to three years of the mine life as the full production of the Phase I plant and the construction of the Phase II plant have been delayed for a number of months. Shortage in electricity supply for mine and mill production during the winter dry season could also cause some problems in achieving the stated production targets. Once the production capacity ramps up to the full designed production capacity and electricity supply to the project becomes sufficient, the long-term production targets are considered reasonable and achievable by BDASIA. Additional drilling for the Jiama deposit is very likely to convert a significant portion of the large inferred mineral resource to the measured and indicated categories, and the economic portion of the upgraded resource will become ore reserves, extending the mine life or justifying a higher production rate in the future.

1.7 Operating Costs and Capital Costs

The life-of-mine forecast operating costs for the Jiama Project are set out in Table 1.45. The operating costs have been estimated by the Changsha Institute and were presented in its December 2009 feasibility study report for the Jiama Project. BDASIA has reviewed these cost estimates and considers them to be reasonable. However, BDASIA has made an adjustment for contract mining costs for the Tongqianshan pit based on the current mining contract and for the underground mining cost.

Open-pit contract mining unit costs are forecast to be RMB16.4/t (US$2.42/t) of ore and RMB13.2/t (US$1.95/t) of waste for the Niumatang pit and RMB20.7/t (US$3.05/t) for ore and RMB17.5/t (US$2.58/t) for waste for the Tongqianshan pit. These contract mining costs are based on the current mining contracts that Huatailong has with the mining contractors. There is an additional open-pit management cost of RMB5.6/t (US$0.83/t) in the period from 2011 to 2013, increasing up to RMB8.4/t (US$1.24/t) at the completion of the Tongqianshan pit.

The underground mining unit cost is estimated to be RMB117.9/t (US$17.39) for approximately the first 2.5 years of production as production capacity increases to the forecast rate of 1.8 Mtpa. Once this rate is achieved, the unit mining cost reduces to RMB98.2/t (US$14.48/t) until production capacity increases from 1.8 Mtpa to 3.6 Mtpa, when the mining unit cost further reduces to RMB92.1/t (US$13.58/t). The life-of-mine average unit underground mining cost is RMB94.5/t (US$13.94/t). BDASIA has made a 15% positive adjustment over the unit underground mining cost estimated by the Changsha Institute as BDASIA considers that the Changsha Institute's estimate is not well defined and considers it prudent to make the adjustment to unit costs. BDASIA notes that the mine plan can be modified to absorb the increased costs, for instance by increasing sublevel intervals within the stopes and thereby reducing development requirements.

Table 1.5 shows that the life-of-mine unit total open-pit mining cost, including ore mining, waste mining, and mining management, is forecast to be RMB97.8/t (US$14.42/t) of processed ore, which is higher than the life-of-mine unit underground mining cost of RMB94.5/t (US$13.94/t) of processed ore. BDASIA believes that optimization of the ratio of open-pit mining and underground mining should be conducted, which will result in the reduction of the high strip ratio, i.e. high-cost portion, of the open-pit mining operation; the increase of underground mining operation; and an overall reduction of unit total mining cost for the Jiama Project.

Table 1.5
Life-of-Mine Forecast Operating Costs for the Jiama Project

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Open-pit Contract Ore Mining (RMB/t of ore)	20.7	17.9	17.9	17.9	16.7	16.4	16.4	16.4	16.4	16.4	16.4	16.4				
Open-pit Contract Waste Mining (RMB/t of waste)	17.5	14.4	14.0	13.4	13.3	13.2	13.2	13.2	13.2	13.2	13.2	13.2				
open-pit strip ratio	4.3	7.8	7.0	5.9	8.0	6.7	6.7	6.7	4.4	1.5	0.9	0.8				
Open-pit Management (RMB/t of ore)	13.3	5.5	5.5	5.5	7.8	8.3	8.3	8.3	8.3	8.3	8.3	6.8				
Total Open-pit Mining (RMB/t of ore)	110.0	136.2	121.7	102.8	130.8	113.4	113.4	113.4	83.0	44.6	36.6	33.1				
Underground Mining (RMB/t of ore)	—	—	117.9	117.9	100.9	98.2	98.2	98.2	98.2	98.2	98.2	95.9	92.1	92.1	92.1	**92.1**
Ore Transportation (RMB/t of ore)	10.3	6.2	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	**5.1**
Total Mining Cost (RMB/t of ore)	**120.3**	**142.4**	**125.8**	**111.6**	**121.8**	**110.9**	**110.9**	**110.9**	**95.7**	**76.5**	**72.5**	**71.4**	**97.2**	**97.2**	**97.2**	**97.2**
Total Processing Cost (RMB/t of ore)	**75.8**	**61.7**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**
Total G&A and Other Cost (RMB/t of ore)	**63.0**	**43.2**	**43.1**	**39.2**	**37.9**	**44.5**	**40.5**	**40.1**	**40.9**	**42.4**	**35.2**	**40.1**	**40.4**	**40.1**	**39.3**	**39.2**
Total Operating Cost (RMB/t of ore)	**259.1**	**247.4**	**229.5**	**211.4**	**220.4**	**216.0**	**212.0**	**211.6**	**197.1**	**179.4**	**168.3**	**172.1**	**198.2**	**197.9**	**197.0**	**196.9**
Total Operating Cost (US$/t of ore)	**38.21**	**36.48**	**33.85**	**31.18**	**32.50**	**31.85**	**31.27**	**31.21**	**29.07**	**26.46**	**24.83**	**25.38**	**29.23**	**29.19**	**29.06**	**29.04**
Depreciation and Amortization (RMB/t of ore)	80.2	45.3	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1	46.3	37.2	37.2	37.2	**36.6**
Total Production Cost (RMB/t of Ore)	**339.3**	**292.6**	**277.6**	**259.5**	**268.4**	**264.0**	**260.1**	**259.7**	**245.2**	**227.5**	**216.4**	**218.4**	**235.4**	**235.1**	**234.3**	**233.5**
Total Production Cost (US$/t of Ore)	**50.05**	**43.16**	**40.94**	**38.27**	**39.59**	**38.94**	**38.36**	**38.30**	**36.16**	**33.55**	**31.92**	**32.21**	**34.72**	**34.68**	**34.55**	**34.44**
CuEq in Concentrate Production (t)	12,656	33,385	49,256	42,522	39,413	50,307	42,106	41,285	42,881	46,568	35,631	40,594	37,769	39,645	38,634	37,304
CuEq Operating Cost (RMB/t)	**22,948**	**20,006**	**16,772**	**17,899**	**20,128**	**15,455**	**18,126**	**18,453**	**16,549**	**13,870**	**17,007**	**15,260**	**18,888**	**17,969**	**18,361**	**19,003**
CuEq Operating Cost (US$/t)	**3,385**	**2,951**	**2,474**	**2,640**	**2,969**	**2,279**	**2,673**	**2,722**	**2,441**	**2,046**	**2,508**	**2,251**	**2,786**	**2,650**	**2,708**	**2,803**
CuEq Total Production Cost (RMNB/t)	**30,055**	**23,665**	**20,286**	**21,969**	**24,518**	**18,894**	**22,236**	**22,645**	**20,585**	**17,586**	**21,864**	**19,367**	**22,436**	**21,350**	**21,830**	**22,535**
CuEq Total Production Cost (US$/t)	**4,433**	**3,490**	**2,992**	**3,240**	**3,616**	**2,787**	**3,280**	**3,340**	**3,036**	**2,594**	**3,225**	**2,857**	**3,309**	**3,149**	**3,220**	**3,324**

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Open-pit Contract Ore Mining (RMB/t of ore)																**17.1**
Open-pit Contract Waste Mining (RMB/t of waste)																**13.7**
open-pit strip ratio																**5.3**
Open-pit Management (RMB/t of ore)																**7.5**
Total Open-pit Mining (RMB/t of ore)																**97.8**
Underground Mining (RMB/t of ore)	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	104.2	113.9	**94.5**
Ore Transportation (RMB/t of ore)	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	6.2	9.8	**5.3**
Total Mining Cost (RMB/t of ore)	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**110.4**	**123.8**	**100.5**
Total Processing Cost (RMB/t of ore)	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**80.8**	**73.7**	**61.5**
Total G&A and Other Cost (RMB/t of ore)	**40.5**	**35.2**	**35.5**	**35.2**	**35.0**	**36.1**	**35.3**	**36.0**	**34.8**	**37.2**	**36.8**	**38.5**	**34.1**	**39.1**	**36.9**	**38.7**
Total Operating Cost (RMB/t of ore)	**198.3**	**192.9**	**193.2**	**193.0**	**192.8**	**193.9**	**193.1**	**193.8**	**192.5**	**195.0**	**194.5**	**196.3**	**191.9**	**230.3**	**234.4**	**200.7**
Total Operating Cost (US$/t of ore)	**29.24**	**28.46**	**28.50**	**28.46**	**28.43**	**28.60**	**28.48**	**28.58**	**28.40**	**28.76**	**28.69**	**28.95**	**28.30**	**33.97**	**34.57**	**29.60**
Depreciation and Amortization (RMB/t of ore)	32.8	32.8	32.8	32.8	32.8	31.3	31.3	31.3	31.1	31.1	31.1	25.0	25.0	33.2	31.7	**38.5**
Total Production Cost (RMB/t of Ore)	**231.0**	**225.7**	**226.0**	**225.8**	**225.6**	**225.2**	**224.4**	**225.1**	**223.6**	**226.1**	**225.6**	**221.3**	**216.9**	**263.5**	**266.0**	**239.2**
Total Production Cost (US$/t of Ore)	**34.08**	**33.29**	**33.34**	**33.30**	**33.27**	**33.22**	**33.10**	**33.20**	**32.98**	**33.34**	**33.28**	**32.64**	**31.99**	**38.87**	**39.23**	**35.28**
CuEq in Concentrate Production (t)	38,450	30,625	31,467	30,673	29,980	32,241	30,992	33,835	32,687	33,862	33,568	35,152	28,869	24,898	13,087	**1,090,340**
CuEq Operating Cost (RMB/t)	**18,563**	**22,681**	**22,108**	**22,650**	**23,148**	**21,650**	**22,426**	**20,619**	**21,206**	**20,728**	**20,862**	**20,100**	**23,926**	**24,976**	**26,860**	**19,366**
CuEq Operating Cost (US$/t)	**2,738**	**3,345**	**3,261**	**3,341**	**3,414**	**3,193**	**3,308**	**3,041**	**3,128**	**3,057**	**3,077**	**2,965**	**3,529**	**3,684**	**3,962**	**2,856**
CuEq Total Production Cost (RMNB/t)	**21,633**	**26,535**	**25,859**	**26,499**	**27,086**	**25,148**	**26,065**	**23,952**	**24,629**	**24,033**	**24,196**	**22,663**	**27,046**	**28,576**	**30,488**	**23,082**
CuEq Total Production Cost (US$/t)	**3,191**	**3,914**	**3,814**	**3,908**	**3,995**	**3,709**	**3,844**	**3,533**	**3,633**	**3,545**	**3,569**	**3,343**	**3,989**	**4,215**	**4,497**	**3,404**

An additional ore transportation unit cost for both the open-pit and underground mines is forecast to be RMB5.3/t (US$0.78/t) for the life-of-mine once the rail system is commissioned in 2011. Prior to the commissioning of the rail system, ore will be trucked down the valley from the mine to the processing plants and is currently being stockpiled above the processing plant crushers. Unit transport costs are higher during this short trucking phase. Transportation costs include electricity for powering the trains and operating the ore pass chutes and repairs for locomotives, rail, mine cars, and chutes.

The long-term processing unit cost when the plants are in full operation is estimated to be RMB60.6/t (US$8.94/t). This unit cost is forecast to be slightly higher for the ramp up period in the initial 2 years as well as during the last 2 years of the mine life when the plants will be operating at a reduced rate. BDASIA considers the processing cost estimates to be reasonable.

The unit G&A and other costs in Table 1.5 include the administrative costs, the concentrate sale and transportation costs, and the resource compensation levy at 2% of the profit and range from RMB34.1/t (US$5.03/t) to RMB44.5/t (US$6.56/t) of processed ore except for the first year of operation. The life-of-mine average unit G&A and other costs are RMB38.7/t (US$5.71/t).

The total unit operating cost ranges from RMB168.3/t (US$24.82/t) to RMB234.4/t (US$34.57), with a life-of-mine average of RMB200.7/t (US$29.60/t). The total unit production cost, which consists of total unit operating cost and unit depreciation and amortization costs, ranges from RMB216.9/t (US$31.99/t) of processed ore to RMB339.3/t (US$50.04/t), with a life-of-mine average of RMB239.2 (US$35.28/t).

BDASIA has calculated a copper-equivalent ("CuEq") production in concentrate for the Jiama Project based on the metal in concentrate sale prices (without VAT) as listed in Table 1.8, using the following formula:

$$\text{CuEq (t)} = \text{Cu (t)} + \text{Mo (t)} \times 256{,}410.26/42{,}115.39 + \text{Pb (t)} \times 10{,}683.76/42{,}115.39 \\ + \text{Au (g)} \times 166/42{,}115.39 + \text{Ag (kg)} \times 2{,}318.38/42{,}115.39$$

Unit CuEq operating cost and unit CuEq total production have also been calculated and presented in Table 1.5.

BDASIA would note that no inflation factor has been built into the operating cost estimates for the Jiama Project.

Table 1.6 shows the Changsha Institute's initial capital investment estimates for the 12,000 tpd Jiama Project in its December 2009 feasibility study. The capital cost estimates cover the pre-production stripping for the two open-pit mining areas, underground development, and construction of the ore transportation system, as well as Phase I and Phase II processing plants with a production rate of 6,000 tpd each, infrastructure, administration and supporting facilities, land acquisition, and other capital expenditures, and a 10% contingency for all of the estimated capital expenditures.

Table 1.6
Initial Capital Cost Estimates for the 12,000 tpd Production Capacity of the Jiama Project

Item	Development	Construction	Equipment	Engineering & Installation	Other	Total	Percentage
Geology and Construction Exploration ($RMB\times10^3$)		16,041	2,067			18,108	0.68%
Open-pit Pre-production stripping ($RMB\times10^3$)							
Tongqianshan Pit ($RMB\times10^3$)	89,111					89,111	
Niumatang Pit ($RMB\times10^3$)	502,770					502,770	
Subtotal ($RMB\times10^3$)	591,881					591,881	22.21%
Underground Development ($RMB\times10^3$)	205,505	6,156	180,797	22,822		415,280	15.58%
Ore Transportation System ($RMB\times10^3$)	99,316	20,778	35,181	27,242		182,517	6.85%
Concentrating Plant and TSF ($RMB\times10^3$)		249,042	297,522	48,524		595,088	22.33%
Infrastructures ($RMB\times10^3$)		163,563	72,925	63,170		299,658	11.24%
Administration and Supporting Facilities ($RMB\times10^3$)		19,472	4,077	1,600		25,149	0.94%
Land Acquisition and Other Costs ($RMB\times10^3$)					295,184	295,184	11.08%
Contingency ($RMB\times10^3$)					242,286	242,286	9.09%
Total ($RMB\times10^3$)	**896,702**	**475,052**	**592,569**	**163,358**	**537,470**	**2,665,151**	**100.00%**
Total ($US\$\times10^3$)	**132,257**	**70,067**	**87,400**	**24,094**	**79,273**	**393,090**	**100.00%**

Table 1.7 shows the life-of-mine forecast capital expenditures for the Jiama Project. Based on the project construction progress, the Changsha Institute estimated that the total expenditures in 2008 and 2009 were approximately RMB1,480 M (US$218.3 M), which is quite close to the actual total capital expenditures in 2008 and 2009 based on information available from Huatailong. The 2008 and 2009 capital expenditures represent approximately 56% of the total initial capital cost estimates. The remaining capital expenditures are mostly for the pre-production stripping of the Niumatang open pit, development and equipping of the underground mine, and construction of the Phase II processing plant. Additional capital cost estimates of RMB519 M (US$76.5 M) in 2021 and 2022 will be used to expand underground capacity, including the development of the steeply-dipping ore zone above the 4,550-m level. Replacement capital expenditures of RMB276 M (US$40.7 M) in 2022, RMB366 M (US$54.0 M) in 2026, and RMB421 M (US$62.1 M) in 2032 have also been estimated for the Jiama Project. This replacement capital may be spread over several years of the operation rather than being two distinct amounts as forecast, but the general amount is considered by BDASIA to be reasonable.

Total working capital required for the Jiama Project was estimated at RMB129.5 M (US$19.1 M).

BDASIA considers that the capital cost estimates for the Jiama Project are reasonable and achievable. The total capital cost estimate for the two processing plants of RMB595 M (US$87.8 M) is high due to the construction of two physically separated plants that will be built in two stages at the available site, instead of one larger facility.

Table 1.7
Life-of-Mine Forecast Capital Costs for the Jiama Project

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Capital Expenditures (RMB×10³)	657,000	823,000	628,000	557,151									233,550	561,087			
Total Capital Expenditures (US$×10³)	96,903	121,386	92,625	82,176									34,447	82,756			
Working Capital (RMB×10³)			52,637	55,347	21,536												
Working Capital (US$×10³)			7,764	8,163	3,176												

Item	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Total Capital Expenditures (RMB×10³)	365,973						420,885									-107,500	**4,139,146**
Total Capital Expenditures (US$×10³)	53,978						62,077									-15,855	610,493
Working Capital (RMB×10³)														-25,974	-44,152	-59,394	0
Working Capital (US$×10³)														-3,831	-6,512	-8,760	0

1.8 Project Economics

Metal prices used for the base case economic analysis of the Jiama Project in the Changsha Institute's December 2009 feasibility study report are listed in Table 1.8. A VAT of 17% is applied to all metal sales except for gold in China. Commonly, a concentrate producer in China sells its concentrate production to the smelter customers. Sale prices for metals in concentrate are discounted by a certain percentage from the metal sale prices based on the smelter's concentrate treatment costs and the prevailing metal market prices in China. The discount factors (if applicable) taken by the Changsha Institute in Table 1.8 represent the conditions set out in the preliminary copper concentrate sales contract discussed in Section 21.3 or the current industry averages in China. The copper, molybdenum, and lead prices selected by the Changsha Institute represent the actual average metal market prices for the last 3 to 5 years in China. Gold and silver prices selected by the Changsha Institute are slightly higher than the past 3-year actual averages, but they represent the Changsha Institute's expectation for the long-term prices for these two metals. BDASIA accepts these metal price selections and has used the same metal prices in the base case economic analysis of the Jiama Project in this ITR. The prices for metals in concentrate without VAT are used in the following economic analysis. In addition to the metal prices in Table 1.8, a copper concentrate transportation credit of RMB200/t (US$29.50/t) of copper metal contained in the copper concentrate will be applied based on the current preliminary sales contract with the copper concentrate buyer.

Table 1.8
Metal Prices Used for Base Case Economic Analysis for the Jiama Project

	Metal with VAT Price(1)		Metal in Concentrate with VAT Price		Metal in Concentrate without VAT Price	
Metal	RMB	US$	RMB	US$	RMB	US$
Copper	55,000/t	8,112.09/t	49,275/t(2)	7,267.70/t	42,115.39/t	6,211.71/t
Molybdenum			300,000/t	44,247.79/t	256,410.26/t	37,818.62/t
Gold	200/g	917.51/oz	166/g	761.53/oz	166/g	761.53/oz
Silver	3,500/kg	16.06/oz	2,712.5/kg	12.44/oz	2,318.38/kg	10.64/oz
Lead			12,500/t	1,843.66/t	10,683.76/t	1,575.78/t

Notes:

(1) VAT is 17% for all metals except gold; gold sales are not subject to VAT.

(2) Cu price in copper concentrate includes a grade bonus of RMB600/t based on the concentrate sales contract as the copper concentrate to be produced by Jiama is expected to have an average Cu grade of 26%, which is 6% higher than the base Cu grade of 20%.

BDASIA conducted a base case economic analysis for the Jiama Project using the technical and economic parameters discussed in this ITR (Table 1.9). A discount rate of 9% was used for the net present value ("NPV") calculation, which is the same as the discount rate used in the Changsha Insititute's feasibility study for the Jiama Project. The middle of the year discount method was used in calculating the NPV.

Table 1.9
Base Case Economic Analysis for the Jiama Project

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Metal Production																
Cu Production in Cu Concentrate (t)	8,401	23,255	35,598	30,662	27,485	35,929	31,771	31,428	32,148	33,310	23,237	31,547	29,502	27,600	26,268	26,855
Au Production in Cu Concentrate (kg)	146	522	726	625	505	750	691	684	738	784	546	788	538	587	554	648
Ag Production in Cu Concentrate (t)	9.67	25.81	55.49	50.32	46.49	61.43	49.65	52.58	55.95	62.38	41.28	50.04	47.49	49.08	54.86	50.87
Mo Production in Mo Concentrate (t)	115	758	1,281	1,096	1,220	1,330	808	707	786	1,115	1,317	529	586	1,163	1,185	844
Pb Production in Pb Concentrate (t)	8,241	4,278														
Ag Production in Pb Concentrate (t)	6.77	18.06														
Metal Sales Income																
Cu Production in Cu Concentrate (RMB M)	354	979	1,499	1,291	1,158	1,513	1,338	1,324	1,354	1,403	979	1,329	1,242	1,162	1,106	1,131
Au Production in Cu Concentrate (RMB M)	24	87	120	104	84	125	115	114	123	130	91	131	89	97	92	107
Ag Production in Cu Concentrate (RMB M)	22	60	129	117	108	142	115	122	130	145	96	116	110	114	127	118
Mo Production in Mo Concentrate (RMB M)	30	194	328	281	313	341	207	181	202	286	338	136	150	298	304	216
Pb Production in Pb Concentrate (RMB M)	88	46														
Ag Production in Pb Concentrate (RMB M)	15	41														
Total Sales Revenue (RMB M)	**533**	**1,407**	**2,077**	**1,793**	**1,662**	**2,121**	**1,775**	**1,740**	**1,808**	**1,963**	**1,503**	**1,711**	**1,592**	**1,672**	**1,629**	**1,573**
Total Sales Revenue (US$ M)	**79**	**208**	**306**	**264**	**245**	**313**	**262**	**257**	**267**	**290**	**222**	**252**	**235**	**247**	**240**	**232**
Sales Tax 10% of VAT (RMB M)	6	14	23	20	18	25	20	19	21	25	18	21	19	20	19	18
Cu Concentrate Transportation Credit (RMB M)(1)	2	5	7	6	5	7	6	6	6	7	5	6	6	6	5	5
Income after Sales Tax (RMB M)	**529**	**1,398**	**2,060**	**1,779**	**1,650**	**2,103**	**1,762**	**1,728**	**1,793**	**1,946**	**1,489**	**1,697**	**1,579**	**1,657**	**1,615**	**1,560**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Cost																
Mining Cost (RMB M)	135	385	453	402	439	399	399	399	344	275	261	257	350	350	350	350
Processing Cost (RMB M)	85	167	218	218	218	218	218	218	218	218	218	218	218	218	218	218
G&A and Other Cost (RMB M)	71	117	155	141	136	160	146	145	147	152	127	144	145	144	141	141
Total Operating Costs (RMB M)	**290**	**668**	**826**	**761**	**793**	**777**	**763**	**762**	**710**	**646**	**606**	**619**	**713**	**712**	**709**	**709**
Total Operating Costs (US$ M)	**43**	**99**	**122**	**112**	**117**	**115**	**113**	**112**	**105**	**95**	**89**	**91**	**105**	**105**	**105**	**105**
Depreciation and Amortization (RMB M)	90	122	173	173	173	173	173	173	173	173	173	167	134	134	134	132
Resource Tax @RMB15/t of ore (RMB M)	17	41	54	54	54	54	54	54	54	54	54	54	54	54	54	54
Taxable Income (RMB M)	**132**	**567**	**1007**	**791**	**629**	**1,099**	**772**	**739**	**857**	**1,073**	**656**	**857**	**678**	**757**	**718**	**665**
Income Tax @15% (RMB M)	20	85	151	119	94	165	116	111	128	161	98	129	102	114	108	100
After Tax Income (RMB M)	**112**	**482**	**856**	**672**	**535**	**934**	**656**	**628**	**728**	**912**	**558**	**728**	**576**	**643**	**610**	**566**
Total Capital Costs (RMB M)	628	557									234	561				366
Working Capital (RMB M)	53	55	22													
Environmental Bond/Closing Costs (RMB M)(2)	2	7	7	7	7	7										
VAT Refund (RMB M)	58	30														
Fixed Asset Remnant Value (RMB M)																
After Tax Cash Flow (RMB M)	**-422**	**15**	**1001**	**839**	**701**	**1,100**	**829**	**801**	**901**	**1,085**	**497**	**334**	**710**	**777**	**744**	**331**
After Tax Cash Flow (US$ M)	**-62**	**2**	**148**	**124**	**103**	**162**	**122**	**118**	**133**	**160**	**73**	**49**	**105**	**115**	**110**	**49**
Years to Discount at End of 2009	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5
Discount Factor @9%	0.9578	0.8787	0.8062	0.7396	0.6785	0.6225	0.5711	0.5240	0.4807	0.4410	0.4046	0.3712	0.3405	0.3124	0.2866	0.2630
Discounted Cash Flow (RMB M)	**-404**	**13**	**807**	**620**	**476**	**685**	**473**	**420**	**433**	**478**	**201**	**124**	**242**	**243**	**213**	**87**
Discounted Cash Flow (US$ M)	**-59.6**	**1.9**	**119.0**	**91.5**	**70.2**	**101.0**	**69.8**	**61.9**	**63.9**	**70.6**	**29.7**	**18.3**	**35.7**	**35.8**	**31.5**	**12.9**

Notes:

(1) A copper concentrate transportation credit of RMB200/t (US$29.50/t) of copper metal in concentrate is provided by the copper concentrate buyer based on the current preliminary sales contract.

(2) An environmental bond of RMB35 M (US$5.2 M) was added to the economic analysis by BDASIA, which is used as the closing cost for the Jiama Project.

Table 1.9

Base Case Economic Analysis for the Jiama Project (continued)

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Metal Production																
Cu Production in Cu Concentrate (t)	29,379	21,626	21,778	21,712	21,687	22,897	21,646	21,498	19,197	24,408	23,496	26,638	20,043	15,959	6,029	**772,990**
Au Production in Cu Concentrate (kg)	681	439	425	458	446	450	418	452	391	496	493	465	304	221	149	**16,120**
Ag Production in Cu Concentrate (t)	56.21	42.11	45.26	44.66	50.01	54.55	40.49	41.49	36.00	48.90	42.90	43.47	25.32	17.97	11.46	**1,364.19**
Mo Production in Mo Concentrate (t)	547	819	913	777	626	756	905	1367	1646	796	954	710	1030	1169	964	**28,820**
Pb Production in Pb Concentrate (t)																**12,519**
Ag Production in Pb Concentrate (t)																**24.84**
Metal Sales Income																
Cu Production in Cu Concentrate (RMB M)	1,237	911	917	914	913	964	912	905	808	1,028	990	1,122	844	672	254	**32,555**
Au Production in Cu Concentrate (RMB M)	113	73	71	76	74	75	69	75	65	82	82	77	50	37	25	**2,676**
Ag Production in Cu Concentrate (RMB M)	130	98	105	104	116	126	94	96	83	113	99	101	59	42	27	**3,163**
Mo Production in Mo Concentrate (RMB M)	140	210	234	199	161	194	232	351	422	204	245	182	264	300	247	**7,390**
Pb Production in Pb Concentrate (RMB M)																**134**
Ag Production in Pb Concentrate (RMB M)																**56**
Total Sales Revenue (RMB M)	**1,621**	**1,291**	**1,327**	**1,293**	**1,264**	**1,359**	**1,307**	**1,427**	**1,379**	**1,428**	**1,415**	**1,482**	**1,217**	**1,050**	**552**	**45,973**
Total Sales Revenue (US$ M)	**239**	**190**	**196**	**191**	**186**	**201**	**193**	**210**	**203**	**211**	**209**	**219**	**180**	**155**	**81**	**6,781**
Sales Tax 10% of VAT (RMB M)	19	14	15	14	14	15	14	16	16	16	16	17	13	11	6	**520**
Cu Concentrate Transportation Credit (RMB M)	6	4	4	4	4	5	4	4	4	5	5	5	4	3	1	**155**
Income after Sales Tax (RMB M)	**1,608**	**1,282**	**1,317**	**1,284**	**1,255**	**1,349**	**1,297**	**1,415**	**1,367**	**1,416**	**1,404**	**1,470**	**1,208**	**1,042**	**548**	**45,607**
Operating Cost																
Mining Cost (RMB M)	350	350	350	350	350	350	350	350	350	350	350	350	350	298	186	**105,78**
Processing Cost (RMB M)	218	218	218	218	218	218	218	218	218	218	218	218	218	218	111	**6,471**
G&A and Other Cost (RMB M)	146	127	128	127	126	130	127	130	125	134	132	139	123	106	55	**4,068**
Total Operating Costs (RMB M)	**714**	**695**	**696**	**695**	**694**	**698**	**695**	**698**	**693**	**702**	**700**	**707**	**691**	**622**	**352**	**21,116**
Total Operating Costs (US$ M)	**105**	**102**	**103**	**102**	**102**	**103**	**103**	**103**	**102**	**104**	**103**	**104**	**102**	**92**	**52**	**3,114**
Depreciation and Amortization (RMB M)	118	118	118	118	118	113	113	113	112	112	112	90	90	90	47	**4,052**
Resource Tax @RMB15/t of ore (RMB M)	54	54	54	54	54	54	54	54	54	54	54	54	54	41	23	**1,578**
Taxable Income (RMB M)	**722**	**415**	**449**	**417**	**389**	**484**	**435**	**551**	**508**	**549**	**538**	**620**	**373**	**290**	**126**	**18,862**
Income Tax @15% (RMB M)	108	62	67	63	58	73	65	83	76	82	81	93	56	43	19	**2,829**
After Tax Income (RMB M)	**614**	**353**	**382**	**354**	**330**	**411**	**370**	**468**	**432**	**466**	**457**	**527**	**317**	**246**	**107**	**16,032**
Total Capital Costs (RMB M)						421										**2,767**
Working Capital (RMB M)													-26	-44	-59	
Environmental Bond/Closing Costs (RMB M)																**35**
VAT Refund (RMB M)																**88**

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Fixed Asset Remnant Value (RMB M)															107	**107**
After Tax Cash Flow (RMB M)	**732**	**471**	**500**	**472**	**449**	**103**	**483**	**581**	**544**	**578**	**569**	**617**	**433**	**380**	**322**	**17,477**
After Tax Cash Flow (US$ M)	**108**	**69**	**74**	**70**	**66**	**15**	**71**	**86**	**80**	**85**	**84**	**91**	**64**	**56**	**47**	**2,578**
Years to Discount at End of 2009	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5	26.5	27.5	28.5	29.5	30.5	—
Discount Factor @9%	0.2412	0.2213	0.2031	0.1863	0.1709	0.1568	0.1438	0.1320	0.1211	0.1111	0.1019	0.0935	0.0858	0.0787	0.0722	—
Discounted Cash Flow (RMB M)	**177**	**104**	**101**	**88**	**77**	**16**	**69**	**77**	**66**	**64**	**58**	**58**	**37**	**30**	**23**	**6,157**
Discounted Cash Flow (US$ M)	**26.0**	**15.4**	**15.0**	**13.0**	**11.3**	**2.4**	**10.2**	**11.3**	**9.7**	**9.5**	**8.6**	**8.5**	**5.5**	**4.4**	**3.4**	**908.1**

Based on the assumptions listed above, the Jiama Project had a total after-tax discounted cash flow of RMB6,157M (US$908.1 M) as of December 31, 2009. Subtracting the debt of approximately RMB888 M (US$131.0 M) at December 31, 2009, the after-tax NPV of the Jiama Project as of December 31, 2009 was RMB5,269 M (US$777.2 M). The payback period to recover all the capital investment for the Jiama Project is approximately 5.2 years starting from January 1, 2010.

Sensitivity analyses indicate that the NPV of the Jiama Project is very sensitive to variations in metal prices and processing metal recoveries, moderately sensitive to variations in operating costs, and less sensitive to variations in capital costs.

1.9 Environmental, Occupational Health and Safety Issues

An environmental permit was issued for the construction phase of the Jiama Project by the Ministry of Environment Protection of China in Beijing in September 2008, and an environmental assessment for the Project will be produced by government authorities following review by an expert panel around September 2010.

Mitigation measures are being put in place to ensure environmental and social risks are minimized and regulatory environmental requirements are satisfied. A soil and water conservation plan has been approved and is being implemented. The Project is being developed as a zero discharge site and has a current water permit for top-up water, which was granted in October 2008. The flotation tailings will be dewatered in a press filter facility above the plant. These dewatered, low-moisture tailings will be stored in a TSF and stacked behind and above the tailings dam in a valley fill design. The filtrate, i.e., water from filtration will be sent back to the plant and reused in the process.

The Jiama Project has a policy of social responsibility towards the local community, with a focus on providing assistance and contributing towards social development, through financially supporting local economic development, education, employment, training initiatives, local transport, communications, drinking water supply, and other social initiatives.

The community has, in general, welcomed the opportunity for employment and other cash streams introduced into the area as a result of the mine development and has participated in ongoing dialogue with both Huatailong and the local government concerning the development and operation of the mine, potential environmental impacts and their management, and the scope and nature of community benefits to be generated by the development. Over RMB 50 M (US$ 7.4 M) has been expended to date by Huatailong through the implementation of its community development plan.

Huatailong has already employed approximately 26,000 days of contracted local labor at a cost of around RMB20 M (US$2.9 M) and intends to employ some 125 local people in the workforce.

Huatailong seeks to conduct its operations in accordance with the national safety standards and has a health and safety management system in place.

1.10 Conclusions and Recommendation

The Jiama deposit is a large copper-polymetallic deposit with well-defined mineral resources and ore reserves. The currently defined ore reserve for the deposit is sufficient to support a production at a rate of 12,000 tpd or 3.6 Mtpa for approximately 30 years. In addition, there is a large defined inferred resource, and the additional exploration potential is also very good. The currently defined mineral resources and ore reserves will very likely be increased in the future by additional exploration work.

The extraction of the I-1 mineralized body, the primary mineralized body in the Jiama deposit, requires the use of both open-pit and underground mining methods. BDASIA considers the mine design generally appropriate. However, there is a degree of uncertainty with the production targets during the ramp-up period; and further detailed planning, optimization, and detailed geotechnical assessment would assist in reducing overall risk of the mine plan. The schedule is susceptible to interruptions of the supply of power. The economics of the two open pits are not optimum, but project goals such as early production and the need for waste as a platform for the underground mine access development, justify the selection of the pit size, particularly the Tongqianshan pit.

Both the copper-lead ore and copper-molybdenum ore appear to be fairly typical and relatively simple to treat. It is expected that the concentrates of copper, lead and, molybdenum could be produced as indicated by the testwork and outlined in the life-of-mine production forecast (Table 1.4).

To ensure uninterrupted production, two aspects specific to this operation should be given a high degree of attention. They involve process water and movement of the tails from the plant to the final tailings disposal site:

- Fresh water is scarce in the area, and the process water will have to be recovered, treated, and recycled.
- The thickened tails will have to be pumped from the thickeners at a MSL elevation of around 3,980 m to a filtering facility at a 4,380-m MSL elevation, the water returned to process, and the filtered cake (tailings) transported by a conveyor belt and deposited in the final tailings disposal site. Any malfunction of this system will cause the shutdown of the plant and loss of production.

The following are BDASIA's recommendations for the Jiama Project:

Exploration

Further in-fill drilling and step-out drilling are likely to significantly increase the currently defined mineral resources and ore reserves for the Jiama Project. BDASIA, however, does not consider additional drilling a high priority task at the current stage of project development as the defined ore reserves are sufficient to support the mining operation for approximately 30 years at the planned production rate of 12,000 tpd or 3.6 Mtpa. If mining operations over the next several years prove to be successful, Huatailong should consider increasing the currently planned production capacity of the project, and additional drilling to increase the mineral resources and ore reserves of the project may become necessary. Cost for the additional drilling could range from less than RMB5 M (US$0.74 M) to more than RMB20 M (US$2.9 M).

Open-pit Mining

Preliminary assessment of slope stability has been carried out on both the Tongqianshan and Niumatang pits, and it is recommended that a more detailed geotechnical assessment be carried out on the pit walls, particularly for the larger Niumatang open pit to better define the appropriate slope angle for the various walls of the pit.

Within the planned Tongqianshan open pit, there has been some localized extraction of ore by previous underground mining. The Changsha Institute has noted that these mining areas can create a risk to the open-pit mining operation and recommended that the Jiama Project take measures to protect the open-pit operation with procedures to identify these voids within the mining area as the open pit progresses.

The optimization analysis for the Niumatang pit did not consider the marginal cost of mining the ore zones within the open pit by underground mining. The overall open-pit unit mining costs for the Niumatang pit are higher than those for the underground mine. BDASIA recommends that further optimization of the mine plan be carried out to maximize the profitability of ore extraction by better defining the boundary between the open-pit and underground mining methods.

Underground Mining

Given the quality of the orebody and adjacent rocks, BDASIA recommends that the stope dimensions within the zone below the 4,550-m level be geotechnically reviewed to determine if stope sizes can be increased without significantly affecting the production risk. Overall, BDASIA considers that further optimization of the mine design is warranted and has the potential to improve the profitability of the underground mine.

The recommendations mode for both the open-pit mining and underground mining should generally be considered as part of routine technical work for the mining operation, and should not cost the project significantly more money. The optimizations discussed are very likely to result in some cost savings for the project.

Processing

Additional testwork aimed to design and confirm the process water treatment — its recycling and effect on concentrate grades and recoveries — is strongly recommended. The tests should be conducted on samples representing the mill feed for years 1, 2, 3, and 4 if at all possible. The final, locked-cycle tests should be carried out in duplicate. The cost for the additional test work can be ranged from RMB0.4 M (US$0.059 M) to RMB1.5 M (US$0.22 M).

2.0 INTRODUCTION

China Gold International is a Canadian mining company whose shares are listed on the TSX with a trading symbol CGG. China Gold Group HK currently owns approximately 39% of the listed shares of the Company and is the largest shareholder.

The Company proposes to prepare a prospectus to be issued in support of an IPO for a listing on the main board of the SEHK and to raise capital for exploration, project development, and acquisition. Citigroup Global Markets Asia Limited ("Citi") is the Company's sponsor for the IPO.

The Jiama Project currently under construction in Metrorkongka County, Tibet Autonomous Region, China, will be injected into China Gold International during the IPO process. The Jiama Project is currently owned and operated by Huatailong, which is wholly owned by a JV company between China Gold Group HK (51%) and Rapid Result (49%), a company registered in the British Virgin Islands ("BVI").

The Company engaged BDASIA, a wholly owned subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), as their independent technical adviser to undertake an independent technical review of the Jiama Project and to prepare an ITR in connection with the Company's IPO on the SEHK. This BDASIA ITR is intended to be included in the Company's IPO prospectus and in the Company's information circular for shareholder approval of the Jiama transaction. This ITR will also be filed as a technical report in Canada pursuant to applicable securities reporting requirements.

This ITR has been prepared in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Mineral resources and ore reserves of the Jiama Project have been reviewed in accordance with the Australasian JORC Code. As China Gold International is a public company listed on the TSX in Canada, mineral resources and ore reserves reported under the Australasian JORC Code have also been reconciled with mineral resources and mineral reserves under the CIM Standards. The report format follows the reporting requirements under Canadian NI 43-101.

BDASIA's project team for this technical review consists of senior-level professionals from Behre Dolbear's offices in Denver, Colorado in the United States, Sydney in Australia, and London in the United Kingdom. Behre Dolbear personnel contributing to the study and to this ITR include:

- **Dr. Qingping Deng (B.S., M.S., and Ph.D.),** a senior associate and former president of BDASIA, was BDASIA's **Project Manager** and **Project Geologist** for this technical review. Dr. Deng is a geologist with more than 26 years of professional experience in the areas of exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geostatistics, cash-flow analysis, project evaluation/valuation, and feasibility studies in North, Central and South America, Asia, Australia, Europe, and Africa. Dr. Deng is a Certified Professional Geologist with the American Institute of Professional Geologists, a Qualified Professional Member of Mining and Metallurgical Society of America, and a Registered Member of The Society of Mining, Metallurgy, Exploration, Inc. ("SME") and meets all the requirements for "Competent Person" as defined in the 2004 Australasian JORC Code and all the requirements for "Qualified Person" as defined in Canadian NI 43-101. In recent years, he has managed a number of ITR studies for filling with SEHK and other securities exchanges. Dr. Deng is fluent in both English and Chinese. He was the president and chairman of the board of directors of BDASIA before June 30, 2010.

- **Mr. Peter Ingham (B.S. and M.S.),** general manager mining of Behre Dolbear's Sydney office, was BDASIA's **Project Mining Engineer** for this review. Mr. Ingham has over 30 years of professional experience in the mining industry in Europe, Africa, Australia, and Asia. His experience includes operational expertise in operations management, mining contract management, project assessment and acquisition, operational audits and trouble-shooting, and tenement and title issues. He is experienced in a range of commodities, primarily copper, gold, and platinum, in both surface and underground mining. Mr. Ingham is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of Institute of Materials, Minerals and Mining. He meets all the requirements for "Qualified Person" as defined in Canadian NI 43-101.

- **Mr. Vuko Lepetic (B.S. and M.S.),** a senior associate of Behre Dolbear's London office, was BDASIA's **Project Metallurgist**. Mr. Lepetic has over 30 years of worldwide experience in mineral processing and metallurgy. He has worked with and has extensive knowledge of processes employed and products produced by Huatailong. Mr. Lepetic holds patents for stibnite and cassiterite flotation (both industrially employed), as well as records of invention for the processing of iron, lead, and zinc oxide minerals, rare earths, and phosphates. Mr. Lepetic is a Qualified Professional Member of the Mining and Metallurgical Society of America and meets all the requirements for "Qualified Person" as defined in Canadian NI 43-101.

- **Ms. Janet Epps (B.S. and M.S.),** a senior associate of Behre Dolbear's Sydney, Australia office, was BDASIA's **Project Environmental and Occupational Health and Safety Specialist**. She has over 30 years experience in environmental and community issues management, sustainability, policy development, and regulatory consultancy services. Ms. Epps has worked extensively with the private sector, government and the United Nations, the World Bank, the IFC, and the Multilateral Investment Guarantee Agency ("MIGA"), as well as with the mining industry. She has provided policy advice to governments of developing countries on designated projects and contributed toward sustainable development and environmental management strategies. She has completed assignments in Australasia, the Pacific, Asia, the Middle East, the CIS countries, Africa, Eastern Europe, South America, and the Caribbean. Ms. Epps is a Fellow of the Australasian Institute of Mining and Metallurgy and meets all the requirements for "Qualified Person" as defined in Canadian NI 43-101.

- **Mr. Bernard J. Guarnera (B.S. and M.S.),** president and chairman of the Behre Dolbear Group Inc., the parent company of Behre Dolbear & Company, Inc., was BDASIA's **Project Adviser**. He is a Certified Mineral Appraiser, with extensive experience in the valuation of mineral properties and mining companies. He is a registered Professional Engineer, a Registered Professional Geologist, and a Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy. Mr. Guarnera has over 30 years of professional experience, and his career has included senior-level positions in exploration and development at a number of major U. S. natural resource companies. Mr. Guarnera meets all the requirements for "Competent Person" in Australia and "Qualified Person" in Canada.

BDASIA's project team, with the exception of Mr. Guarnera, has traveled to China to visit the Jiama Project site. Dr. Deng visited the Jiama Project from August 16 to August 19, 2009. Dr. Deng, Messrs Ingham and Lepetic, and Ms. Epps visited the Jiama Project from December 15 to December 19, 2009. During BDASIA's visit, discussions were held with technical and managerial staff at the mine and plant sites. Status of current mine construction and life-of-mine production schedules, budgets, and forecasts were reviewed.

The sources of information for this ITR includes unpublished technical reports for the Jiama Project prepared by the Mineral Resource Research Institute (the "Resource Institute") of the Chinese Academy of Geological Sciences in Beijing, China in November 2009 and June 2010 and the Changsha Institute in December 2009 and July 2010, technical and financial information provided by Huatailong, and BDASIA professionals' site visits to the Jiama Project and interviews with the Jiama Project management and technical personnel as well as outside consultants. The Resource Institute possesses a Class A exploration license for solid minerals issued by the MOLAR and has been engaged by Huatailong to manage the exploration work and resource estimation of the Jiama Project. The Changsha Institute has been engaged by Huatailong to conduct the feasibility study and project design for the Jiama Project.

This BDASIA ITR contains forecasts and projections prepared by BDASIA based on information provided by Huatailong. BDASIA's assessment of the projected production schedules, capital and operating costs, and project economics is based on technical reviews of project data and project site visits.

The metric system is used throughout this ITR. The currency used is the Chinese Renminbi ("RMB") or Yuan and/or the United States dollar ("US$"). The exchange rate used in the ITR is RMB6.78 for US$1.00, the rate of the People's Bank of China prevailing on June 30, 2010.

3.0 RELIANCE ON OTHER EXPERTS

BDASIA has relied on certain technical and financial information for the Jiama Project prepared by the Company, Huatailong, the Resource Institute, and the Changsha Institute.

4.0 PROPERTY DESCRIPTION AND LOCATION

The Jiama Project is located in Metrorkongka County, Tibet Autonomous Region in China (Figure 4.1), approximately 68 linear km east-northeast of Lhasa, the capital city of Tibet. Lhasa has a population of approximately 400,000 and is the political, economic, cultural, and transport center in Tibet.

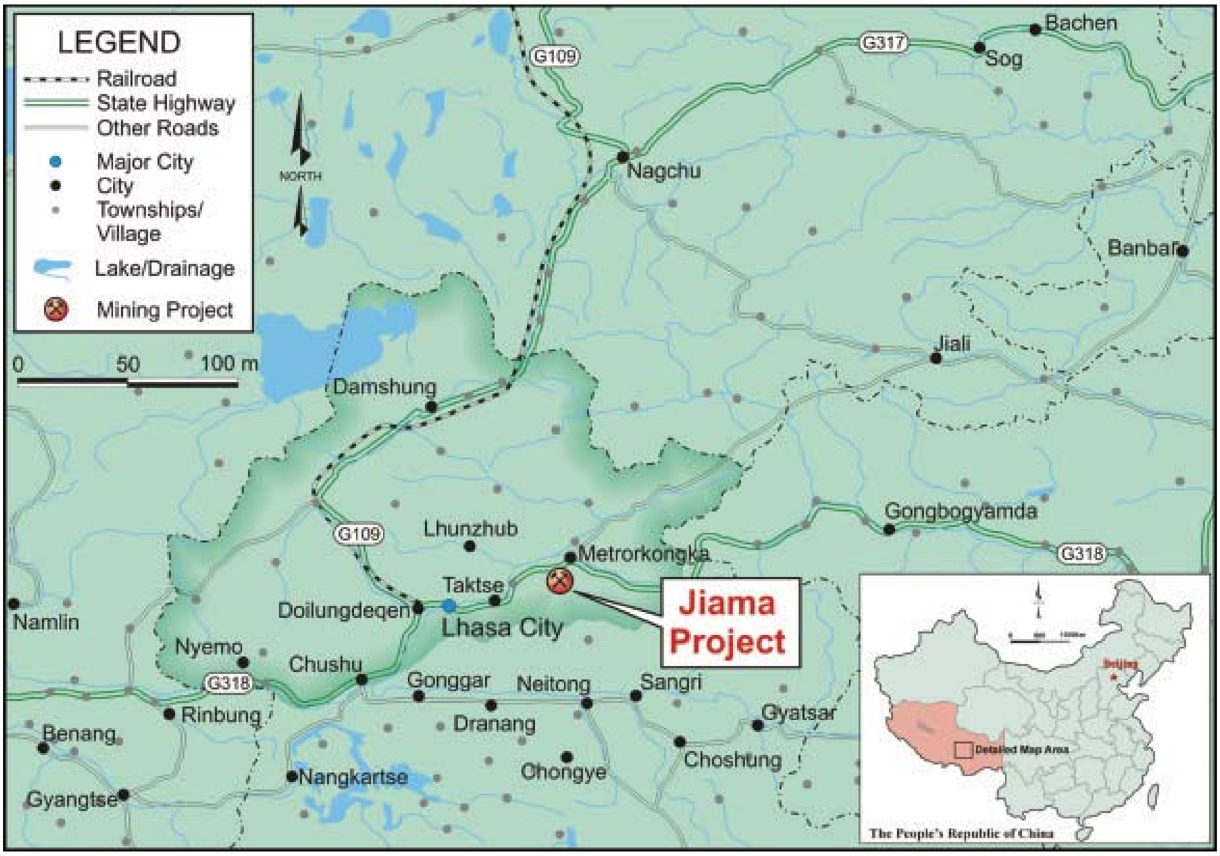


Figure 4.1 Location of the Jiama Project

The Jiama Project is currently owned and operated by Tibet Huatailong Mining Development Company Limited, which is indirectly owned by China Gold Group HK (51%) and Rapid Result Investments Limited (49%). The Jiama Project currently holds two permits for mining rights and two permits for exploration rights.

The Jiama mining license, with an area of 2.1599 km^2 for the Jiama Project, is held by Huatailong; the license is valid until July 2013 and extendable thereafter. The license number is 5400000820009, which was issued by the Land and Resource Department of Tibet Autonomous Region. The horizontal license boundary is defined by 18 corner points, and its vertical boundary is between the MSL elevations of 4,100 m and 5,300 m. The production rate specified on the mining license is 2.0 Mtpa or approximately 6,000 tpd based on 330 working days per annum. This mining license was consolidated in 2007 from four mining licenses held by different operators in accordance with the Chinese government's consolidation policy for mining properties.

The Niumatang mining license, with an area of 0.7352 km^2 and located at the northwest side of the Jiama mining license, is for the open pit mining portion of the Jiama Project. The license is valid until July 2015 and extendable thereafter. The license number is C5400002010073210070276, which was issued by the Land and Resource Department of Tibet Autonomous Region. The horizontal license boundary is defined by 11 corner points, and its vertical boundary is between the MSL elevations of 4,100 m and 5,000 m. The production rate specified on the mining license is 0.9 Mtpa or approximately 2,730 tpd based on 330 working days per annum. BDASIA notes that the permitted production rate is lower than the 6,000 tpd production rate planned for the Niumatang open pit mining operation and Huatailong will need to revise the mining license to the appropriate production rate.

The Jiama exploration license surrounding two mining licenses, with an area of 76.93 km^2 (excluding the Jiama mining license area but including the Niumatang mining license area), is also held by Huatailong. The license number is T54520080702010972, which is issued by the Land and Resource Department of Tibet. This license expires on October 3, 2010 and is extendable thereafter. The license area is defined by six corner points and is approximately 8-km to 11-km long in the east-west direction and 6-km to 11-km wide in the north-south direction. The license area is located within the longitudes from 91°43’06”E to 91°50’00”E and the latitudes from 29°37’49”N to 29°43’53”N.

All the currently defined mineral resources for the Jiama Project are covered by the Jiama/Niumatang mining licenses and the Jiama exploration license.

In addition to the Jiama/Niumatang mining licenses and Jiama exploration license, Huatailong also holds the exploration license for the Bayi Ranch area located southwest of the Jiama mining/exploration licenses. This license has an area of 66.41 km^2 and was issued by the Land and Resource Department of Tibet. The license number is T54520080702010979. The license expires on October 3, 2010 and is extendable thereafter.

The two mining licenses and two exploration licenses for the Jiama Project covered a total area of 145.50 km^2.

Figure 4.2 shows the location of the two mining licenses and the two exploration licenses currently held by Huatailong.

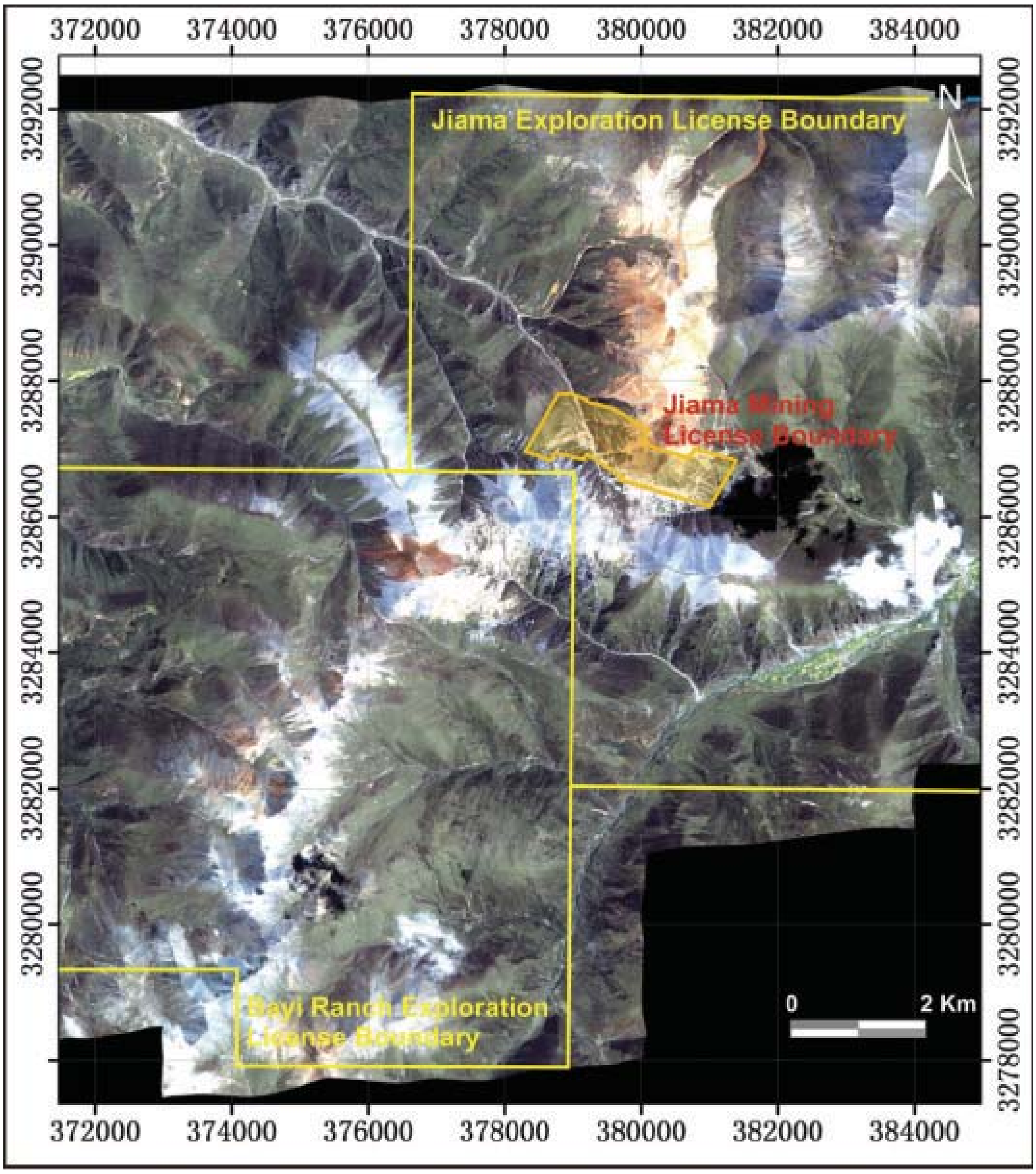


Figure 4.2 Location of the mining/exploration licenses held by Huatailong

BDASIA has reviewed the copies of the mining licenses and exploration licenses provided by Huatailong and considers that they are valid and typical of mining and exploration licenses issued by relevant governmental agencies in China.

Mining operation for the Jiama Project is subject to a resource tax of RMB15.00 (US$2.21) per tonne of the processed ore and a resource compensation levy of 2% for the sales revenue from the operation. Copper, molybdenum, lead, zinc, and silver produced from the mine are subjected to a VAT of 17%. Gold production is exempted from the VAT in China. The Jiama Project is also subject to a city-maintenance-and-construction tax of 7% of the VAT and an education tax of 3% of the VAT. The corporate income tax rate for Huatailong is 15%.

To renew an exploration license, all exploration permit fees must be paid, and the minimum exploration expenditure should have been made for the area designated under the exploration permit. To renew a mining permit, all mining permit fees, resource taxes, and resource compensation levies must be paid to the state for the area designated under the mining permit. The renewal application should be submitted to the relevant state or provincial authorities at least 30 days before the expiration of a permit.

Huatailong has secured sufficient surface land areas through short-term and long-term leases for the planned mining operation and expansion, including lands for the open pits, waste dumps, accesses to the underground mine, processing plant, TSFs, office buildings, mine camp, and other mine infrastructural items.

Huatailong has obtained all necessary permits and licenses to conduct open-pit and underground mining operations and processing within the current Jiama and Niumatang mining license areas. However, the production rate of the Niumatang mining license will need be increased to be consistent with the planned production rate.

In order to retain the Jiama property, Huatailong is obligated to conduct all mining and processing activities at the Jiama Project site in accordance with the state and local laws and regulations and to pay any license fees and taxes to the relevant governmental agencies on a timely basis.

The Jiama Project is required to post an environmental reclamation bond of approximately RMB35 million ("M") (US$5.2 M). A first payment of RMB1.5 M (US$ 0.22 M) was made in 2009, and the remaining amount will be paid in five installments in the 5 years following the commencement of Phase I production of the Jiama Project.

Environmental liabilities at the Jiama Project area are mostly related to the mining operation by the four previous operators before the project consolidation in 2007. The original underground mine workings as well as three smaller processing plants with processing capacities ranging from 300 tpd to 850 tpd that existed before consolidation were abandoned, and the processing plants were dismantled and reclaimed by Huatailong. The associated TSFs will also be reclaimed by Huatailong.

Figure 4.3 shows the Jiama mining and exploration license boundaries, the two planned open pits (the smaller Tongqianshan Pit and the larger Niumatang pit) and waste dumps, the underground mine, processing facilities, the TSF, and other infrastructure items of the Jiama Project.

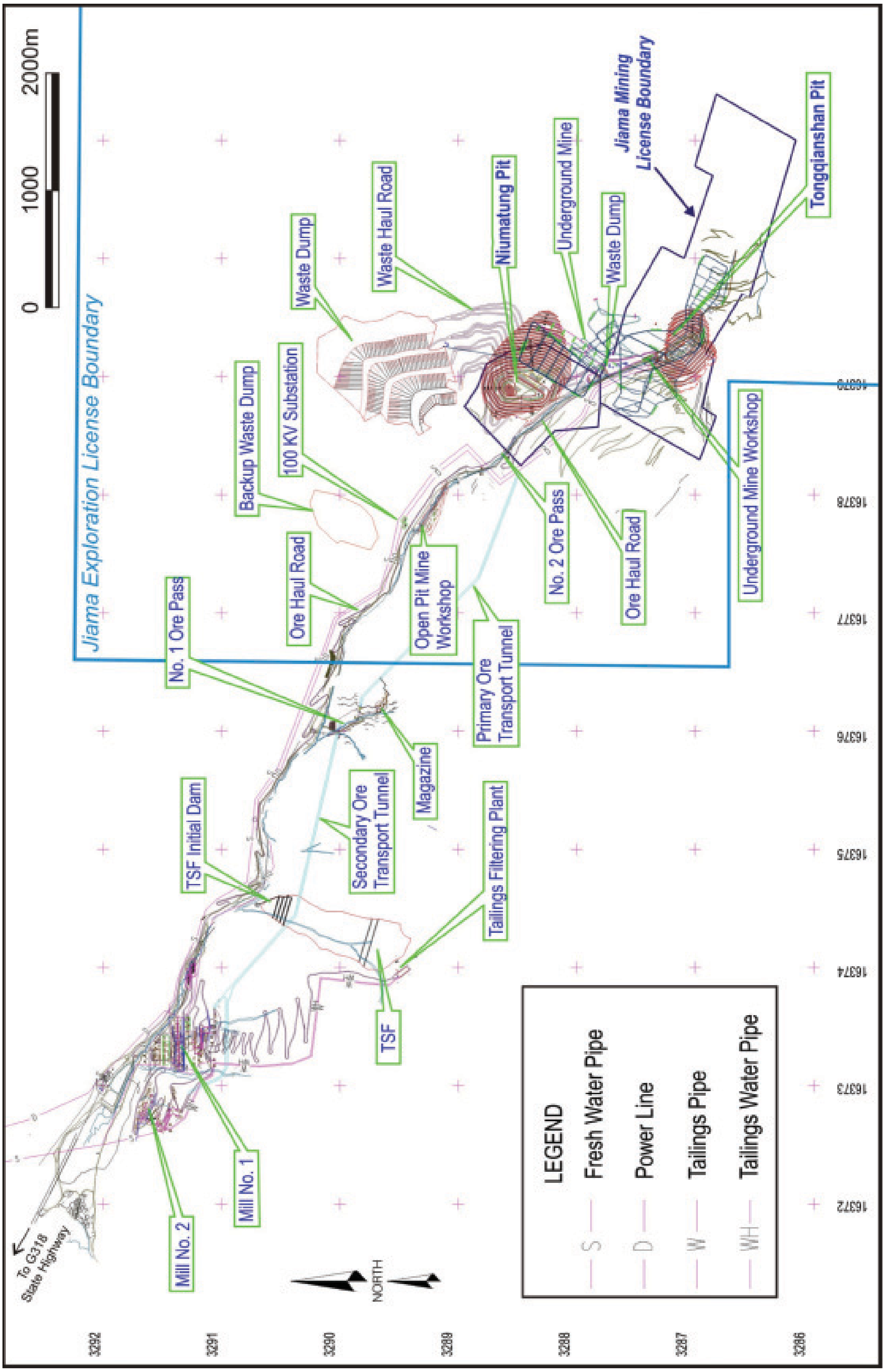


Figure 4.3 Jiama Project site map

5.0 PHYSIOGRAPHY, CLIMATE, ACCESSIBILITY, LOCAL RESOURCES AND INFRASTRUCTURE

The Jiama Project is located in a mountainous area with MSL elevations ranging from 4,350 m to 5,410 m in the Tibet Plateau. The topography in the area is characterized by steep slopes, high elevation, and large elevation differences. About half of the surface area at Jiama is covered by shrub bushes and grasses, and other half of the surface area is covered by soil and fallen rocks formed from freezing, erosion, and weathering. The soil and fallen rock cover is generally only a few meters thick.

The area has a typical continental plateau climate. The summers (also the rainy season) are relatively humid and cool, and the winters are dry and extremely cold. The temperature difference between day and night is large. Winter conditions prevail from October through March. July and August are the only frost-free months in any year. Average annual precipitation is approximately 500 mm, which mostly occurs as rains from June to September.

There are some sparsely-populated Tibetan inhabitants within the project area, with most of the land being used for low-intensity yak and sheep grazing. The primary crop in the area is highland barley.

Access to the Jiama Project area is good. A newly-paved access road of approximately 8 km connects the project site office and processing plant to the Sichuan-Tibet Highway (G318) in the north. The distance from the turning point to Lhasa in the west is approximately 60 km, and the distance to the Metrorkongka county seat in the east is approximately 8 km. Lhasa is connected to other locations in China by railroad, highways, and air. There are a number of daily flights from Lhasa to Chengdu, Beijing, and other cities in China. Concentrates produced from the Jiama Project will be trucked to the Lhasa rail station and then shipped by rail to smelter customers in various places in China.

Electricity for mine production at the Jiama Project will be provided by a newly constructed, 110-kV electricity transmission line from the Metrorkongka substation located approximately 20 km north of the project area. Electricity supply in the central Tibet region was generally insufficient for mining operations in the past. The Tibet government has been executing a power-supply development plan for the period from 2006 to 2010. Several new power generation plants will be constructed, and the Central Tibet power grid will be connected to the national power grid in China. Electricity supply will be sufficient for Phase I mine production as well as for the Phase II expansion at Jiama when the development plan is completed. Prior to that, however, the mine could experience power shortages for production. The Jiama Project has been designated as one of the most important projects in Tibet and has been granted priority in electricity supply by the Tibet government.

Although water is scarce in the general area, the project area has obtained sufficient surface water rights to support the planned mining and processing operation. Fresh water for production and the mine camp will be obtained from the Chikang River, which is a tributary of the Lhasa River. Water from the flotation tail thickeners and the tailing filtering system will be recycled for the use in production.

A significant portion of the mining personnel for the Jiama Project came from other China National Gold Group Corporation and/or non-China National Gold Group Corporation mining operations outside Tibet. Huatailong has also recruited a significant number of local Tibetan workers and some of them were being trained outside Tibet for the project during BDASIA's site visit in December 2009.

6.0 HISTORY

There were some small-scale historical lead mining activities at the Jiama Project site before the 1950s. Geological work conducted from 1951 to 1990 delineated a 3,600-m long copper-lead-zinc mineralization zone, mostly by surface trenching at the Jiama Project area. Preliminary mineral resource estimation was also conducted. More detailed exploration work was conducted by the No. 6 Geological Brigade ("Brigade 6") of Tibet Geology and Mineral Resource Bureau between 1991 and 1999, when 16 exploration lines with an azimuth of 30° and numbered as Lines 31, 23, 15, 7, 0, 4, 8, 12, 16, 24, 32, 48, 72, 80, and 96 from northwest to southeast were designed to explore the deposit. A total of 31 diamond drill holes ("DDH") with a total drilled length of 10,091 m were drilled during the period, along with the development of 407.5 m of adits and 16,474 cubic meters ("m^3") of surface trenches. Twenty-two of the Brigade 6 DDH holes with a total drilled length of 6,518 m and 10 surface trenches with a total sampled length of 349 m were used in current resource estimation as these holes/ trenches are located in the defined mineralized zones and contain reasonable-quality assay data.

Based on the Brigade 6 work, four mining licenses within the current Jiama Project mining license boundary were issued to different mining operators and four mining operations were established, including:

- **Lines 15-0 Mining License:** The license was issued to the Jiama Township government, which organized the Jiama Township Fupin Development Company Limited to conduct mining activity at Jiama. A 300-tpd concentrating plant was built and mining started in 2004. A total of 14 adits were developed for mining. It was estimated that a total of 49,000 t of ore was mined, with a mining loss of 9,200 t, to the end of June 2006. Mine production after June 2006 is unknown.
- **Lines 0-16 Mining License:** The license was issued to Lhasa Mining Company. Both open-pit mining and underground mining were conducted in the license area by the property owner. Open-pit mining above the MSL elevation of 4,780 m started in 1995, and a total of 10 adits with a level height ranging from 16 m to 40 m between the MSL elevations of 4,606 m and 4,780 were developed before 2006. Mine production to the end of 2005 was estimated at 130,000 t, with mine production since January 2006 unknown.
- **Lines 16-40 Mining License:** The license was issued to Brigade 6. A joint venture company, Tibet Jiama Mining Development Company Limited, between Brigade 6 and Henan Rongye Trading Company Limited was established to conduct the mining operation. Mining started in 2003. A concentrating plant with a processing capacity of 850 tpd was built in 2006. It was estimated that the total mined and lost mineral resources were 109,000 t to the end of June 2006. Production after June 2006 is unknown.
- **Lines 40-80 Mining License:** The license was issued to the original Tibet Huatailong Mining Development Company Limited. No concentrating plant was built for this mining license. Mining started in 2005. The estimated mine production from three mining adits was 80,000 t to June 20, 2006, with an estimated mining loss of 8,900 t. Mine production since June 2006 is unknown.

As the exact total historical mine production figure is unknown, the Resource Institute has conducted a systematic survey of the existing underground adits and mined-out stopes within the above mining license areas, and the volume calculated from the surveyed stopes has been used to deduct the consumed mineral resources for the Jiama Project.

Mining activities by the previous operators were stopped by the Tibet government on April 1, 2007 in the four mining license areas. In accordance with an agreement between the Tibet government and China National Gold Group Corporation, the four mining licenses as well as the exploration licenses in the surrounding areas were consolidated by the reorganized Huatailong in late 2007, with China Gold Group HK as the primary shareholder.

Since acquiring the consolidated mining and exploration licenses, Huatailong conducted an extensive exploration program in 2008, completing 150 DDH holes, with a total drilled length of 50,617 m (including some re-drilled intervals and two abandoned holes with a total drilled length of 198 m that are not included in the assay database for the current resource modeling). The drilling program has significantly expanded the mineral resources of the project. In 2009, as of at the end of October, 40 DDH holes totaling 13,541 m of further in-fill drilling were completed in the proposed open-pit mining area at Niumatang, located at the northwestern side of the defined mineralization zone, and step-out drilling was conducted to the northeast of the mineralized zone. The 2009 drilling has upgraded the confidence level of the defined mineral resources in the Niumatang area and has also further increased the mineral resource inventory of the project. The 2008-2009 drilling results combined with limited historical data constituted the basis for the current resource estimation for the Jiama Project, which is summarized in this ITR.

The new Jiama Project started construction in June 2008. The original underground mine workings as well as three smaller processing plants with processing capacities ranging from 300 tpd to 850 tpd that existed before consolidation were abandoned, and the processing plants were dismantled and reclaimed by Huatailong. The associated TSFs will also be reclaimed by Huatailong. Because of the significant increase in mineral resources resulting from the additional drilling, the currently proposed mining operation is planned at a much larger scale, with a Phase I production capacity of 6,000 tpd, expanding to 12,000 tpd in Phase II of the project.

During BDASIA's site visit in December 2009, construction of the Phase I, 6,000-tpd flotation processing plant and related TSF was near completion. Pre-production stripping of the smaller Tongqianshan pit was also near completion, and a small ore stockpile mined from the pit was accumulated at the processing plant site. Pre-production stripping for the larger Niumatang pit was initialized, and construction of the primary underground haulage tunnel at a MSL elevation of 4,261 m and the secondary underground ore haulage tunnel at a MSL elevation of 4,087 m was well under way. It was reported by Huatailong that the Phase I concentrator trial production started in July 2010, and commercial Phase I mining and processing operating of the Jiama Project started in September 2010. When it is fully developed, the Jiama Project will become one of the largest copper-polymetallic mining operations in China in terms of ore production rate, total metal production, and mineral resources considered compliant under the Australasian JORC Code and the CIM Standards.

7.0 GEOLOGICAL SETTING

7.1 Regional Geological Setting

The Tibet Plateau is the youngest orogenic belt in the world. Subduction and collision between the Indian Plate and Eurasian Plate from Late Mesozoic to Cenozoic time, commonly referred to as the Himalayan Orogeny, has created the world's youngest and highest mountain ranges. The complicated tectonic evolution during this period of time as well as during the preceding Yanshanian Orogeny has created a series of near east-west-trending structural zones in the plateau, with associated multiple-stage magmatism and related mineralization (Figure 7.1). From south to north, these structural zones include the Indian Plate (I), the Yalung Tsangpo Suture Zone (YS), the Gangdise-Nianqing Tanggula Terrane (II), the Bangong Lake-Nu River Suture Zone (BS), Qiangtang-Sanjiang Complex Terrane (III), and the Jinshan River Suture Zone (JS). The Gangdise-Nianqing Tanggula Terrane is subdivided, from south to north, into the Gangdise Yanshanian-Early Himalayan epicontinental volcanic arc (II_1), Nianqing Tanggula faulted dome (II_2), Cuoqin-Namucuo Late Yanshanian back-arc basin (II_3), and Bange-Jiali Early Yanshanian epicontinental volcanic arc (II_4).

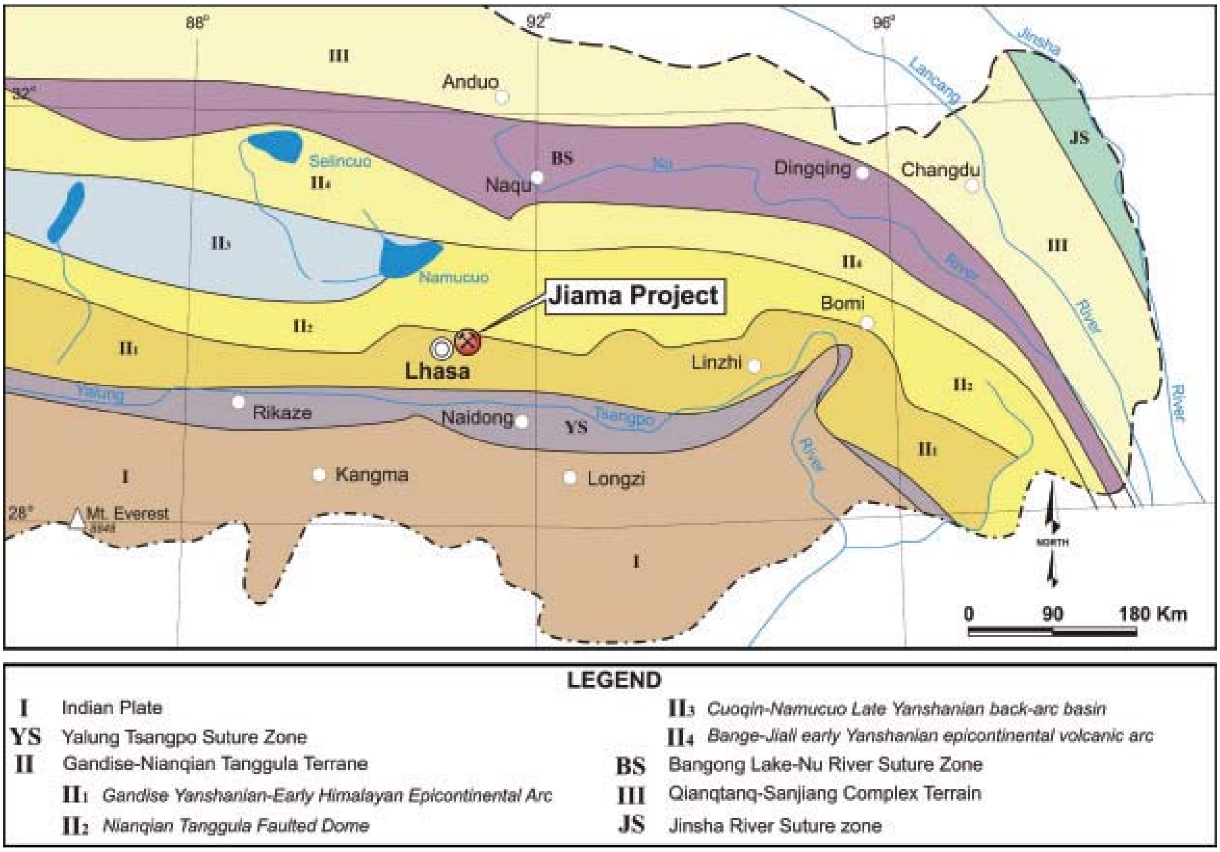


Figure 7.1 Tectonic Setting of the Jiama Project

7.2 Local Geology

The Jiama Project is located in the central-south portion of the Gangdise-Nianqing Tanggula Terrane (Figure 7.1). Stratigraphy outcropping in the Jiama Project area consists primarily of passive epicontinental clastic-carbonate rocks, including Upper-Jurassic Duodigou Formation limestones and marbles, Lower-Cretaceous Linbuzong Formation sandstones and slates, and locally, Quaternary colluviums and alluviums (Figure 7.2). Some mafic, intermediate to felsic dikes have been observed on outcrops and in drill holes, but no large intrusive bodies have yet been identified. It is believed, however, that a large granitic intrusive body exists at depth in the area and that it has provided the intense heat source for the metamorphism and also the mineralizing solutions for the copper-polymetallic mineralization. Because of the placement of the granitic intrusion, a large portion of the Duodigou limestones have been metamorphosed to marbles, and the Linbuzong clastic rocks have been largely metamorphosed into hornfels.

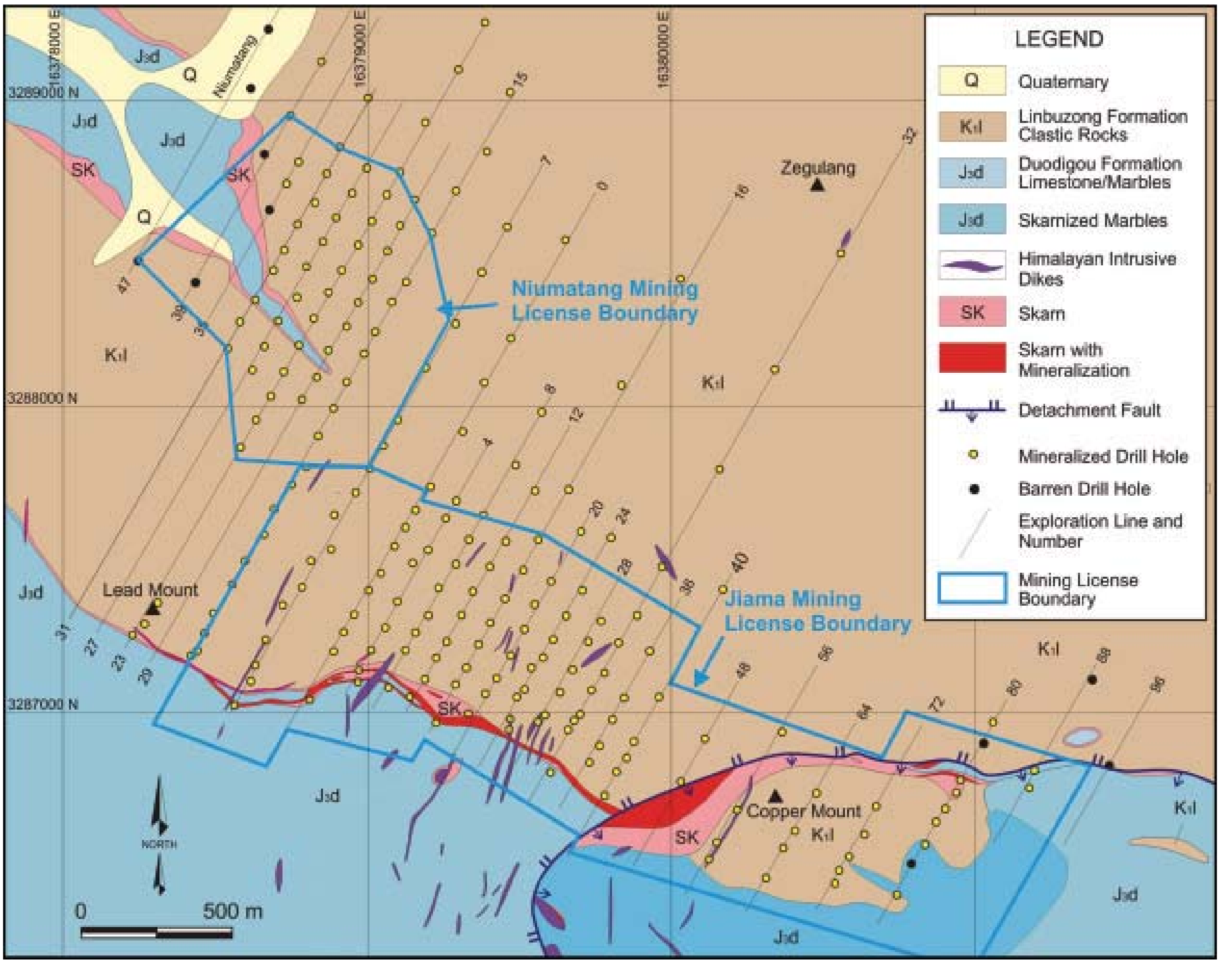


Figure 7.2 Geology and drill holes of the Jiama Project area
(The entire map is within the boundary of the current Jiama exploration license.)

7.3 Deposit Geology

Skarns with associated copper-polymetallic mineralization were formed at the contacts of the intrusives and the Duodigou marbles as well as in the interlayer structural zone between the Duodigou marbles and the Linbuzong hornfels. Less intensive copper-polymetallic mineralization was also formed within the Linbuzong hornfels.

Structures in the area consist of thrust and detachment faults as well as associated anticlines and synclines. The interlayer fracture zone between the Duodigou marbles and Linbuzong hornfels could be a detachment fault, as it is steeply-dipping (averaging around 60°) at the upper portion and flatter (averaging around 10°) at the lower portion.

8.0 DEPOSIT TYPES

The Jiama deposit is a large stratiform skarn-type copper-polymetallic deposit controlled mostly by an interlayer structural zone between the Duodigou marbles and the Linbuzong hornfels. The mineralized zone measures thousands of meters in both strike and dip directions and is still open in many places. The deposit is likely formed by contact metamorphism and hydrothermal mineralization associated with a granitic intrusion.

Some lower-grade copper-polymetallic mineralization has also been encountered in the overlying Linbuzong hornfels. The hornfels-type mineralization is potentially very large; however, its economic meaning will need to be determined by further drilling and technical studies.

A three-dimensional computer block model has been constructed by BDASIA to model the skarn-type as well as the hornfels-type copper-polymetallic mineralization at Jiama and will be discussed in detail in this ITR.

9.0 MINERALIZATION

9.1 Skarn-Type Copper-Polymetallic Mineralization

Copper-polymetallic mineralization at Jiama is primarily hosted by skarns distributed along an interlayer structural zone between the Duodigou marbles and the Linbuzong hornfels. This zone is stratiform, tabular, or lenticular in shape and comprises the primary mineralized body (I-1) in the deposit. It strikes west-northwest and dips to the northeast. The upper part of the mineralized body has a steep dip angle, averaging around 60°, whereas the lower portion of the mineralized body is much flatter, with an average dip of around 10°. The I-1 mineralized body is approximately 2,400-m long along the strike direction and 150-m to 1,900-m wide along the dip direction. Its thickness ranges from 2 m to 240 m, averaging 33.24 m. This mineralized body was defined by over 170 drill holes and contains over 97% of the currently defined mineral resources in the deposit (Figure 9.1).

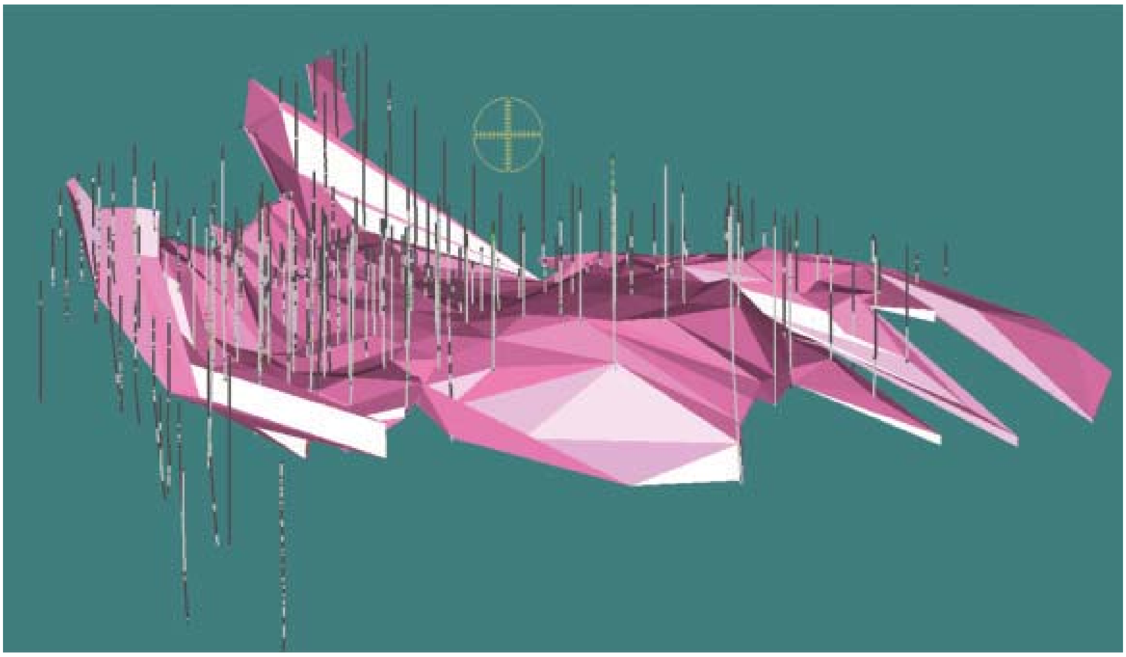


Figure 9.1 3-D view of the I-1 mineralized body for the Jiama Project
(The view is looking at 240° rotated azimuth with a dip angle of -15°. The yellow circle at the upper middle part of the diagram has a diameter of 200 m.)

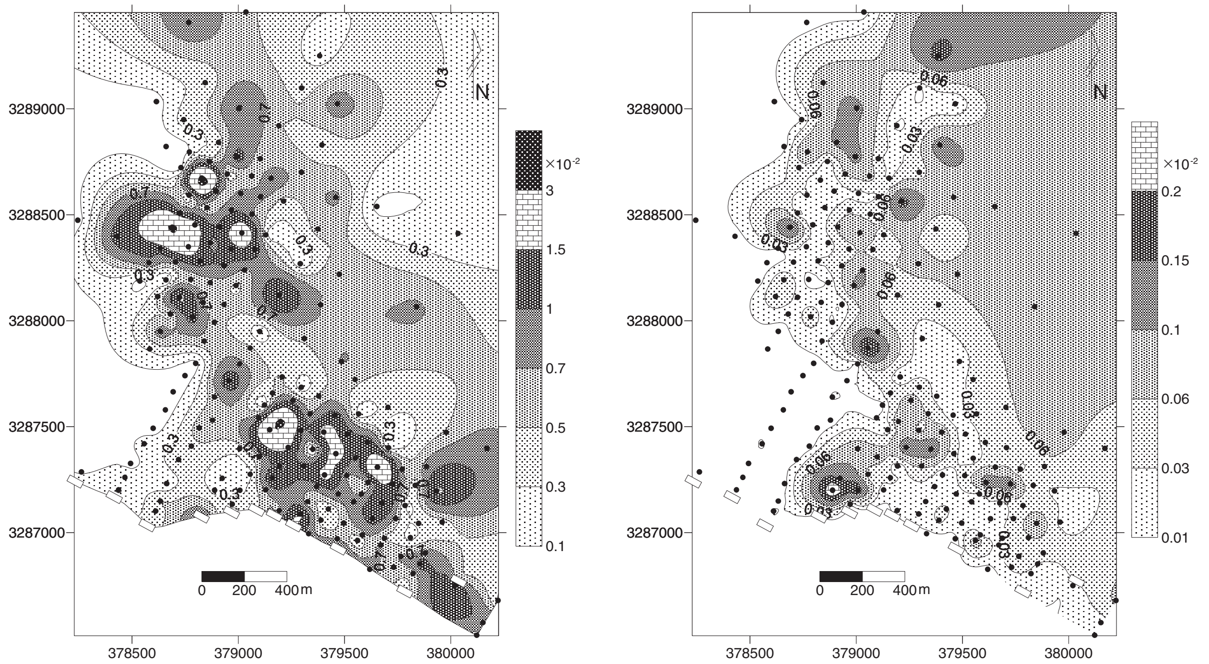
Two zones within the I-1 mineralized body have generally been well defined by drilling on a 100-m by 100-m grid. The first is the Niumatang area located at the northwestern portion of the mineralized zone between Exploration Lines 15 and 35, which will be the primary target for the open-pit mining operation in the early years of the mine's life. The second is the area between Exploration Lines 0 and 40 and within the current Jiama mining license boundary, which will be the target for an underground mining operation. The mineralized body is still open to the northeast along the dip direction, representing significant additional exploration potential.

Seven other smaller mineralized bodies have also been modeled, but they are generally not well defined by the current drilling data.

The I-2 mineralized body was intersected by nine drill holes between Exploration Lines 4 and 36 and consists of three small discontinuous zones located below the I-1 mineralized body. The body is hosted by stratiform skarns and is dipping to the northeast. Thickness of the I-2 mineralized body ranges from 1.5 m to 20.9 m, averaging 14.7 m.

The I-3 to I-8 mineralized bodies are small, thin, mineralized zones located southeast of the I-1 mineralized body between Exploration Lines 56 and 80 and are intersected by two to ten drill holes each. These mineralized bodies are generally lenticular in shape and generally dip to the northeast. The average thickness of the zones ranges from 3 m to 10 m.

Copper is the most important economic metal in the deposit. Other metals of economic value include molybdenum, lead, gold, silver, and zinc. These metals are distributed differently in the deposits. In general, the copper grade is higher at the upper and northwest portions and lower in the northeast portion. Molybdenum seems negatively correlated with copper, with higher grades in the northeast portion of the deposit. Gold and silver have a distribution pattern similar to that of copper in the deposit. Lead and zinc are only enriched at the upper part at the southwest of the I-1 mineralized body, which was part of the historic mining targets. Contents of harmful elements, such as arsenic, antimony, and mercury, are generally low in the deposit and will not create any marketing issues for concentrate produced from the deposit. Figures 9.2 to 9.4 present the drill hole mineralized interval average metal grade isopachs of the six elements, showing the metal distribution in the Jiama deposit.



Copper Molybdenum

Figure 9.2 Copper and molybdenum grade distribution in the Jiama deposit

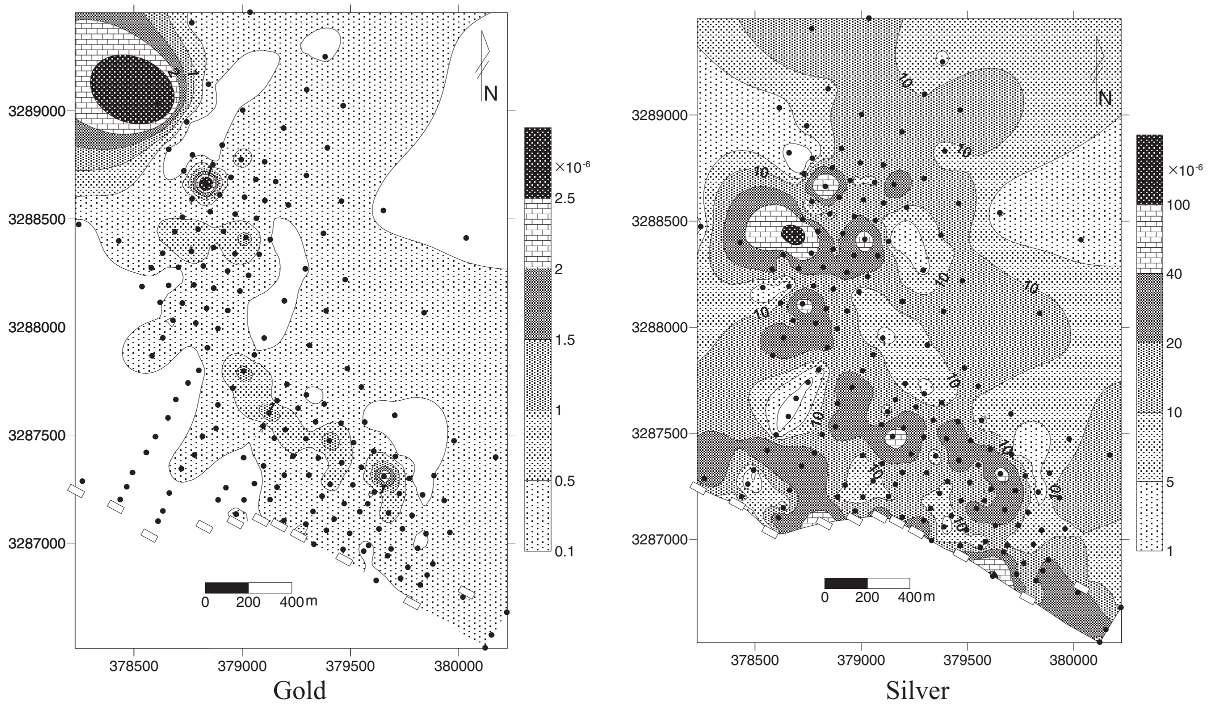


Figure 9.3 Gold and silver grade distribution in the Jiama deposit

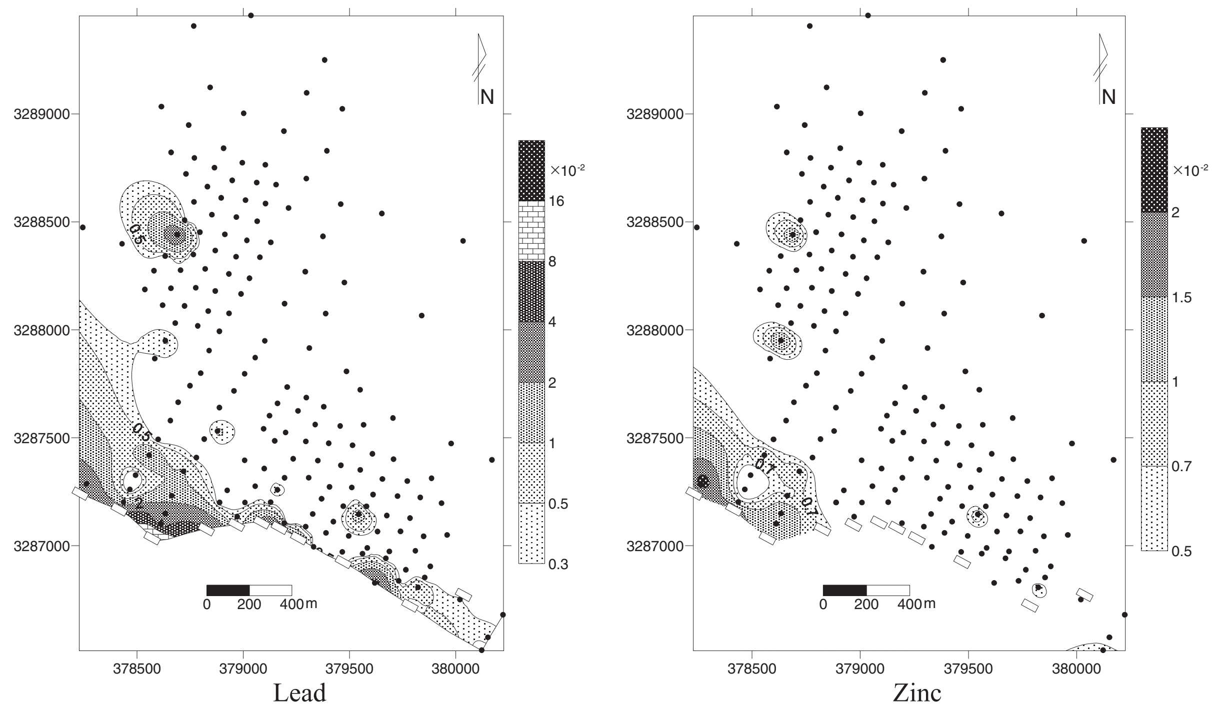


Figure 9.4 Lead and zinc grade distribution in the Jiama deposit

Metallic minerals in the deposit include chalcopyrite, bornite, molybdenite, tetrahedrite, galena, sphalerite, chalcocite, digenite, covellite, native copper, pyrite, marcasite, pyrrhotite, magnetite, limonite, malachite and azurite. Nonmetallic minerals include garnet, diopside, wollastonite, tremolite, epidote, quartz, feldspar, biotite, sericite, muscovite, chlorite, calcite, anhydrite, fluorite, and kaolinite. The metallic minerals occur as disseminations, massive aggregates, or as stockworks in the skarns.

Oxidation occurs only at the near-surface portion of the deposit. The majority of the defined mineral resources are in the unoxidized sulfide zone.

BDASIA has reviewed the interpretation of the geology and copper-polymetallic mineralization of the Jiama Project by Huatailong and the Resource Institute geologists and considers that the interpretation is reasonable.

9.2 Hornfels-Type Copper-Polymetallic Mineralization

Compared with the skarn-type copper-polymetallic mineralization, hornfels-type copper-polymetallic mineralization at Jiama is generally lower in metal grades and less well understood as it was only defined by 13 widely spaced (400×400 m to 400×200 m) drill holes. However, the mineralization is massive and very large in scale. A preliminary geological model of the hornfels-hosted mineralization was constructed by the Resource Institute, which was used as a basis for a preliminary resource estimation in this ITR.

Figure 9.2 shows the hornfels-hosted copper-polymetallic mineralized body as well as the skarn-type mineralization. The currently defined hornfels-type mineralization is very large, massive body without clear preferred direction. This mineralized body is over 1,500 m long in the rotated northwestern direction, up to 1,000 m wide in the rotated northeastern direction, and up to 820 m thick (as in drill hole ZK3216).

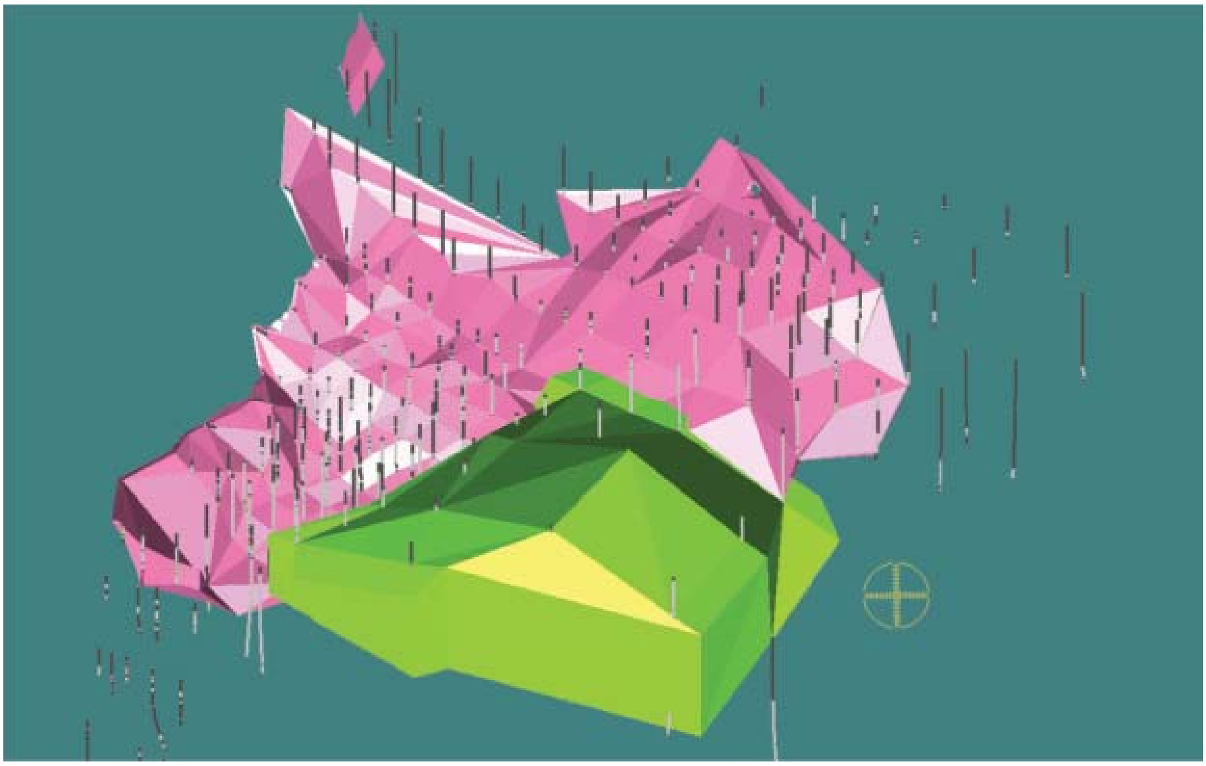


Figure 9.2 3-D view of the Hornfels-Type Mineralization of the Jiama Project
(The view is looking at 240° rotated azimuth with a dip angle of -60°. The Green solid is the hornfels-type mineralization and the magenta solid is the I-1 skarn-type mineralized body. The yellow circle at the upper middle part of the diagram has a diameter of 200 m.)

Copper-polymetallic mineralization generally occurs as fracture coatings in the hornfels. The metallic minerals in the hornfels-type mineralization are similar to that of the skarn-type mineralization. Chalcopyrite, bornite, molybdenite, pyrite and pyrrhotite are the major metallic minerals with minor amounts of other minerals. Copper and molybdenum are the two important elements; copper is generally enriched in the upper portion of the mineralization and molybdenum is generally enriched in the lower portion of the mineralization.

10.0 EXPLORATION

10.1 Brigade 6 Exploration Work in 1990s

Exploration work conducted by Brigade 6 in the 1990s included 1:2000 and 1:25,000-scale topographic survey, geological mapping, surface trenching, adit development, and DDH drilling. A total of 31 DDH holes with a total drilled length of 10,091 m were completed, along with the development of 407.5 m of adits and 16,474 m^3 of surface trenches. Exploration work was concentrated on the near-surface portion of the mineralized zones and was conducted in accordance with the industry requirements in China at the time.

10.2 Huatailong Exploration Work in 2008 and 2009

Extensive exploration work conducted by Huatailong in 2008 and 2009 (through the end of October) includes 1:2000-scale topographic surveying, geological mapping, and drilling of 192 DDH holes with a total drilled length of 64,158 m. Management of the exploration work and resource estimation was contracted to the Resource Institute in Beijing.

Survey control points were established using differential GPS instruments, based on the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system. The topographic survey was conducted by total stations, and the survey results were tied to the established survey control points. The 1:2000-scale topographic survey, with a 2-m contour interval, covered an area of 13.8 km^2, providing good support for the drilling and other exploration work.

11.0 DRILLING

11.1 Brigade 6 Drilling in the 1990s

DDH drilling by Brigade 6 in the 1990s was conducted in accordance with the "Core Drilling Regulation" promulgated by the former Ministry of Geology and Mineral Resources of China. Of the 31 holes drilled, only 22 with a total drilled length of 6,518 m met the requirements under the regulation. Core recoveries ranged from 65% to 95%, with an average of 84% for 15 holes. Six other holes were considered as not conforming with the regulations because the core recovery was too low or because the drill hole was terminated prematurely. Only the 22 holes meeting the regulations have been included in the database for the current resource estimation.

Table 11.1 summarizes the drill hole information completed by Brigade 6 in the 1990s.

Table 11.1
1990s Brigade 6 Drill Holes for the Jiama Project

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery			No. of Samples
							(1)	(2)	(3)	
ZK3114	16378635	3288339	4502.9	-90	0	176.3	59.7	71.0	47.0	4
ZK1502	16378469	3287258	5023.6	-90	0	349.0	83.6	80.0	82.0	2
ZK702	16378636	3287147	4976.9	-90	0	303.5	85.2	83.6	79.5	7
ZK710	16379009	3287794	4550.0	-90	0	142.0	89.4	85.0	97.9	44
ZK002	16378967	3287321	4740.7	-90	0	200.0	71.8	81.7	96.4	52
ZK004	16379044	3287454	4653.6	-90	0	182.1	43.9	71.0	84.0	54
ZK402	16378974	3287132	4755.3	-90	0	240.2	—	87.9	96.8	79
ZK404	16379011	3287198	4735.9	-90	0	311.0	—	—	75.8	74
ZK804	16379131	3287199	4666.7	-90	0	250.3	93.2	91.0	89.2	87
ZK808	16379197	3287312	4597.1	-90	0	286.6	88.3	85.2	89.3	65
ZK1204	16379228	3287171	4625.3	-90	0	203.7	86.4	96.9	87.4	84
ZK1206	16379260	3287227	4612.1	-90	0	280.1	—	—	85.8	90
ZK1606	16379330	3287145	4637.0	-90	0	180.2	73.2	84.9	95.3	105
ZK1610	16379409	3287270	4735.6	-90	0	331.1	77.3	69.4	83.2	63
ZK2402	16379517	3287070	4773.8	-90	0	336.3	85.7	85.7	79.6	24
ZK2406	16379613	3287235	4860.6	-90	0	471.6	74.7	73.8	70.0	34
ZK3202	16379699	3286986	4874.8	-90	0	264.9	78.4	31.6	61.6	52
ZK3210	16379835	3287221	4947.1	-90	0	610.0	77.1	49.5	89.3	42
ZK4001	16379825	3286805	4930.2	-90	0	314.9	52.8	72.0	79.1	102
ZK7204	16380560	3286479	5072.1	-90	0	265.3	84.4	67.5	84.9	27
ZK8012	16380881	3286637	4976.0	-90	0	329.1	84.0	94.0	83.4	44
ZK8016	16380963	3286778	4934.5	-90	0	490.1	93.9	78.0	92.2	55

Note: Core recovery (1) is for mineralized intervals; core recovery (2) is for hangingwall waste; and core recovery (3) is for footwall waste.

11.2 Huatailong Drilling in 2008 and 2009

11.2.1 2008 Drilling

Huatailong's 2008 drilling program was conducted from April 31 to December 9. Six drilling contractors with a total of 36 drill rigs completed 150 DDH holes and drilled a total length of 50,617 m. Drilling was managed and supervised by the Resource Institute. Drill hole spacing was designed at 100-200 m by 100-200 m within the mining license boundary and increased to 200-400 m by 100-400 m outside the mining license. Five of the drilled holes were terminated prematurely, but three of the relatively deep holes were still included in the database for geological purposes. Excluding the re-drilled intervals, the 2008 holes included in the Jiama drill hole database consist of 148 holes with a total drilled length of 48,970 m.

Drilling started at the surface using 130-mm or 110-mm diameter drill bits, reducing to 91-mm or 75-mm diameter drill bits after entering into the solid rocks. Core recoveries were generally good. Core recovery for the skarn mineralized intervals ranged from 60.3% to 100%, averaging 95.3%; core recovery for the hanging walls ranged from 62.7% to 100%, averaging 95.0%; and core recovery for the footwalls ranged from 65.1% to 100%, averaging 95.3%.

Drill hole collar locations were surveyed using differential GPS survey instruments after drilling, and the down-hole deviation was measured using down-hole survey instruments generally at a 100-m interval. Completed drill holes were plugged using cement, with a cement post maintained at the center of the drill hole collar.

Properly labeled and boxed drill cores were transported from the drill site to the core storage warehouse, where core logging, photographing, and sampling took place.

Table 11.2 summarizes the drill hole information completed by Huatailong in 2008.

Table 11.2
2008 Huatailong Drill Holes for the Jiama Project

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery (1)	(2)	(3)	No. of Samples
ZK003	16378891	3287198	4791.7	-90	0	247.2	95.6	96.2	95.4	63
ZK007	16378927	3287254	4758.2	-90	0	236.0	99.3	98.8	96.4	84
ZK008	16379126	3287600	4576.4	-90	0	103.3	93.4	89.7	84.9	32
ZK011	16379009	3287394	4692.0	-90	0	192.0	94.1	95.3	93.8	42
ZK012	16379099	3287539	4585.2	-90	0	352.0	97.6	97.1	80.1	29
ZK014	16379164	3287657	4613.5	-90	0	189.2	95.8	95.4	85.0	54
ZK016	16379209	3287732	4632.1	-90	0	161.9	97.6	89.2	88.1	79
ZK018	16379313	3287913	4779.0	-90	0	347.2	94.6	86.7	88.8	159
ZK020	16379390	3288073	4873.4	-90	0	410.4	99.0	99.2	100.0	200
ZK021	16379478	3288217	4970.0	-90	0	500.9	99.9	95.7	96.5	284
ZK026	16379655	3288536	4886.4	-90	0	551.5	98.0	88.9	95.4	296
ZK1201	16379195	3287102	4673.4	-90	0	154.4	95.9	94.9	94.9	48
ZK1205	16379310	3287312	4671.8	-90	0	239.2	91.9	84.4	98.0	124
ZK1207	16379354	3287392	4685.3	-90	0	226.3	96.7	99.0	97.8	122
ZK1208	16379405	3287472	4747.0	-90	0	337.0	94.8	98.3	95.3	118
ZK1209	16379459	3287552	4798.7	-90	0	446.3	94.8	—	96.2	248
ZK1212	16379553	3287720	4802.9	-90	0	415.2	97.5	97.6	99.3	242
ZK1501	16378439	3287200	4984.3	-90	0	176.8	96.4	98.8	96.3	13
ZK1503	16378496	3287324	5020.8	-90	0	404.6	93.1	91.3	93.3	18
ZK1504	16378560	3287417	4952.9	-90	0	464.7	96.8	98.9	98.7	36
ZK1505	16378890	3287991	4534.9	-90	0	119.4	74.8	100.0	100.0	53
ZK1506	16378936	3288074	4563.7	-90	0	103.0	87.5	89.6	90.5	41
ZK1507	16378842	3287902	4599.5	-90	0	152.2	93.9	98.3	94.4	41
ZK1508	16378802	3287797	4650.5	-90	0	204.3	90.1	90.2	90.5	32
ZK1509	16378752	3287739	4695.3	-90	0	237.3	91.0	93.4	92.4	36
ZK1510	16378696	3287662	4756.0	-90	0	274.6	97.1	97.2	98.0	26
ZK1511	16378660	3287577	4820.7	-90	0	322.2	97.7	97.6	98.7	12
ZK1512	16378602	3287491	4895.2	-90	0	374.6	98.2	99.1	98.1	12
ZK1516	16379032	3288237	4685.0	-90	0	233.2	96.8	97.4	89.9	56
ZK1518	16379132	3288403	4826.4	-90	0	358.1	90.3	94.7	95.0	136
ZK1520	16379215	3288562	4754.6	-90	0	400.5	95.4	96.3	95.2	87
ZK1522	16379299	3288698	4683.2	-90	0	370.7	95.4	96.2	90.1	128
ZK1524	16379396	3288827	4738.2	-90	0	494.1	96.4	95.6	95.0	156
ZK1602	16379296	3287086	4630.9	-90	0	187.1	73.3	94.2	92.2	98
ZK1604	16379371	3287215	4702.3	-90	0	270.4	94.6	83.4	91.2	91
ZK1607	16379462	3287370	4733.4	-90	0	290.4	92.1	96.3	95.4	210

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery (1)	(2)	(3)	No. of Samples
ZK1608	16379517	3287463	4802.7	-90	0	404.7	92.6	95.6	96.3	96
ZK1609	16379569	3287558	4860.8	-90	0	480.7	62.7	81.9	99.4	337
ZK1616	16379842	3288064	5098.6	-90	0	839.4	95.5	90.0	92.4	787
ZK1618	16380037	3288409	5024.7	-90	0	800.6	95.0	65.1	93.2	444
ZK1620	16379666	3287718	4861.1	-90	0	436.1	95.4	—	—	212
ZK2001	16379334	3286993	4645.2	-90	0	162.1	93.7	94.5	93.8	132
ZK2002	16379392	3287057	4690.1	-90	0	237.2	98.9	100.0	99.2	87
ZK2004	16379427	3287109	4718.4	-90	0	273.5	97.9	98.8	99.3	112
ZK2005	16379473	3287181	4765.5	-90	0	338.9	97.7	100.0	98.7	76
ZK2006	16379513	3287267	4795.4	-90	0	377.2	96.1	100.0	96.7	186
ZK2007	16379553	3287349	4776.4	-90	0	403.9	95.9	8635	60.3	162
ZK2008	16379610	3287423	4833.3	-90	0	443.3	96.8	100.0	97.7	213
ZK2010	16379707	3287589	4918.1	-90	0	665.1	99.1	95.0	98.6	217
ZK2301	16378265	3287284	4972.3	-90	0	190.8	95.6	96.6	85.8	19
ZK2303	16378823	3288280	4567.1	-90	0	127.8	93.5	97.9	96.0	94
ZK2304	16378779	3288192	4517.4	-90	0	117.1	93.6	85.9	89.9	56
ZK2305	16378726	3288108	4567.9	-90	0	126.5	91.4	94.4	92.6	42
ZK2306	16378683	3288029	4627.7	-90	0	227.6	95.9	95.0	95.9	73
ZK2307	16378636	3287948	4692.7	-90	0	284.1	92.6	96.9	98.0	55
ZK2308	16378586	3287864	4759.9	-90	0	322.0	92.0	98.3	97.1	62
ZK2310	16378916	3288440	4690.6	-90	0	300.0	94.6	97.2	98.8	169
ZK2312	16379013	3288598	4713.8	-90	0	280.9	99.6	100.0	100.0	64
ZK2314	16379106	3288762	4596.5	-90	0	311.2	98.3	100.0	100.0	51
ZK2316	16379194	3288917	4667.5	-90	0	341.0	98.3	99.5	97.2	56
ZK2401	16379468	3286969	4745.2	-90	0	56.2	97.5	—	95.8	18
ZK2404	16379499	3287043	4765.7	-90	0	403.5	99.0	100.0	98.8	138
ZK2407	16379546	3287143	4807.1	-90	0	466.7	95.5	99.4	99.1	154
ZK2408	16379582	3287180	4839.3	-90	0	418.7	97.5	100.0	90.0	94
ZK2409	16379657	3287307	4829.8	-90	0	531.0	99.4	99.7	97.5	292
ZK2410	16379710	3287399	4877.6	-90	0	463.4	98.1	98.4	99.9	200
ZK2412	16379802	3287560	4968.0	-90	0	402.4	97.4	—	—	212
ZK2801	16379564	3286961	4804.4	-90	0	189.3	93.5	—	87.9	89
ZK2802	16379586	3286987	4822.5	-90	0	360.1	98.2	100.0	98.4	270
ZK2804	16379634	3287064	4862.5	-90	0	456.4	95.9	96.8	96.0	184
ZK2805	16379678	3287137	4897.6	-90	0	508.3	98.8	99.4	98.8	396
ZK2806	16379729	3287228	4901.1	-90	0	498.0	98.7	97.0	97.1	249
ZK2807	16379774	3287297	4879.2	-90	0	502.0	98.6	100.0	100.0	234
ZK3101	16378692	3288438	4547.1	-90	0	86.5	82.3	92.0	93.1	18
ZK3102	16378727	3288506	4584.3	-90	0	158.0	100.0	96.2	100.0	67
ZK3103	16378540	3288185	4611.4	-90	0	158.6	80.6	94.0	94.9	40
ZK3104	16378583	3288271	4554.3	-90	0	119.9	100.0	100.0	100.0	46
ZK3106	16378834	3288661	4652.9	-90	0	196.3	95.5	90.7	96.9	75
ZK3108	16378910	3288839	4549.3	-90	0	146.2	97.3	97.3	100.0	25
ZK3203	16379674	3286939	4858.4	-90	0	373.9	95.0	87.8	94.1	206
ZK3204	16379690	3286971	4880.8	-90	0	388.9	86.2	99.2	88.6	179
ZK3207	16379742	3287064	4936.0	-90	0	525.6	98.9	98.6	98.5	379
ZK3208	16379787	3287126	4967.6	-90	0	587.3	99.3	98.1	96.3	542
ZK3209	16379888	3287310	4926.9	-90	0	656.8	96.6	91.4	97.8	403
ZK3212	16379981	3287471	5037.7	-90	0	640.5	98.6	—	93.1	314
ZK3601	16379734	3286835	4883.3	-90	0	470.9	97.0	95.1	97.6	279
ZK3603	16379768	3286886	4881.2	-90	0	513.7	96.5	96.6	96.7	314
ZK3604	16379813	3286974	4936.3	-90	0	543.1	97.8	99.2	99.0	248

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery (1)	(2)	(3)	No. of Samples
ZK3605	16379851	3287041	4988.6	-90	0	678.4	95.6	100.0	85.0	350
ZK3608	16379936	3287195	4981.8	-90	0	720.8	95.6	95.2	95.5	363
ZK3901	16378432	3288396	4567.1	-90	0	156.9	93.9	99.9	100.0	22
ZK3902	16378663	3288819	4555.2	-90	0	145.0	94.6	97.7	97.9	65
ZK3904	16378746	3288946	4523.1	-90	0	96.8	98.9	9427	99.5	36
ZK4002	16379784	3286724	4914.3	-90	0	140.8	90.7	94.5	93.5	90
ZK4004	16379856	3286850	4952.4	-90	0	552.6	97.0	96.1	96.3	319
ZK4006	16379883	3286902	4958.1	-90	0	607.3	95.2	97.3	95.7	384
ZK4008	16379961	3287048	5046.9	-90	0	690.1	95.2	—	94.4	365
ZK406	16379059	3287273	4679.0	-90	0	154.2	94.5	98.8	100.0	40
ZK408	16379101	3287355	4636.1	-90	0	133.8	100.0	96.9	95.5	70
ZK409	16379151	3287483	4581.3	-90	0	143.4	95.3	98.8	100.0	34
ZK410	16379202	3287522	4618.0	-90	0	140.8	87.9	89.0	86.1	54
ZK411	16379260	3287622	4677.9	-90	0	217.9	91.5	70.0	91.7	47
ZK412	16379299	3287684	4688.5	-90	0	260.9	99.0	91.3	95.0	119
ZK4701	16378247	3288472	4547.0	-90	0	125.7	100.0	—	—	0
ZK4702	16378617	3289032	4518.7	-90	0	94.07	78.2	74.7	93.7	6
ZK4803	16380121	3286908	5094.5	-90	0	805.8	96.9	97.8	97.1	354
ZK4804	16380037	3286771	5077.7	-90	0	650.5	93.6	—	95.8	247
ZK5601	16380125	3286514	5117.4	-90	0	127.8	97.1	100.0	100.0	44
ZK5602	16380154	3286574	5155.1	-90	0	374.9	95.0	—	97.1	270
ZK5603	16380225	3286678	5222.4	-90	0	311.4	79.4	95.8	79.9	211
ZK5605	16380365	3286933	5258.2	-90	0	659.8	93.3	98.1	99.4	306
ZK6402	16380375	3286558	5175.5	-90	0	305.2	99.1	99.8	91.6	64
ZK6403	16380411	3286615	5218.6	-90	0	336.0	94.0	98.7	99.3	87
ZK6405	16380485	3286735	5244.1	-90	0	191.0	94.4	88.6	97.4	130
ZK6406	16380319	3286461	5123.5	-90	0	129.5	95.0	—	94.4	34
ZK701	16378614	3287100	4980.9	-90	0	182.5	92.6	94.0	93.8	54
ZK703	16378666	3287230	4950.5	-90	0	287.3	97.5	99.2	98.7	27
ZK704	16378722	3287342	4887.0	-90	0	341.2	94.5	98.0	98.4	31
ZK705	16378782	3287406	4819.3	-90	0	290.2	95.6	98.3	98.6	31
ZK706	16378819	3287492	4773.7	-90	0	270.7	96.0	100.0	99.0	13
ZK707	16378882	3287529	4707.2	-90	0	267.2	97.0	93.0	99.2	36
ZK708	16378890	3287637	4676.5	-90	0	224.3	98.1	96.7	98.0	17
ZK709	16378959	3287715	4613.4	-90	0	194.5	95.5	96.9	96.8	21
ZK711	16379059	3287869	4588.2	-90	0	152.3	93.0	99.5	97.6	86
ZK712	16379104	3287947	4640.9	-90	0	198.9	95.6	96.9	92.5	103
ZK716	16379197	3288119	4761.7	-90	0	284.7	98.9	99.9	98.4	70
ZK718	16379294	3288267	4864.8	-90	0	400.7	98.0	92.0	63.9	209
ZK720	16379378	3288431	4881.5	-90	0	405.6	99.2	100.0	98.2	189
ZK7201	16380591	3286524	5101.5	-90	0	171.5	95.0	73.3	99.0	70
ZK7202	16380637	3286602	5107.1	-90	0	520.7	95.7	99.0	99.1	113
ZK7203	16380682	3286689	5120.7	-90	0	288.3	91.7	97.3	97.3	49
ZK7205	16380545	3286441	5075.4	-90	0	172.5	98.5	100.0	99.6	58
ZK722	16379461	3288580	4789.6	-90	0	457.3	99.5	90.9	96.7	205
ZK8001	16380843	3286564	4982.4	-90	0	97.1	92.5	95.5	96.0	37
ZK8002	16380911	3286679	4967.7	-90	0	348.4	99.4	99.2	99.5	74
ZK8003	16380943	3286733	4937.1	-90	0	519.5	90.1	95.1	95.5	124
ZK8006	16381037	3286893	4865.1	-90	0	554.5	96.2	—	96.2	139
ZK803	16379163	3287257	4627.9	-90	0	200.9	92.8	95.9	99.6	94
ZK805	16379237	3287400	4624.8	-90	0	160.1	96.0	97.5	97.0	75
ZK806	16379297	3287481	4679.9	-90	0	210.0	98.8	100.0	98.6	145

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery (1)	Core Recovery (2)	Core Recovery (3)	No. of Samples
ZK807	16379341	3287559	4719.9	-90	0	263.5	99.2	97.9	99.3	185
ZK809	16379381	3287642	4746.6	-90	0	293.6	99.6	100.0	100.0	163
ZK812	16379488	3287805	4801.2	-90	0	364.7	98.7	—	97.6	222
ZK816	16379577	3287972	4928.5	-90	0	394.7	96.8	—	—	181
ZK8801	16381189	3286752	4784.8	-90	0	215.7	97.7	97.1	97.0	70
ZK8802	16381202	3286808	4764.4	-90	0	354.1	88.4	—	—	27
ZK8807	16376317	3291850	4649.4	-90	0	547.3	98.2	—	—	266
ZK9602	16376510	3291630	4645.5	-90	0	441.1	96.2	—	—	308

Note: Core recovery (1) is for mineralized intervals; core recovery (2) is for hangingwall waste; and core recovery (3) is for footwall waste.

11.2.2 2009 Drilling

Huatailong's 2009 drilling through the end of October consisted of 36 in-fill DDH holes with a total drilled length of 9,985 m in the Niumatang area and 4 step-out DDH holes with a total drilled length of 3,556 m to the northeast of the mineralized zone. The in-fill drilling has brought the drilling density in the Niumatang area to 100-m by 100-m, which is sufficient to produce a resource estimate for open-pit mine planning and ore reserve estimation in the area. The 4 step-out drill holes to the northeast have further extended the mineralized zone and increased the total mineral inventory of the Jiama deposit.

Drilling and surveying of the drill holes for the 2009 program were conducted in a similar manner as that for the 2008 drilling program. Core recoveries were generally good. Core recovery for the mineralized intervals ranged from 76.3% to 100%, averaging 96.5%; core recovery for the hanging walls ranged from 87.6% to 100%, averaging 96.3%; and core recovery for the footwalls ranged from 85.4% to 100%, averaging 96.4%.

Table 11.3 summarizes the drill hole information completed by Huatailong in 2009.

Table 11.3
2009 Huatailong Drill Holes for the Jiama Project

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery (1)	Core Recovery (2)	Core Recovery (3)	No. of Samples
ZK1514	16378986	3288156	4632.0	-90	0	195.7	92.0	96.4	96.6	73
ZK1517	16379081	3288333	4768.5	-90	0	289.8	96.8	85.4	82.7	50
ZK1526	16379469	3289021	4820.3	-90	0	645.5	98.5	98.9	99.9	195
ZK1902	16378788	3288016	4584.3	-90	0	168.7	93.7	99.1	98.1	94
ZK1904	16378838	3288084	4533.0	-90	0	119.5	87.6	97.8	97.9	62
ZK1906	16378871	3288177	4553.0	-90	0	165.5	100.0	100.0	99.7	146
ZK1908	16378935	3288256	4639.0	-90	0	188.2	96.3	95.3	99.2	99
ZK1910	16378969	3288336	4696.4	-90	0	289.1	98.1	99.4	99.1	166
ZK1912	16379020	32884112	4753.5	-90	0	324.7	99.2	100.0	99.2	115
ZK1914	16379068	3288501	4787.9	-90	0	419.1	99.7	98.1	100.0	113
ZK1916	16379107	3288582	4748.2	-90	0	406.2	97.9	99.1	99.0	63
ZK1918	16379157	3288670	4693.0	-90	0	327.3	98.7	96.3	91.9	101
ZK2309	16378871	3288365	4636.4	-90	0	241.0	97.2	97.3	99.5	159
ZK2311	16378970	3288520	4754.9	-90	0	425.2	98.6	99.6	98.9	119
ZK2313	16379066	3288680	4663.8	-90	0	259.3	95.2	91.6	91.4	71
ZK2318	16379301	3289095	4751.3	-90	0	581.1	96.2	98.0	96.4	48
ZK2320	16379386	3289247	4839.9	-90	0	693.4	97.4	85.8	96.5	49
ZK2702	16378623	3288112	4614.2	-90	0	206.9	93.7	98.5	98.0	33
ZK2704	16378662	3288190	4559.4	-90	0	131.4	99.3	88.3	75.3	34
ZK2706	16378708	3288274	4509.2	-90	0	115.8	92.2	90.2	93.6	55
ZK2708	16378768	3288347	4567.1	-90	0	175.2	100.0	100.0	99.5	75
ZK2710	16378799	3288450	4613.2	-90	0	185.8	91.6	94.3	99.4	110
ZK2712	16378855	3288531	4683.7	-90	0	321.3	98.9	98.0	98.2	202
ZK2714	16378899	3288609	4683.8	-90	0	335.7	96.7	99.7	99.3	124
ZK2716	16378951	3288690	4642.2	-90	0	223.9	94.5	98.8	99.7	66
ZK2718	16378998	3288771	4596.9	-90	0	208.1	91.8	85.6	93.2	37
ZK3105	16378771	3288590	4646.1	-90	0	146.2	99.0	98.5	98.2	65
ZK3107	16378867	3288749	4604.1	-90	0	170.0	97.5	98.3	99.7	37
ZK3110	16379005	3289000	4639.8	-90	0	266.5	98.8	100.0	93.8	81
ZK3216	16380181	3287825	5205.4	-90	0	864.4	96.5	92.0	—	428
ZK3220	16380384	3288199	5232.0	-90	0	935.2	98.2	93.4	100.0	508
ZK3224	16380587	3288504	5217.2	-90	0	1000.4	98.3	99.3	—	306
ZK3506	16378676	3288631	4628.5	-90	0	185.4	94.6	99.8	98.2	148
ZK3508	16378733	3288720	4610.6	-90	0	180.5	88.8	99.6	96.8	134
ZK3510	16378773	3288794	4568.3	-90	0	93.5	98.1	98.5	98.9	18
ZK3906	16378847	3289121	4593.3	-90	0	225.4	97.3	96.0	98.4	24
ZK3910	16379039	3289454	4645.8	-90	0	540.7	98.9	99.5	97.9	75
ZK4012	16380173	3287395	5084.5	-90	0	755.7	96.6	—	98.5	366
ZK4706	16378675	3289224	4554.0	-90	0	198.6	93.3	98.3	94.6	22
ZK4708	16378770	3289405	4593.8	-90	0	334.5	97.7	91.4	93.4	24

Note: Core recovery (1) is for mineralized intervals; core recovery (2) is for hangingwall waste; and core recovery (3) is for footwall waste.

11.3 Discussion

As the primary skarn-type mineralized body has a steep dip angle (averaging 60°) at the upper (southwest) portion and is flatter (with an average dipping angle of 10°) at the lower (northeast) portion at the Jiama Project, and as the drill holes were drilled mostly vertically, the true thickness of the mineralized zone at the location of a drill hole is approximately 0.50 and 0.98 times the drilled intercepted mineralized zone length for the upper steeply-dipping zone and the lower flatter zone, respectively.

These drilling results defined the lateral extents and metal grade distribution of the skarn-type mineralization for the Jiama Project and formed a solid basis for the skarn-type mineral resource and mineral reserve estimates. The drilling results have also provided a preliminary basis for the modeling of the hornfels-type copper-polymetallic mineralization.

12.0 SAMPLING METHOD AND APPROACH

12.1 Brigade 6 Sampling in the 1990s

Core samples were taken by a mechanical splitter. Half of the core was sent for sample preparation and assay, and the other half was retained for records. Sample intervals were generally 1 to 2 m. Surface trenches were sampled by channels 5-cm wide and 3-cm deep, with sample intervals of 1 to 2 m. Channels were oriented as much as possible perpendicular to the direction of the mineralized/ alteration zone extension.

Table 12.1 lists the skarn-type mineralized intervals in the drill holes drilled in the 1990s for the Jiama Project.

Table 12.1
Skarn-Type Mineralized Intervals in 1990s Drill Holes for the Jiama Project

	Mineralized Interval			Est. True	Average Grade					
Hole Id	From	To	Length	Thickness (m)	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %
ZK3114	10.09	16.44	6.35	6.25	1.12	0.003	0.20	11.99	0.02	0.02
ZK702	254.50	260.37	5.87	2.94	0.53	0.000	0.00	0.00	3.58	1.66
ZK710	83.05	85.34	2.29	2.26	1.13	0.007	1.13	13.64	0.02	0.20
ZK002	151.87	191.45	39.58	38.98	1.30	0.015	0.59	24.63	0.27	0.09
ZK004	134.86	151.48	16.62	16.37	0.33	0.015	0.22	9.29	0.04	0.02
ZK402	13.80	124.42	43.19	21.60	0.56	0.018	0.23	13.56	0.52	0.16
ZK404	121.17	180.49	42.83	21.42	0.78	0.045	0.28	8.75	0.20	0.04
ZK804	110.85	185.61	27.80	13.90	1.62	0.297	0.29	14.50	0.14	0.55
ZK808	80.50	85.68	5.18	5.10	1.09	0.004	0.31	9.74	0.01	0.14
ZK1204	43.71	105.39	61.68	60.74	1.03	0.010	0.38	8.55	0.08	0.03
ZK1206	63.97	125.96	61.99	61.05	0.46	0.029	0.06	4.21	0.01	0.02
ZK1606	98.21	147.87	49.66	48.91	0.33	0.025	0.09	4.78	0.01	0.02
ZK1610	252.58	284.86	32.28	31.79	1.85	0.006	0.75	8.49	0.02	0.01
ZK2402	255.53	271.70	16.17	15.92	0.15	0.001	0.01	5.19	0.01	0.01
ZK2406	436.65	447.92	11.27	11.10	0.44	0.139	0.02	9.58	0.02	0.02
ZK3210	519.96	586.09	66.13	65.13	0.24	0.032	0.00	0.00	0.00	0.00
ZK4001	201.47	308.66	107.19	53.60	0.37	0.015	0.11	13.57	0.84	0.54
ZK7204	144.50	162.50	18.00	17.73	2.44	0.000	0.00	0.00	0.03	0.03
ZK8012	188.49	254.55	49.44	48.69	0.68	0.016	0.00	0.00	0.11	0.21
ZK8016	217.04	442.82	23.39	23.03	0.83	0.004	0.40	13.26	1.56	0.16

12.2 Huatailong Sampling in 2008 and 2009

Core samples were taken by a diamond rock saw. Half of the core was sent for sample preparation and assay, and the other half was retained for records. Sample intervals were generally 1 m for the skarn-type mineralization and 2 m for the hornfels-type mineralization. Variable sample intervals sometimes were used based on geological characteristics. Samples were taken continuously within the mineralized zones as well as every 2 m among the host rocks on each side of a mineralized zone. A total of 19,536 and 3,453 core samples were taken for grade analysis in 2008 and 2009 (up to the end of October), respectively.

Tables 12.2 and 12.3 list the skarn-type mineralized intervals in the 2008 and 2009 drill holes for the Jiama Project, respectively.

Table 12.2
Skarn-Type Mineralized Intervals in 2008 Drill Holes for the Jiama Project

	Mineralized Interval			Est. True	Average Grade					
Hole Id	From	To	Length	Thickness (m)	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %
ZK003	212.33	231.30	18.97	9.49	0.22	0.273	0.06	7.70	0.07	0.09
ZK007	175.23	198.73	23.50	23.14	0.20	0.130	0.02	9.97	0.12	0.01
ZK008	84.22	86.22	2.00	1.97	0.04	0.000	0.02	0.52	0.00	0.00
ZK011	139.77	156.88	17.11	16.85	0.38	0.086	0.08	7.79	0.04	0.03
ZK012	82.33	94.83	12.50	12.31	0.90	0.009	0.06	18.17	0.09	0.02
ZK014	120.80	127.95	7.15	7.04	0.54	0.053	0.17	16.46	0.14	0.03
ZK016	143.90	146.10	2.20	2.17	0.51	0.005	0.33	6.68	0.00	0.01
ZK018	275.88	317.47	41.59	40.96	0.52	0.024	0.26	8.79	0.01	0.01
ZK020	364.20	386.70	22.50	22.16	0.30	0.031	0.11	5.67	0.01	0.01
ZK021	430.30	498.20	67.90	66.87	0.52	0.050	0.29	10.51	0.01	0.01
ZK026	466.70	547.60	80.90	79.67	0.03	0.070	0.01	0.67	0.00	0.01
ZK1201	78.93	120.52	41.59	20.80	0.55	0.024	0.22	9.89	0.01	0.02
ZK1205	152.66	199.08	46.42	45.71	1.14	0.064	0.42	20.33	0.00	0.01
ZK1207	169.44	200.50	31.06	30.59	0.07	0.103	0.01	1.07	0.01	0.01
ZK1208	250.31	314.39	64.08	63.11	1.23	0.060	1.03	17.92	0.01	0.01
ZK1209	312.10	427.55	115.45	113.70	0.93	0.008	0.37	17.88	0.01	0.02
ZK1212	304.50	393.40	88.90	87.55	0.39	0.069	0.12	8.61	0.04	0.09
ZK1501	145.07	153.48	8.41	4.21	0.04	0.006	0.01	15.26	1.36	0.75
ZK1505	27.10	54.20	27.10	26.69	0.52	0.004	0.21	14.69	0.01	0.00
ZK1506	53.80	72.80	19.00	18.71	0.59	0.008	0.20	13.07	0.00	0.01
ZK1507	132.72	143.28	10.56	10.40	1.00	0.023	0.27	36.37	0.01	0.01
ZK1516	154.85	198.30	43.45	42.79	0.52	0.072	0.24	11.62	0.01	0.01
ZK1518	269.13	276.12	6.99	6.88	0.23	0.048	0.05	2.53	0.01	0.01
ZK1520	337.07	400.54	63.47	62.51	0.38	0.162	0.15	7.01	0.01	0.01
ZK1522	307.83	362.07	54.24	53.42	0.50	0.032	0.26	9.37	0.01	0.01
ZK1524	439.47	461.00	21.53	21.20	0.33	0.132	0.18	6.77	0.01	0.01
ZK1602	54.90	129.26	74.36	37.18	0.99	0.016	0.35	15.84	0.01	0.01
ZK1604	196.40	240.50	44.10	43.43	0.61	0.023	0.12	7.16	0.00	0.01
ZK1607	247.49	284.00	36.51	35.96	1.92	0.035	0.75	36.24	0.01	0.01
ZK1608	330.20	393.89	63.69	62.72	1.33	0.007	0.43	23.51	0.01	0.01
ZK1609	413.10	456.65	43.55	42.89	0.19	0.047	0.06	4.27	0.00	0.01
ZK1616	587.16	839.36	252.20	248.37	0.76	0.102	0.26	12.56	0.01	0.01
ZK1618	687.40	790.26	102.86	101.30	0.12	0.069	0.05	2.82	0.01	0.00
ZK1620	412.26	432.68	20.42	20.11	0.31	0.019	0.12	5.37	0.01	0.00
ZK2001	54.59	140.65	73.65	36.83	0.74	0.006	0.15	12.98	0.02	0.03
ZK2002	143.80	218.90	18.80	18.51	0.58	0.044	0.23	8.27	0.00	0.02
ZK2004	211.90	231.40	19.50	19.20	0.31	0.022	0.17	6.01	0.00	0.01
ZK2005	298.30	325.40	27.10	26.69	0.73	0.017	0.20	14.39	0.06	0.21
ZK2006	324.00	369.00	45.00	44.32	0.66	0.054	0.16	9.48	0.01	0.01

Hole Id	Mineralized Interval			Est. True Thickness (m)	Average Grade					
	From	To	Length		Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %
ZK2007	331.50	368.50	37.00	36.44	0.81	0.004	0.21	14.69	0.02	0.19
ZK2008	380.60	438.10	57.50	56.63	0.96	0.031	0.32	17.60	0.00	0.00
ZK2010	566.30	655.20	88.90	87.55	0.28	0.114	0.07	5.58	0.01	0.01
ZK2301	130.38	140.58	10.20	10.05	0.09	0.004	0.09	35.61	2.97	2.27
ZK2303	36.26	95.92	59.66	58.75	1.12	0.031	0.30	22.57	0.02	0.02
ZK2304	34.70	37.00	2.30	2.27	0.51	0.116	0.05	4.42	0.01	0.01
ZK2305	76.08	86.08	10.00	9.85	1.81	0.022	0.48	60.88	0.01	0.01
ZK2306	178.44	200.05	21.61	21.28	0.17	0.027	0.03	4.29	0.01	0.01
ZK2307	256.53	267.53	11.00	10.83	0.87	0.002	0.21	40.99	0.57	1.68
ZK2308	306.16	310.16	4.00	3.94	0.32	0.007	0.19	19.24	0.24	0.01
ZK2310	137.50	258.50	121.00	119.16	1.10	0.071	0.66	20.21	0.01	0.01
ZK2312	231.10	272.50	41.40	40.77	0.67	0.023	0.14	16.69	0.03	0.03
ZK2314	224.40	229.40	5.00	4.92	0.49	0.033	0.17	10.11	0.01	0.01
ZK2316	320.80	323.80	3.00	2.95	0.96	0.001	0.51	29.05	0.01	0.02
ZK2401	42.00	55.00	13.00	6.50	0.56	0.002	0.30	11.16	0.04	0.04
ZK2404	229.00	334.90	105.90	52.95	0.45	0.016	0.08	8.61	0.08	0.03
ZK2407	344.00	378.30	34.30	33.78	0.84	0.017	0.26	31.18	1.71	1.08
ZK2408	382.92	404.60	21.68	21.35	0.68	0.020	0.24	10.56	0.01	0.07
ZK2409	399.40	466.40	67.00	65.98	1.91	0.074	1.84	36.94	0.01	0.01
ZK2410	416.40	442.80	26.40	26.00	0.16	0.053	0.15	3.80	0.01	0.01
ZK2801	104.52	147.52	43.00	21.50	0.13	0.058	0.01	1.94	0.01	0.01
ZK2802	149.80	336.70	109.30	54.65	0.46	0.026	0.08	8.12	0.04	0.02
ZK2804	384.86	429.80	44.94	22.47	1.18	0.019	0.33	18.34	0.13	0.21
ZK2805	458.80	474.30	15.50	15.26	1.64	0.010	0.75	38.40	0.00	0.01
ZK2806	463.50	496.30	32.80	32.30	0.95	0.094	0.47	21.86	0.00	0.01
ZK2807	428.45	476.20	47.75	47.02	0.60	0.039	0.07	6.73	0.02	0.03
ZK3101	39.50	50.78	11.28	11.11	3.48	0.186	0.97	175.26	3.69	1.49
ZK3104	79.20	89.20	10.00	9.85	0.91	0.001	0.20	24.95	0.21	0.23
ZK3106	181.30	185.30	4.00	3.94	8.25	0.002	8.20	209.92	0.03	0.01
ZK3108	91.50	109.20	17.70	17.43	0.31	0.084	0.09	10.38	0.02	0.01
ZK3203	212.35	358.30	127.95	63.98	0.65	0.024	0.21	15.00	0.05	0.03
ZK3204	369.03	382.25	13.22	6.61	0.48	0.026	0.28	10.42	0.01	0.02
ZK3207	454.40	511.40	57.00	56.13	0.44	0.031	0.15	7.02	0.01	0.01
ZK3208	540.20	549.20	9.00	8.86	0.02	0.054	0.01	1.13	0.02	0.02
ZK3209	525.40	656.80	131.40	129.40	0.72	0.052	0.10	6.99	0.02	0.03
ZK3212	609.60	640.50	30.90	30.43	0.51	0.078	0.13	7.58	0.02	0.01
ZK3601	129.82	469.60	335.78	167.89	0.49	0.029	0.19	11.43	0.04	0.03
ZK3603	309.70	496.20	165.42	82.71	0.62	0.055	0.27	12.32	0.01	0.01
ZK3604	431.46	521.84	90.38	89.01	0.19	0.059	0.04	4.54	0.06	0.04
ZK3605	497.90	671.91	174.01	171.37	0.31	0.075	0.08	6.70	0.03	0.02
ZK3608	630.11	717.60	87.49	86.16	1.66	0.026	0.34	16.57	0.01	0.02
ZK3904	79.70	81.70	2.00	1.97	0.48	0.014	0.18	10.10	0.00	0.01
ZK4002	73.59	134.05	60.46	30.23	0.34	0.015	0.07	10.72	0.11	0.11
ZK4004	395.67	527.18	131.51	65.76	1.19	0.027	0.45	22.99	0.04	0.02
ZK4006	453.64	565.55	111.91	110.21	0.70	0.033	0.22	17.15	0.05	0.01
ZK4008	579.03	686.03	107.00	105.37	0.15	0.010	0.08	3.90	0.01	0.01
ZK406	110.62	117.62	7.00	6.89	0.32	0.061	0.03	6.49	0.06	0.02
ZK408	93.56	107.40	13.84	13.63	0.36	0.047	0.06	8.23	0.01	0.01
ZK409	80.90	85.50	4.60	4.53	2.99	0.142	0.46	60.32	0.01	0.01
ZK410	93.66	119.31	25.65	25.26	3.31	0.089	0.84	38.09	0.03	0.02
ZK411	182.61	198.42	15.81	15.57	0.84	0.074	0.35	16.04	0.01	0.01
ZK412	177.70	213.10	35.40	34.86	0.21	0.057	0.04	2.77	0.01	0.01

Hole Id	Mineralized Interval			Est. True Thickness (m)	Average Grade					
	From	To	Length		Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %
ZK4804	498.57	599.17	100.60	50.30	0.49	0.038	0.24	10.22	0.06	0.03
ZK5601	28.36	89.88	61.52	30.76	0.28	0.021	0.08	7.76	0.07	0.28
ZK5602	129.90	373.00	243.10	121.55	0.93	0.017	0.32	22.82	0.45	0.26
ZK5603	83.76	306.83	146.07	73.04	0.31	0.055	0.14	6.53	0.12	0.14
ZK6402	178.20	285.60	12.00	11.82	0.41	0.049	0.14	10.83	0.10	0.04
ZK6403	94.50	99.50	5.00	4.92	0.05	0.072	0.06	1.23	0.07	0.11
ZK6405	71.60	191.00	52.40	51.60	0.77	0.027	0.11	7.65	0.07	0.04
ZK701	84.84	124.30	39.46	19.73	0.35	0.014	0.04	38.86	1.15	0.96
ZK703	271.80	278.80	7.00	3.50	0.19	0.002	0.11	23.75	2.12	6.90
ZK704	305.46	314.46	9.00	8.86	0.50	0.006	0.14	45.38	1.14	1.06
ZK705	253.72	260.40	6.68	6.58	0.45	0.001	0.15	21.19	0.21	0.02
ZK706	259.30	269.20	9.90	9.75	0.62	0.002	0.16	10.53	0.01	0.12
ZK707	216.72	232.70	15.98	15.74	0.76	0.001	0.23	36.06	0.77	0.65
ZK708	195.38	207.83	12.45	12.26	0.58	0.012	0.28	17.14	0.01	0.01
ZK709	146.72	155.10	8.38	8.25	1.36	0.011	0.50	44.77	0.01	0.02
ZK711	87.58	135.70	48.12	47.39	0.48	0.205	0.12	12.40	0.03	0.03
ZK712	130.18	137.18	7.00	6.89	0.10	0.083	0.00	2.44	0.02	0.02
ZK716	231.98	258.76	26.78	26.37	2.08	0.034	0.07	16.39	0.02	0.02
ZK718	332.02	395.96	63.94	62.97	0.09	0.039	0.05	2.03	0.01	0.01
ZK720	336.30	404.80	68.50	67.46	0.42	0.019	0.18	7.29	0.00	0.01
ZK7201	144.63	148.63	4.00	3.94	0.04	0.037	0.02	0.58	0.02	0.02
ZK7202	74.34	440.05	21.90	21.57	0.13	0.100	0.03	6.65	0.39	0.04
ZK7203	84.27	147.15	8.00	7.88	0.58	0.003	0.13	14.75	1.03	1.72
ZK722	397.20	439.26	42.06	41.42	0.72	0.073	0.28	13.98	0.01	0.01
ZK8001	35.80	64.90	29.10	28.66	1.54	0.002	0.60	21.50	0.21	0.14
ZK8002	133.64	138.64	5.00	4.92	0.09	0.000	0.18	20.84	1.09	0.84
ZK722	397.20	439.26	42.06	41.42	0.72	0.073	0.28	13.98	0.01	0.01
ZK8001	35.80	64.90	29.10	28.66	1.54	0.002	0.60	21.50	0.21	0.14
ZK8002	133.64	138.64	5.00	4.92	0.09	0.000	0.18	20.84	1.09	0.84
ZK722	397.20	439.26	42.06	41.42	0.72	0.073	0.28	13.98	0.01	0.01
ZK8001	35.80	64.90	29.10	28.66	1.54	0.002	0.60	21.50	0.21	0.14
ZK8002	133.64	138.64	5.00	4.92	0.09	0.000	0.18	20.84	1.09	0.84
ZK722	397.20	439.26	42.06	41.42	0.72	0.073	0.28	13.98	0.01	0.01
ZK8001	35.80	64.90	29.10	28.66	1.54	0.002	0.60	21.50	0.21	0.14
ZK8002	133.64	138.64	5.00	4.92	0.09	0.000	0.18	20.84	1.09	0.84

Table 12.3
Skarn-Type Mineralized Intervals in 2009 Drill Holes for the Jiama Project

Hole Id	Mineralized Interval			Est. True Thickness (m)	Average Grade					
	From	To	Length		Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %
ZK1514	112.70	137.80	25.10	24.72	0.43	0.113	0.12	6.39	0.01	0.01
ZK1517	241.05	267.48	26.43	26.03	1.20	0.044	0.37	27.51	0.01	0.02
ZK1526	616.70	644.30	27.60	27.18	0.87	0.002	0.32	21.00	0.01	0.10
ZK1902	75.88	93.88	18.00	17.73	1.16	0.046	0.14	34.81	0.01	0.03
ZK1904	51.28	107.40	56.12	55.27	0.66	0.025	0.21	16.04	0.01	0.01
ZK1906	63.00	125.00	62.00	61.06	0.59	0.011	0.22	14.36	0.01	0.01
ZK1908	100.20	143.30	43.10	42.45	1.05	0.057	0.37	25.88	0.01	0.01
ZK1910	197.50	222.40	24.90	24.52	1.22	0.041	0.69	27.89	0.00	0.01
ZK1912	247.70	292.70	45.00	44.32	2.38	0.111	1.32	61.03	0.01	0.02
ZK1914	345.80	377.90	32.10	31.61	0.70	0.042	0.10	10.87	0.01	0.02
ZK1916	349.17	355.90	6.73	6.63	0.77	0.028	0.22	15.56	0.01	0.03
ZK1918	312.30	320.86	8.56	8.43	0.93	0.022	0.37	33.93	0.01	0.02
ZK2309	90.62	201.38	110.76	109.08	0.80	0.018	0.36	15.87	0.01	0.01
ZK2311	247.65	316.25	68.60	67.56	0.94	0.055	0.31	19.19	0.01	0.02
ZK2313	217.05	224.05	7.00	6.89	0.50	0.076	0.12	8.19	0.00	0.01
ZK2318	514.90	524.60	9.70	9.55	0.42	0.007	0.22	9.60	0.01	0.01
ZK2320	654.46	683.46	29.00	28.56	0.20	0.173	0.08	4.06	0.00	0.01
ZK2702	132.13	154.27	22.14	21.80	0.54	0.055	0.08	10.82	0.01	0.01
ZK2704	90.68	91.68	1.00	0.98	0.05	0.056	0.00	0.71	0.01	0.01
ZK2706	67.57	92.26	24.69	24.31	0.74	0.009	0.07	23.98	0.16	0.39
ZK2708	59.40	78.20	18.80	18.51	2.06	0.009	1.07	45.65	0.01	0.01
ZK2710	97.84	162.90	65.06	64.07	1.77	0.010	0.82	30.41	0.01	0.01
ZK2712	212.50	293.40	80.90	79.67	0.42	0.016	0.15	7.79	0.01	0.02
ZK2714	246.63	312.23	65.60	64.60	0.72	0.011	0.23	13.77	0.01	0.03
ZK2716	166.94	196.94	30.00	29.54	0.33	0.062	0.13	8.17	0.00	0.13
ZK2718	120.55	149.32	28.77	28.33	1.26	0.118	0.82	18.26	0.04	0.02
ZK3105	134.70	136.25	1.55	1.53	0.30	0.032	0.02	1.45	0.00	0.01
ZK3107	144.50	157.50	13.00	12.80	0.59	0.012	0.10	14.19	0.00	0.01
ZK3110	207.10	240.32	33.22	32.72	1.06	0.113	0.13	16.27	0.02	0.01
ZK3508	112.00	114.00	2.00	1.97	0.00	0.045	0.00	0.62	0.00	0.01
ZK3510	74.04	77.64	3.60	3.55	0.12	0.113	0.02	1.39	0.00	0.01
ZK3906	201.69	207.69	6.00	5.91	0.32	0.086	0.16	8.34	0.00	0.01
ZK3910	510.80	520.80	10.00	9.85	0.54	0.001	0.25	13.76	0.00	0.01
ZK4012	657.15	755.68	98.53	97.03	0.84	0.030	0.32	16.34	0.01	0.03
ZK4708	315.37	320.71	5.34	5.26	0.93	0.002	0.34	19.86	0.01	0.02

12.3 Discussion

Copper-polymetallic mineralization in the Jiama Project is sampled by DDH drill holes and a small number of surface trenches. The resource database used for the resource estimates in this ITR consists of 210 DDH holes with a total drilled length of 69,028 m and 10 surface trenches with a total sampled length of 349 m. Drill hole spacing in the central portion of the mineralized zones is 100 m by 100 m, and drill hole spacing in the peripheral zones generally ranges from 200 m to 400 m. The drill hole samples completed by Brigade 6 in the 1990s and by Huatailong in 2008-2009 cover an area of approximately 3,500-m along strike (northwest) and 2,500-m wide along the dip direction (northeast) for the Jiama Project.

Core recovery is generally good, averaging over 95% for the Huatailong DDH holes completed in 2008 to 2009. The 22 DDH holes completed in the 1990s by Brigade 6 have a lower average core recovery of 84%, but they represent less than 10% of the drill hole database.

BDASIA's review indicates that the drilling and sampling for the Jiama Project have been performed in accordance with accepted industry standards, the core samples are representative of the copper-polymetallic mineralization in the deposit and should not produce any material bias for metal grade distribution.

13.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

13.1 Brigade 6 Work in the 1990s

Sample preparation and analysis for the Brigade 6 samples in the 1990s were conducted by the Tibet Central Laboratory of the Ministry of Geology and Mineral Resources of China in accordance with relevant regulations at that time. No detailed information was available for the sample preparation procedures and metal grade determination methods. However, BDASIA believes that the assay results are acceptable based on their similarities with the samples taken in 2008 and 2009 by Huatailong.

13.2 Huatailong Work in 2008 and 2009

Sample preparation and analysis for the Huatailong core samples were undertaken by the Southwestern Metallurgic Geology Analytical Center ("Southwest Center") in Chengdu, Sichuan Province, which is an accredited laboratory by the Chinese National Accreditation Board for Laboratories ("CNAL"). The Southwest Center set up a sample preparation facility in the Huatailong core storage warehouse. Sample preparation was undertaken by the Southwest Center personnel. Samples were prepared by a two-stage crushing and one-stage grinding procedure to reduce the size of sample particles to minus 200 mesh (0.074 mm). Sample splitting was not performed until the particle size was reduced to approximately 1 mm. A ground sample of approximately 400 grams ("g") was sent for analysis in Chengdu; a duplicate ground sample of approximately 500 g as well as the coarse rejects was kept in the core storage warehouse.

Sample analysis was undertaken by the Southwest Center using the standard analytic methods specified in "The Quality Administration Standards for Analysis in Geological and Mineral Resource Laboratories" (DZ0130-94) promulgated by the former Ministry of Geology and Mineral Resources of China. Gold grades were determined by an aqua regia + fluoride digestion, reactivated carbon concentrating, and atomic absorption spectroscopy ("AAS") procedure. Copper, lead, zinc, molybdenum, and silver grades were determined using an aqua regia + hydrofluoric acid + perchloric acid digestion and Inductively Coupled Plasma Atomic Emission Spectrometry ("ICP-AES") or AAS procedure. All samples were analyzed for the above six metals.

Some composite samples were also used to determine the concentration of tungsten, cobalt, nickel, cadmium, tin, gallium, niobium, rhenium, arsenic, antimony, bismuth, mercury, selenium, tellurium, germanium, indium, thallium, and sulfur by ICP-AES and other analytic methods.

None of the Huatailong employees, officers, directors, or associates was involved in the sample preparation. BDASIA considers the sample preparation procedures, analytic method, and security utilized to be appropriate for this type of copper-polymetallic deposit.

14.0 DATA VERIFICATION

14.1 Brigade 6 Work in the 1990s

Assay quality control and quality assurance ("QAQC") programs for the Brigade 6 samples included regular internal check assays, external check assays, and analysis of standard reference materials and blank samples. Assay quality was considered good based on a review conducted by the Tibet Central Laboratory; however, no detailed information was available for BDASIA's review.

14.2 Huatailong Work in 2008 and 2009

QAQC programs for the Huatailong samples included regular internal check assays, external check assays, and analysis of standard reference materials and blank samples.

Within the Southwest Center, all analyses were conducted twice. At the same time, approximately 20% of the samples were randomly selected and were blindly coded with different sample numbers for assay precision control. State standard reference materials and blanks were inserted into every batch of samples by the laboratory to monitor the quality of the analytic results. Work performed will not be credited for the laboratory operator if less than 90% of the samples analyzed meet the quality control requirements in a batch. It was reported that all these measures undertaken have indicated good assay results.

Internal check samples were selected from the duplicate samples by Resource Institute personnel and were coded with different sample numbers blind to the laboratory. A total of 750 internal check samples were analyzed by the Southwest Center in 2008, representing 3.8% of the total analyzed samples in 2008. Internal checks were compared with the original assay results to see if they met the permitted relative deviation ranges specified by the regulations. It was reported that over 93% of the internal checks were within the permitted relative deviation ranges in 2008, which is better than the 80% requirement specified by the regulations. No systematic bias was reported between the original assay results and the internal checks. Figure 14.1 shows the scatter plots of the 2008 original assay results and the internal check assay results.

External check samples were randomly selected from the pulp rejects by Resource Institute personnel and were sent to the State Geologic Laboratory Analytic Center in Beijing for analysis. A total of 695 external check samples were analyzed in 2008, representing 3.6% of the total analyzed samples in 2008. External checks were compared with the original assay results to see if they met the permitted relative deviation ranges specified by the regulations. It was reported that 94% to 99% of the external checks for the six different analyzed metals met the permitted relative deviation ranges in 2008. No systematic bias was reported between the original assay results and the external checks. Figure 14.2 shows the scatter plots of the 2008 original assay results and the external check assay results.

BDASIA has verified the copper-polymetallic mineralization by observing the mineralized drill cores at Huatailong's core storage facility.

To ensure that the analytic results were correctly entered into the computer drill hole database used for resource modeling, BDASIA has randomly selected about 10% of the 2008 drill holes to compare the assay data in the computer database with the scanned copies of the original assay certificates issued by the Southwest Center. The check indicates that all assay data has been correctly entered into the computer database. BDASIA has also verified the internal and external check assay data from the original assay certificates.

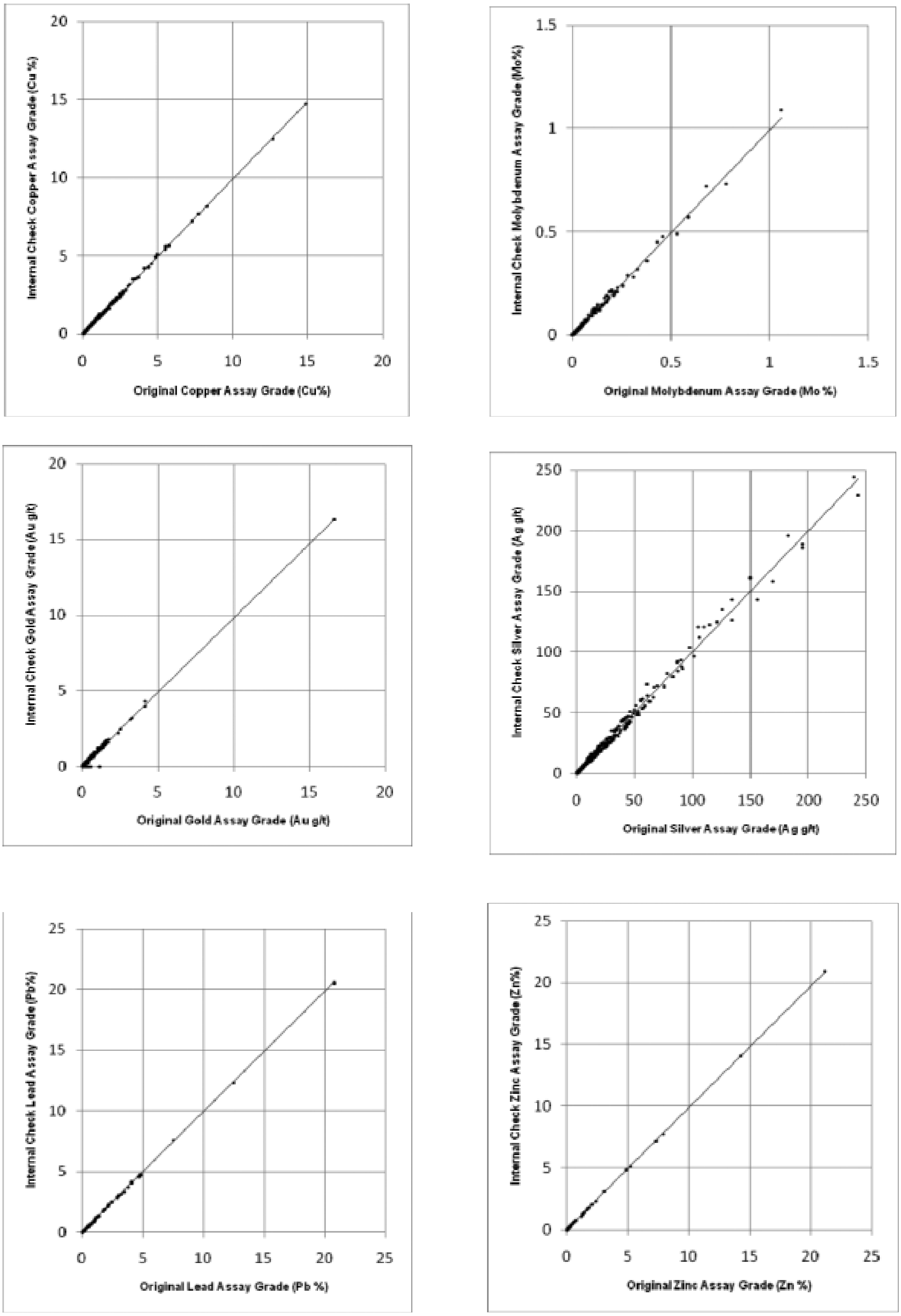


Figure 14.1 Scatter plots of original assay results and internal check assay results

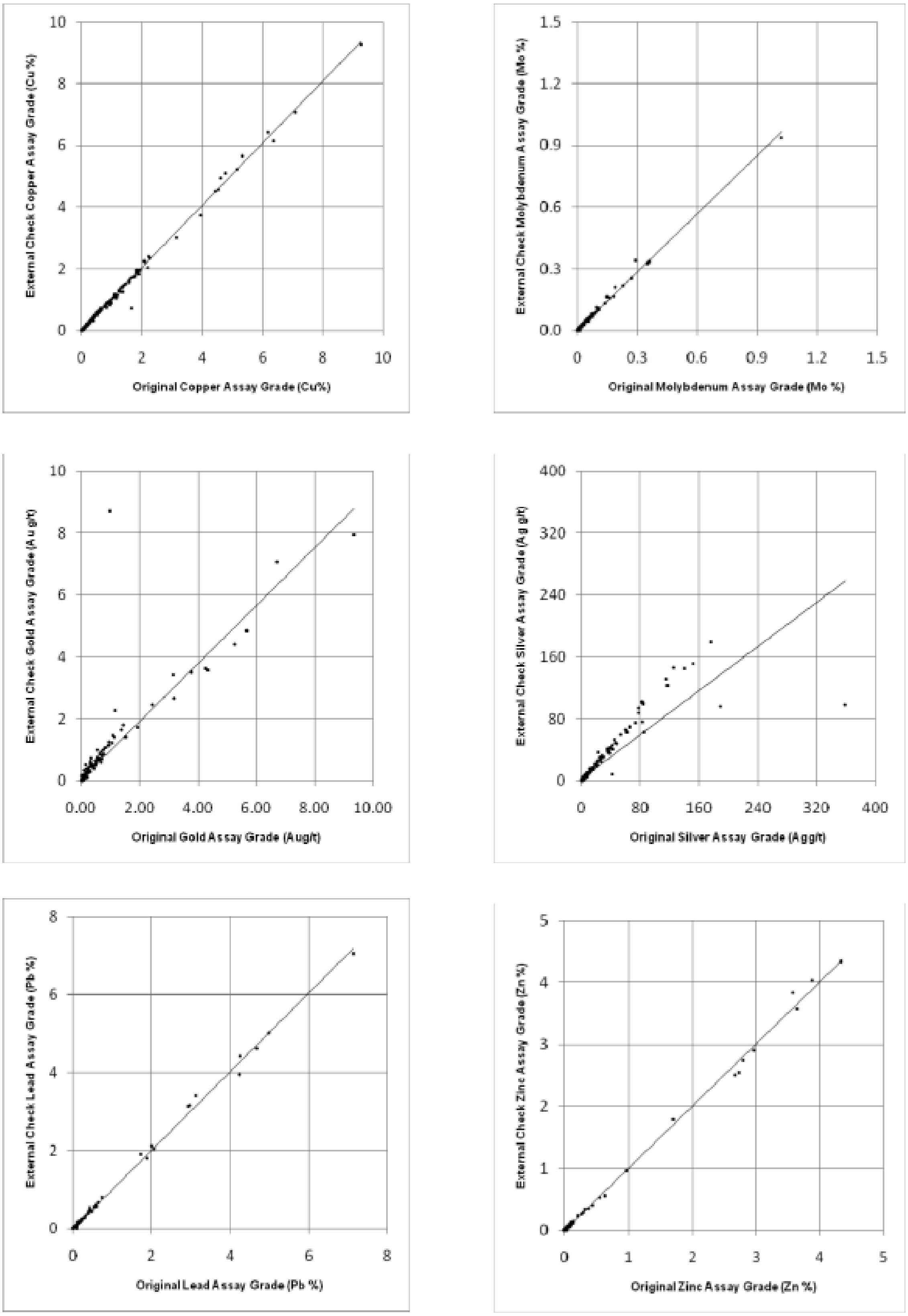


Figure 14.2 Scatter plots of original assay results and external check assay results

Based on the review of the drilling, sampling, sample preparation, and analysis, as well as QAQC data, BDASIA is of the opinion that assay quality for the 2008 and 2009 samples for the Jiama Project meets industry standards and can be used for estimating the mineral resources present at the project.

15.0 ADJACENT PROPERTIES

There is no publically available information about the other mining properties adjacent to the Jiama Project.

16.0 METALLURGICAL TESTING AND MINERAL PROCESSING

The metallurgical testwork and development of the required processing methods and facilities to treat the Jiama copper-lead and copper-molybdenum ores is described below. The copper-lead ore as part of the mineralization at the upper portion of the Tongqianshan open pit constitutes a very small portion of the Jiama ore reserve, while the copper-molybdenum ore is the primary ore type in the Jiama ore reserve. The project will treat a mixture of both ore types for the initial 2 years of the mine life to produce separate copper, molybdenum and lead concentrates; it will treat only the copper-molybdenum ore after the initial 2 years to produce separate copper and molybdenum concentrates. Economically attractive quantities of gold will be reported with the copper concentrate while some silver will be reported with both the copper and the lead concentrates.

16.1 Metallurgical Testing

Early metallurgical testwork for the Jiama Project was mostly concentrated on the copper-lead ore, which accounts for only a very small portion of the Jiama resource/reserves located at the upper portion of the steeply-dipping ore zone. The testwork on the copper-lead ore was conducted by the Beijing General Research Institute of Mining and Metallurgy ("BGRIMM") in 1990 and 2008, the Chengdu Institute of Multipurpose Utilization of Mineral Resources of Chinese Academy of Geological Sciences, ("CIMUMR") in 2000, and the Beijing General Research Institute for Non-ferrous Metals ("BGRINM") in 2007. Changsha Institute summarized these tests in its December 2009 feasibility study report for the Jiama Project.

The metallurgical testwork on the copper-molybdenum ore was conducted by the Changchun Gold Research Institute ("CGRI") in August 2009. The results of the final test on this ore are also reported in the Changsha Institute December 2009 feasibility study report. The test sample was composited from the coarse rejects of drill core assay samples. The content of metal values corresponded reasonably well to the forecast mill feed. The test sample and test results were satisfactory.

16.1.1 Test Samples

The two main types of ore to be processed during the life of the Jiama operation are the copper-molybdenum ore, with a large reserve, and the copper-lead ore, with a substantially smaller reserve. For the first ore type, the sample for testing was obtained from drill core assay sample coarse rejects. The testwork samples for the second ore type were generally obtained by the channel sampling method from underground mine workings.

The 1990 BGRIMM copper-lead ore test sample was composited from high-grade ore (67.75%), low-grade ore (25.8%), and waste rock (6.45%), with average grades of 0.99% copper, 29.14% lead, 6.23% zinc, 344 g/t silver, and 0.39 g/t gold. The lead, zinc, and silver grades for the sample are extremely high and not representative of the ore to be treated by the processing plant at Jiama. Therefore, the 1990 BGRIMM test results are not discussed in this ITR.

Three test samples were collected for the 2000 CIMUMR testwork, representing the copper-lead-zinc ore, lead-zinc ore, and copper-molybdenum ore. The copper-lead-zinc ore sample that was used for metallurgical test had average grades of 0.98% copper, 3.41% lead, 1.42% zinc, 63 g/t silver and 0.42 g/t gold, which are reasonably close to the forecast metal grades of the copper-lead ore for the project. Other elements in the sample include 0.0035% molybdenum, 2.93% sulfur, 9.84% iron, 0.035% arsenic, 0.37% manganese, 34.00% SiO_2, 7.04% Al_2O_3, 27.60% CaO, and 1.52% MgO.

Five samples were collected for the 2007 BGRINM testwork by channel sampling from the underground mined-out areas and from surface ore stockpiles. The copper-lead-zinc ore sample that was used for the metallurgical tests has average grades of 1.28% copper, 3.60% lead, 2.06% zinc, 52 g/t silver, and 0.20 g/t gold, which are reasonably close to the forecast metal grades of the copper-lead ore for the project.

The 2008 BGRIMM copper-lead ore test sample was collected by channel sampling from underground mined-out areas, with average grades of 1.38% copper, 2.37-2.42% lead, 1.08-1.16% zinc, 61.79-64.32 g/t silver, and 0.44-0.47 g/t gold, which are reasonably close to the forecast metal grades of the copper-lead ore for the project.

The 2009 CGRI copper-molybdenum ore test sample composited from drill core assay sample coarse rejects has average grades of 1.02% copper, 0.054% molybdenum, 16.08 g/t silver, and 1.07 g/t gold, which are reasonably close to the forecast average metal grades for the copper-molybdenum ore of the Jiama Project. Other elements in the sample include 0.03% lead, 0.03% zinc, 1.01% sulfur, 8.06% iron, 0.011% arsenic, 1.36% carbon, 44.67% SiO_2, 3.66% Al_2O_3, 18.1% CaO, and 2.86% MgO.

The zinc grade in the tested copper-lead ore samples is moderately high (1.08% to 2.06%), however, the average zinc grade for the mixed copper-lead ore and copper-molybdenum ore is below 0.20%, which is too low to justify separate zinc concentrate production for the Jiama Project. Therefore, no zinc concentrate production is planned in the feasibility study.

16.1.2 Mineral Composition of Ores

The two types of ores have similar mineral composition. They differ in relative amounts of the minerals present. Table 16.1 shows the mineral composition of the typical ore.

Table 16.1
Mineral Composition of Jiama Ore

Metallic Minerals		
Name	**Chemical Formula**	**Non-Metallic Minerals**
Major Minerals		
Chalcopyrite	$CuFeS_2$ (34.6% Cu)	Garnet
Bornite	Cu_5FeS_4 (63.3% Cu)	Diopside
Galena	PbS (86.6% Pb)	Plagioclase
Sphalerite	ZnS (67.1% Zn)	Wollastonite
Molybdenite	MoS_2 (59.9% Mo)	K-Feldspar
Pyrite	FeS_2 (46.5% Fe)	Quartz
Minor Minerals		
Chalcocite	Cu_2S (79.9% Cu)	Chlorite
Enargite	Cu_3AsS_4 (48.4% Cu)	Dolomite
Tetrahedrite	$(Cu,Fe)_{12}Sb_4S_{13}$ (up to 45.8% Cu)	Sericite
Covellite	CuS (66.5% Cu)	Calcite
Native Gold	Au, 100%	Tremolite
Malachite	$CuCO_3Cu(OH)_2$ (57.5% Cu)	Actinolite
Native Silver	Ag, 100%	
Hematite	Fe_2O_3	
Cobaltite	CoAsS	
Rutile	TiO_2	

Chalcopyrite is embedded in rock-forming minerals and together with galena, sphalerite, and pyrite. It may be deposited between gangue minerals in irregular shapes. Small amounts of chalcopyrite occur as inclusions in sphalerite measuring 0.001 to 0.1 mm in size.

Galena is found in chalcopyrite-bornite-galena-sphalerite ore, primarily embedded with sphalerite and chalcopyrite. It appears in irregular shapes or is disseminated in gangue minerals.

Sphalerite, along with galena, chalcopyrite, and bornite, is disseminated in gangue minerals in irregular shapes, or is found as interrupted veinlets along fractures or between gaps of gangue minerals together with galena and chalcopyrite.

Molybdenite is present mostly in tabular form but may be embedded in or wrapped by gangue minerals. Its distribution among different types of ore is uneven. Its size generally varies between 0.01 and 0.05 mm.

Gold is found mostly as native gold with a grain size generally between 0.01 and 0.03 mm, the largest being 0.1 mm. It occurs mostly within tetrahedrite, bornite, and gangue minerals.

Silver is found as either native silver or silver telluride. It is generally directly correlated with lead.

The elements with economic values in the deposit include copper, molybdenum, lead, zinc, gold, and silver. Deleterious elements include arsenic and magnesium, but their contents are generally low.

16.1.3 Tests and Results

The summaries of the testwork results obtained from the copper-lead ore are presented in Table 16.2. Tests T1 and T2 compare the selective flotation approach with bulk flotation, followed by separation approach. Of the two approaches, the bulk flotation/separation method yielded a higher copper concentrate grade (29.11% Cu) than the selective flotation method (23.45% Cu) at similar copper recoveries for both approaches. The lead concentrate grades were similar. However, the lead recovery obtained using the bulk flotation method (90.27% Pb) was substantially higher than that for the selective flotation method (80.54% Pb). The silver assay and recovery in the lead concentrate were also significantly higher (990.0 g/t and 91.51% vs. 749.5 g/t and 64.57%) for the bulk flotation approach. Therefore, the bulk flotation approach has been selected for the Jiama Project as the method will yield significantly higher net smelter returns.

Table 16.2
Summary of Flotation Test Results for Copper-Lead Ore

Test Identifier	T1	T2	T3	T4	T5
Performed by	CIMUMR, 2000	BGRINM, 2007	BGRIMM, 2008	BGRIMM, 2008	BGRIMM, 2008
Flotation Approach	Bulk Cu-Pb, then Cu-Pb separation	Selective Cu-Pb flotation; locked cycle test	Bulk Cu-Pb, then Cu-Pb separation; 100% fresh water; locked cycle test	Bulk Cu-Pb, then Cu-Pb separation; 50% fresh water; locked cycle test	Bulk Cu-Pb, then Cu-Pb separation; 15% fresh water; locked cycle test
Feed Assay					
Cu %	0.98	1.28	1.38	1.38	1.38
Pb %	3.41	3.60	2.38	2.42	2.37
Ag g/t	52.47	52.0	64.32	63.85	61.79
Au g/t	—	0.20	0.47	0.44	0.44
Copper Conc. Assay					
Cu %	29.11	23.45	27.67	28.66	28.11
Ag g/t	39.44	274.3	785.0	762.0	736.0
Au g/t	—	3.49	6.45	6.20	5.96
Copper Conc. Recoveries					
Cu %	85.04	85.88	91.90	90.13	89.24
Ag %	2.14	24.74	55.81	51.92	52.16
Au %		81.84	62.66	61.86	59.97
Lead Conc. Assay					
Pb %	63.55	64.72	66.04	62.79	63.07
Ag g/t	990.00	749.5	742.0	785.0	735.0
Au g/t	—	0.47	0.69	0.76	0.72
Lead Conc. Recoveries					
Pb %	90.27	80.54	84.44	83.63	86.75
Ag %	91.51	64.57	33.13	39.64	38.71
Au %	—	10.53	4.46	5.62	5.38

The effect of water recycling on the copper-lead bulk flotation then separation process was tested (Tests T3, T4, and T5) by BGRIMM in 2008. The test results were rather similar, taking into account possible experimental errors. However, it appears that the results obtained when using 100% fresh process water may have an edge over the fresh/recycled mix. Therefore, a recycled water treatment plant is necessary to improve the quality of the process water in general.

The copper-molybdenum processing approach of bulk flotation first followed by bulk concentrate regrinding and flotation separation of molybdenum from copper is well known and used in the majority of similar operations worldwide. This approach was successfully tested by CGRI in 2009, and the obtained test results are presented in Table 16.3.

Table 16.3
Summary of Flotation Test Results for Copper-Molybdenum Ore

Item	Parameter
Feed Assay	
Cu %	1.05
Mo %	0.054
Au g/t	1.07
Ag g/t	16.08
Copper Concentrate Assay	
Cu %	32.11
Mo %	0.22
Au g/t	16.65
Ag g/t	351.7
Copper Concentrate Recoveries	
Cu %	94.22
Mo %	12.50
Au %	47.88
Ag %	67.30
Molybdenum Concentrate Assay	
Cu %	3.02
Mo %	47.71
Au g/t	—
Ag g/t	—
Molybdenum Concentrate Recoveries	
Cu %	0.24
Mo %	73.20
Au %	—
Ag %	—

Both ore types will be ground to 70% minus 0.074 mm before flotation. The copper-lead flotation reagents comprise lime, xanthate collectors BK 204, BK 809, and BK 908, zinc sulfate, sodium sulfide, activated carbon, and alcohol-type frothers. The reagents for copper-molybdenum flotation ore comprise sodium silicate, sodium sulfide, No.2 diesel oil, butyl xanthates, kerosene, and frothers. All these reagents are fairly typical for the ores being studied and are readily available in China.

Results of chemical analyses of primary components of copper and lead concentrates produced by the 2008 BGRIMM testwork on copper-lead ore and copper and molybdenum concentrates produced by the 2009 CGRI testwork on copper-molybdenum ore are given in Table 16.4. BDASIA notes that analyses of nickel, bismuth, and antimony for concentrates are not available from the table.

Based on the preliminary copper concentrate sales agreement signed between Huatailong and a major smelter customer, the specifications for copper concentrate are Cu ≥18%; Ni ≤1.5%; As ≤0.5%; Pb+Zn ≤8.0%; Bi+Sb ≤0.5%; MgO ≤4.0. Copper concentrate produced by the 2009 CGRI testwork on the copper-molybdenum ore generally meets these specifications, although nickel, bismuth, and antimony contents in the copper concentrate are unknown.

No molybdenum and lead concentrate sales agreements have been signed by Huatailong; therefore, the commercial specifications for molybdenum and lead concentrates for the Jiama Project are unknown. BDASIA considers it important to obtain the commercial specifications for molybdenum and lead concentrates as soon as possible.

Table 16.4
Chemical Analyses of Flotation Concentrates Obtained from the Testwork

Testwork	BGRIMM, 2008		CGRI, 2009	
Ore Type	Copper-Lead		Copper-Molybdenum	
Concentrate Type	Copper	Lead	Copper	Molybdenum
Cu (%)	28.66	2.11	32.11	3.02
Pb (%)	6.98	62.79	0.438	0.158
Zn (%)	1.64	4.08	0.643	0.053
Mo (%)	0.10	0.051	0.220	47.71
S (%)	29.40	16.76	23.66	35.43
Fe (%)	22.12	5.12	16.64	2.32
WO_3 (%)	0.094	0.074	—	—
As (%)	0.81	0.068	0.07	0.26
Mn (%)	0.016	0.040	—	—
SiO_2 (%)	1.33	3.72	12.46	4.59
Al_2O_3 (%)	0.14	0.32	0.98	0.36
Ca (%)	0.76	2.49	8.23(CaO)	2.22(CaO)
Mg (%)	0.096	0.23	2.87(MgO)	3.52(MgO)
Au (g/t)	6.20	0.76	16.65	—
Ag (g/t)	762	785	351.70	—

16.2 Mineral Processing

16.2.1 Plant Design

The mineral processing facilities for the Jiama Project were designed by the Changsha Institute and were presented in the December 2009 feasibility study report. The bases for the design comprised the metallurgical testwork results by well-regarded Chinese mining and metallurgical institutes (including BGRIMM, CIMUMR, BGRINM, and CGRI) as well as the sets of principles, regulations, and safety codes required by law.

The facilities required to treat a total of 12,000 tpd or 3.6 Mtpa of ore when in full production will be brought on stream in two phases. The first 6,000-tpd phase was near completion during BDASIA's site visit in December 2009; it was put into trial production in July 2010 and commercial production started in September 2010. Construction of the second 6,000-tpd plant is expected to start in December 2010; production from the second phase plant will likely be delayed beyond the original plan (starting production in early 2011 and ramping up to full production capacity at the end of 2011). The two plants will be physically separated by a valley and independent of each other except for the shared concentrate dewatering system and power substation.

The plants will operate 300 days per year, in three shifts of 6 hours each for crushing, concentrate dewatering, and tailings filtering and 8 hours each for flotation and tailing thickening.

16.2.2 Process and Flowsheet Description

The processing of the Jiama ores is based on the 2008 BGRIMM testwork on the copper-lead ore and 2009 CGRI testwork on the copper-molybdenum ore, as well as the sound and modern practices employed on similar ores elsewhere in China and worldwide. The flowsheet presented in Figure 16.1 shows the basic processing steps, i.e. crushing and screening; grinding and classification; bulk flotation roughing, cleaning, and scavenging; separation of concentrates by flotation; and thickening and filtration as the final stages in the finished concentrate production.

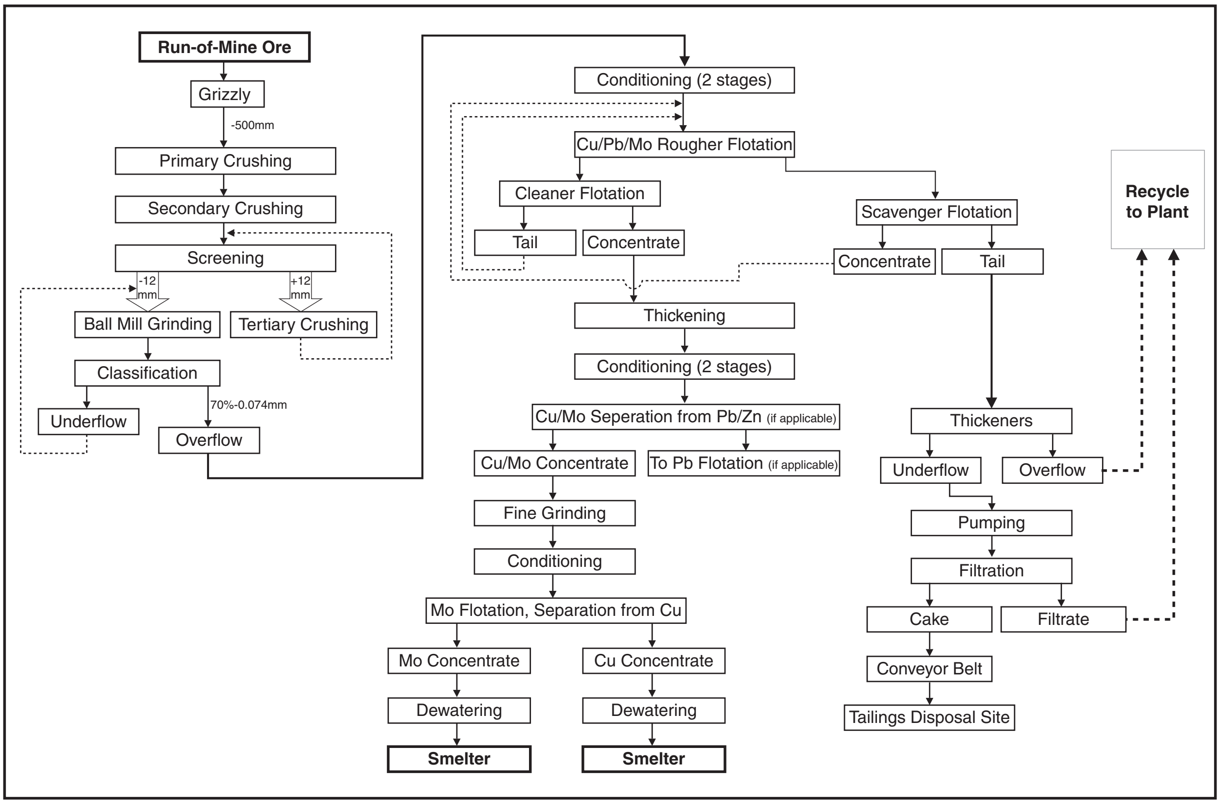


Figure 16.1 Processing Flowsheet for the Jiama Ore

The processing is described as follows:

The Jiama ores, a mixture of both copper-lead ore and copper-molybdenum ore for the initial 2 years of the mine life and copper-molybdenum ore alone thereafter, will be treated in the same plant, using the same equipment. Changes in the pulp flows and flotation reagent types will accommodate the differences in ore types and process requirements.

The run-of-mine ore will be crushed in three stages to the size of minus 12 mm. A jaw crusher, in an open circuit, will perform the primary crushing. Gyratory crushers in a closed circuit with a 12-mm screen will perform the secondary and tertiary crushing. The crushed, minus 12-mm ore will be ground in ball mills operating in a closed circuit with a battery of cyclones. The cyclone underflow (sand) will be returned to the ball mills. The overflow (fines), sized at 70% -0.074 mm, will be sent to conditioning, where the ground ore is prepared for flotation by reagents introduction.

The first flotation stage is the bulk rougher flotation of copper, lead, and molybdenum minerals from the mixture of copper-lead and copper-molybdenum ores in the initial 2 years of mine life (copper and molybdenum in the case of the copper-molybdenum ore thereafter). This stage yields two products: rougher bulk concentrate and rougher tail. The tail is scavenged, and its concentrate is sent back to the bulk rougher flotation head, while the tail of this stage is the final plant tail, which is thickened and filtered. The water from thickening and filtering is recovered for reuse in the plant, and the filtered cake is transported to a tailing disposal site by a conveyor system (a portion of the tails will be used for stope backfill when the underground mining is in operation starting in 2012). The bulk rougher flotation concentrate is cleaned, and the cleaner tail is pumped back to the rougher head. The bulk cleaner concentrate is then subjected to separation into the lead concentrate and bulk copper-molybdenum concentrates.

The separation into lead concentrate and bulk copper-molybdenum concentrate begins with thickening of the bulk concentrate, followed by two stages of conditioning with required reagents. The flotation separation yields the final lead concentrate and the bulk copper-molybdenum concentrate. The bulk copper-molybdenum concentrate is then reground to 90% minus 0.045 mm, conditioned, and then separated into copper concentrate and molybdenum concentrate. Multiple cleaner stages in column flotation and standard flotation cells are used to produce the final copper and molybdenum concentrates. The lead concentrate requires fewer cleaner steps. The final concentrates, after dewatering and bagging, are ready for shipping.

16.2.3 Equipment

The major pieces of equipment to be employed in each of the two 6,000-tpd plants comprise a C110 jaw crusher for primary crushing, an HP4-EC Ultra Coarse standard gyratory crusher, and an HP500C Coarse short-head gyratory crusher for secondary and tertiary crushing. These crushers are imported equipment.

Three double-deck vibrating screens (2YKR2460) will be used for screening of the crushed product. The minus 12-mm size will be ground in two Ø4000×8000-mm ball mills working in a closed circuit with two batteries of Ø500×6-mm hydrocyclones. The rougher flotation is carried out in 35 40-m^3 cells, the cleaning in 60 4-m^3 cells. Prior to copper-molybdenum separation, the bulk copper-molybdenum cleaner concentrate is reground in a Ø1500×3000-mm ball mill working in a closed circuit with a battery of Ø250×4-mm hydrocyclones. Copper and molybdenum separation takes place in 2.5×12-m, 0.9×12-m, and Ø0.6×12-m flotation columns. Copper concentrate is thickened in a Ø30-m thickener, lead concentrate in a Ø18-m thickener, and molybdenum concentrate in a Ø9-m thickener. These thickened concentrates are filtered in a 36-m^2 ceramic filter, a 21-m^2 ceramic filter, and a 20-m^2 pressure filter, respectively. The molybdenum concentrate filter cake is additionally dewatered in a 20-m^2 vacuum dryer. The two tailings thickeners are Ø60-m each, and the thickened tailings are filtered on 8 600-m^2 pressure filters. The equipment is all Chinese made.

16.2.4 Concentrate Production and Processing Recoveries

Based on the December 2009 Changsha Institute feasibility study report, three concentrates (copper, lead, and molybdenum) will be produced for the initial 2 years of the mine life when the processing plants treat a mixture of the copper-lead ore and the copper-molybdenum ore. Only two concentrates (copper and molybdenum) will be produced thereafter when the plants treat the copper-molybdenum ore alone.

The final copper concentrate is expected to assay approximately 26% copper. Copper recovery is expected to be approximately 90% when average copper grade of the processed ore is at least 0.8% and to be approximately 85% when the copper grade of the ore is less than 0.8%.

The final lead concentrate is expected to assay 60% lead at a lead recovery of 80% when the lead grade of the ore is at least 0.3%. No lead concentrate will be produced when the ore lead grade is less than 0.3%.

The final molybdenum concentrate is expected to assay 45% molybdenum and will recover approximately 70% of the molybdenum when the molybdenum grade of the ore is at least 0.011%.

Gold will be recovered in the copper concentrate only, with an expected recovery of approximately 50%. The gold grade in the copper concentrates is expected generally to range from 5 g/t to 6 g/t.

Silver will be recovered to both copper and lead concentrates. Silver recovery is expected to be 50% to the copper concentrate and 35% to the lead concentrate when both copper and lead concentrates are produced. Silver recovery is expected to be 80% to the copper concentrate when no lead concentrate is produced. The silver grade is expected generally to range from 300 g/t to 500 g/t in the copper concentrate and above 500 g/t in the lead concentrate.

17.0 MINERAL RESOURCE AND ORE RESERVE ESTIMATES

The Australasian JORC Code is a mineral resource/ore reserve classification system that is widely used and is internationally recognized. It has been used previously in ITRs for mineral resource and ore reserve statements for other Chinese companies reporting to SEHK. The JORC Code is used by BDASIA to report the mineral resources and ore reserves of the Jiama Project in this ITR. Mineral resources, inclusive of reserves, and mineral reserves have been reconciled to the CIM Standards, and are exactly the same as mineral resources and ore reserves under the JORC Code.

Generally, ore reserves are quoted as comprising part of the total mineral resource, rather than the mineral resources being additional to the ore reserves quoted. The JORC Code allows for either procedure, provided the system adopted is clearly specified. In this BDASIA ITR, all of the ore reserves are included within the mineral resource statements.

17.1 Mineral Resource Estimates

Current mineral resources of the Jiama Project were estimated by Qualified Person Dr. Qingping Deng of BDASIA, using MineSight computer mining software, the drill hole database as of the end of October 2009, and the Jiama geological model produced by the Resource Institute geologists. The database, procedures, and parameters used and the results of the resource estimation are summarized below.

17.1.1 Database used for Resource Modelling

The drill hole database used for the current Jiama Project resource model is summarized in Table 17.1. It consists of a total of 210 DDH holes with a total drilled length of 69,029 m and 10 surface trenches with a total length of 349 m.

Table 17.1
Drill Hole Database used for Jiama Project Resource Estimation

Drilling Campaign	Number	Total Meters
1990s No. 6 Brigade DDH Holes	22	6,518
1990s No. 6 Brigade Surface Trenches	10	349
2008 Huatailong DDH Holes	148	48,970
2009 Huatailong DDH Holes	40	13,541
Total	**220**	**69,378**

These holes were drilled on exploration lines oriented at a N30°E direction and at a line spacing of 100 m or 200 m. Drill hole spacing on the exploration lines is approximately 100 m, 200 m, or 400 m, with the drill hole spacing at the central portions of the deposit at approximately 100 m by 100 m, increasing to 200 m by 100 m, 200 m by 200 m, or 400 m by 400 m toward the peripheries of the deposit. The database contains 26,606 assay intervals, with grades for copper, molybdenum, gold, silver, lead, and zinc.

Topography used for the resource estimation was based on a 1:2000 topographic survey completed by the Resource Institute in 2008.

Bulk density measurements were conducted on selected drill cores and underground/surface rock samples by Brigade 6 in the 1990s and by the Resource Institute in 2008. A total of 217 core and rock samples were measured by Brigade 6 in the 1990s, using the industry standard wax-coating displacement method. An average bulk density for the 136 samples from the skarn-type mineralized zone was 3.068 t/m^3. The other 81 samples were host rocks (including slates, marbles, limestones, and dikes) to the mineralization. A total of 228 core samples and 100 underground rock samples were used for bulk density measurements by the Resource Institute in 2008, using the industry standard wax-coating displacement method. An average bulk density of the 248 skarn-type mineralized samples taken in 2008 and the 136 mineralized samples taken by Brigade 6 in the 1990s was 3.115 t/m^3, with a range from 2.042 to 4.889. The other 80 samples taken in 2008 were hornfels-type mineralized samples with an average bulk density of 2.842 t/m^3 and a range from 2.074 to 4.039. The bulk density used for the current resource estimation is 3.115 t/m^3 for the skarn-type mineralization and 2.842 t/m^3 for the hornfels-type mineralization.

17.1.2 Procedures and Parameters Used for the Skarn-Type Resource Modelling

The following procedures and parameters were used in the current resource estimation for the skarn-type mineralization of the Jiama Project:

- **Geological Modeling**: Geological modeling was performed by the Resource Institute geologists using the Micromine mining software. The mineralized zones were modeled by a grade envelope at the cutoff grade of 0.3% Cu, or 0.03% Mo, or 1% Pb or 1% Zn. The minimum mineralized zone thickness is 2 m. Results of the geological modeling show that the deposit consists of a primary mineralized body (referred to as the I-1 mineralized body) and seven smaller mineralized bodies (referred to as the I-2 to I-8 mineralized bodies). The I-1 mineralized body strikes at an approximately 120° azimuth and dips to the northeast. The upper portion of the zone has a steep dip angle averaging approximately 60° and the lower portion of the zone is flatter with an average dip angle of approximately 10°. The I-1 mineralized body is approximately 2,400-m long along strike and 150-m to 1,900-m wide in the dip direction, and its thickness ranges from less than 5 m to more than 200 m (Figures 9.1 and 17.1). It occupies over 97% of the mineralized volume for the entire deposit. This mineralized body is hosted by skarns distributed along an interlayer structural zone between underlying marbles and overlying hornfels and is believed to be formed along a detachment structural zone. Mineralization in this zone is still open in many places, especially along the down-dip direction, indicating significant additional exploration potential. Although this mineralized zone is very extensive, metal grade distribution in the zone is quite variable. In general, the upper portion of the mineralized body is copper rich, and the lower portion of the body is molybdenum rich. Lead with some zinc is enriched locally at the upper portion of the zone. As the primary mineralized zone strikes at a 120° azimuth, the coordinate system for the drill hole database was rotated counter-clockwise 30° to align the east-west axis of the rotated coordinate system with the strike of the mineralization for the resource model.

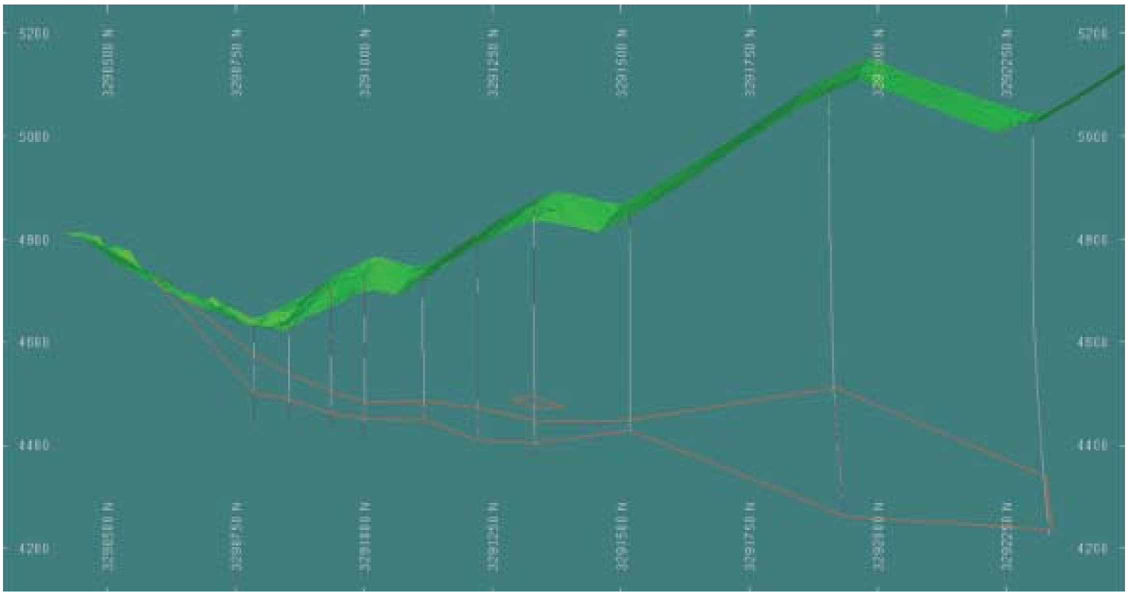


Figure 17.1 Sectional view of the I-1 mineralized body for the Jiama Project
(The view is looking at 270° rotated azimuth and is on Exploration Line 16.)

- **Metal Grade Statistical Analysis and Grade Capping:** A total of 7,314 assay intervals with a total length of 7,847 m are located inside the defined mineralized envelopes for the Jiama Project. Therefore, the average assay interval length inside the mineralized envelopes is 1.07 m. Original length-weighed metal grade statistics of these assay intervals are summarized in Table 17.2. Based on metal grade probability distribution (Figure 17.2), the capping grade determined for the Jiama deposit is 10% for copper, 0.75% for molybdenum, 6 g/t for gold, 190 g/t for silver, 21% for lead, and 7% for zinc. Samples with metal grades above the capping grades are considered outliers, and these outlier metal grades were replaced by the capping grades before compositing, variography analysis, and grade estimation. Table 17.3 summarizes the capped length-weighted metal grade statistics.

Table 17.2
Original Length-Weighted Metal Assay Grade Statistics inside the Mineralized Zones

Metal	Number of Samples	Length (m)	Mean	Standard Deviation	Minimum	Maximum	Coefficient of Variation
Cu (%)	7,314	7,847	0.72	1.56	0	49.28	2.18
Mo (%)	7,314	7,847	0.043	0.112	0	5.13	2.60
Au (g/t)	7,314	7,847	0.26	1.35	0	98.7	5.27
Ag (g/t)	7,314	7,847	14.3	32.3	0	1,041	2.26
Pb (%)	7,314	7,847	0.16	1.23	0	39.93	7.83
Zn (%)	7,314	7,847	0.08	0.50	0	14.28	6.18

Table 17.3
Capped Length-Weighted Metal Assay Grade Statistics inside the Mineralized Zones

Metal	Number of Samples	Length (m)	Mean	Standard Deviation	Minimum	Maximum	Coefficient of Variation
Cu (%)	7,314	7,847	0.69	1.18	0	10	1.71
Mo (%)	7,314	7,847	0.042	0.089	0	0.75	2.13
Au (g/t)	7,314	7,847	0.23	0.54	0	6	2.36
Ag (g/t)	7,314	7,847	13.7	25.5	0	190	1.86
Pb (%)	7,314	7,847	0.15	1.07	0	21	7.11
Zn (%)	7,314	7,847	0.08	0.43	0	7	5.51

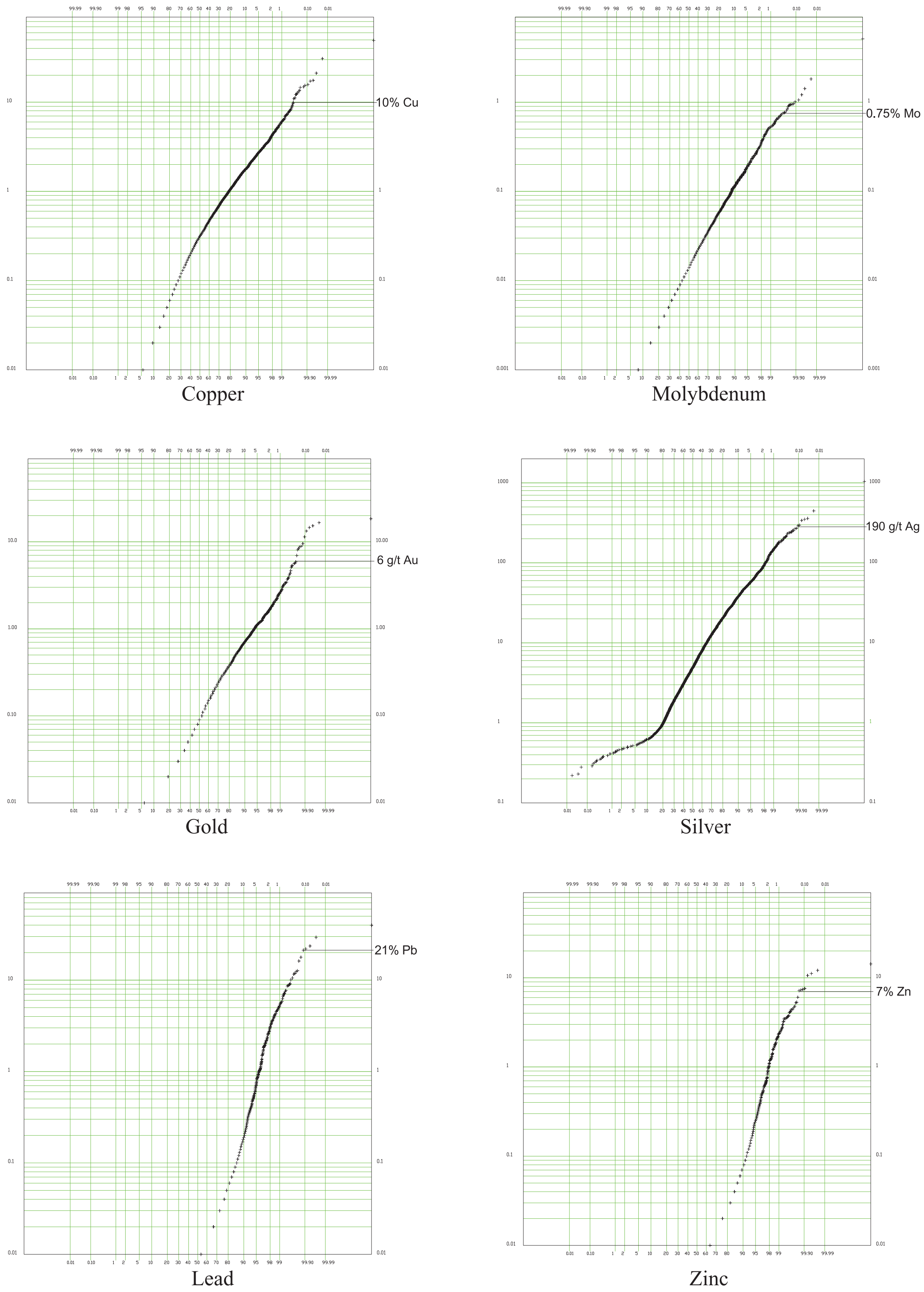


Figure 17.2 Metal grade probability distribution and capping grade determination for the Jiama Project

- **Compositing**: Capped metal assays inside the mineralized envelopes were composited to 5-m fixed-length composites, and composites less than 1-m long were merged into the previous 5-m composite. A total of 1,434 composites were produced inside the mineralized envelopes. Capped length-weighted metal grade statistics for the composites are summarized in Table 17.4.

Table 17.4
Capped Length-Weighted 5-m Length Skarn Composite Metal Grade Statistics

Metal	Number of Samples	Length (m)	Mean	Standard Deviation	Minimum	Maximum	Coefficient of Variation
Cu (%)	1,673	7,847	0.69	0.87	0	10.00	1.27
Mo (%)	1, 673	7,847	0.042	0.066	0	0.604	1.57
Au (g/t)	1, 673	7,847	0.23	0.40	0	4.83	1.75
Ag (g/t)	1,673	7,847	13.7	19.6	0	186.4	1.43
Pb (%)	1, 673	7,847	0.15	0.86	0	21.00	5.77
Zn (%)	1, 673	7,847	0.08	0.31	0	5.36	4.05

- **Variography**: As the modeled mineralized zones have a steep dip angle at the upper portion and a flat dip angle at the lower portion, the mineralized zones were divided into an upper, steeply-dipping domain and a lower, flatter domain for the purpose of variogram modeling and grade estimation. Correlograms, instead of traditional variograms, were modeled for the 5-m length composite metal grades inside the defined I-1 mineralized body for each domain (Table 17.5 and Figures 17.3 and 17.4). It should be noted that the azimuths in Table 17.5 and Figures 17.3 and 17.4 all refer to the rotated azimuth. As all the holes were drilled vertically on a regular drilling grid from 100 m to 400 m, it is difficult to produce good correlogram models in any directions other than the vertical direction (or the down-hole direction). The correlogram models generally show a moderate relative nugget at around 0.5 (indicating nearby samples have a reasonable grade similarity) and a correlogram range for the primary direction, or the strike of the mineralization, between 105 m to 200 m. Correlograms in the vertical direction were modeled to simulate the correlograms in the minor direction, and it was assumed that the correlogram range in the minor direction is 80% of the vertical correlogram range for the flatter domain and 60% of the vertical correlogram range for the steep-dip domain.

Table 17.5
Correlogram Models for the I-1 Mineralized Body of the Jiama Project

Metal	Direction	Azim	Dip	Window	Lag	C_0	C_1	a_1
			Flatter Mineralized Domain					
	major	270°	0°	15°	50 m			145 m
Au	semi-major	0°	-10°	20°	80 m	0.55	0.45	138 m
	minor	0°	-90°	20°	10 m			40 m
	major	270°	0°	15°	50 m			158 m
Ag	semi-major	0°	-10°	20°	80 m	0.50	0.50	132 m
	minor	0°	-90°	20°	10 m			40 m
	major	270°	0°	15°	50 m			150 m
Cu	semi-major	0°	-10°	20°	80 m	0.45	0.55	135 m
	minor	0°	-90°	20°	10 m			35 m
	semi-major	270°	0°	15°	50 m			110 m
Mo	major	0°	-10°	20°	80 m	0.45	0.55	145 m
	minor	0°	-90°	20°	10 m			32 m
	major	270°	0°	15°	50 m			122 m
Pb	semi-major	0°	-10°	20°	80 m	0.48	0.52	118 m
	minor	0°	-90°	20°	10 m			25 m
	major	270°	0°	15°	50 m			200 m
Zn	semi-major	0°	-10°	20°	80 m	0.55	0.45	100 m
	minor	0°	-90°	20°	10 m			25 m
			Steeply-Dipping Mineralized Domain					
	major	270°	0°	20°	50 m			135 m
Au	semi-major	0°	-60°	20°	30 m	0.45	0.55	125 m
	minor	0°	-90°	20°	10 m			50 m
	semi-major	270°	0°	20°	50 m			125 m
Ag	major	0°	-60°	20°	30 m	0.48	0.52	155 m
	minor	0°	-90°	20°	10 m			48 m
	semi-major	270°	0°	20°	50 m			120 m
Cu	major	0°	-60°	20°	30 m	0.50	0.50	140 m
	minor	0°	-90°	20°	10 m			52 m
	semi-major	270°	0°	20°	50 m			115 m
Mo	major	0°	-60°	20°	30 m	0.58	0.42	120 m
	minor	0°	-90°	20°	10 m			30 m
	major	270°	0°	20°	50 m			125 m
Pb	semi-major	0°	-60°	20°	30 m	0.58	0.42	125 m
	minor	0°	-90°	20°	10 m			55 m
	major	270°	0°	20°	50 m			125 m
Zn	semi-major	0°	-60°	20°	30 m	0.50	0.50	105 m
	minor	0°	-90°	20°	10 m			40 m

Notes:
C_0 — correlogram nugget, C_1 — correlogram sill, and a_1 — correlogram range.

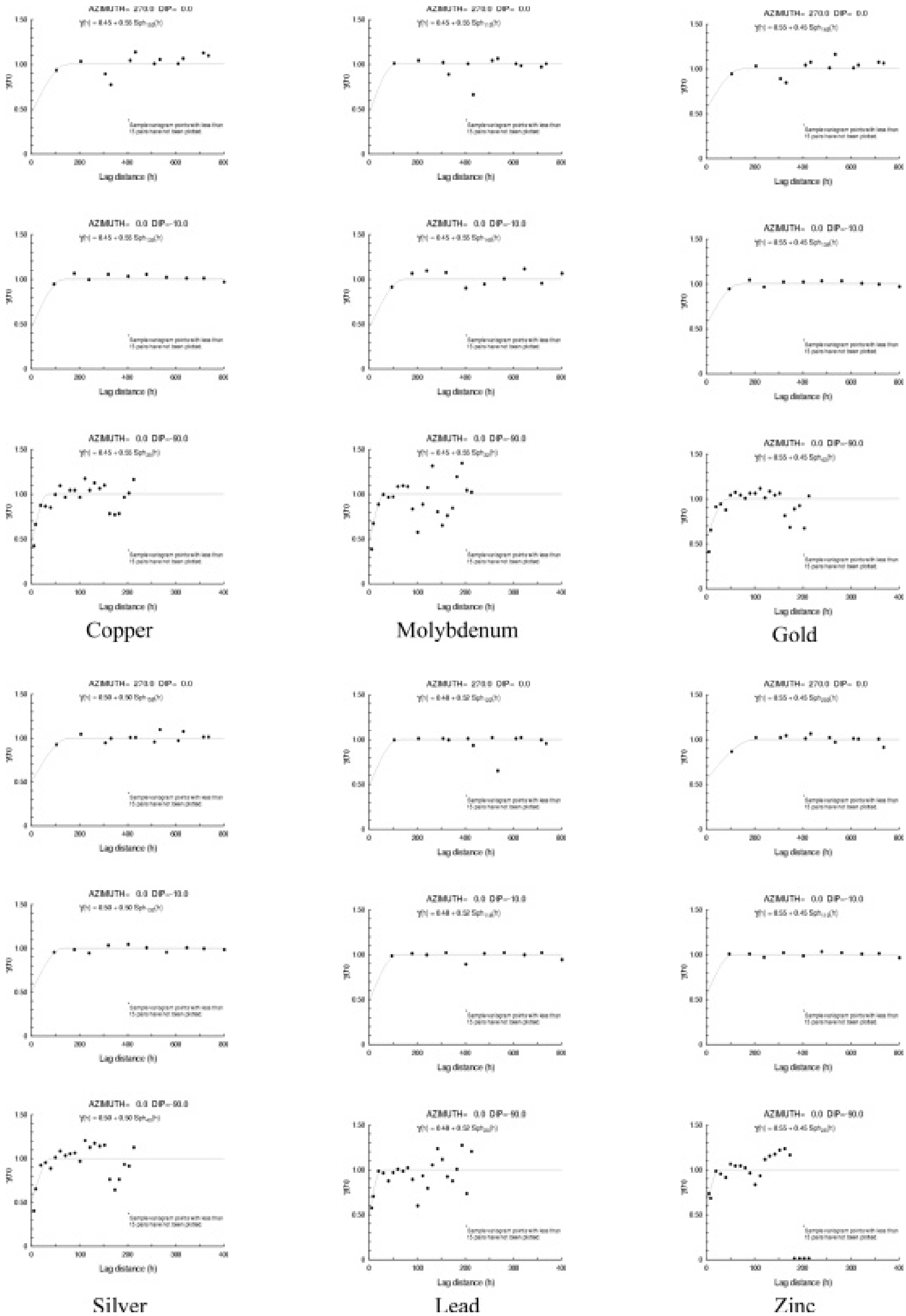


Figure 17.3 Correlogram models for the flatter domain of the I-1 mineralized body

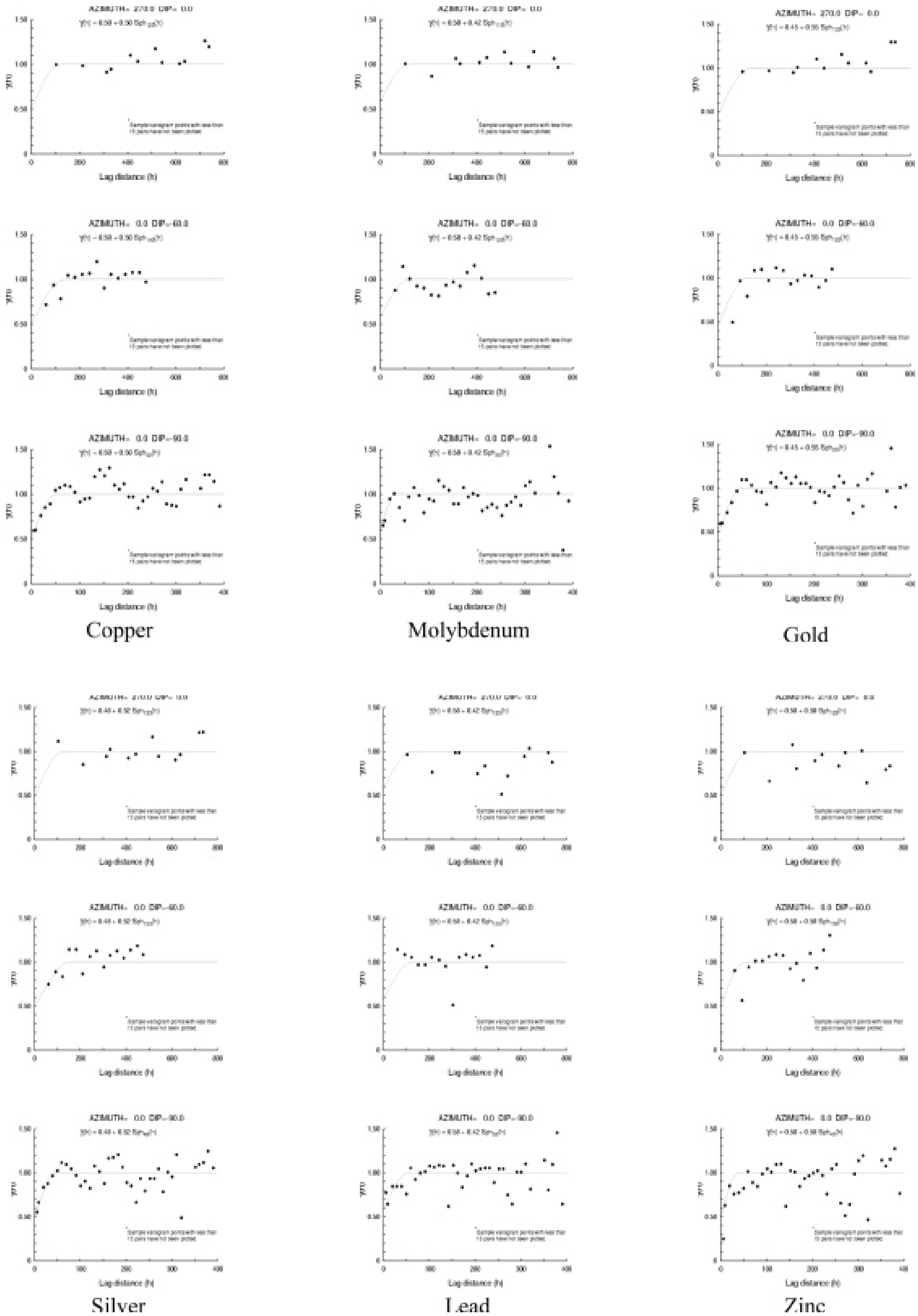
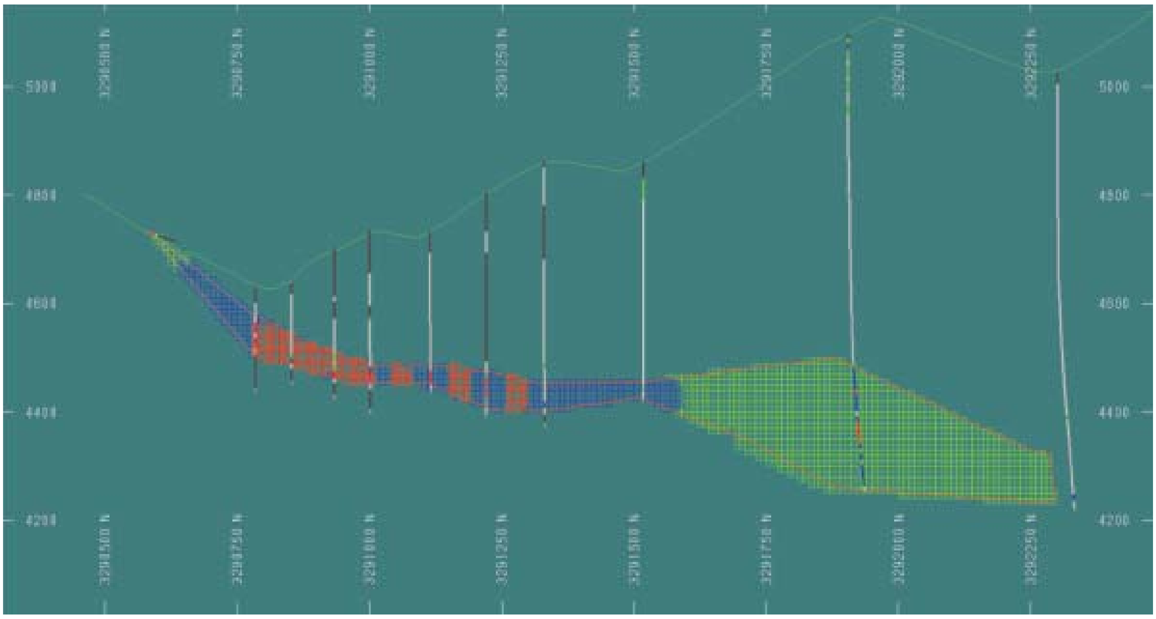


Figure 17.4 Correlogram models for the steep-dip domain of the I-1 mineralized body

- **Block Model Definition**: A 3-D block model with a block size of 10×10×10 m was defined for the Jiama Project. The mineralized envelopes were coded to the block model using the partial block method, i.e., a block is considered inside the mineralized envelope if any part of the block is located inside the mineralized envelope and the percentage of the block inside the mineral envelope is recorded for resource summary purpose. A volume check was conducted by comparing the mineralized envelope volume and the 3-D block volume, with a negligible difference.

- **Grade Estimation**: Block grade estimation was conducted using a three-pass ordinary kriging ("OK") procedure. The base search ellipsoid radius was defined by 90% of the copper correlogram range in each domain, which was used for the second-pass OK grade estimation. The search radius for the first-pass was 60% of the base search radius, and the search radius for the third-pass was two times the base search radius. The number of 5-m composites used for the first and second passes ranged from four to ten, with a maximum of three composites from any single drill hole or surface trench. The number of 5-m composites used for the third-pass ranged from two to ten, with a maximum of three composites from any single drill hole or surface trench.

- **Resource Classification**: Model blocks were classified into measured, indicated, and inferred resources under the JORC Code. All blocks with a pass one grade estimation were classified as measured; all blocks with a pass two grade estimation were classified as indicated; and all blocks with a pass three grade estimation were classified as inferred (Figure 17.5).

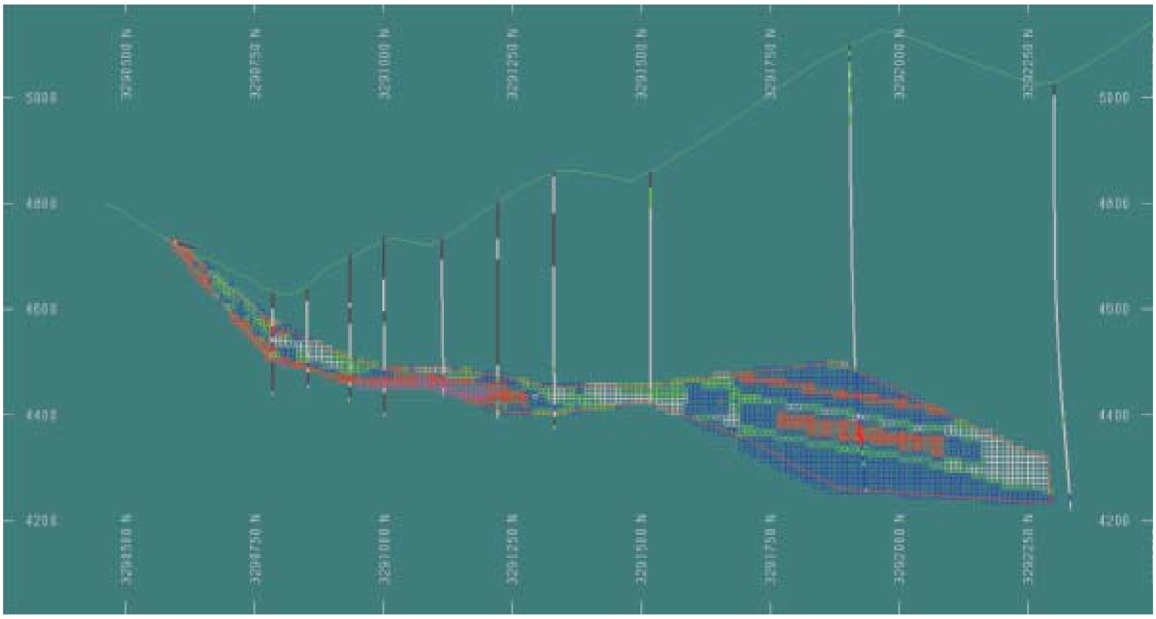


Color code for resource classes (red — measured; blue — indicated; green — inferred)

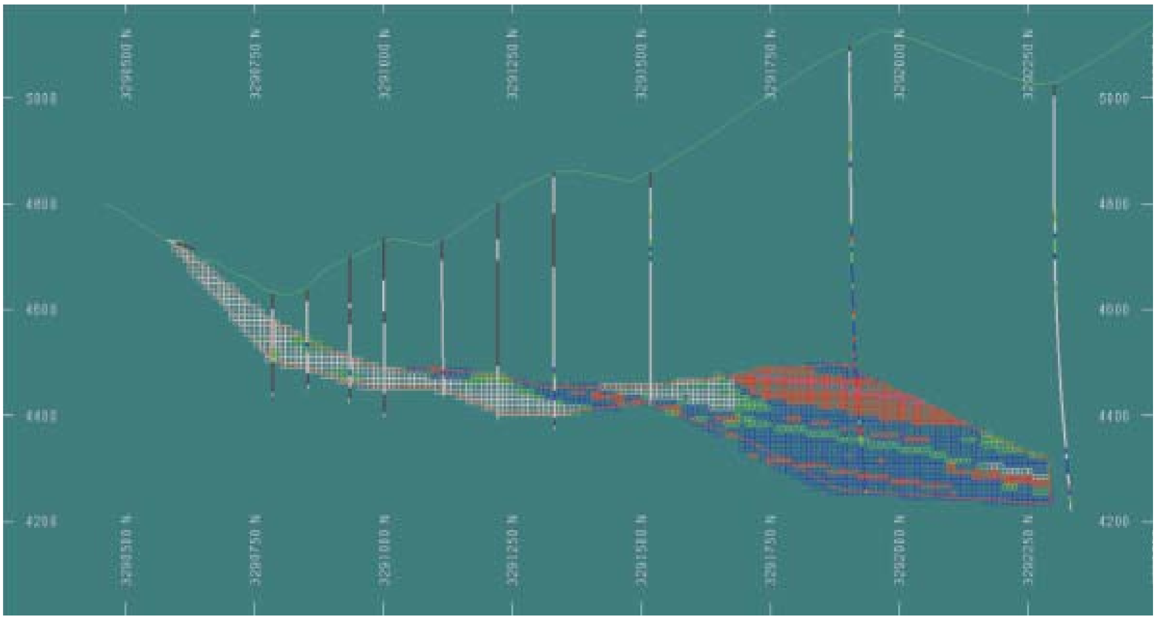
Figure 17.5 Resource classification for the Jiama Project resource model
(The view is looking at 270° rotated azimuth and is on Exploration Line 16.)

- **Validation:** Global grade bias was checked by generating a nearest neighbor ("NN") block grade model. It is generally considered that the overall average grade at the zero cutoff grade for grade estimation should be very close to the overall average NN model grade. For the 119,741 model blocks with grade estimation, the average OK grade at the zero cutoff grade is within a 2% difference of the average NN grade for copper, molybdenum, gold, and silver, indicating there is generally no global grade bias in the OK resource model for these metals. The average OK grade is 3.5% lower and 7.5% higher than the average NN grade for lead and zinc, respectively, indicating there might be some negative or positive grade biases for the two metals. As lead and zinc generally have very low grades in most parts of the deposit, their mining potential is generally limited to the near-surface portion at the southwest of the I-1 mineralized body. Therefore, these negative and possible grade biases should not produce a material impact on the project. Local grade bias was checked by posting the block grades and composite grades on a computer screen on sections and plans, indicating the block grades are generally similar to the nearby composite grades, with a reasonable amount of smoothing (Figures 17.6, 17.7 and 17.8).

- Mined-out areas: The Resource Institute conducted a systematic survey of the adits produced by the four previous operators before the consolidation of the property. A total of 64 adits were surveyed, of which 24 were for exploration purposes only and had no mining stopes. The other 40 adits were for mining purpose and have mined-out stopes. Based on the survey results, the total mined-out volume from stopes in the 40 surveyed adits is approximately 397,000 m^3. The mined-out areas are all located in the skarn mineralized zone; therefore, the skarn-type mineralization bulk density of 3.115 t/m^3 was used to calculate the mined-out tonnage of approximately 1.236 million tonnes ("Mt"). The stopes were distributed at MSL elevations ranging from 4,600 m to 4,950 m and between Exploration Lines 7 and 96. Based on the previous estimation (Section 6.0 of this ITR), the consumed resources by the four operators to the end of June 2006 (December 2005 for one property) totaled approximately 377,200 t. Considering these mining operations were terminated at April 1, 2007 and some additional ore was mined out between June 2006 (or December 2005 for one property) and April 1, 2007, BDASIA believes that the mined-out tonnages based on the Resource Institute's survey results are reasonable estimates of the mineral resources consumed by historical mining for the Jiama Project. These mined out tonnages were allocated to 50-m levels and were deducted from the current resource model.

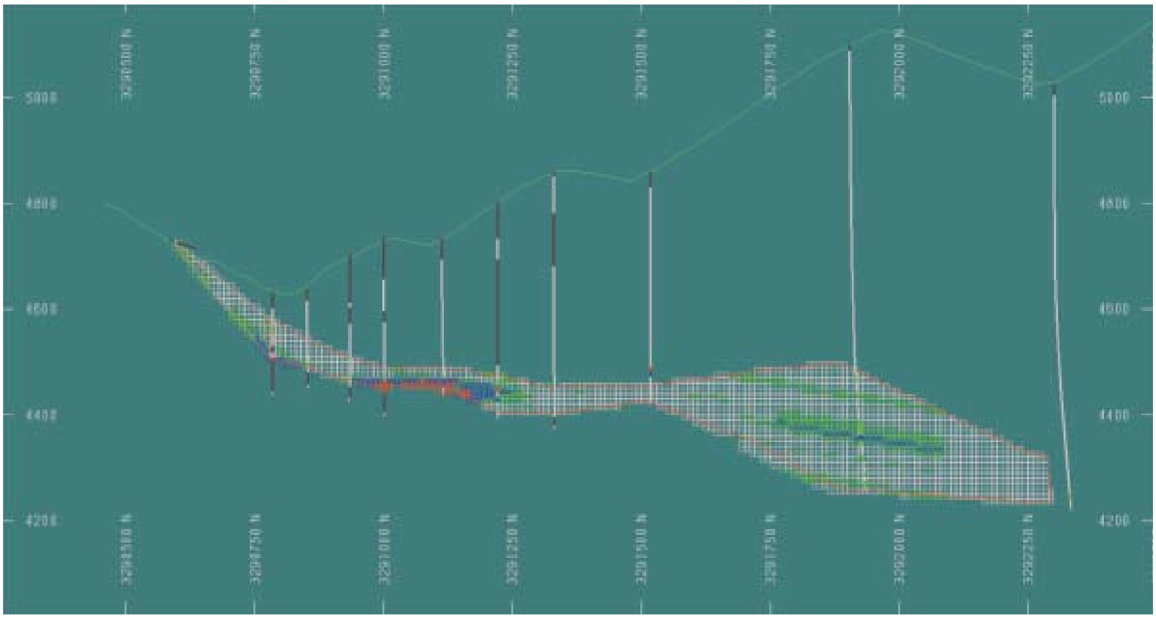


Copper (grade range by color: magenta >=2.00%; red 1.00% – 1.99%; blue 0.50% – 0.99%; green 0.30% – 0.49%; white 0.00% – 0.29%; black no assays)

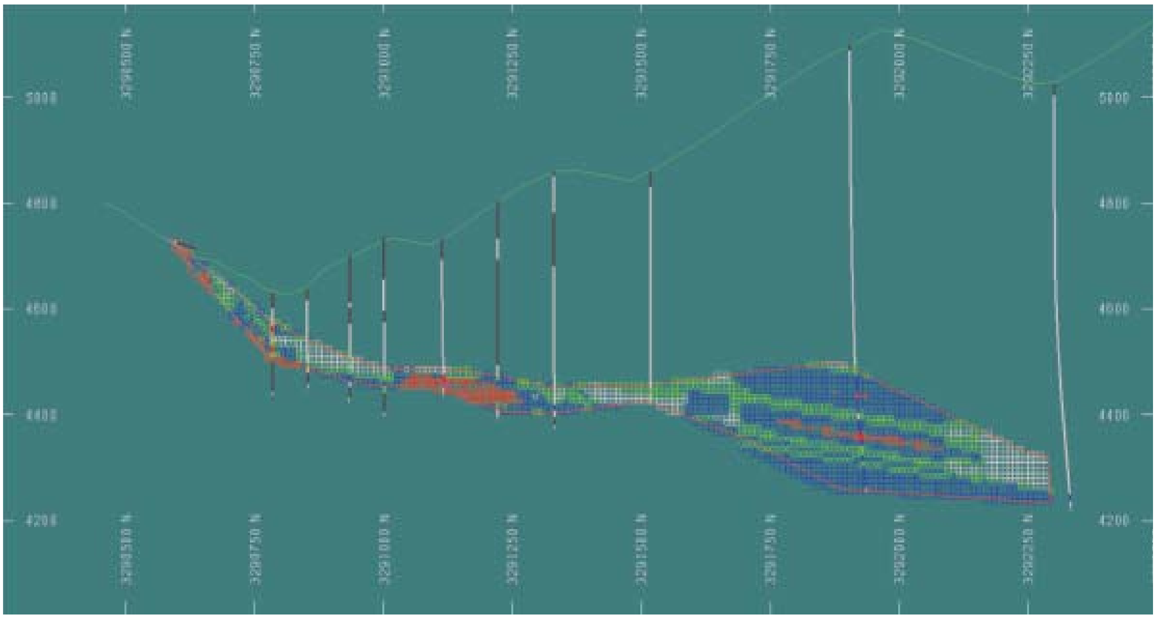


Molybdenum (grade range by color: magenta >=0.200%; red 0.100% – 0.199%; blue 0.050% – 0.099%; green 0.030% – 0.049%; white 0.000% – 0.029%; black no assays)

Figure 17.6 Comparison of OK model block grades and composite grades on a cross section (The view is looking at 270° rotated azimuth and is on Exploration Line 16.)

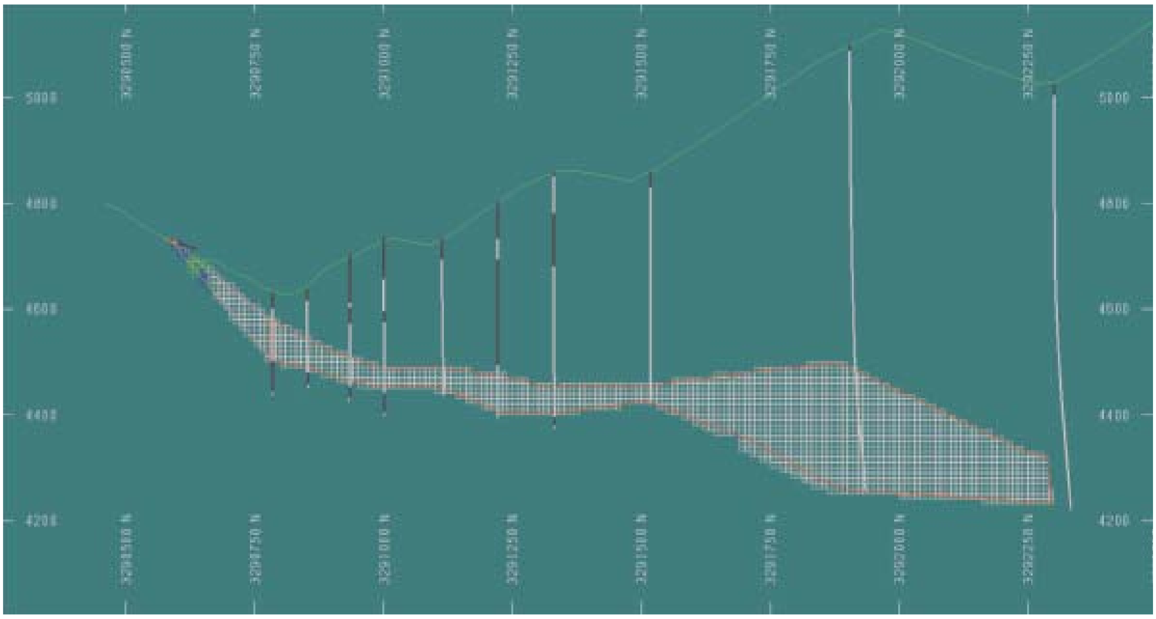


Gold (grade range by color: magenta >=2.00 g/t; red 1.00 – 1.99 g/t; blue 0.50 – 0.99 g/t; green 0.30 – 0.49 g/t; white 0.00 – 0.29 g/t; black no assays)

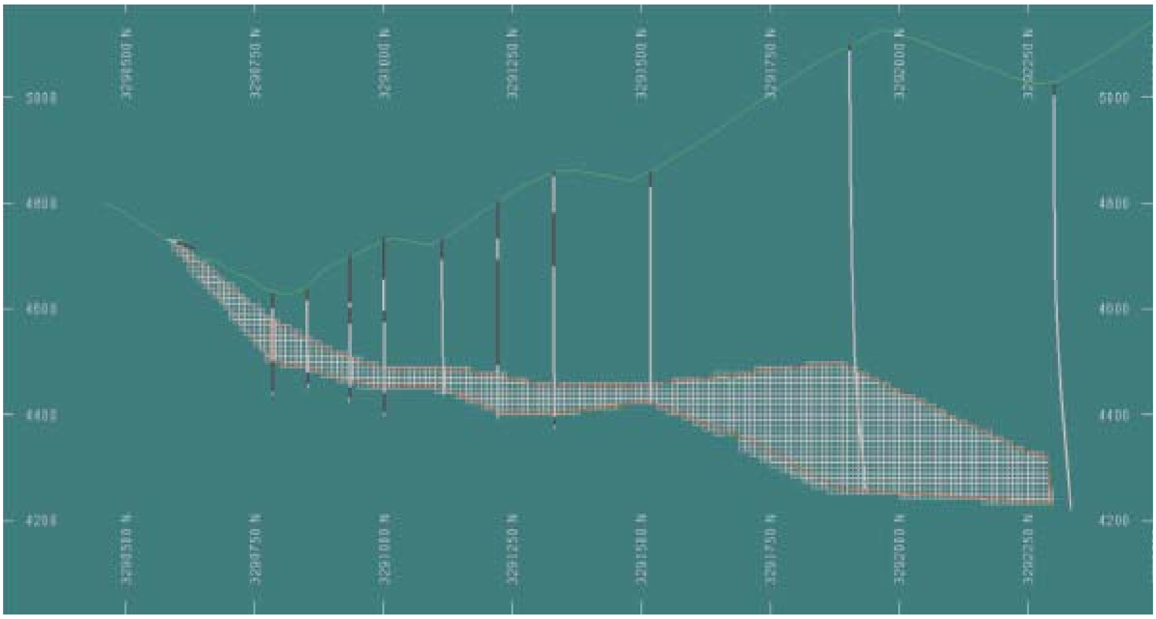


Silver (grade range by color: magenta >=50.0 g/t; red 20.0 – 49.9 g/t; blue 10.0 – 19.9 g/t; green 5.0 – 9.9 g/t; white 0.00 – 4.9 g/t; black no assays)

Figure 17.7 Comparison of OK model block grades and composite grades on a cross section (The view is looking at 270° rotated azimuth and is on Exploration Line 16.)



Lead (grade range by color: magenta >=4.00%; red 2.00% – 3.99%; blue 1.00% – 1.99%; green 0.50% – 0.99%; white 0.00% – 0.49%; black no assays)



Zinc (grade range by color: magenta >=4.00%; red 2.00% – 3.99%; blue 1.00% – 1.99%; green 0.50% – 0.99%; white 0.00% – 0.49%; black no assays)

Figure 17.8 Comparison of OK model block grades and composite grades on a cross section (The view is looking at 270° rotated azimuth and is on Exploration Line 16.)

17.1.3 Procedures and Parameters Used for the Hornfels-Type Resource Modelling

The following procedures and parameters were used in the current resource estimation for the hornfels-type mineralization of the Jiama Project:

- **Geological Modeling**: Geological modeling was performed by the Resource Institute geologists using Micromine mining software. The mineralized zones were modeled by a grade envelope at the cutoff grade of 0.3% Cu, or 0.03% Mo, or 1% Pb or 1% Zn. The minimum mineralized zone thickness is 2 m. Results of the geological modeling show that the hornfels-type mineralization is likely to consist of a large, massive mineralized body (Figure 9.2), over 1,500 m long, up to 1,000 m wide and up to 820 m thick. In general, the upper portion of the mineralized body is copper rich, and the lower portion of the body is molybdenum rich.

- **Metal Grade Statistical Analysis and Grade Capping:** A total of 3,434 assay intervals with a total length of 6,017 m are located inside the defined hornfels-type mineralized envelopes for the Jiama Project. Therefore, the average assay interval length inside the hornfels-type mineralized envelopes is 1.75 m. Original length-weighed metal grade statistics of these assay intervals are summarized in Table 17.6. No Capping was conducted on the hornfels-type mineralization as all the assay grades are below the capping grades for the skarn-type mineralization.

Table 17.6
Original Length-Weighted Metal Assay Grade Statistics inside the Hornfels-Type Mineralized Zones

Metal	Number of Samples	Length (m)	Mean	Standard Deviation	Minimum	Maximum	Coefficient of Variation
Cu (%)	3,434	6,017	0.21	0.17	0.00	5.27	0.78
Mo (%)	3,434	6,017	0.025	0.037	0.000	0.540	1.43
Au (g/t)	3,434	6,017	0.02	0.11	0.00	4.14	4.86
Ag (g/t)	3,434	6,017	1.1	0.9	0.4	20.4	0.76
Pb (%)	3,434	6,017	0.00	0.01	0.00	0.21	2.49
Zn (%)	3,434	6,017	0.01	0.01	0.00	0.30	1.55

- **Compositing**: Metal assays inside the mineralized envelopes were composited to 5-m fixed-length composites, and composites less than 1-m long were merged into the previous 5-m composite. A total of 1,217 composites were produced inside the hornfels-type mineralized envelopes. Length-weighted metal grade statistics for the composites are summarized in Table 17.7.

Table 17.7
Length-Weighted 5-m Length Hornfels Composite Metal Grade Statistics

Metal	Number of Samples	Length (m)	Mean	Standard Deviation	Minimum	Maximum	Coefficient of Variation
Cu (%)	1,217	6,017	0.21	0.13	0.01	2.28	0.62
Mo (%)	1,217	6,017	0.026	0.029	0.000	0.312	1.15
Au (g/t)	1,217	6,017	0.02	0.09	0.00	3.10	4.21
Ag (g/t)	1,217	6,017	1.1	0.6	0.5	7.7	0.56
Pb (%)	1,217	6,017	0.00	0.01	0.00	0.08	1.97
Zn (%)	1,217	6,017	0.01	0.01	0.00	0.09	1.28

- **Block Model Definition**: A 3-D block model with a block size of 10×10×10 m was defined for the hornfels-type mineralization at the Jiama Project. The mineralized envelopes were coded to the block model using the majority rule method, i.e., a block is considered inside the mineralized envelope if more than 50% of the block is located inside the mineralized envelope. A volume check was conducted by comparing the mineralized envelope volume and the 3-D block volume, with a negligible difference.

- **Grade Estimation**: Block grade estimation was conducted using the inverse-distance to the second power ("ID2") procedure. The search ellipsoid radius was 300 m long horizontally and 100 m long vertically. The number of 5-m composites used for the grade estimation ranged from two to sixteen, with a maximum of four composites from any single drill hole.

- **Resource Classification**: All hornfels model blocks were classified as inferred resources under the JORC Code as the hornfels-type mineralization is currently only defined by widely-spaced drill holes.

17.1.4 Resource Estimation Results under the JORC Code

The skarn-type mineral resources, inclusive of ore reserves, as of June 30, 2010 under the JORC Code estimated by BDASIA for the Jiama Project are summarized in Table 17.8. The cutoff grade used for the skarn-type resource summary is 0.3% copper, or 0.03% molybdenum, or 1% lead, or 1% zinc. The measured and indicated skarn-type resources in the deposit are also summarized by 50-m vertical intervals in Table 17.9.

Table 17.8
JORC Skarn-Type Resource Estimates for the Jiama Project as of June 30, 2010
(Cutoff grade for the resource estimate is 0.3% Cu, or 0.03% Mo, or 1% Pb, or 1% Zn.)

	Grade						Metals					
Kt	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
Measured Resource												
82,928	0.83	0.042	0.30	16.0	0.06	0.05	686.9	34.42	25.11	1,326	51.9	38.7
Indicated Resource												
102,187	0.68	0.041	0.22	13.7	0.10	0.05	691.6	42.07	22.33	1,396	100.6	55.4
Measured + Indicated Resource												
185,116	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,378.5**	**76.49**	**47.44**	**2,722**	**152.5**	**94.1**
Inferred Resource												
165,763	0.64	0.053	0.21	13.1	0.14	0.06	1,068.0	88.57	35.42	2,179	239.0	106.9

Table 17.9
Measured and Indicated Skarn-Type Resource Estimates for the Jiama Project by Level

(Cutoff grade for the resource estimate is 0.3% Cu, or 0.03% Mo, or 1% Pb, or 1% Zn.)

		Grade						Metals					
Level	kt	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
5050-5100 . . .	94	0.72	0.016	0.10	12.2	0.33	0.44	0.7	0.01	0.01	1	0.3	0.4
5000-5050 . . .	397	0.59	0.012	0.24	20.6	0.50	0.78	2.4	0.05	0.09	8	2.0	3.1
4950-5000 . . .	641	0.71	0.016	0.26	22.2	0.52	0.58	4.5	0.10	0.17	14	3.3	3.7
4900-4950 . . .	351	0.83	0.016	0.19	18.8	1.55	0.59	2.9	0.05	0.07	7	5.4	2.1
4850-4900 . . .	383	0.97	0.007	0.29	17.1	0.98	0.44	3.7	0.03	0.11	7	3.8	1.7
4800-4850 . . .	615	0.56	0.017	0.15	15.8	0.60	0.30	3.5	0.10	0.09	10	3.7	1.8
4750-4800 . . .	1,272	0.38	0.023	0.09	15.7	0.75	0.34	4.8	0.29	0.11	20	9.6	4.3
4700-4750 . . .	2,821	0.52	0.021	0.14	22.3	0.80	0.19	14.6	0.60	0.38	63	22.7	5.3
4650-4700 . . .	4,005	0.54	0.025	0.14	13.9	0.40	0.11	21.7	1.00	0.56	56	16.1	4.5
4600-4650 . . .	5,090	0.61	0.028	0.18	11.5	0.20	0.07	31.1	1.40	0.90	59	9.9	3.3
4550-4600 . . .	10,875	0.68	0.042	0.23	13.9	0.10	0.07	74.5	4.54	2.53	151	11.1	7.3
4500-4550 . . .	34,729	0.79	0.046	0.25	14.0	0.05	0.03	273.3	16.08	8.84	486	16.4	11.2
4450-4500 . . .	65,371	0.81	0.040	0.31	16.3	0.03	0.03	531.8	26.21	20.02	1,063	21.2	18.6
4400-4450 . . .	39,142	0.74	0.039	0.26	14.8	0.06	0.06	291.1	15.30	10.15	579	22.9	22.8
4350-4400 . . .	14,158	0.58	0.058	0.16	10.2	0.02	0.02	82.5	8.18	2.33	144	3.5	3.2
4300-4350 . . .	4,725	0.68	0.048	0.19	10.2	0.01	0.02	32.1	2.27	0.92	48	0.5	0.8
4250-4300 . . .	331	0.88	0.048	0.42	16.5	0.01	0.02	2.9	0.16	0.14	5	0.0	0.1
4200-4250 . . .	81	0.39	0.079	0.17	8.0	0.00	0.01	0.3	0.06	0.01	1	0.0	0.0
4150-4200 . . .	35	0.21	0.118	0.09	4.4	0.00	0.01	0.1	0.04	0.00	0	0.0	0.0
Total	**185,116**	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,378.5**	**76.49**	**47.44**	**2,722**	**152.5**	**94.1**

The hornfels-type mineral resources, as of June 30, 2010 under the JORC Code as estimated by BDASIA for the Jiama Project are summarized in Table 17.10. The cutoff grade used for the hornfels-type resource summary is 0.3% copper, or 0.03% molybdenum, or 1% lead, or 1% zinc. Only inferred resources were estimated for the hornfels-type mineralization.

Table 17.10
Hornfels-Type Mineral Resource Estimates for the Jiama Project as of June 30, 2010
(Cutoff grade for the resource estimate is 0.3% Cu, or 0.03% Mo, or 1% Pb or 1% Zn.)

	Grade						Contained Metal					
Mt	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
							Inferred Resource					
655	0.23	0.045	0.02	1.17	0.00	0.01	1,500	290	13	770	—	—

BDASIA would note that mineral resources that are not mineral reserves do not have demonstrated economic viability. BDASIA would also note that the inferred resource estimates have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that all of an inferred mineral resource will be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for preliminary assessment or scoping study as defined under Canadian NI 43-101. Investors are cautioned not to assume that all of the inferred resources exists, or is economically or legally mineable.

17.2 Ore Reserve Estimates

Based on the December 2009 Changsha Institute feasibility study report, mining operations of the Jiama Project include both open-pit mining and underground mining. Two open pits, the smaller Tongqianshan pit located at the southwestern portion of the current Jiama Mining license, and the larger Niumatang pit located north of the Tongqianshan pit, have been designed for the project.

17.2.1 Economic Value Calculation of the Resource Model

The resource block model developed by BDASIA was used by the Changsha Institute in conducting mine planning and ore reserve estimation. An economic value was calculated for each model block based on the selected metal in concentrate prices and processing recoveries listed in Table 17.8 as well as mining dilution and mining recovery factors listed in Table 17.9.

Table 17.8
Metal in Concentrate Prices and Processing Recoveries used for Mine Planning

Item	Metal	Parameter	Note
Metal in Concentrate Price	Cu	RMB48,000/t (US$7,080/t)	These metal in concentrate prices include a 17% VAT except for gold, which is not subject to VAT in China.
	Mo	RMB300,000/t (US$44,248/t)	
	Au	RMB200/g (US$918/oz)	
	Ag	RMB3,200/t (US$14.68/oz)	
	Pb	RMB12,500/t (US$1,844/t)	
	Zn	RMB12,000/t (US$1,770/t)	
Processing Recovery	Cu	83%	These processing recoveries were based on the information available at the time when the mine planning was conducted, and are slightly different from the processing recoveries used in project financial analysis.
	Mo	75%	
	Au	50%	
	Ag	80%	
	Pb	75%	
	Zn	75%	

Metal in concentrate prices for copper, molybdenum, lead, and zinc in Table 17.8 represent the actual average market metal prices for the last 3 to 5 years in China. Gold and silver prices are slightly higher than the past 3-year actual averages, but they represent the Changsha Institute's expectation for the long-term prices for these two metals. BDASIA notes that the gold and silver prices in Table 17.8 are metal prices instead of metal in concentrate prices. Compared to the metal in concentrate prices used in the base case financial analysis of the Jiama Project (Table 21.6 of this ITR), the gold in concentrate price in Table 17.8 is 22.0% higher, and the silver in concentrate price is 20.3% higher.

Processing recoveries used for mine planning were based on the available data at the time when the mine planning was conducted and are not exactly the same as those for the base-case project economic analysis, except for gold. The copper recovery of 83% in Table 17.8 is lower than the 85% (when the average copper grade is not more than 0.8%) or 90% (when the copper grade is above 0.8%) copper processing recovery used for project financial analysis; the molybdenum recovery of 75% in Table 17.8 is higher than the 70% molybdenum processing recovery used in the project financial analysis; the lead recovery of 75% in Table 17.8 is less than the 80% lead recovery used in the project financial analysis; and the silver recovery of 80% in Table 17.8 is the same for most of the years in the mine life in the project financial analysis except for the initial 2 years of the mine life, when the silver recovery is 85%, as both the copper and lead concentrates will be produced for these 2 years. A zinc value was calculated for the mine planning, but this metal is not recovered and payable in the project financial analysis; however, this should only produce a minimum impact on the mine plan, as the zinc grade is generally very low in the resource model.

As copper is the primary economic metal in the deposit and as the copper processing recovery used in the mine plan is 2% to 7% lower than the copper recovery in the project financial analysis, BDASIA considers that the net effect of the different metal in concentrate prices and processing recoveries used between the mine plan and the project economic analysis is that the mine plan is slightly more conservative and, therefore, is considered acceptable by BDASIA for the Jiama Project.

The Jiama resource model was constructed using an ordinary kriging procedure, and a certain amount of mining dilution and mining losses have been built into the resource model because of the grade smoothing effect of the kriging grade estimation process. The Changsha Institute has applied additional mining dilution and mining recovery factors to the resource model as listed in Table 17.9. The Tongqianshan pit is mining the upper, steeply-dipping portion of the I-1 mineralized body, and the additional mining dilution factor applied is 5% and the mining recovery factor applied is 95%. The Niumatang pit is mining the lower, flatter portion of the I-1 mineralized body, and the additional dilution factor is 3% and the mining recovery factor is 97%. The underground reserve will be mostly mined by open stoping methods, and the additional mining dilution factor is 10% for the upper, steeply-dipping portion of the I-1 mineralized body (+4,600 m), and 8% for the lower, flatter, and thick portion of the mineralized body. The mining recovery factor applied is 85% for the upper, steeply-dipping ore zone and 90% for the lower, flatter, and thick ore zone. BDASIA considers these mining dilution factors and mining recovery factors to be appropriate for the planning stage. However, BDASIA recommends that Huatailong closely monitor the actual mining dilution and mining recoveries in the actual mining operation and calculate the actual mining dilution factors and mining recovery factors based on the production reconciliation data.

Table 17.9
Mining Dilution and Mining Recovery Factors for Reserve Estimation of the Jiama Project

Area	Factor	Chinese Parameter	Western Parameter
Tongqianshan Pit	Dilution Factor	5%	5.26%
	Mining Recovery Factor	95%	95%
Niumatang Pit	Dilution Factor	3%	3.09%
	Mining Recovery Factor	97%	97%
Underground (+4,600 m)	Dilution Factor	10%	11.11%
Sublevel Stoping	Mining Recovery Factor	85%	85%
Underground (-4,600 m)	Dilution Factor	8%	8.70%
Panel Sublevel Stoping	Mining Recovery Factor	90%	90%

It should be noted that the definition of the mining dilution factor in China is different from that in most Western countries. The mining dilution factor in China is defined as the ratio of the waste tonnage in the concentrator feed to the total concentrator feed tonnage, while the mining dilution factor in the West is defined as the ratio of the waste tonnage in the concentrator feed to the ore tonnage in the concentrator feed. Therefore, when using the same data for calculation, the Western mining dilution factor is always higher than the Chinese mining dilution factor, with the difference getting larger when the dilution factor is higher. For example, the Chinese mining dilution factor of 6.0% is equivalent to a Western mining dilution factor of 6.4%, and the Chinese mining dilution factor of 9.0% is equivalent to a Western mining dilution factor of 9.9%. The mining dilution factors discussed in the text above all refer to the Chinese mining dilution factors; the corresponding Western mining dilution factors are listed in Table 17.9.

17.2.2 Mine Planning and Reserve Estimation for the Tongqianshan Pit

The Tongqianshan pit is a relatively small open pit located at the southern section of the I-1 mineralized body, where the ore zone is relatively steeply-dipping and exposed on the surface. The open-pit design was not based on an optimization analysis but was designed to meet the waste-to-ore strip ratio that ensured the pit's profitability and provided early ore production for the start up of the operation. In addition, the open pit met the project needs to provide sufficient waste rock to establish an operational work area above the base of the valley at the level of the planned entrance (around the MSL elevation of 4,600 m) to the underground mine.

The open-pit slope parameters for the design are 15-m benches with a 4-m-wide berm followed by a second bench with a 14-m-wide safety berm; the berm width alternates between 4 m and 14 m down the pit slope. The haul road width is designed at 12 m, although the majority of pit benches will not require a haul road within the bench due to the topography of the pit and only the last three benches being continuous, i.e., not daylighting. The bench face slope angle is 70°, giving an overall open-pit slope angle of 45°.

The pit is located within the valley between the Tongshan and the Qianshan mountains, with the main walls of the pit being on the east and west walls cut into the sides of the two mountains. The dimensions of the pit are approximately 640 m east-west and 580 m north-south. The highest pit wall is 270 m. The final pit is only 45 m below the floor of the valley, with all other benches daylighting. The defined final pit contains approximately 3.7 Mt of ore and 20.8 Mt of waste at a strip ratio of 5.6:1 (waste:ore) by weight.

Within the planned open pit, there has been some localized extraction of ore from previous underground workings, as mentioned previously in this ITR. The Changsha Institute has noted that these mining areas can create a risk to the open-pit mining operation and recommended that the Jiama Project take measures to protect the open-pit operation with procedures to identify these voids within the mining area as the open pit progresses.

17.2.3 Mine Planning and Reserve Estimation for the Niumatang Pit

The design of the Niumatang open pit, which contains the majority of the open-pit reserves, was based on optimization work undertaken by the Changsha Institute and reviewed by BDASIA. An optimization procedure, using the Lerchs Grossman algorithm in SURPAC, was used to create optimized pit shells from the resource block model.

The mining cost parameters used in the pit optimization analysis were based on the unit mining costs of RMB17.5/t (US\$2.58/t) for ore mining and RMB15.5/t (US\$2.29/t) for waste stripping. Other unit costs, including processing, G&A, sales, and financing, total RMB145.0/t (US\$21.39/t) of processed ore. These costs are generally higher than the unit costs used for the project financial analysis (unit ore mining cost RMB16.4/t (US\$2.42/t), unit waste stripping cost RMB13.2/t (US\$1.95/t), unit ore transportation, mining management, processing, G&A, sales, and financing costs RMB112.5/t (US\$16.59/t)).

The assumption for the pit slopes for all walls was 45º.

The analysis was based on a block economic value calculated from the block metal grades, processing recoveries, and metal in concentrate prices.

The selected shell for final pit design from the optimization analysis was chosen to maximize profitability and minimize the strip ratio. The open-pit design followed the selected optimization shell, with the designed final pit containing approximately 19.9 Mt of ore and 146.2 Mt of waste at a strip ratio of 7.4:1 (waste:ore) by weight. The dimensions of the pit are approximately 900 m east-west and 840 m north-south. The highest pit wall is 570 m. The final pit is only 80 m below the floor of the valley, with all other benches daylighting. The open-pit slope parameters for the design are similar to the Tongqianshan pit.

BDASIA notes that the optimization analysis did not consider the marginal cost of mining the ore zones within the open pit by underground mining. The overall unit open-pit unit mining costs for the Niumatang pit are higher than the unit underground mining costs. BDASIA recommends that further optimization of the mine plan be carried out to better define the boundary between the open-pit and underground mining method. Any adjustment in the boundary would need to be assessed with respect to the impact on the mine scheduling and timing of the capital cost of increasing the underground production capacity.

17.2.4 Underground Mine Planning and Reserve Estimation

In planning the extraction methods for the underground mine, the Changsha Institute divided the ore zone into the steeply-dipping (averaging approximately 60°) section above the 4,550-m level and the flatter (dipping approximately 10°) but relatively thick section below the 4,550-m level. The reserve split within the two ore zones is currently approximately 20% and 80%, respectively.

Access to underground is planned from the 4,600-m level in the Xiagongpu valley, north of the Tongqianshan pit, with two inclined shafts and a decline access for trackless equipment. The shafts will be inclined at 30°, with one shaft used for transportation of personnel and materials and the second shaft used for waste hoisting; the shafts will have an approximately 600-m final depth, with an initial 355 m developed in the first stage of underground production. Prior to the construction of the underground access, the valley is required to be filled to the 4,600-m level with waste rocks from the Tongqianshan pit. The waste rock will also create a platform for construction of mine offices and other surface infrastructure for the underground mine.

The mining method planned for both the steeply-dipping and flatter, thick zones is open stope mining, with variations to the access, stope dimensions, and sublevel intervals. Stopes within the flatter, thick section are planned to be backfilled with classified tailings, with and without cement. Stopes within the steeply-dipping zone will not be backfilled.

For the flatter, thick zone, it is planned to mine the zone in 50-m vertical height blocks, with the stopes approximately 45-m high, 50-m long, and 15-m wide, yielding approximately 100,000 t per stope. The sublevel interval planned is to be two at 15 m and one at 20 m, with a 5-m crown pillar above the stope. Primary stopes, i.e., where no stope extraction has occurred adjacent to the stope, will be cement filled to allow adjacent stopes to be extracted. For secondary stopes where no stopes are planned to be extracted beside the stope, no cement will be used in the fill, and a finer hydraulic fill is planned; some secondary stopes may be cement filled where further mining of tertiary stopes is planned. Management of backfilling is one of the critical activities to ensuring long-term production schedules are met and stope sequencing is not compromised due to late filling of stopes. Cement fill stopes will require appropriate curing time before mining commences from adjacent stopes. While management of the blasting against fill will minimize fill failures, some fill will inevitably break into secondary and tertiary stopes.

In the steeper zones, the sublevels are planned at the same sublevel interval of 15-m and 20-m. Stope length is 20-m and stope width is set by the ore zone, which will be 20-m or greater, yielding approximately 50,000 t per stope.

The two mining methods described above account for around 90% of the ore reserves. For zones where open stoping mining methods are not appropriate due to ore dimensions, room-and-pillar or shrinkage stoping mining methods are planned, depending on the thickness of the ore zone and the dip.

A unit economic value was calculated for each stope based on the resource model metal grades, metal in concentrate prices, and metallurgical recoveries to determine if the stope is profitable and should be considered as a reserve.

17.2.5 JORC Ore Reserve Statement for the Jiama Project

Ore reserves under the JORC Code were summarized based on the block/stope unit economic values calculated for the resource blocks within the final Tongqianshan pit and Niumatang pit designs and for stopes within the planned underground mining areas. The cutoff unit economic values used to separate ore and waste by the Changsha Institute are listed in Table 17.10.

Table 17.10
Cutoff Unit Economic Value for Reserve Estimation of the Jiama Project

Area	Cutoff Unit Economic Value	Total Unit Ore Operating Cost In Project Financial analysis
Tongqianshan Pit	RMB276.5/t (US$40.78/t)	RMB133.2/t (US$19.65/t)
Niumatang Pit	RMB249.0/t (US$36.73/t)	RMB128.9/t (US$19.01/t)
Underground (+4,600 m)		
Sublevel Stoping	RMB276.5/t (US$40.78/t)	RMB201.0/t (US$29.65/t)
Underground (-4,600 m)		
Panel Sublevel Stoping	RMB249.0/t (US$36.73/t)	RMB201.0/t (US$29.65/t)

For comparison purposes, total unit ore operating costs (including ore mining, transportation, processing, G&A, sales, and financing costs) used for the project financial analysis for each mining area of the Jiama Project are also listed in Table 17.10. It can be seen that the cutoff unit economic values are considerably higher than the total unit ore operating costs used in the project financial analysis, especially for the two open pits. This means that the marginally profitable resource blocks or stopes are not included in the ore reserve estimate by the Changsha Institute.

Only the measured and indicated resource block/stopes were used for reserve estimation. The economic measured resource was converted to a proved reserve and the economic indicated resource was converted to a probable reserve. Appropriate mining dilution factors and mining recovery factors have been incorporated into the reserve estimates.

BDASIA considers that the Changsha Institute's reserve estimates are relatively conservative and meet the JORC reserve definition. As the ore reserves for the Jiama Project are sufficient for the planned production rate for approximately 30 years, eliminating some of the low-profit-margin ore blocks from production will actually help the project economics. Therefore, the Changsha Institute's reserve estimates are adopted by BDASIA in this ITR. Table 17.11 summarizes the JORC reserve estimates for the Jiama Project as of June 30, 2010. The waste tonnage and strip ratio for the two open pits have also been summarized in the table. These reserve estimates are also compliant with the CIM Standards as the JORC and CIM reserve classifications are exactly the same.

Table 17.11
JORC Ore Reserve Estimates for the Jiama Project as of June 30, 2010

Type	kt	Grade						Metals					
		Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb kt	Zn kt
Tongqianshan Pit													
Proved	1,208	0.64	0.015	0.20	10.0	0.21	0.05	7.7	0.18	0.24	12	2.5	0.6
Probable	2,524	0.77	0.012	0.24	13.4	0.51	0.09	19.4	0.29	0.60	34	13.0	2.3
Subtotal	3,733	0.73	0.013	0.23	12.3	0.41	0.08	27.1	0.47	0.84	46	15.5	2.8
Waste	20,826												
Strip ratio	5.58												
Niumatang Pit													
Proved	14,473	1.04	0.039	0.45	21.6	0.03	0.03	150.9	5.66	6.56	313	4.2	3.9
Probable	5,423	1.06	0.035	0.49	21.7	0.03	0.03	57.7	1.89	2.63	118	1.8	1.7
Subtotal	19,897	1.05	0.038	0.46	21.6	0.03	0.03	208.6	7.55	9.19	430	6.0	5.6
Waste	146,224												
Strip ratio	7.35												
Total Open Pits													
Proved	**15,682**	**1.01**	**0.037**	**0.43**	**20.7**	**0.04**	**0.03**	**158.6**	**5.83**	**6.80**	**325**	**6.7**	**4.5**
Probable	**7,948**	**0.97**	**0.027**	**0.41**	**19.1**	**0.19**	**0.05**	**77.2**	**2.18**	**3.23**	**151**	**14.8**	**4.0**
Subtotal	**23,630**	**1.00**	**0.034**	**0.42**	**20.1**	**0.09**	**0.04**	**235.8**	**8.02**	**10.03**	**476**	**21.5**	**8.5**
Waste	**167,050**												
Strip ratio	**7.07**												
Underground Reserve													
Proved	**37,860**	**0.75**	**0.038**	**0.27**	**14.5**	**0.06**	**0.04**	**284.2**	**14.48**	**10.3**	**550**	**22.9**	**16.9**
Probable	**44,410**	**0.82**	**0.042**	**0.27**	**16.0**	**0.09**	**0.05**	**365.6**	**18.77**	**12.0**	**712**	**40.6**	**23.2**
Subtotal	**82,269**	**0.79**	**0.040**	**0.27**	**15.3**	**0.08**	**0.05**	**649.8**	**33.25**	**22.3**	**1262**	**63.5**	**40.1**
Total Reserves													
Proved	**53,541**	**0.83**	**0.038**	**0.32**	**16.3**	**0.06**	**0.04**	**442.8**	**20.31**	**17.1**	**874**	**29.6**	**21.3**
Probable	**52,358**	**0.85**	**0.040**	**0.29**	**16.5**	**0.11**	**0.05**	**442.8**	**20.96**	**15.2**	**864**	**55.4**	**27.2**
Total	**105,899**	**0.84**	**0.039**	**0.31**	**16.4**	**0.08**	**0.05**	**885.6**	**41.27**	**32.3**	**1738**	**85.0**	**48.6**

17.3 Additional Exploration Potential

Copper-polymetallic mineralization at Jiama lies within a large mineralized system. Over 97% of the currently defined mineral resources are contained within the primary I-1 mineralized body controlled by the interlayer structure zone between the footwall Upper-Jurassic Duodigou Formation marbles and the hanging wall Lower-Cretaceous Linbuzong Formation hornfels. A total of 185 Mt of measured and indicated resources have been defined by current drilling, and there is an additional 166 Mt of inferred mineral resource for the Jiama Project. With additional drilling and sampling, BDASIA believes that a significant portion of the inferred resource can be upgraded to the measured and indicated resource categories, which in turn, can be used for additional ore reserve estimation. In addition, the I-1 mineralized body is generally open in the down-dip direction to the northeast, representing significant additional exploration potential in that area.

Furthermore, as Jiama is within a large mineralized system and as Huatailong's mining and exploration licenses cover an area of 145.5 km^2, it is possible to find other mineralized bodies similar to the I-1 mineralized body and other types of mineralization, such as porphyry-type copper or copper-polymetallic mineralization, within the mining/exploration license area.

17.4 Mine Life Analysis

Based on the December 2009 Changsha Institute feasibility study report, the current proved and probable ore reserves for the skarn-type mineralization of the Jiama Project are 105.9 Mt. At the planned long-term production rate of 3.6 Mtpa, the current reserve mine life for the Jiama Project is approximately 29.4 years. This reserve mine life may change significantly in the future due to the following reasons:

- In addition to the proved and probable reserve estimates, an additional 165 Mt of inferred mineral resources are estimated to exist for the skarn-type mineralization at the Jiama Project. BDASIA believes that additional drilling and sampling can upgrade a significant portion of this inferred resource into the measured and indicated resource categories, which in turn can be used to estimate additional skarn-type ore reserves for the Jiama Project. The additional ore reserves defined by upgrading the inferred resource estimate could increase the reserve mine life of the Jiama Project significantly;
- The mineralization is generally open in the down-dip direction, and additional exploration may increase the mineral resources significantly. Depending on economic conditions, some of the increased mineral resources could be converted into ore reserves, increasing the mine life; and
- Changes in the production rate would also change the mine life. The mine life would be shortened if the production rate is increased to a level higher than the anticipated long-term production level.

17.5 Resource/Reserve Reconciliation under the CIM Standards

The CIM Standards are a resource/reserve classification system very similar to the Australasian JORC Code. There is no material difference between the two classification systems. Resource/reserve estimates under the JORC Code can be easily converted to resource/reserve estimates under the CIM Standards. It should be noted, however, that under the JORC Code, inferred resource can be added to measured and indicated resources in reporting, while such an addition is not allowed under the CIM Standards in resource statements. In this ITR, the inferred resource is not added to the measured and indicated resources, as this ITR follows the NI 43-101 report disclosure guidelines.

Mineral resources, inclusive of mineral reserves, and mineral reserves under the CIM Standards for the Jiama Project as of June 30, 2010 are exactly the same as the mineral resources and ore reserves under the JORC Code and are summarized in Table 17.6 and Table 17.11, respectively.

18.0 INTERPRETATION AND CONCLUSIONS

The Jiama deposit is a large copper-polymetallic deposit with well-defined mineral resources and ore reserves. The currently defined ore reserve for the deposit is sufficient to support a production rate of 12,000 tpd or 3.6 Mtpa for approximately 30 years. In addition, there is a large, defined, inferred resource, and the additional exploration potential is very good. The currently defined mineral resources and ore reserves will very likely be increased in the future with additional exploration work. The Tibet government is supportive of the development of the Jiama Project, and the pending mining license issue is unlikely to affect the defined reserves of the project.

The extraction of the I-1 mineralized body, the primary mineralized body in the Jiama deposit, requires the use of both open-pit and underground mining methods. BDASIA considers the mine design generally appropriate. However, there is a degree of uncertainty with the production targets during the ramp-up period; and, further detailed planning, optimization, and detailed geotechnical assessment would also assist in reducing the overall risk of the mine plan. The schedule is susceptible to interruptions from the supply of power. The economics of the two open pits are not optimum, but project goals such as early production and the need for waste as a platform for the underground mine access development justify the selection of the pit size, particularly the Tongqianshan pit.

Both the copper-lead ore and copper-molybdenum ore appear to be fairly typical and relatively simple to treat. It is expected that the concentrates of copper, lead, and molybdenum could be produced as indicated by the testwork and outlined in the life-of-mine production forecast (Table 21.2).

To ensure uninterrupted production, two aspects specific to this operation should be given a high degree of attention. They involve process water and movement of the tails from the plant to the final tailings disposal site.

Fresh water is scarce in the area, and the process water will have to be recovered, treated, and recycled.

The thickened tails will have to be pumped from the thickeners at a MSL elevation of around 3,980 m to a filtering facility at a 4,380-m MSL elevation, the water returned to process, and the filtered cake (tailings) transported by a conveyor belt and deposited in the final tailings disposal site. Any malfunction of this system will cause the shutdown of the plant and loss of production.

19.0 RECOMMENDATIONS

19.1 Exploration

Further in-fill drilling and step-out drilling are likely to significantly increase the currently defined mineral resources and ore reserves for the Jiama Project. BDASIA, however, does not consider additional drilling a high priority task at the current stage of project development as the defined ore reserves are sufficient to support the mining operation for approximately 30 years at the planned production rate of 12,000 tpd or 3.6 Mtpa. If mining operations over the next several years prove to be successful, Huatailong should consider increasing the currently planned production capacity of the project, and additional drilling to increase the mineral resources and ore reserves of the project may become necessary. Cost for the additional drilling could range from less than RMB5 M (US$0.74 M) to more than RMB20 M (US$2.9 M).

19.2 Open-pit Mining

A preliminary assessment of slope stability has been carried out on both the Tongqianshan and Niumatang pits, and it is recommended that a more detailed geotechnical assessment be carried out on the pit walls, particularly for the larger Niumatang open pit to better define the appropriate slope angle for the various walls of the pit.

Within the planned Tongqianshan open pit, there has been some localized extraction of ore by previous underground mining. The Changsha Institute has noted that these mining areas can create a risk to the open-pit mining operation and recommended that the Jiama Project take measures to protect the open-pit operation with procedures to identify these voids within the mining area as the open-pit progresses.

The optimization analysis for the Niumatang pit did not consider the marginal cost of mining the ore zones within the open pit by underground mining. The overall open-pit unit mining costs for the Niumatang pit are higher than those for the underground mine. BDASIA recommends that further optimization of the mine plan be carried out to maximize the profitability of ore extraction by better defining the boundary between the open-pit and underground mining methods.

19.3 Underground Mining

Given the quality of the orebody and adjacent rocks, BDASIA recommends that the stope dimensions within the zone below the 4,550-m level be geotechnically reviewed to determine if stope sizes can be increased without significantly affecting the production risk. Overall, BDASIA considers that further optimization of the mine design is warranted and has the potential to improve the profitability of the underground mine.

The recommendations made for both the open-pit mining and underground mining should generally be considered as part of routine technical work for the mining operation, and should not cost the project significantly more money. The optimizations discussed are very likely to result in some cost savings for the project.

19.4 Processing

Additional testwork aimed to design and confirm the process water treatment — its recycling and effect on concentrate grades and recoveries — is strongly recommended. The tests should be conducted on samples representing the mill feed for years 1, 2, 3, and 4, if at all possible. The final, locked-cycle tests should be carried out in duplicate. The cost for the additional test work can be ranged from RMB0.4 M (US$0.059 M) to RMB1.5 M (US$0.22 M).

20.0 REFERENCES

Mineral Resource Research Institute of Chinese Academy of Geological Sciences, 2009: Mineral Resource and Reserve Evaluation Report for the Jiama Polymetallic Deposit in Metrorkongka County, Tibet Autonomous Region (An unpublished internal company report). 141p. November 2009.

Changsha Engineering and Research Institute of Non-ferrous Metals Metallurgy, 2009: Feasibility Study Report for the 12,000 tpd Mining/Processing Operation for the Jiama Copper-Polymetallic Project of Tibet Huatailong Mining Development Company Limited (An unpublished internal company report). 331p. December 2009.

Changsha Engineering and Research Institute of Non-ferrous Metals Metallurgy, 2010: Preliminary Economic Assessment of the 50 ktpd of Mining/Processing Operation for Copper-Polymetallic Resources at Jiama for Tibet Huatailong Mining Development Company Limited (An unpublished internal company report). 167p. July 2010.

21.0 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES

21.1 Mining Operations

The Jiama Project plans to mine approximately 105.9 Mt of ore by open-pit and underground mining operations at a production rate of 3.6 Mtpa or 12,000 tpd based on 300 working days per annum over a mine life of approximately 31 years (Table 21.1). Open-pit mining operation started in late July 2010 from the smaller Tongqianshan pit at a rate of 3,000 tpd or 900,000 tpa; open-pit mining at the Niumatang pit will start in April 2011 at a rate of 6,000 tpd or 1.8 Mtpa, increasing the total open-pit mining production to 9,000 tpd or 2.7 Mtpa; underground mining is planned to start in January 2012 at a rate of 3,000 tpd or 900,000 tpa, increasing the total mine production to 12,000 tpd or 3.6 Mtpa. Underground mining is planned to ramp up to 6,000 tpd in 2014 when the Tongqianshan pit will be depleted. Therefore, the mine will maintain a total production rate of 12,000 tpd or 3.6 Mtpa. At the depletion of the Niumatang pit, underground production capacity will be increased to 3.6 Mtpa or 12,000 tpd.

Table 21.1
Life-of-Mine Forecast Mine Production for the Jiama Project

Item	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Tongqianshan Pit																	
development waste striping (kt)	5,803																
development ore mining (kt)	174																
production waste striping (kt)		4,875	5,850	3,600	675	23											
production ore mining (kt)		750	900	900	900	109											
Niumatang Mount Pit																	
development waste striping (kt)	12,790	22,537															
development ore mining (kt)	0	197															
production waste striping (kt)			15,300	15,300	15,300	15,300	12,060	12,060	12,060	7,920	2,700	1,620	1,278				
production ore mining (kt)			1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,700				
Total Open-pit Production																	
development waste striping (kt)	**18,593**	**22,537**															
development ore mining (kt)	**174**	**197**															
production waste striping (kt)		**4,875**	**21,150**	**18,900**	**15,975**	**15,323**	**12,060**	**12,060**	**12,060**	**7,920**	**2,700**	**1,620**	**1,278**				
production ore mining (kt)		**750**	**2,700**	**2,700**	**2,700**	**1,909**	**1,800**	**1,800**	**1,800**	**1,800**	**1,800**	**1,800**	**1,700**				
Underground Ore Mining (kt)				**900**	**900**	**1,691**	**1,800**	**1,800**	**1,800**	**1,800**	**1,800**	**1,800**	**1,900**	**3,600**	**3,600**	**3,600**	**3,600**
Total Ore Production (kt)	**174**	**947**	**2,700**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Tongqianshan Pit																
development waste striping (kt)																**5,803**
development ore mining (kt)																**174**
production waste striping (kt)																**15,023**
production ore mining (kt)																**3,559**
Niumatang Mount Pit																
development waste striping (kt)																**35,326**
development ore mining (kt)																**197**
production waste striping (kt)																**133,200**
production ore mining (kt)																**19,700**
Total Open-pit Production																
development waste striping (kt)																**41,129**
development ore mining (kt)																**371**
production waste striping (kt)																**148,223**
production ore mining (kt)																**23,259**
Underground Ore Mining (kt)	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**2,700**	**1,500**	**82,270**
Total Ore Production (kt)	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**3,600**	**2,700**	**1,500**	**105,900**

21.1.1 Open-pit Mining

Geotechnical Parameters

Some geotechnical assessment of the rocks within the mining area has been carried out and various rock parameters determined. The rocks within the planned Tongqianshan and Niumatang pits range from very hard rocks (mostly silicified hornfels) to hard rocks (hornfels and slates) and less hard rocks (carbonaceous shales, marble, limestone, and skarns). The majority of the pit walls are within the skarn, marble, limestone, and hornfels. No major faults have been identified within the mining area; the Xiapu fracture zone is a large brittle-ductile thrust-detachment fault zone located south of the mining area.

The natural slopes of the surrounding topography are of the range between approximately 30° and 45°. No detailed geotechnical assessment has been completed for the pit designs for either the Tongqianshan or the Niumatang pit slopes, but the designed slopes have been set at a relatively conservative 45°, which is similar to many of the natural slopes within the mining area.

The Changsha Institute has recommended to the Jiama Project that further analysis of the final boundary of the Niumatang open pit be carried out to further optimize the pit slope. The pit slope angles, particularly for the larger Niumatang open pit, can be better defined with detailed geotechnical assessment. There is some potential to reduce operating costs for the open pit if the pit slopes can be steepened without increasing the risk of wall failure above acceptable limits.

As part of the pit wall management program, the Jiama Project has commenced pit slope monitoring of both open pits and will continue this program as mining progresses.

Open-pit Mining Operation

The smaller Tongqianshan pit and the larger Niumatang pit designed by the Changsha Institute in its December 2009 feasibility study for the Jiama Project are summarized in section 17.2 of this ITR.

The feasibility study assumed production drilling and blasting of 15-m benches, with a drill hole diameter of 165 mm. The study assumed a mining fleet of 8-m^3 CED1850-7 hydraulic excavators for waste stripping and 4-m^3 CED650-6 hydraulic excavators for ore mining, with 45-t and 20-t trucks allocated to the respective excavators. The fleet sizes were calculated based on appropriate efficiencies, but no detailed haulage modeling was completed. Open-pit mining costs calculated from the fleet are within the range of costs from the open-pit contractor currently carrying out the pre-strip mining at both the Tongqianshan and Niumatang pits. The excavator size planned for mining ore from the 15-m blasted benches will require loading in sections or flitches (sub-benches) to ensure a safe work place and sufficient control of ore mining. The ore zone is relatively continuous, but BDASIA considers that Huatailong should consider reducing the height of the work bench to provide more control of ore mining, particularly in the early stage of the pit when grade control practices are being refined. Ancillary equipment, including bulldozers, water trucks, and front end loaders, is included within the mining fleet for the open pit.

21.1.2 Underground Mining

Underground mine planning for the Jiama Project has also been summarized in section 17.2 of this ITR.

It is planned to use drill jumbos for stope development and electric LHD units equipped with a 4-m^3-capacity bucket for loading material to ore and waste passes. Ore passes will connect to interim haulage levels for each 50-m-thick block, where ore will be transported to a major ore pass to the main transportation system detailed in Section 21.1.3. Waste will be hauled up one of the inclined shafts and tipped initially within the Xiagongpu valley, with excess waste being taken to the open-pit waste dump. Waste rock may also be used as stope fill (negating the need to hoist the waste) where no cement is required. Drilling of production blast holes within the stopes is planned using Atlas Copco Simba 1254 units or similar equipment.

Ground conditions are anticipated to be good within the orebody, where the majority of underground development is planned in skarn that has been assessed as hard competent rock; other wall rocks are also expected to be competent. Given the quality of the orebody and adjacent rocks, BDASIA recommends that the stope dimensions within the zone below 4,550-m level be geotechnically reviewed to determine if stope sizes can be increased without significantly affecting the production risk. Overall, BDASIA considers that further optimization of the mine design is warranted and has the potential to improve the profitability of the underground mine. There is potential to extend the underground mine if the significant inferred resources can be better defined; any significant extension to the mine area would also justify a review of the mine plan.

The ventilation plan for the mine is for fresh air to be drawn into the mine through the decline and the two inclined shafts. All return air will be exhausted initially through a return air system that will be mined to the north of the mine within the valley above where the Niumatang waste dump is planned. A second return air system will be developed for the mining of the ore zone above the 4,550-m level in the south of the mine area. Total design airflow through the mine is planned at about 190 m^3 per second.

Drainage of water from the mine will be via the main transport haulage tunnel, which is located below the underground mine area. The haulage tunnel is being mined at a gradient of 0.3% from the surface adit, allowing free flow of all mine drainage water to the 4,261-m level adit northwest of the mine area. No significant water flows are anticipated from the country rock; any unforeseen water flows will have minimal impact on the operation given the general mine layout.

21.1.3 Ore Rail Transportation System

Ore from the Tongqianshan and Niumatang open pits is planned to be trucked to a crusher (crushing to minus 500 mm), where the crushed ore will discharge into an ore pass to feed an ore rail transport system. Ore from underground will be tipped into a separate pass to feed the same ore rail transport system.

The ore from both open pit and underground is planned to be tipped into ore passes that feed a rail system that transports the ore approximately 8.4 km to the ore bins above the main plant crushers. Due to the elevation difference between both the underground and open-pit operations and the plant, ore can be hauled with positive gradient fall between the levels below the mining operations and the level above the plant. The rail system consists of an initial section of 3.9 km on the 4,261-m level and progresses to the surface where the ore is transferred via an ore pass to the second underground rail section of 4.5-km on the 4,087-m level, exiting from underground at the adit above the plant crusher where a rail haulage car tipple is positioned above the ore bins. A duplicate tipple will be installed above the second plant. The rail haulage is planned to be a dual rail system, with 20-t electric locomotives pulling ten 20-m^3 mine cars.

Other options were considered for transporting the ore to the processing plant, including truck haulage and aerial ropeway, but the proposed system provided reduced surface disturbance, low operating costs, and protection from the adverse weather conditions.

21.1.4 Life-of-Mine Forecast Mine Production Plan

The life-of-mine forecast mine production plan for the open pits and underground mine is detailed in Table 21.1.

Initial production of ore is from the Tongqianshan pit, with ore production targeted at 900,000 tpa or 3,000 tpd starting from late July 2010. Initial pre-production stripping is scheduled to be around 6.0 Mt of material, mostly waste, in 2009 and a similar material movement in 2010, with peak movement of material in 2011 of 6.8 Mt. Material movement will then reduce each year over the short life of the pit.

Pre-production stripping of waste in the Niumatang pit had commenced during BDASIA's site visit in December 2009 and is planned to take until the end of 2010; a total of 35.5 Mt of material is scheduled over the 2-year period. From 2011, ore production is targeted to achieve 1.8 Mtpa or

6,000 tpd over a mine life of approximately 11 years. Total material movement is scheduled at 17.1 Mtpa for the first 4 years, reducing to 13.9 Mtpa for the next 3 years before further reducing to below 9.7 Mtpa as the pit is mined out. With the flat-lying ore zone within the pit, the pit is planned to be mined in three stages as it advances back to the final pit wall. The stages allow the mining of waste rock to be scheduled at a relatively constant rate in exposing the ore.

Open-pit mining is conducted by contractors. Two mining contractors are used to mine the Tongqianshan pit and the Niumatang pit separately. The mining contractors are required to provide sufficient equipment to meet the life-of-mine schedule and mine the required ore and waste tonnages. At the time of BDASIA's site visit in December 2009, pre-production stripping of the two open pits was generally progressing as scheduled, and pre-production ore was hauled by truck to two small ore stockpiles (one for higher-grade ore and one for lower-grade ore) next to the primary crusher at the Phase I processing plant. No detailed pre-production waste stripping and ore production data, however, were available to BDASIA during the visit.

Initial underground mining is planned from the ore zone below the 4,550-m level and is scheduled at a rate of 1.8 Mtpa or 6,000 tpd after an initial ramp up in production of 50% in 2012 and 2013 and 94% in 2014 before full production in 2015. The underground mine will double in capacity in 2022 when the Niumatang open pit is mined out. A large capital program is planned during 2020 and 2021 to develop the new production areas, including above the 4,550-m level ore zone, and to purchase additional new and replacement mine equipment.

BDASIA would note that mine production is susceptible to any disruption in the power supply. BDASIA would also note that the production ramp-up process is dependent upon the capital expenditures incurred by mine/concentrator construction. Any delays in construction will cause a longer ramp-up period, increasing the operating costs of the initial years and the capital costs of the project.

21.2 Processing

Please refer to Section 16.0 for mineral processing and metallurgical recoveries of the Jiama ore.

21.3 Markets, Contracts, and Taxes

Copper, molybdenum, and lead concentrates produced from the Jiama Project will be sold to smelters located in various places in China. A preliminary sales contract was signed between Huatailong and a smelter customer in Gansu Province for the copper concentrate produced from the Jiama Project. The copper concentrate specifications include Cu grade (≥18%), contents of Ni (≤1.5%), As (≤0.5%), Pb+Zn (≤8.0%), Bi+Sb (≤0.5%), MgO (4.0%), and moisture (≤12%). All concentrates produced from the Jiama Project must be fully analyzed for all elements required by the eventual buyers. According to the preliminary contract, the sales price for copper in copper concentrate (Cu ≥18% and ≤20%) will be based on the monthly average copper price on the Shanghai Metal Exchange less treatment charges ranging from 9.5% to 18% based on the copper price range. When the copper concentrate grade is more than 20%, there is a bonus of RMB1.0/t (US$0.15/t) for each 0.01% incremental increase in copper grade until the copper concentrate grade reaches 30%, where no additional grade bonus will be applied. Gold and silver in the copper concentrate will be payable when the minimum grade of 1 g/t for gold and 20 g/t for silver is reached based on the monthly average gold and silver prices on the Shanghai Metal Exchange adjusted by a price coefficient. The price coefficient for gold ranges from 80% when the gold grade equals or is more than 1 g/t and is less than 2 g/t to 87% when the gold grade equals or more is than 20.0 g/t. The price coefficient for silver ranges from 72% when the silver grade equals or is more than 20.0 g/t and is less than 50.0 g/t to 85% when the silver grade equals or is more than 1,000.0 g/t. Concentrate transportation will be paid by the seller, but the buyer will add a RMB200.0/t (US$29.50/t) price for the copper metal contained in the copper concentrate for the concentrate sale. No molybdenum and lead concentrate sales contracts had been signed for the Jiama Project at the time of BDASIA's site visit in December 2009. The sales of these concentrates will be generally based on prevailing sale conditions in China.

The Jiama Project does not have any metal hedging contracts.

Open-pit mining operations are conducted by two mining contractors, one for the Tongqianshan pit and one for the Niumatang pit. The unit Niumatang contract mining price, including drilling and blasting, is RMB16.4/t (US$2.42/t) for ore and RMB13.2/t (US$1.95/t) for waste; the unit Tongqianshan contract mining price is higher, RMB20.7/t (US$3.05/t) for ore and RMB17.5/t (US$2.58/t) for waste.

Mining operations at the Jiama Project are subject to a resource tax of RMB15/t (US$2.21/t) of processed ore and a resource compensation levy of 2% for the sales revenue generated from the operation. Copper, molybdenum, lead, zinc, and silver produced from the mine are subject to a VAT of 17%. Gold production is exempted from VAT in China. The Jiama Project is also subject to a city-maintenance-and-construction tax of 7% of the VAT and an education tax of 3% of the VAT. The corporate income tax rate for Huatailong is 15%.

The Jiama Project is required to post to an environmental reclamation bond of approximately RMB35 M (US$5.2 M). A first payment of RMB1.5 M (US$0.22 M) was made in 2009, and the remainder will be paid in 5 years following the commencement of Phase I production of the Jiama Project.

21.4 Production

Forecast life-of-mine annual processed ore, processing recoveries, and concentrate production from 2010 through the end of mine life for the Jiama Project are summarized in Table 21.2.

Table 21.2
Life-of-Mine Forecast Production for the Jiama Project

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Milled Ore Production																
from open pits (kt)	1,121	2,700	2,700	2,700	1,909	1,800	1,800	1,800	1,800	1,800	1,800	1,700				
from underground (kt)			900	900	1,691	1,800	1,800	1,800	1,800	1,800	1,800	1,900	3,600	3,600	3,600	3,600
Total milled ore production (kt)	1,121	2,700	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
average Cu grade (%)	0.83	0.96	1.10	0.95	0.85	1.11	0.98	0.97	0.99	1.03	0.76	0.97	0.91	0.85	0.81	0.83
average Mo grade (%)	0.015	0.040	0.051	0.043	0.048	0.053	0.032	0.028	0.031	0.044	0.052	0.021	0.023	0.046	0.047	0.033
average Au grade (g/t)	0.26	0.39	0.40	0.35	0.28	0.42	0.38	0.38	0.41	0.44	0.30	0.44	0.30	0.33	0.31	0.36
average Ag grade (g/t)	17.3	19.1	19.3	17.5	16.1	21.3	17.2	18.3	19.4	21.7	14.3	17.4	16.5	17.0	19.0	17.7
average Pb grade (%)	0.92	0.20	0.04	0.03	0.01	0.07	0.07	0.04	0.02	0.04	0.01	0.01	0.25	0.11	0.23	0.18
average Zn grade (%)	0.16	0.05	0.02	0.02	0.02	0.06	0.05	0.03	0.02	0.03	0.02	0.04	0.12	0.07	0.03	0.07
contained Cu metal (kt)	9.33	25.84	39.55	34.07	30.54	39.92	35.30	34.92	35.72	37.01	27.34	35.05	32.78	30.67	29.19	29.84
contained Mo metal (kt)	0.16	1.08	1.83	1.57	1.74	1.90	1.15	1.01	1.12	1.59	1.88	0.76	0.84	1.66	1.69	1.21
contained Au metal (kg)	292	1043	1452	1251	1009	1501	1381	1368	1477	1568	1092	1577	1076	1174	1107	1295
contained Ag metal (t)	19.34	51.61	69.37	62.90	58.11	76.79	62.07	65.73	69.93	77.97	51.60	62.55	59.36	61.35	68.57	63.59
contained Pb metal (kt)	10.30	5.35	1.46	1.05	0.49	2.34	2.54	1.32	0.89	1.41	0.45	0.48	8.83	3.96	8.35	6.45
contained Zn metal (kt)	1.78	1.32	0.88	0.80	0.56	2.25	1.68	1.02	0.84	0.91	0.69	1.27	4.42	2.47	1.21	2.37
Milling Recovery (%)																
Cu to Cu concentrate	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	85.0	90.0	90.0	90.0	90.0	90.0
Au to Cu concentrate	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Ag to Cu concentrate	50.0	50.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0
Mo to Mo concentrate	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0
Pb to Pb concentrate	80.0	80.0														
Ag to Pb concentrate	35.0	35.0														
Concentrate Production																
Cu concentrate (t)	32,311	89,444	136,917	117,931	105,711	138,189	122,198	120,878	123,648	128,115	89,374	121,335	113,469	106,154	101,032	103,287
Cu grade (%)	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Au grade (g/t)	4.52	5.83	5.30	5.30	4.77	5.43	5.65	5.66	5.97	6.12	6.11	6.50	4.74	5.53	5.48	6.27
Ag grade (g/t)	299	289	405	427	440	445	406	435	452	487	462	412	419	462	543	493
Contained Cu metal (t)	8,401	23,255	35,598	30,662	27,485	35,929	31,771	31,428	32,148	33,310	23,237	31,547	29,502	27,600	26,268	26,855
Contained Au metal (kg)	146	522	726	625	505	750	691	684	738	784	546	788	538	587	554	648
Contained Ag metal (t)	9.67	25.81	55.49	50.32	46.49	61.43	49.65	52.58	55.95	62.38	41.28	50.04	47.49	49.08	54.86	50.87
Mo concentrate (t)	256	1,684	2,846	2,436	2,711	2,955	1,796	1,571	1,747	2,477	2,927	1,176	1,301	2,584	2,633	1,876
Mo grade (%)	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Contained Mo metal (t)	115	758	1,281	1,096	1,220	1,330	808	707	786	1,115	1,317	529	586	1,163	1,185	844
Pb concentrate (t)	13,735	7,130														
Pb grade (%)	60.0	60.0														
Ag grade (g/t)	493	2,534														
Contained Pb metal (t)	8,241	4,278														
Contained Ag metal (t)	6.77	18.06														

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Milled Ore Production																
from open pits (kt)																**23,630**
from underground (kt)	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	2,700	1,500	**81,591**
Total milled ore production (kt)	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	2,700	1,500	**105,221**
average Cu grade (%)	0.91	0.71	0.71	0.71	0.71	0.75	0.71	0.70	0.63	0.80	0.77	0.82	0.66	0.70	0.47	**0.83**
average Mo grade (%)	0.022	0.033	0.036	0.031	0.025	0.030	0.036	0.054	0.065	0.032	0.038	0.028	0.041	0.062	0.092	**0.039**
average Au grade (g/t)	0.38	0.24	0.24	0.25	0.25	0.25	0.23	0.25	0.22	0.28	0.27	0.26	0.17	0.16	0.20	**0.31**
average Ag grade (g/t)	19.5	14.6	15.7	15.5	17.4	18.9	14.1	14.4	12.5	17.0	14.9	15.1	8.8	8.3	9.6	**16.5**
average Pb grade (%)	0.10	0.06	0.03	0.05	0.04	0.10	0.06	0.04	0.06	0.16	0.02	0.07	0.02	0.02	0.01	**0.08**
average Zn grade (%)	0.03	0.03	0.02	0.03	0.05	0.09	0.06	0.03	0.06	0.12	0.03	0.07	0.02	0.02	0.01	**0.05**
contained Cu metal (kt)	32.64	25.44	25.62	25.54	25.51	26.94	25.47	25.29	22.58	28.72	27.64	29.60	23.58	18.78	7.09	**877.52**
contained Mo metal (kt)	0.78	1.17	1.30	1.11	0.89	1.08	1.29	1.95	2.35	1.14	1.36	1.01	1.47	1.67	1.38	**41.17**
contained Au metal (kg)	1,361	878	850	916	893	900	835	903	783	993	986	930	608	442	298	**32,239**
contained Ag metal (t)	70.26	52.63	56.57	55.83	62.51	68.19	50.61	51.87	45.00	61.12	53.62	54.34	31.64	22.46	14.33	**1,731.84**
contained Pb metal (kt)	3.49	2.18	1.15	1.77	1.59	3.61	2.06	1.29	2.05	5.90	0.87	2.38	0.80	0.44	0.08	**85.32**
contained Zn metal (kt)	0.96	1.17	0.76	1.06	1.81	3.13	2.22	0.99	2.23	4.25	1.03	2.37	0.68	0.43	0.16	**47.73**
Milling Recovery (%)																
Cu to Cu concentrate	90.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	90.0	85.0	85.0	85.0	
Au to Cu concentrate	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	
Ag to Cu concentrate	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	
Mo to Mo concentrate	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	
Pb to Pb concentrate																
Ag to Pb concentrate																
Concentrate Production																
Cu concentrate (t)	112,996	83,177	83,762	83,507	83,412	88,065	83,252	82,686	73,834	93,878	90,368	102,453	77,089	61,380	23,188	**2,973,039**
Cu grade (%)	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	**26.0**
Au grade (g/t)	6.02	5.28	5.07	5.49	5.35	5.11	5.02	5.46	5.30	5.29	5.46	4.54	3.94	3.60	6.42	**5.42**
Ag grade (g/t)	497	506	540	535	600	619	486	502	488	521	475	424	328	293	494	**459**
Contained Cu metal (t)	29,379	21,626	21,778	21,712	21,687	22,897	21,646	21,498	19,197	24,408	23,496	26,638	20,043	15,959	6,029	**772,990**
Contained Au metal (kg)	681	439	425	458	446	450	418	452	391	496	493	465	304	221	149	**16,120**
Contained Ag metal (t)	56.21	42.11	45.26	44.66	50.01	54.55	40.49	41.49	36.00	48.90	42.90	43.47	25.32	17.97	11.46	**1,364.19**
Mo concentrate (t)	1,216	1,821	2,030	1,727	1,392	1,681	2,011	3,038	3,657	1,768	2,120	1,578	2,289	2,597	2,142	**64,044**
Mo grade (%)	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	**45.0**
Contained Mo metal (t)	547	819	913	777	626	756	905	1,367	1,646	796	954	710	1,030	1,169	964	**28,820**
Pb concentrate (t)																**20,864**
Pb grade (%)																**60.0**
Ag grade (g/t)																**1,190**
Contained Pb metal (t)																**12,519**
Contained Ag metal (t)																**24.84**

Based on the production schedule developed by the December 2009 Changsha Institute feasibility study report for the Jiama Project, the Phase I 6,000-tpd mill is expected to start operation at the beginning of the second quarter of 2010, with 1.121 Mt of ore processed in that year. Actual trial production of the Phase I concentrator started in July 2010, but adjustments that have to be made to the plant have delayed its commissioning. BDASIA was informed by Huatailong that commercial production of the Phase I plant started in September 2010 and actual 2010 ore production will be reduced by approximately 60% from the original production target for 2010 as presented in Table 21.2. Ore processed in the first year will consist of ore mined from the Tongqianshan pit, stockpiled ore from pre-production stripping of the Tongqianshan pit, and pre-production stripped ore from the Niumatang pit. The Phase II 6,000-tpd mill was originally planned to be constructed in 2010 and become operational in early 2011 with a total 2.7 Mt of ore processed by the two processing plants in 2011. BDASIA was informed by Huatailong that construction of the Phase II plant will not start until December 2010. If the construction commences on time in December 2010 as currently planned, it is likely that the originally planned production targets for 2011 will be reduced by at least 10% due to the delayed starting of the Phase II plant construction. The full production rate of 12,000 tpd or 3.6 Mtpa is expected to be reached at the end of 2011 and will continue to 2038; after that, the two processing plants will be operated at a reduced rate for the final 2 years of the mine life. The forecast ore grades are based on the detailed production scheduling from the economic measured and indicated mineral resources in the computer resource model developed by BDASIA. An attempt has been made to schedule the mining of the relatively higher-grade Niumatang open pit and the flatter, thick underground stopes below the 4,550-m level in the earlier years of the mine life, resulting in relatively higher ore grades in the first half of the mine life. Appropriate mining dilution and mining loss factors have been adopted in the production scheduling process.

During the first 2 years of operation, a mixture of the copper-lead ore and copper-molybdenum ore will be processed; copper, molybdenum, and lead concentrates will be produced. Subsequently, the copper-lead ore will be exhausted, only copper-molybdenum ore will be processed, and only copper and molybdenum concentrates will be produced. The annual tonnage of copper, molybdenum, and lead concentrate will vary with the types of ore processed and the metal grades in the plant feed. In addition to copper, the copper concentrate produced will also contain generally 4 to 6 g/t of gold and 300 to 500 g/t of silver. The lead concentrate will generally contain at least 500 g/t of silver. The types of concentrate produced and their annual production tonnages, metal grades, and metal contents are presented in detail in Table 21.2. The forecast processing recoveries for each type of concentrate are based on the metallurgical testwork.

BDASIA considers that there is a degree of uncertainty for forecast production targets for the first two to three years of the mine life as the full production of the Phase I plant and the construction of the Phase II plant have been delayed for a number of months. Shortages in electricity supply for mine and mill production during the winter dry season will also cause some problems in achieving the production targets. Once the production capacity ramps up to the full designed production capacity and electricity supply to project become sufficient, the long-term production targets are considered reasonable and achievable by BDASIA. Additional drilling for the Jiama deposit is very likely to convert a significant portion of the large inferred mineral resource to the measured and indicated categories, and the economic portion of the upgraded resource will become ore reserves, extending the mine life or justifying a higher production rate in the future.

21.5 Operating Costs

The life-of-mine forecast operating costs for the Jiama Project are set out in Table 21.3. The operating costs have been estimated by the Changsha Institute and were presented in its December 2009 feasibility study report for the Jiama Project. BDASIA has made an adjustment for contract mining costs for the Tongqianshan pit based on the current mining contract and for the underground mining cost.

Open-pit contract mining unit costs are forecast to be RMB16.4/t (US$2.42/t) of ore and RMB13.2/t (US$1.95/t) of waste for the Niumatang pit and RMB20.7/t (US$3.05/t) for ore and RMB17.5/t (US$2.58/t) for waste for the Tongqianshan pit. These contract mining costs are based on the current mining contracts that Huatailong has with the mining contractors. There is an additional open-pit management cost of RMB5.6/t (US$0.83/t) in the period from 2011 to 2013 increasing up to RMB8.4/t (US$1.24/t) at the completion of the Tongqianshan pit.

The underground mining unit cost is estimated to be RMB117.9/t (US$17.39/t) for approximately the first 2.5 years of production as production capacity increases to the forecast rate of 1.8 Mtpa. Once this rate is achieved, the unit mining cost reduces to RMB98.2/t (US$14.48/t) until production capacity increases from 1.8 Mtpa to 3.6 Mtpa, when mining unit cost further reduces to RMB92.1/t (US$13.58/t). The life-of-mine average unit underground mining cost is RMB94.5/t (US$13.94/t). BDASIA has made a 15% positive adjustment over the unit underground mining cost estimated by the Changsha Institute as BDASIA considers that the Changsha Institute's estimate is not well defined and considers it prudent to make the adjustment to unit costs. BDASIA notes that the mine plan can be modified to absorb the increased costs, for instance by increasing sublevel intervals within the stopes and thereby reducing development requirements.

Table 21.3 shows that the life-of-mine unit total open-pit mining cost, including ore mining, waste mining, and mining management, is forecast to be RMB97.8/t (US$14.42/t) of processed ore, which is higher than the life-of-mine unit underground mining cost of RMB94.5/t (US$13.94/t) of processed ore. BDASIA believes that optimization of the ratio of open-pit mining and underground mining should be conducted, which will result in the reduction of the high strip ratio, i.e. high-cost portion, of the open-pit mining operation; the increase of underground mining operation; and an overall reduction of unit total mining cost for the Jiama Project. Table 21.4 summarizes the operating costs by categories.

Table 21.3
Life-of-Mine Forecast Operating Costs for the Jiama Project

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Open-pit Contract Ore Mining (RMB/t of ore)	20.7	17.9	17.9	17.9	16.7	16.4	16.4	16.4	16.4	16.4	16.4	16.4				
Open-pit Contract Waste Mining (RMB/t of waste)	17.5	14.4	14.0	13.4	13.3	13.2	13.2	13.2	13.2	13.2	13.2	13.2				
open-pit strip ratio	4.3	7.8	7.0	5.9	8.0	6.7	6.7	6.7	4.4	1.5	0.9	0.8				
Open-pit Management (RMB/t of ore)	13.3	5.5	5.5	5.5	7.8	8.3	8.3	8.3	8.3	8.3	8.3	6.8				
Total Open-pit Mining (RMB/t of ore)	110.0	136.2	121.7	102.8	130.8	113.4	113.4	113.4	83.0	44.6	36.6	33.1				
Underground Mining (RMB/t of ore)	—	—	117.9	117.9	100.9	98.2	98.2	98.2	98.2	98.2	98.2	95.9	92.1	92.1	92.1	92.1
Ore Transportation (RMB/t of ore)	10.3	6.2	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Total Mining Cost (RMB/t of ore)	**120.3**	**142.4**	**125.8**	**111.6**	**121.8**	**110.9**	**110.9**	**110.9**	**95.7**	**76.5**	**72.5**	**71.4**	**97.2**	**97.2**	**97.2**	**97.2**
Total Processing Cost (RMB/t of ore)	**75.8**	**61.7**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**
Total G&A and Other Cost (RMB/t of ore)	**63.0**	**43.2**	**43.1**	**39.2**	**37.9**	**44.5**	**40.5**	**40.1**	**40.9**	**42.4**	**35.2**	**40.1**	**40.4**	**40.1**	**39.3**	**39.2**
Total Operating Cost (RMB/t of ore)	**259.1**	**247.4**	**229.5**	**211.4**	**220.4**	**216.0**	**212.0**	**211.6**	**197.1**	**179.4**	**168.3**	**172.1**	**198.2**	**197.9**	**197.0**	**196.9**
Total Operating Cost (US$/t of ore)	**38.21**	**36.48**	**33.85**	**31.18**	**32.50**	**31.85**	**31.27**	**31.21**	**29.07**	**26.46**	**24.83**	**25.38**	**29.23**	**29.19**	**29.06**	**29.04**
Depreciation and Amortization (RMB/t of ore)	80.2	45.3	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1	46.3	37.2	37.2	37.2	36.6
Total Production Cost (RMB/t of Ore)	**339.3**	**292.6**	**277.6**	**259.5**	**268.4**	**264.0**	**260.1**	**259.7**	**245.2**	**227.5**	**216.4**	**218.4**	**235.4**	**235.1**	**234.3**	**233.5**
Total Production Cost (US$/t of Ore)	**50.05**	**43.16**	**40.94**	**38.27**	**39.59**	**38.94**	**38.36**	**38.30**	**36.16**	**33.55**	**31.92**	**32.21**	**34.72**	**34.68**	**34.55**	**34.44**
CuEq in Concentrate Production (t)	12,656	33,385	49,256	42,522	39,413	50,307	42,106	41,285	42,881	46,568	35,631	40,594	37,769	39,645	38,634	37,304
CuEq Operating Cost (RMB/t)	**22,948**	**20,006**	**16,772**	**17,899**	**20,128**	**15,455**	**18,126**	**18,453**	**16,549**	**13,870**	**17,007**	**15,260**	**18,888**	**17,969**	**18,361**	**19,003**
CuEq Operating Cost (US$/t)	**3,385**	**2,951**	**2,474**	**2,640**	**2,969**	**2,279**	**2,673**	**2,722**	**2,441**	**2,046**	**2,508**	**2,251**	**2,786**	**2,650**	**2,708**	**2,803**
CuEq Total Production Cost (RMB/t)	**30,055**	**23,665**	**20,286**	**21,969**	**24,518**	**18,894**	**22,236**	**22,645**	**20,585**	**17,586**	**21,864**	**19,367**	**22,436**	**21,350**	**21,830**	**22,535**
CuEq Total Production Cost (US$/t)	**4,433**	**3,490**	**2,992**	**3,240**	**3,616**	**2,787**	**3,280**	**3,340**	**3,036**	**2,594**	**3,225**	**2,857**	**3,309**	**3,149**	**3,220**	**3,324**

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Open-pit Contract Ore Mining (RMB/t of ore)																**17.1**
Open-pit Contract Waste Mining (RMB/t of waste)																**13.7**
open-pit strip ratio																**5.3**
Open-pit Management (RMB/t of ore)																**7.5**
Total Open-pit Mining (RMB/t of ore)																**97.8**
Underground Mining (RMB/t of ore)	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	104.2	113.9	**94.5**
Ore Transportation (RMB/t of ore)	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	6.2	9.8	**5.3**
Total Mining Cost (RMB/t of ore)	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**97.2**	**110.4**	**123.8**	**100.5**
Total Processing Cost (RMB/t of ore)	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**60.6**	**80.8**	**73.7**	**61.5**
Total G&A and Other Cost (RMB/t of ore)	**40.5**	**35.2**	**35.5**	**35.2**	**35.0**	**36.1**	**35.3**	**36.0**	**34.8**	**37.2**	**36.8**	**38.5**	**34.1**	**39.1**	**36.9**	**38.7**
Total Operating Cost (RMB/t of ore)	**198.3**	**192.9**	**193.2**	**193.0**	**192.8**	**193.9**	**193.1**	**193.8**	**192.5**	**195.0**	**194.5**	**196.3**	**191.9**	**230.3**	**234.4**	**200.7**
Total Operating Cost (US$/t of ore)	**29.24**	**28.46**	**28.50**	**28.46**	**28.43**	**28.60**	**28.48**	**28.58**	**28.40**	**28.76**	**28.69**	**28.95**	**28.30**	**33.97**	**34.57**	**29.60**
Depreciation and Amortization (RMB/t of ore)	32.8	32.8	32.8	32.8	32.8	31.3	31.3	31.3	31.1	31.1	31.1	25.0	25.0	33.2	31.7	**38.5**
Total Production Cost (RMB/t of Ore)	**231.0**	**225.7**	**226.0**	**225.8**	**225.6**	**225.2**	**224.4**	**225.1**	**223.6**	**226.1**	**225.6**	**221.3**	**216.9**	**263.5**	**266.0**	**239.2**
Total Production Cost (US$/t of Ore)	**34.08**	**33.29**	**33.34**	**33.30**	**33.27**	**33.22**	**33.10**	**33.20**	**32.98**	**33.34**	**33.28**	**32.64**	**31.99**	**38.87**	**39.23**	**35.28**
CuEq in Concentrate Production (t)	38,450	30,625	31,467	30,673	29,980	32,241	30,992	33,835	32,687	33,862	33,568	35,152	28,869	24,898	13,087	**1,090,340**
CuEq Operating Cost (RMB/t)	**18,563**	**22,681**	**22,108**	**22,650**	**23,148**	**21,650**	**22,426**	**20,619**	**21,206**	**20,728**	**20,862**	**20,100**	**23,926**	**24,976**	**26,860**	**19,366**
CuEq Operating Cost (US$/t)	**2,738**	**3,345**	**3,261**	**3,341**	**3,414**	**3,193**	**3,308**	**3,041**	**3,128**	**3,057**	**3,077**	**2,965**	**3,529**	**3,684**	**3,962**	**2,856**
CuEq Total Production Cost (RMNB/t)	**21,633**	**26,535**	**25,859**	**26,499**	**27,086**	**25,148**	**26,065**	**23,952**	**24,629**	**24,033**	**24,196**	**22,663**	**27,046**	**28,576**	**30,488**	**23,082**
CuEq Total Production Cost (US$/t)	**3,191**	**3,914**	**3,814**	**3,908**	**3,995**	**3,709**	**3,844**	**3,533**	**3,633**	**3,545**	**3,569**	**3,343**	**3,989**	**4,215**	**4,497**	**3,404**

Table 21.4
Life-of-Mine Forecast Operating Costs by Categories for the Jiama Project

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contract Mining (RMB/t of ore)	110.0	136.2	120.7	106.5	116.8	105.8	105.8	105.8	90.6	71.4	67.4	66.3	92.1	92.1	92.1	92.1
Workforce Employment and Transport of Workforce[1] (RMB/t of ore)	47.3	28.3	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7
Consumables (RMB /t of ore)	17.2	18.8	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6
Fuel, Electricity and Water (RMB /t of ore)	21.7	20.8	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4
On and Off-Site Management (RMB/t of ore)	31.8	13.2	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
Environmental Protection and Monitoring[2] (RMB/t of ore)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Product Marketing and Transport (RMB/t of ore)	17.7	15.6	16.6	14.3	12.9	16.8	14.7	14.6	14.9	15.5	11.0	14.6	13.6	12.9	12.3	12.5
Non-Income Taxes, Royalties and Other Governmental Charges (RMB/t of ore)	13.5	14.5	16.6	15.0	15.1	17.8	15.9	15.7	16.1	16.9	14.4	15.6	16.9	17.3	17.1	16.8
Contingency Allowances[3] (RMB/t of ore)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Operating Cost (RMB/t of ore)	**259.1**	**247.4**	**229.5**	**211.4**	**220.4**	**216.0**	**212.0**	**211.6**	**197.1**	**179.4**	**168.3**	**172.1**	**198.2**	**197.9**	**197.0**	**196.9**
Total Operating Cost (US$/t of ore)	**38.21**	**36.48**	**33.85**	**31.18**	**32.50**	**31.85**	**31.27**	**31.21**	**29.07**	**26.46**	**24.83**	**25.38**	**29.23**	**29.19**	**29.06**	**29.04**

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Contract Mining (RMB/t of ore)	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	92.1	104.2	113.9	95.3
Workforce Employment and Transport of Workforce(1) (RMB/t of ore)	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7	35.1	34.1	27.3
18.9Consumables (RMB/t of ore)	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	24.8	26.5	18.9
Fuel, Electricity and Water (RMB/t of ore)	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	27.2	22.9	20.6
On and Off-Site Management (RMB/t of ore)	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	13.2	14.2	10.4
Environmental Protection and Monitoring(2) (RMB/t of ore)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Product Marketing and Transport (RMB/t of ore)	13.6	10.1	10.2	10.1	10.1	10.7	10.1	10.2	9.2	11.4	11.0	12.4	9.4	10.1	7.2	12.4
Non-Income Taxes, Royalties and Other Governmental Charges (RMB/t of ore)	17.0	15.2	15.4	15.2	15.0	15.6	15.3	15.9	15.7	16.0	15.9	16.3	14.8	15.8	15.4	15.9
Contingency Allowances(3) (RMB/t of ore)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Operating Cost (RMB/t of ore)	**198.3**	**192.9**	**193.2**	**193.0**	**192.8**	**193.9**	**193.1**	**193.8**	**192.5**	**195.0**	**194.5**	**196.3**	**191.9**	**230.3**	**234.4**	**200.7**
Total Operating Cost (US$/t of ore)	**29.24**	**28.46**	**28.50**	**28.46**	**28.43**	**28.60**	**28.48**	**28.58**	**28.40**	**28.76**	**28.69**	**28.95**	**28.30**	**33.97**	**34.57**	**29.60**

Notes:

(1) Cost for transport of workforce was included in the workforce employment cost in the feasibility study report.

(2) Environmental protection and monitoring cost was not separated from other cost items in the feasibility study report.

(3) Contingency allowance was not separated from other cost items in the feasibility study report.

An additional ore transportation unit cost for both the open pit and underground mines is forecast to be RMB5.3/t (US$0.78/t) for the life-of-mine once the rail system is commissioned in 2011. Prior to the commissioning of the rail system, ore will be trucked down the valley from the mine to the processing plants and is currently being stockpiled above the processing plant crushers. Unit transport costs are higher during this short trucking phase. Transportation costs include electricity for powering the trains and operating the ore pass chutes and repairs for locomotives, rail, mine cars, and chutes.

The long-term processing unit cost when the plants are in full operation is estimated to be RMB60.6/t (US$8.94/t). This unit cost is forecast to be slightly higher for the ramp up period in the initial 2 years as well as during the last 2 years of the mine life when the plants will be operating at a reduced rate. BDASIA considers the processing cost estimates to be reasonable.

The unit G&A and other costs in Table 21.3 include the administrative costs, concentrate sale and transportation costs, and the resource compensation levy at 2% of the profit and range from RMB34.1/t (US$5.03/t) to RMB44.5/t (US$6.56/t) of processed ore except for the first year of operation. The life-of-mine average unit G&A and other costs are RMB38.7/t (US$5.71/t).

The total unit operating cost ranges from RMB168.3/t (US$24.82/t) to RMB234.4/t (US$34.57), with a life-of-mine average of RMB200.7/t (US$29.60/t). The total unit production cost, which consists of total unit operating cost and unit depreciation and amortization costs, ranges from RMB216.9/t (US$31.99/t) of processed ore to RMB339.3/t (US$50.04/t), with a life-of-mine average of RMB239.2 (US$35.28/t).

BDASIA has calculated a copper-equivalent ("CuEq") production in concentrate for the Jiama Project based on the metal in concentrate sale prices (without VAT) as listed in Table 21.7, using the following formula:

$$\text{CuEq (t)} = \text{Cu (t)} + \text{Mo (t)} \times 256{,}410.26/42{,}115.39 + \text{Pb (t)} \times 10{,}683.76/42{,}115.39 \\ + \text{Au (g)} \times 166/42{,}115.39 + \text{Ag (kg)} \times 2{,}318.38/42{,}115.39$$

Unit CuEq operating cost and unit CuEq total production have also been calculated and presented in Table 21.2.

BDASIA would note that no inflation factor has been built into the operating cost estimates for the Jiama Project.

21.6 Capital Costs

Table 21.5 shows the Changsha Institute's initial capital investment estimates for the 12,000 tpd Jiama Project in its December 2009 feasibility study. The capital cost estimates cover the pre-production stripping for the two open-pit mining areas, underground development, and construction of the ore transportation system, as well as Phase I and Phase II processing plants with a production rate of 6,000 tpd each, infrastructure, administration and supporting facilities, land acquisition, and other capital expenditures, and a 10% contingency for all of the estimated capital expenditures.

Table 21.5
Initial Capital Cost Estimates for the 12,000 tpd Production Capacity of the Jiama Project

Item	Development	Construction	Equipment	Engineering & Installation	Other	Total	Percentage
Geology and Construction Exploration (RMB×10³)		16,041	2,067			18,108	0.68%
Open-pit Pre-production stripping (RMB×10³)							
Tongqianshan Pit (RMB×10³)	89,111					89,111	
Niumatang Pit (RMB×10³)	502,770					502,770	
Subtotal (RMB×10³)	591,881					591,881	22.21%
Underground Development (RMB×10³)	205,505	6,156	180,797	22,822		415,280	15.58%
Ore Transportation System (RMB×10³)	99,316	20,778	35,181	27,242		182,517	6.85%
Concentrating Plant and TSF (RMB×10³)		249,042	297,522	48,524		595,088	22.33%
Infrastructures (RMB×10³)		163,563	72,925	63,170		299,658	11.24%
Administration and Supporting Facilities (RMB×10³)		19,472	4,077	1,600		25,149	0.94%
Land Acquisition and Other Costs (RMB×10³)					295,184	295,184	11.08%
Contingency (RMB×10³)					242,286	242,286	9.09%
Total (RMB×10³)	**896,702**	**475,052**	**592,569**	**163,358**	**537,470**	**2,665,151**	**100.00%**
Total (US$×10³)	**132,257**	**70,067**	**87,400**	**24,094**	**79,273**	**393,090**	**100.00%**

Table 21.6 shows the life-of-mine forecast capital expenditures for the Jiama Project. Based on the project construction progress, the Changsha Institute estimated that the total expenditures in 2008 and 2009 were approximately RMB1,480 M (US$218.3 M), which is quite close to the actual total

capital expenditures in 2008 and 2009 based on information available from Huatailong. The 2008 and 2009 capital expenditures represent approximately 56% of the total initial capital cost estimates. The remaining capital expenditures are mostly for the pre-production stripping of the Niumatang open pit, development and equipping of the underground mine, and construction of the Phase II processing plant. Additional capital cost estimates of RMB519 M (US$76.5M) in 2021 and 2022 will be used to expand underground capacity, including the development of the steeply-dipping ore zone above the 4,550-m level. Replacement capital expenditures of RMB276 M (US$40.7 M) in 2022, RMB366 M (US$54.0 M) in 2026, and RMB421 M (US$62.1 M) in 2032 have also been estimated for the Jiama Project. This replacement capital may be spread over several years of the operation rather than two distinct amounts as forecast, but the general amount is considered by BDASIA to be reasonable.

Total working capital required for the Jiama Project was estimated at RMB129.5 M (US$19.1 M).

BDASIA considers that the capital cost estimates for the Jiama Project are reasonable and achievable. The total capital cost estimate for the two processing plants of RMB595 M (US$87.8 M) is high due to the construction of two physically separated plants that will be built in two stages at the available site, instead of one larger facility.

Table 21.6
Life-of-Mine Forecast Capital Costs for the Jiama Project

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Capital Expenditures (RMB×10³)	657,000	823,000	628,000	557,151									233,550	561,087			
Total Capital Expenditures (US$×10³)	96,903	121,386	92,625	82,176									34,447	82,756			
Working Capital (RMB×10³)			52,637	55,347	21,536												
Working Capital (US$×10³)			7,764	8,163	3,176												

Item	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Total Capital Expenditures (RMB×10³)	365,973						420,885									-107,500	4,139,146
Total Capital Expenditures (US$×10³)	53,978						62,077									-15,855	610,493
Working Capital (RMB×10³)														-25,974	-44,152	-59,394	0
Working Capital (US$×10³)														-3,831	-6,512	-8,760	0

21.7 Base Case Economic Analysis

Metal prices used for the base case economic analysis of the Jiama Project in the Changsha Institute's December 2009 feasibility study report are listed in Table 21.7. A VAT of 17% is applied to all metal sales except for gold in China. Commonly, a concentrate producer in China sells its concentrate production to the smelter customers. Sale prices for metals in concentrate are discounted by a certain percentage from the metal sale prices based on the smelter's concentrate treatment costs and the prevailing metal market prices in China. The discount factors (if applicable) taken by the Changsha Institute in Table 21.7 represent the conditions set out in the preliminary copper concentrate sales contract discussed in Section 21.3 or the current industry averages in China. The copper, molybdenum, and lead prices selected by the Changsha Institute represent the actual average metal market prices for the last 3 to 5 years in China. Gold and silver prices selected by the Changsha Institute are slightly higher than the past 3-year actual averages, but they represent the Changsha Institute's expectation for the long-term prices for these two metals. BDASIA accepts these metal price selections and has used the same metal prices in the base case economic analysis of the Jiama Project in this ITR. The prices for metals in concentrate without VAT are used in the following economic analysis. In addition to the metal prices in Table 21.7, a copper concentrate transportation credit of RMB200/t (US$29.50/t) of copper metal contained in the copper concentrate will be applied based on the current preliminary sales contract with the copper concentrate buyer.

Table 21.7
Metal Prices Used for Base Case Economic Analysis for the Jiama Project

	Metal with VAT Price(1)		Metal in Concentrate with VAT Price		Metal in Concentrate without VAT Price	
Metal	RMB	US$	RMB	US$	RMB	US$
Copper	55,000/t	8,112.09/t	49,275/t(2)	7,267.70/t	42,115.39/t	6,211.71/t
Molybdenum			300,000/t	44,247.79/t	256,410.26/t	37,818.62/t
Gold	200/g	917.51/oz	166/g	761.53/oz	166/g	761.53/oz
Silver	3,500/kg	16.06/oz	2,712.5/kg	12.44/oz	2,318.38/kg	10.64/oz
Lead			12,500/t	1,843.66/t	10,683.76/t	1,575.78/t

Notes:

(1) VAT is 17% for all metals except gold; gold sales are not subject to VAT.

(2) Cu price in copper concentrate includes a grade bonus of RMB600/t based on the concentrate sales contract as the copper concentrate to be produced by Jiama is expected to have an average Cu grade of 26%, which is 6% higher than the base Cu grade of 20%.

BDASIA conducted a base case economic analysis for the Jiama Project using the technical and economic parameters discussed in this ITR (Table 21.8). A discount rate of 9% for the NPV calculation was provided by Citi, China Gold International's sponsor for the proposed IPO, which BDASIA considers generally reasonable for the Jiama Project. The middle of the year discount method was used in calculating the NPV.

Table 21.8

Base Case Economic Analysis for the Jiama Project

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Metal Production																
Cu Production in Cu Concentrate (t)	8,401	23,255	35,598	30,662	27,485	35,929	31,771	31,428	32,148	33,310	23,237	31,547	29,502	27,600	26,268	26,855
Au Production in Cu Concentrate (kg)	146	522	726	625	505	750	691	684	738	784	546	788	538	587	554	648
Ag Production in Cu Concentrate (t)	9.67	25.81	55.49	50.32	46.49	61.43	49.65	52.58	55.95	62.38	41.28	50.04	47.49	49.08	54.86	50.87
Mo Production in Mo Concentrate (t)	115	758	1,281	1,096	1,220	1,330	808	707	786	1,115	1,317	529	586	1,163	1,185	844
Pb Production in Pb Concentrate (t)	8,241	4,278														
Ag Production in Pb Concentrate (t)	6.77	18.06														
Metal Sales Income																
Cu Production in Cu Concentrate (RMB M)	354	979	1,499	1,291	1,158	1,513	1,338	1,324	1,354	1,403	979	1,329	1,242	1,162	1,106	1,131
Au Production in Cu Concentrate (RMB M)	24	87	120	104	84	125	115	114	123	130	91	131	89	97	92	107
Ag Production in Cu Concentrate (RMB M)	22	60	129	117	108	142	115	122	130	145	96	116	110	114	127	118
Mo Production in Mo Concentrate (RMB M)	30	194	328	281	313	341	207	181	202	286	338	136	150	298	304	216
Pb Production in Pb Concentrate (RMB M)	88	46														
Ag Production in Pb Concentrate (RMB M)	15	41														
Total Sales Revenue (RMB M)	**533**	**1,407**	**2,077**	**1,793**	**1,662**	**2,121**	**1,775**	**1,740**	**1,808**	**1,963**	**1,503**	**1,711**	**1,592**	**1,672**	**1,629**	**1,573**
Total Sales Revenue (US$ M)	**79**	**208**	**306**	**264**	**245**	**313**	**262**	**257**	**267**	**290**	**222**	**252**	**235**	**247**	**240**	**232**
Sales Tax 10% of VAT (RMB M)	6	14	23	20	18	25	20	19	21	25	18	21	19	20	19	18
Cu Concentrate Transportation Credit (RMB M)[1]	2	5	7	6	5	7	6	6	6	7	5	6	6	6	5	5
Income after Sales Tax (RMB M)	**529**	**1,398**	**2,060**	**1,779**	**1,650**	**2,103**	**1,762**	**1,728**	**1,793**	**1,946**	**1,489**	**1,697**	**1,579**	**1,657**	**1,615**	**1,560**
Operating Cost																
Mining Cost (RMB M)	135	385	453	402	439	399	399	399	344	275	261	257	350	350	350	350
Processing Cost (RMB M)	85	167	218	218	218	218	218	218	218	218	218	218	218	218	218	218
G&A and Other Cost (RMB M)	71	117	155	141	136	160	146	145	147	152	127	144	145	144	141	141
Total Operating Costs (RMB M)	**290**	**668**	**826**	**761**	**793**	**777**	**763**	**762**	**710**	**646**	**606**	**619**	**713**	**712**	**709**	**709**
Total Operating Costs (US$ M)	**43**	**99**	**122**	**112**	**117**	**115**	**113**	**112**	**105**	**95**	**89**	**91**	**105**	**105**	**105**	**105**
Depreciation and Amortization (RMB M)	90	122	173	173	173	173	173	173	173	173	173	167	134	134	134	132
Resource Tax @RMB15/t of ore (RMB M)	17	41	54	54	54	54	54	54	54	54	54	54	54	54	54	54
Taxable Income (RMB M)	**132**	**567**	**1,007**	**791**	**629**	**1,099**	**772**	**739**	**857**	**1,073**	**656**	**857**	**678**	**757**	**718**	**665**
Income Tax @15% (RMB M)	20	85	151	119	94	165	116	111	128	161	98	129	102	114	108	100
After Tax Income (RMB M)	**112**	**482**	**856**	**672**	**535**	**934**	**656**	**628**	**728**	**912**	**558**	**728**	**576**	**643**	**610**	**566**
Total Capital Costs (RMB M)	628	557									234	561				366
Working Capital (RMB M)	53	55	22													
Environmental Bond/Closing Costs (RMB M)[2]	2	7	7	7	7	7										
VAT Refund (RMB M)	58	30														
Fixed Asset Remnant Value (RMB M)																
After Tax Cash Flow (RMB M)	**-422**	**15**	**1,001**	**839**	**701**	**1,100**	**829**	**801**	**901**	**1,085**	**497**	**334**	**710**	**777**	**744**	**331**
After Tax Cash Flow (US$ M)	**-62**	**2**	**148**	**124**	**103**	**162**	**122**	**118**	**133**	**160**	**73**	**49**	**105**	**115**	**110**	**49**
Years to Discount at End of 2009	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5
Discount Factor @9%	0.9578	0.8787	0.8062	0.7396	0.6785	0.6225	0.5711	0.5240	0.4807	0.4410	0.4046	0.3712	0.3405	0.3124	0.2866	0.2630
Discounted Cash Flow (RMB M)	**-404**	**13**	**807**	**620**	**476**	**685**	**473**	**420**	**433**	**478**	**201**	**124**	**242**	**243**	**213**	**87**
Discounted Cash Flow (US$ M)	**-59.6**	**1.9**	**119.0**	**91.5**	**70.2**	**101.0**	**69.8**	**61.9**	**63.9**	**70.6**	**29.7**	**18.3**	**35.7**	**35.8**	**31.5**	**12.9**

Notes:

(1) A copper concentrate transportation credit of RMB200/t (US$29.50/t) of copper metal in concentrate is provided by the copper concentrate buyer based on the current preliminary sales contract.

(2) An environmental bond of RMB35 M (US$5.2 M) was added to the economic analysis by BDASIA, which is used as the closing cost for the Jiama Project.

Item	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Metal Production																
Cu Production in Cu Concentrate (t)	29,379	21,626	21,778	21,712	21,687	22,897	21,646	21,498	19,197	24,408	23,496	26,638	20,043	15,959	6,029	**772,990**
Au Production in Cu Concentrate (kg)	681	439	425	458	446	450	418	452	391	496	493	465	304	221	149	**16,120**
Ag Production in Cu Concentrate (t)	56.21	42.11	45.26	44.66	50.01	54.55	40.49	41.49	36.00	48.90	42.90	43.47	25.32	17.97	11.46	**1,364.19**
Mo Production in Mo Concentrate (t)	547	819	913	777	626	756	905	1367	1646	796	954	710	1030	1169	964	**28,820**
Pb Production in Pb Concentrate (t)																**12,519**
Ag Production in Pb Concentrate (t)																**24.84**
Metal Sales Income																
Cu Production in Cu Concentrate (RMB M)	1,237	911	917	914	913	964	912	905	808	1,028	990	1,122	844	672	254	**32,555**
Au Production in Cu Concentrate (RMB M)	113	73	71	76	74	75	69	75	65	82	82	77	50	37	25	**2,676**
Ag Production in Cu Concentrate (RMB M)	130	98	105	104	116	126	94	96	83	113	99	101	59	42	27	**3,163**
Mo Production in Mo Concentrate (RMB M)	140	210	234	199	161	194	232	351	422	204	245	182	264	300	247	**7,390**
Pb Production in Pb Concentrate (RMB M)																**134**
Ag Production in Pb Concentrate (RMB M)																**56**
Total Sales Revenue (RMB M)	**1,621**	**1,291**	**1,327**	**1,293**	**1,264**	**1,359**	**1,307**	**1,427**	**1,379**	**1,428**	**1,415**	**1,482**	**1,217**	**1,050**	**552**	**45,973**
Total Sales Revenue (US$ M)	**239**	**190**	**196**	**191**	**186**	**201**	**193**	**210**	**203**	**211**	**209**	**219**	**180**	**155**	**81**	**6,781**
Sales Tax 10% of VAT (RMB M)	19	14	15	14	14	15	14	16	16	16	16	17	13	11	6	**520**
Cu Concentrate Transportation Credit (RMB M)	6	4	4	4	4	5	4	4	4	5	5	5	4	3	1	**155**
Income after Sales Tax (RMB M)	**1,608**	**1,282**	**1,317**	**1,284**	**1,255**	**1,349**	**1,297**	**1,415**	**1,367**	**1,416**	**1,404**	**1,470**	**1,208**	**1,042**	**548**	**45,607**
Operating Cost																
Mining Cost (RMB M)	350	350	350	350	350	350	350	350	350	350	350	350	350	298	186	**105,78**
Processing Cost (RMB M)	218	218	218	218	218	218	218	218	218	218	218	218	218	218	111	**6,471**
G&A and Other Cost (RMB M)	146	127	128	127	126	130	127	130	125	134	132	139	123	106	55	**4,068**
Total Operating Costs (RMB M)	**714**	**695**	**696**	**695**	**694**	**698**	**695**	**698**	**693**	**702**	**700**	**707**	**691**	**622**	**352**	**21,116**
Total Operating Costs (US$ M)	**105**	**102**	**103**	**102**	**102**	**103**	**103**	**103**	**102**	**104**	**103**	**104**	**102**	**92**	**52**	**3,114**
Depreciation and Amortization (RMB M)	118	118	118	118	118	113	113	113	112	112	112	90	90	90	47	**4,052**
Resource Tax @RMB15/t of ore (RMB M)	54	54	54	54	54	54	54	54	54	54	54	54	54	41	23	**1,578**
Taxable Income (RMB M)	**722**	**415**	**449**	**417**	**389**	**484**	**435**	**551**	**508**	**549**	**538**	**620**	**373**	**290**	**126**	**18,862**
Income Tax @15% (RMB M)	108	62	67	63	58	73	65	83	76	82	81	93	56	43	19	**2,829**
After Tax Income (RMB M)	**614**	**353**	**382**	**354**	**330**	**411**	**370**	**468**	**432**	**466**	**457**	**527**	**317**	**246**	**107**	**16,032**
Total Capital Costs (RMB M)						421										**2,767**
Working Capital (RMB M)													-26	-44	-59	
Environmental Bond/Closing Costs (RMB M)																**35**
VAT Refund (RMB M)																**88**
Fixed Asset Remnant Value (RMB M)															107	**107**
After Tax Cash Flow (RMB M)	**732**	**471**	**500**	**472**	**449**	**103**	**483**	**581**	**544**	**578**	**569**	**617**	**433**	**380**	**322**	**17,477**
After Tax Cash Flow (US$ M)	**108**	**69**	**74**	**70**	**66**	**15**	**71**	**86**	**80**	**85**	**84**	**91**	**64**	**56**	**47**	**2,578**
Years to Discount at End of 2009	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5	26.5	27.5	28.5	29.5	30.5	—
Discount Factor @9%	0.2412	0.2213	0.2031	0.1863	0.1709	0.1568	0.1438	0.1320	0.1211	0.1111	0.1019	0.0935	0.0858	0.0787	0.0722	—
Discounted Cash Flow (RMB M)	**177**	**104**	**101**	**88**	**77**	**16**	**69**	**77**	**66**	**64**	**58**	**58**	**37**	**30**	**23**	**6,157**
Discounted Cash Flow (US$ M)	**26.0**	**15.4**	**15.0**	**13.0**	**11.3**	**2.4**	**10.2**	**11.3**	**9.7**	**9.5**	**8.6**	**8.5**	**5.5**	**4.4**	**3.4**	**908.1**

Based on the assumptions listed above, the Jiama Project had a total after-tax discounted cash flow of RMB6,157 M (US$908.1 M) as of December 31, 2009. Subtracting the debt of approximately RMB888 M (US$131.0 M) at December 31, 2009, the after-tax NPV of the Jiama Project as of December 31, 2009 was RMB5,269 M (US$777.2 M). The payback period to recover all the capital investment for the Jiama Project is approximately 5.2 years starting from January 1, 2010.

Sensitivity analyses (Table 21.9 and Figure 21.1) indicate that the NPV of the Jiama Project is very sensitive to variations in the metal prices and processing metal recoveries, moderately sensitive to variations in operating costs, and less sensitive to variations in capital costs.

Table 21.9
Sensitivity analysis for after-tax NPV as of December 31, 2009 for the Jiama Project

	After-Tax NPV Variation (RMB M)				
Sensitivity Item Variation	**-20%**	**-10%**	**Base Case**	**+10%**	**+20%**
Metal Prices	2,401	3,835	5,269	6,703	8,138
Metal Recoveries	2,401	3,835	5,269	6,703	8,138
Operating Costs	6,520	5,895	5,269	4,644	4,019
Capital Costs	5,580	5,425	5,269	5,114	4,958

	After-Tax NPV Variation (US$ M)				
Sensitivity Item Variation	**-20%**	**-10%**	**Base Case**	**+10%**	**+20%**
Metal Prices	354.1	565.7	777.2	988.7	1,200.2
Metal Recoveries	354.1	565.7	777.2	988.7	1,200.2
Operating Costs	961.7	869.4	777.2	684.9	592.7
Capital Costs	823.1	800.1	777.2	754.2	731.3

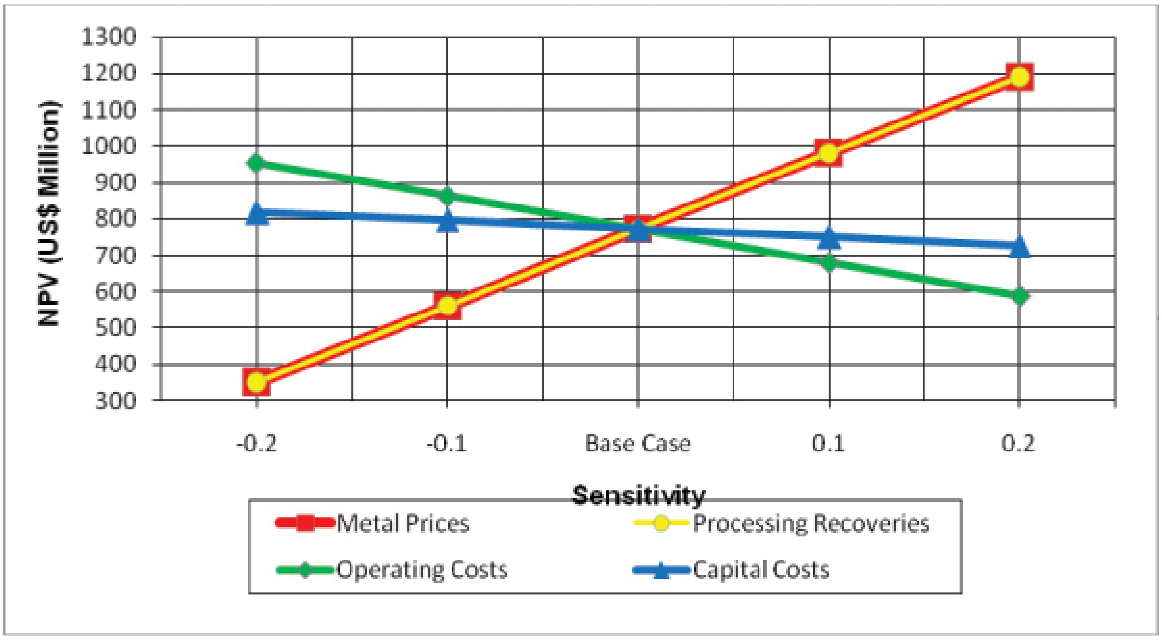


Figure 21.1 After-tax NPV sensitivity analysis for the Jiama Project

21.8 Environmental and Community Considerations

21.8.1 Environment

Environment protection is being taken seriously by the management at the Jiama Project, who are complying with Chinese requirements to achieve a responsible standard of environmental protection. On September 28, 2008, an environmental permit was issued for the construction phase of Jiama Project by the Ministry of Environment Protection of China in Beijing. An environmental assessment for the Project will be produced by government authorities following review of documents and a site inspection by an expert panel at their pre-operations phase inspection, which is anticipated to take place around September 2010. A site soil and water conservation plan was approved by the Tibetan Autonomous Region Water Bureau on October 8, 2008.

Due to the high alpine, semi-desert conditions, where the evaporation rate is approximately twice the precipitation rate, the project is being developed as a zero discharge operation, hence it only requires a water supply (and not a water discharge) permit by the regulatory authorities. The current water permit, granted on October 8, 2008, allows 7,300 m^3/day to be pumped from the Chikang River, a tributary of the Lhasa River, which eventually flows into the Brahmaputra River.

Waste water from the processing plant thickeners' overflow and the tailing filtering system will be recycled back to the flotation plant's production lines. Water consumption for the project is estimated at 43,396 m^3/day, of which 36,547 m^3/day will comprise recycled water.

Environment protection measures for the mine site comprise:

- **Water management**: the site is being developed as a zero discharge operation, with an expectation of recycling all used process and TSF drainage water. A recycling rate of at least 84% is expected. Huatailong holds a current water permit for the extraction of 7,300 m^3/day for top up and domestic water, which is taken from the nearby Chikang River, which also receives any surplus waste water from the site following treatment in accordance with Chinese national standards. Waste water treatment includes sewage treatment and reuse in the replanting program.
- **Solid waste**: waste rock from the open pits will initially be used to construct infrastructure foundations, particularly roads, after which surplus waste material will be placed on constructed waste dumps. Underground waste will be mainly left underground. Tailings will be mixed with cement for use as stope fill, while TSFs will be constructed in adjacent valleys to store the remaining tailings material (Table 21.10).
- **Dust and air quality mitigation**: including use of dust collectors (cyclones) and baghouses for the boiler houses, incinerator, the crushing and screening plant, and fine ore bin. Treated flue gas from these sources will be vented via stacks ranging in height from 20 m (crushing, screening, and fine bin areas) to 40 m (boilers). Other mitigation measures include the use of water sprays, including water trucks, use of paved or watered roads to reduce dust generated from mining and truck transport activities, and enclosure of dusty activities where possible. Personal protection devices are issued to workers to provide additional personal protection from dust.
- **Noise control:** methods of noise control include use of silencers, noise and vibration dampening on mobile equipment, enclosure of noisy equipment, use of insulation, and regular equipment maintenance. Company policy requires PPE use, such as ear muffs or ear plugs, for noise-affected workers.
- **Environmental monitoring**: A comprehensive air, water, and climatic monitoring plan will be put in place to build up an environmental baseline database. All analytical results are to comply with Chinese National Standards.
- **Rehabilitation**: a mine closure plan has been produced and approved as part of the Soil and Water Conservation Plan. The plan will be updated as the operation progresses. An Environmental Bond of RMB35 M (US$5.2 M) is to be lodged with the Government within the first 5 years of operations.

Table 21.10
Tailings Storage Facility for the Jiama Project

Design Capacity & Estimated Life	Comments
The TSF is designed to accommodate approximately 10 years production at the 12,000-tpd rate. This design life may be extended if significant quantities of tailings are used as goaf fill underground. Once the TSF is full a new TSF will be constructed in one of the many nearby valleys.	The TSF is being constructed in the valley above the Phase I mill site, with a storage capacity of 23.53 Mm^3. At a production rate of 12,000 tpd (or 2.34 Mm^3/a), the tailings will be pumped to a pressure filter station above the TSF, the moisture level of the tailings will be reduced to 15-18%, and the filtered tailings will then be conveyed to the TSF and stacked. The initial concrete faced, earth-fill dam wall will be 70 m high and 6 m wide and an upstream method of deposition adopted. The TSF is being designed with a 1 in 500-year flood design factor and seismic intensity Level 7, with a basic earthquake acceleration value of 0.15 g. When complete, the height of the stacked tailings will be 260 m, with an average slope of 1:4. The TSF has a catchment of 2.82 km^2. A drainage system is to be installed at the base of the tailings pile and side drains catching surface water, as well as drainage layers at 10 m intervals utilizing geotextile fabric mats and drainage pipes, will direct seepage water into this TSF drainage system. The water will be collected, treated, and then recycled through the processing plant. The surface of the TSF will be treated with a dust suppressant chemical to bind the material and minimize both erosion and dust generation. The small existing TSFs will be topsoiled and revegetated (as will the new TSF when it is full), as part of the implementation of the soil and water conservation plan.

21.8.2 Community

The Jiama Project has a policy of social responsibility towards the local community, with a focus on providing assistance and contributing towards social development, through financially supporting local economic development, education, employment, training initiatives, local transport, communications, drinking water supply, and other social initiatives such as assisting poor families and rectifying both contamination issues and outstanding debts due to the community that were generated by previous mining operations on the Jiama mine site.

Prior to mining operations being established in the area, the mine site was used for low-intensity grazing of yak and sheep with occasional scattered temporary shelters used by members of the nearby Jiama township, which is located about 4-km away. Land was acquired for the mine site and associated infrastructure corridors in compliance with PRC laws through both short-term and long-term leasing agreements, signed and approved by the local government authorities. Compensation for land and land use rights was and will be paid under these lease agreements in line with standard PRC guidelines. The community has, in general, welcomed the opportunity for employment in the area and has participated in ongoing dialogue with both Huatailong and the local government through the "Jiama Project Coordination and Development Management Committee" concerning the development and operation of the mine, potential environmental impacts and their management, and the scope and nature of community benefits to be generated by the development. Over RMB50 M (US$7.4 M) has been expended to date by Huatailong through the implementation of its community development plan.

Huatailong intends to employ approximately 125 local Tibetan mine workers, is providing training and around thirty tertiary education scholarships to local people, has already employed approximately 26,000 days of contracted local labor at a cost of around RMB20 M (US$2.9 M) and is ensuring that non-Tibetan staff are learning the local language.

21.9 Occupational Health and Safety

The Jiama Project has been under construction since June 2008 and is (or will be) conducting its operations in accordance with specific national laws and regulations covering occupational health and safety ("OH&S") in construction, mining, underground mining, production blasting and explosives handling, mineral processing, TSF design, hazardous wastes, environmental noise, fire protection and fire extinguishment, sanitary provisions, power provision, lightning and seismic protection, labor, and supervision.

To manage the health and safety of the workforce, the mine is implementing an OH&S management system in line with national standards, with OH&S training of 30 workers currently in progress and regular medical checks for all employees. When mining operation commences, there will be a medical clinic on site with one doctor and three nurses, but in the meantime the Jiama Community Hospital serves the mine community. Safety statistics for the mine to date show a record of no significant injuries. An environmental emergency response plan is in place for the management of chemical spill, flood, fire, etc.

The mine holds current pre-evaluation approvals issued by the Tibet Autonomous Region Safety and Supervision Bureau for both the mine and the TSF. Safety Assessments are expected to be conducted by the end of 2010, following which safety permits for the mine and the TSF are expected to be issued.

21.10 Risk Analysis

When compared with many industrial and commercial operations, mining is a relatively high-risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behavior during mining and processing can never be accurately predicted.

Estimations of the tonnes, grade, and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling or channel sampling, which, even at close sample spacing, remain very small samples of the entire orebody. There is always a potential error in the projection of sampling data when estimating the tonnes and grade of the surrounding rock, and significant variations may occur. Reconciliations of past production and ore reserves can confirm the reasonableness of past estimates but cannot categorically confirm the accuracy of future predictions.

Estimations of project capital and operating costs are rarely more accurate than ±10% and will be at least ±15% for projects in the planning stages. Mining project revenues are subject to variations in metal prices and exchange rates, though some of this uncertainty can be removed with hedging programs and long-term contracts.

Huatailong's Jiama Project reviewed in this ITR is still in the development stage, and mine production has yet not started, which brings an additional uncertainty for project. The life-of-mine production projections are largely based on a feasibility study.

In reviewing the Jiama Project, BDASIA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected production and resulting cash flows. The assessment is necessarily subjective and qualitative. Risk has been classified as low, moderate, or high based on the following definitions:

- High Risk: the factor poses an immediate danger of a failure, which, if uncorrected, could have a material impact (>15%) on the project cash flow and performance and could potentially lead to project failure.
- Moderate Risk: the factor, if uncorrected, could have a significant impact (>10%) on the project cash flow and performance unless mitigated by some corrective action.
- Low Risk: the factor, if uncorrected, could have little or no effect on project cash flow and performance.

Risk Component	Comments
Mineral Resources *Low Risk*	More than 97% of the currently defined mineral resources for the Jiama Project are contained within the I-1 mineralized body, which is hosted by a stratiform skarn zone along an interlayer fracture between the underlying marbles/limestones and overlying hornfels. This mineralized body is over 2,000-m long along strike and is close to 2,000-m wide in the down dip direction but still widely open. The mineralized body has good geological continuity and reasonable grade continuity. Measured and indicated resources have been defined by a drill hole spacing of 100 m by 100 m or 100 m by 200 m. Procedures and parameters used for resource estimation generally conform to industry standards. In addition to the measured and indicated mineral resources, there is also a large inferred resource defined by wider drill hole spacing of 200 m to 400 m. BDASIA believes that it is very likely that a significant portion of the inferred resource will be upgraded to the measured and indicated resource categories with additional drilling and sampling. Furthermore, the I-1 mineralized body is widely open in the down-dip direction, indicating that there is a significant additional exploration potential.
Ore Reserves *Low to Moderate Risk*	Current open-pit and underground ore reserves for the Jiama Project were defined by the Changsha Institute, using generally appropriate economic and technical parameters and the computer resource model produced by BDASIA. Only measured and indicated resources were used to estimate the proved and probable reserves. Appropriate additional mining dilution factors and mining recovery factors have also been applied in reserve estimation. Currently defined ore reserves are sufficient to support the mining operation at the planned 12,000 tpd or 3.6 Mtpa for approximately 30 years, and there is also a significant upside potential for the reserve estimates. However, the Jiama Project is at a late stage of mine development, and mining operation has not yet formally started. Mining and processing operation in the next several years will be crucial to prove that the reserve estimates are reasonable and appropriate for the planned mining and processing methods.
Open-Pit Mining *Low Risk*	The Tongqianshan pit is relatively small, and the pit slopes are generally conservative. There is some potential disruption from the voids within the open pit from prior underground mining activity. Procedures are required to ensure both personnel and equipment safety. The Niumatang pit is mining an ore zone that is shallow dipping, with a relatively high strip ratio over the life of the operation. High rock strength of both ore and waste indicates relatively conservative slope angles, but the height of the two major walls in excess of 500m requires a more detailed slope analysis for the final wall. The three-stage development of the open pit provides some risk mitigation. Huatailong has ongoing slope monitoring to track any slope movement.

Risk Component	Comments
Underground Mining *Low to Moderate Risk*	There is a shortage of detailed design, which elevates the overall risk of underground mining. BDASIA considers that the mine design is generally conservative given the size of stopes within a competent rock mass, with potential to further optimize mine design layouts; this provides some mitigation of the risk. The scale of the operation is appropriate for the size of the mineralized zone, and the production rates are considered achievable. There is potential to increase the mining area if significant inferred resources can be better defined.
Ore Processing *Low to Moderate Risk*	There is a low to moderate risk that the copper concentrate grades and particularly recoveries during the initial 2 years of the mine life may be one or two percentage points lower than forecast. This could be due to the copper-lead ore participating in the plant feed, accounting for about 25% to 33% of the total feed tonnage. The laboratory tests on this ore indicated copper recovery of 89% to 90%, which suggests a plant recovery of about 86% to 87%. However, the copper-molybdenum ore in the feed, participating with 67% to 75% of the total feed tonnage, is realistically expected to yield 90% copper recovery, thus bringing the overall copper recovery in the initial 2 years to approximately 88.5%.
Infrastructure *Low to Moderate Risk*	Access road conditions to the Jiama Project site are excellent. Although water is scarce in the mine area, a sufficient water source has been identified and is available for planned mine production and mine camp use. However, currently there is a power shortage for mine production during the winter dry months. The Tibet government has been executing a power-supply development plant for the period from 2006 to 2010, during which several new power generation plants will be constructed and the Central Tibet power grid will be connected to the national power grid in China. Electricity supply will be sufficient for Phase I production and Phase II expansion at Jiama when the development plan is completed.
Production Targets *Moderate Risk*	BDASIA believes that there is a degree of uncertainty for achieving the production targets during the ramp-up period of the mine life as the commercial production of Phase I concentrator was delayed from April 2010 to September 2010 and as construction of the Phase II concentrator will not start until December 2010, which is behind of the original schedule. Shortages in electricity supply could also slow the ramp-up process. However, once the two concentrators reach the designed production capacity and when the electricity supply problem is solved, the long-term production target of the project is considered achievable by BDASIA. Well managed backfilling of underground stopes will be important in ensuring long-term production schedules are achieved.

Risk Component	Comments
	There is a low to moderate risk that the copper metal production in the initial 4-year period will be lower by one to two percentage points for the forecast ore head values. The reason for this is discussed above under Ore Processing.
Operating Cost *Low to Moderate Risk*	Open-pit unit costs reflect the contract unit prices and are considered relatively low risk. Underground cost estimates are not well defined, and the potential for increased costs is higher than for the open pits. Therefore, BDASIA has made a 15% positive adjustment for the underground mining cost estimated by the Changsha Institute. BDASIA considers a mitigating factor to increased costs is that the underground design is conservative and there is some potential to reduce operating costs by increasing stope size. Further optimization of the open-pit design and the open-pit/underground mining ratio may also result in some savings on overall project mining operating cost. Processing costs and G&A and other costs are considered reasonable. BDASIA notes that no inflation factors have been included in the operating costs estimates.
Capital Cost *Low Risk*	More than half of the initial capital investment for constructing the 12,000-tpd day mine had been spent and was generally on budget at the end of 2009. The remaining initial capital expenditures are mostly for pre-production stripping of the Niumatang pit, development and equipping of the 6,000-tpd underground mine, and the construction of the Phase II 6,000-tpd processing plant. Any delays, such as power restrictions, in completing the remaining capital works on schedule will increase the initial capital costs for the project; however, BDASIA considers the overall risk of capital cost for the entire Jiama Project to be low.
Environment and Community *Low Risk*	Mitigation measures are being put in place to minimize environmental and social risks and to ensure regulatory environmental requirements are satisfied. Ongoing dialogue between Huatailong, the local government and local residents is being fostered through the activity of the "Jiama Project Coordination and Development Management Committee" with the objective of maintaining good community relations. All structures and infrastructure, including the TSF, are being designed to withstand a 1 in 500-year flood event and a Level-7 seismic event with an acceleration value of 0.15 g; however, it will be important to ensure that the tailings in the TSF have uniform size distribution at all times. A soil and water conservation plan has been approved and is being implemented. Dust generation in dry, cold, windy periods is low but nevertheless can pose a risk that will require careful management and adequate supplies of water.
Occupational Health and Safety *Low Risk*	Huatailong seeks to conduct its operations in accordance with the national safety standards and has a health and safety management system in place. The Project has maintained a good safety record to date.

22.0 DATE PAGE AND CERTIFICATES

The effective date of this ITR is November 17, 2010.

Signatures of the Qualified Persons for the ITR are as follows:

"ORIGINAL SIGNED BY AUTHOR"

Qingping Deng, Ph.D., C.P.G.
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Peter D. Ingham, FAusIMM, CEng
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Vuko M. Lepetic Q.P.Metallurgy of MMSA
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Janet M. Epps, FAusIMM
November 17, 2010

Qingping Deng, Ph.D., C.P.G.
Behre Dolbear Asia, Inc.
999 Eighteenth Street, Suite 1500, Denver, CO 80202 USA
Phone: +1.303.620.0020 Fax: +1.303.620.0024
Email: qdeng@aol.com

I, Qingping Deng, Ph.D., C.P.G., do hereby certify that:

1. I am currently a senior associate of Behre Dolbear Asia, Inc., which is a member of the minerals industry advisory firm, Behre Dolbear Group Inc.
2. I graduated with a degree of B.Sc. in Geology and a degree of M.Sc. in Geology from the Central South Institute of Mining and Metallurgy in China in 1981 and 1984. I graduated with a degree of Ph.D. in Geology from the University of Texas at El Paso 1990.
3. I am a Certified Professional Geologist in good standing with the American Institute of Professional Geologists (certification number: 10515). I am a Qualified Professional Member (Geology and Ore Reserves) in good standing with the Mining and Metallurgical Society of America (certification number 01135QP). I am a Founding Registered Member in good standing with the Society for Mining, Metallurgy, and Exploration, Inc. (certification number 785284RM).
4. I have worked as a geologist, ore reserve specialist, and project manager for a total of 26 years since my graduation from university. I have been involved in exploration and mining projects in North, Central, and South America, Asia, Australia, Africa, and Europe.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for the overall supervision and preparation of the report titled of "Independent Technical Report on the Jiama Copper-Polymetallic Project in Metrorkongka County, Tibet Autonomous Region, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property two times in conjunction with the Technical Report. The first visit was from August 16 to August 19, 2009, and the second visit was from December 15 to December 19, 2009.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of NI 43-101.
10. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"ORIGINAL SIGNED BY AUTHOR"
Qingping Deng, Ph.D., C.P.G.

Peter D. Ingham, B.Sc., M.Sc., CEng, FAusIMM
Behre Dolbear Australia Pty Ltd.
Level 9 80 Mount Street, North Sydney, NSW, 2060, Australia
Phone: +61.29954 4988 Fax: +1.303.620.0024
Email: ingham@ihug.com.au

I, Peter D. Ingham (B.Sc., M.Sc, FAusIMM, MIMMM, CEng), do hereby certify that:

1. I am General Manager Mining of Behre Dolbear Australia Pty Limited ("BDA") of Level 9, 80 Mount Street, North Sydney, NSW 2060, Australia.
2. I graduated with a Bachelor of Science degree in Mining from Leeds University, England in 1975 and a Master of Science degree in Mineral Production Management from Imperial College of Science and Technology in 1980.
3. I am a Fellow of the Australasian Institute of Mining and Metallurgy and Member of the Institute of Materials, Minerals and Mining, UK. I am a Chartered Engineer (CEng) of the Engineering Council of UK.
4. I have worked as a mining engineer and a project manager for a total of 34 years since my graduation from university. I have been involved in both open-pit and underground mining projects in Europe, Africa, Australia, and Asia. My experience includes operational expertise in operations management, mining contract management, project assessment and acquisition, operational audits and trouble-shooting, and tenement and title issues.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for the preparation of Section 21.1 Mining Operations, part of Section 17.2 Ore Reserve Estimates, and statements relevant to mining operations of the report titled of "Independent Technical Report on the Jiama Copper-Polymetallic Project in Metrorkongka County, Tibet Autonomous Region, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property in conjunction with the Technical Report from December 15 to December 19, 2009.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of NI 43-101.
10. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"ORIGINAL SIGNED BY AUTHOR"

Peter D. Ingham, FAusIMM, CEng

Vuko M. Lepetic, Q.P.Metallurgy
Behre Dolbear International Ltd.
Winchester House, 259.269 Old Marylebone Road, London, NW 1 5RA, UK
Phone: +4420.7170.4034
Email: vl_carpediem@yahoo.com

I, Vuko M. Lepetic, Dipl.Ing., M.SC., Q.P.Metallurgy, do hereby certify that:

1. I am currently a Senior Associate of Behre Dolbear International Ltd. with an address of Winchester House, 259.269 Old Marylebone Road, London, NW 1 5RA, United Kingdom.
2. I graduated with a degree of Dipl.Ing. in Mining Engineering at the School of Mining and Geology, University of Belgrade, Yugoslavia in 1961. I received a M.Sc. degree in Mineral Engineering from the Henry Krumb School of Mines, Columbia University, New York, USA in 1964.
3. I am a Qualified Professional Member (Metallurgy) in good standing with the Mining and Metallurgical Society of America (certification number 01382QP).
4. I have worked as a mineral processing specialist for 45 years in the mining industry since my graduation. I have been involved in mineral processing and mining projects in North, Central, and South America, Asia, Australia, Africa, and Europe.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for the Section 16.0 Metallurgical Testing and Mineral Processing and other mineral processing-related statements in the report titled "Independent Technical Report on the Jiama Copper-Polymetallic Project in Metrorkongka County, Tibet Autonomous Region, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property one time in conjunction with the Technical Report. The visit was from December 15 to December 19, 2009.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of NI 43-101.
10. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"ORIGINAL SIGNED BY AUTHOR"
Vuko M. Lepetic Q.P.Metallurgy

Janet M. Epps, M.Env.Stud., B.Sc., FAusIMM
Behre Dolbear Australia
Level 9, 80 Mount Street, North Sydney, NSW, 2090 Australia
Phone: +61 2 9954 4988 Fax: +61 2 9929 2549
Email: emcint@bigpond.com

I, Janet M. Epps, M.Env.Stud., FAusIMM, do hereby certify that:

1. I am a Senior Associate of Behre Dolbear Australia Pty Limited of Level 9, 80 Mount Street, North Sydney, NSW 2060, Australia.
2. I graduated with degrees in Bachelor of Science in Geology (1971) from the University of New England, Armidale, and Master of Environmental Studies (1980) from Macquarie University, Sydney, both in NSW, Australia.
3. I am a Fellow of the Australasian Institute of Mining and Metallurgy (Member number 101317).
4. I have worked as a professional Environmental Specialist for 35 years and previously worked as a geoscientist for a further 3 years.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for Section 21.7 Environmental Considerations and Section 21.8 Occupational Health & Safety, together with the section concerning risk relating to these two areas, of the report titled "Independent Technical Report on the Jiama Copper-Polymetallic Project in Metrorkongka County, Tibet Autonomous Region, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property from December 15 to December 19, 2009 in conjunction with producing the Technical Report.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of NI 43-101.
10. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"ORIGINAL SIGNED BY AUTHOR"

Janet M. Epps, FAusIMM

Set out below is a summary of certain provisions of the Articles of the Company, the BCBCA (the governing corporate law of the Company) and a description of certain TSX Listing Policies.

GENERAL

The Company was incorporated on May 31, 2000 under the Company Act (British Columbia) (the predecessor statute to the BCBCA). The Company was listed on the TSX-V on April 23, 2001 and graduated from the TSX-V and began trading on the TSX on October 6, 2006.

SUMMARY OF SHARE CAPITAL

The following is a summary of the share capital and the Articles of the Company.

The authorized share capital of the Company originally consisted of an unlimited number of Shares and an unlimited number of preferred shares without par value (the "Preferred Shares"). The total number of issued Shares capital of the Company as of the Latest Practicable Date was 172,019,459 Shares. Pursuant to the special resolution passed by the Shareholders on October 14, 2010, the class of Preferred Shares was removed. See "Appendix VIII — Statutory and General Information — Resolutions of our Shareholders" for further information. There are no special rights and restrictions attached to the Shares.

All of the Shares have been and will be issued in accordance with the laws of British Columbia as well as with the provisions of the Articles. There is generally no limit in the BCBCA on the power of the Directors to issue Shares provided that no Share may be issued unless and until it is fully paid. However, the TSX Listing Policies require that prior TSX approval be obtained by the Company for any proposed issuance of its Shares, or any securities convertible into or exchangeable for, the Shares. Furthermore, Part 6 of the TSX Company Manual requires the approval of Shareholders for any issuance of Shares, or any securities convertible into or exchangeable for, Shares if such issuance:

- materially affects control of the listed issuer; or
- provides consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and has not been negotiated at arm's length.

Additionally, the TSX will require that security holder approval be obtained for private placements:

- for an aggregate number of listed securities issuable that is greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or
- that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to an insider during the six month period.

There is no similar statutory requirement under the BCBCA or the TSX Listing Policies, as is found under Hong Kong law, providing that Shareholders have a right to be offered any Shares in the Company which are being newly issued for cash before the same can be offered to new Shareholders. Consequently, there is no requirement for Shareholders in general meetings to provide a waiver to this obligation.

Subject to the TSX Listing Policies, the Company, in accordance with the BCBCA and its Articles, may by special resolution of its Shareholders:

- consolidate and combine all or any of its outstanding Shares into Shares of a lesser number; and
- sub-divide all or any of its outstanding Shares into Shares of a greater number.

Subject to the BCBCA, the Company may give financial assistance to any person for any purpose, including the purchase by such person of the Shares on such terms and at such times as may be determined by the Directors from time to time. The Company must provide disclosure where the financial assistance is material to the Company and is given to any of (a) a person known to be a shareholder, beneficial owner of a Share, Director, officer or employee of the Company or an affiliate of the Company, (b) a person known to the Company to be an associate of the persons referred to in paragraph (a), or (c) any person for the purpose of a purchase by that person of a Share issued or to be issued by the Company or an affiliate of the Company. There are exemptions to the disclosure requirement, many of which deal with related companies. In circumstances where disclosure is required, the disclosure must contain a brief description of the financial assistance, including the nature and extent thereof, the terms of the financial assistance and the amount given.

The Directors are not required to hold any Shares in the Company.

SUMMARY OF KEY BRITISH COLUMBIA CORPORATE LAWS AND THE ARTICLES

The following is a summary of some key provisions of the BCBCA, the TSX Listing Policies and the Articles of the Company.

Capacity

Pursuant to section 30 of the BCBCA, the Company has the legal capacity and rights, powers and privileges of an individual of full capacity. The Company does not have an objects clause in its Articles because it is not required under the BCBCA.

Voting rights

Each Shareholder entitled to vote may vote in person or by proxy, attorney or representative of a body corporate. A corporate shareholder may appoint a person to act as its representative at any meeting of the shareholders of the Company provided that the instrument appointing such representative must: (i) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or (ii) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

On a show of hands every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder holding a Share carrying the right to vote has one vote and on a poll every person present who is a Shareholder or proxy, attorney or representative of a Shareholder shall in respect of each Share carrying the right to vote held by him have one vote per Share.

The TSX Listing Policies require that the legal designation of a class of securities, which shall be set out in a company's constitution documents and which shall appear on all security certificates representing such securities, shall, except where the securities are preference securities and are legally designated as such, include the words: (i) "subordinate voting" if the voting rights attached to the securities are subordinate to the voting rights of other securities; (ii) "non-voting" if the securities are non-voting securities; or (iii) "restricted voting" if the securities have limited or restricted voting rights. The Company has not issued a class of subordinate voting, non-voting or restricted voting securities.

Special Resolution

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

Dividends

Subject to the BCBCA, the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and 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 or cash equivalents, 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.

No dividend bears interest against the Company and any dividend or other distribution payable in cash in respect of Shares may be paid by cheque, made payable to the order of the person to whom it is sent. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

The Company's dividends do not lapse.

Liquidation

Liquidation is the process under the BCBCA by which the Company may be wound up, as its debts and liabilities are satisfied and any remaining assets are distributed to Shareholders. The liquidation process can be voluntary or under a court order. A voluntary liquidation is initiated by the Shareholders. A court of competent jurisdiction may order liquidation on application of any one of a number of "appropriate persons" as determined in accordance with the BCBCA.

A voluntary liquidation begins when the Shareholders pass a special resolution resolving to liquidate the Company and appoint, by ordinary resolution, a liquidator. The appointment of a liquidator suspends the powers of the Directors. The liquidator has a duty, subject to the BCBCA, to use his or her own discretion in realizing the assets of the Company or distributing those assets among the creditors and Shareholders of the Company.

The liquidator must:

- dispose of the assets of the Company other than assets to be distributed in kind to the Shareholders;
- pay or make provision for all of the Company's liabilities;
- invest money in investments approved for trustees pending distribution to creditors and Shareholders; and
- after paying or providing for all liabilities, distribute the remaining assets in money or in kind among the Shareholders according to their rights and interests in the Company.

A Company may also dissolve upon an ordinary resolution without going through a liquidation process, including appointment of a liquidator, if it has disposed of all assets and liabilities in advance of the liquidation.

Transfer of Shares

The Company's Articles provide that a transfer of a Share must not be registered unless:

- a duly signed instrument of transfer in respect of the Share has been received by the Company;
- if a Share certificate has been issued by the Company in respect of the Share to be transferred, that Share certificate has been surrendered to the Company; and
- if a non-transferable written acknowledgment of the Shareholder's right to obtain a Share certificate has been issued by the Company in respect of the Share to be transferred, that acknowledgment has been surrendered.

The instrument of transfer in respect of any Shares must be either in the form, if any, on the back of the Share certificates or in any other form that may be approved by the Directors from time to time.

Neither the Company nor any Director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the Shareholder or by any intermediate owner or holder of the Shares, of any interest in the Shares, of any share certificate representing such Shares or of any written acknowledgment of a right to obtain a share certificate for such Shares.

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the Directors.

Subject to the TSX Listing Policies and other applicable laws, there are no restrictions on the transfer of Shares in the Articles of the Company.

Variation of rights

If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class may be varied or abrogated in any way with the sanction of a special resolution passed at a separate meeting of the holders of the Shares of that class and a special resolution passed at the Company's general meeting.

The rights conferred on the holders of the Shares of any class are deemed not to be varied by the creation or issue of further Shares ranking equally with the first-mentioned Shares unless otherwise:

- expressly provided by the terms of issue of the first-mentioned Shares; or
- required or permitted by the BCBCA.

Borrowing powers

The Company, if authorized by the Directors, may:

- borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
- issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- guarantee the repayment of money by any person or the performance of any obligation of any other person; and
- mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

Issue of Shares

Subject to the BCBCA and the TSX Listing Policies, the Company's unissued share capital is under the control of the Directors who may issue all or any of the same to such persons at such times and on such terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the Directors may determine. A Share must not be issued until it is fully paid. A Share is fully paid when consideration is provided to the Company for the issue of the Share in past services performed for the Company, property or money. Shareholder approval is required for an issuance of new shares on a private placement basis in an amount greater than 25% of the number of shares that are outstanding prior to such issuance and such shares are issued below market price.

Small Shareholder Purchase and Sale Arrangements

Part VI of the TSX Company Manual provides for a procedure whereby the Company can assist Shareholders who hold a quantity of Shares that is less than a prescribed board lot ("odd lot holders") and who wish to either sell their Shares or buy enough additional Shares to increase their holding to a board lot. Participation by an odd lot holder in any odd lot sale or purchase arrangement established pursuant to Part VI of the TSX Company Manual is purely voluntary and under no circumstances can the Company compel an odd lot holder to sell or purchase any Shares thereunder. The Company has not, to date, established an odd lot sale or purchase arrangement.

Indemnification

Subject to the BCBCA, the Company must indemnify a Director, former Director and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. An "eligible penalty" is a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding. An "eligible proceeding" is a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a Director or former Director of the Company (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a Director:

- is or may be joined as a party; or
- is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding.

The Company may not indemnify an eligible party or pay such eligible party's expenses in certain circumstances prescribed by the BCBCA including circumstances in which:

- in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of the Company or any associated corporation, as the case may be; or
- in the case of an eligible proceeding other than a civil proceeding, the eligible party did not have reasonable grounds for believing that the eligible party's conduct in respect of which the proceeding was brought was lawful.

Subject to any restrictions in the BCBCA, the Company may indemnify any person. In addition, the Company must, subject to the exceptions noted above, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by certain persons, including the officers and former officers of the Company and its affiliates if such person(s) (a) have not been reimbursed for those expenses, and (b) are wholly successful, on the merits or otherwise, in the outcome of the proceeding or are substantially successful on the merits in the outcome of the proceeding.

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- is or was a Director, officer, employee or agent of the Company;
- is or was a Director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- at the request of the Company, is or was a director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity; or
- at the request of the Company, holds or held a position equivalent to that of a director, alternate Director or officer of a partnership, trust, joint venture or other unincorporated entity

against any liability incurred by him or her as such director, officer, employee or agent or person who holds or held such equivalent position.

Pensions and gratuities for Directors

Although not prohibited from doing so, the Company does not currently pay any gratuity or pension or allowance on retirement to any Director who has held any salaried office with the Company or to his or her spouse or dependants nor make contribution to any fund or pay premiums for the purchase or provision of any such gratuity, pension or allowance.

Disclosure of Directors' interests

A Director or senior officer of the Company holds a disclosable interest in a contract or transaction if (a) the contract or transaction is material to the Company, (b) the Company has entered, or proposes to enter, into the contract or transaction, and (c) either of the following applies to the Director or senior officer: (i) the Director or senior officer has a material interest in the contract or transaction; or (ii) the Director or senior officer is a director or senior officer of, or has a material interest in, a person who has a material interest in the contract or transaction. A Director or senior officer who holds a disclosable interest must disclose the nature and extent of the conflict as required by the BCBCA. There are certain exceptions from the disclosable interest requirements which apply specifically to wholly owned subsidiaries and related companies.

A Director or senior officer who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the Director or senior officer under or as a result of the contract or transaction, unless the procedures for disclosure and approval as provided in the BCBCA are complied with.

No Director or senior officer is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the Director or senior officer holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director or senior officer is in any way interested is liable to be voided for that reason.

Subject to the BCBCA, a Director, senior officer, or any person in which a Director or senior officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the Director, senior officer, or such person is entitled to remuneration for professional services as if that Director or senior officer were not a Director or senior officer, as applicable.

A Director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a Director or senior officer, must disclose the nature and extent of the conflict as required by the BCBCA.

A Director may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the BCBCA, the Director is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

Restrictions on Directors' voting

A Director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any Directors' resolution to approve that contract or transaction, unless all the Directors have a disclosable interest in that contract or transaction, in which case any or all of those Directors may vote on such resolution. A situation where all directors have a disclosable interest is extremely rare but could arise for example, if the Company ever issues shares to all directors outside the scope of their remuneration. In this circumstance, all the directors would declare their interest in the transaction (with such declaration being noted in the minutes or consent resolution) and would then vote on the matter. Additionally, the Directors are subject to their overriding duties to act in the best interest of the Company.

A Director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of Directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the Director votes on any or all of the resolutions considered at the meeting.

Number of Directors

The Company's Articles provide that the number of Directors of the Company will be the greater of three (3) and the number of Directors is fixed by ordinary resolution. In the absence of any such ordinary resolution, the number of Directors of the Company will be the greater of three (3) and the number of Directors actually elected at the last meeting of Shareholders at which an election of Directors took place. The incumbent Directors may, between annual meetings of Shareholders, appoint one or more additional Directors up to a maximum of one-third of the Directors elected by the Shareholders at the last meeting of Shareholders at which an election of Directors took place. All Directors must be individuals. There are no residency requirements for Directors under the BCBCA. A Director is not required to hold Shares issued by the Company.

Any Director (an "Appointor") may by notice in writing to the Company appoint any person (an "Appointee") who is qualified to act as a Director to be his or her alternate to act in his or her place at meetings of the Directors or committees of the Directors at which the Appointor is not present unless (in the case of an Appointee who is not a Director) the Directors have reasonably disapproved the appointment of such person as an alternate Director and have given notice to that effect to his or her Appointor within a reasonable time after the notice of the appointment is received by the Company.

Directors' term of office

Unless a Director dies, resigns or is removed from office in accordance with the BCBCA, the term of office of each of the incumbent Directors ends at the conclusion of the next annual meeting of the Shareholders following his or her most recent election or appointment.

General meetings

Unless an annual general meeting is deferred or waived in accordance with the BCBCA, the Company must hold an annual general meeting at least once in each calendar year and not more than 15 months after the date of the last annual general meeting at such time and place as may be determined by the Directors.

The Directors may, whenever they think fit, call a meeting of Shareholders. The Company can hold its general meeting at a specified location outside of British Columbia if so authorized by the Directors. At least 21 days' notice must be given to the Shareholders of a general meeting.

Shareholders who hold in the aggregate at least 5% of the issued Shares of the Company that carry the right to vote at general meetings may requisition a meeting of Shareholders. If the Directors do not, within 21 days after the date on which the requisition is received by the Company, send notice of a general meeting, the requisitioning Shareholders, or any one or more of them holding, in the aggregate, more than 2.5% of the issued Shares of the Company that carry the right to vote at general meetings, may send notice of a general meeting to be held to transact the business stated in the requisition.

Unless the Shareholders resolve otherwise by an ordinary resolution at the general meeting called by the requisitioning shareholders, the Company must reimburse the requisitioning Shareholders for the expenses actually and reasonably incurred by them in requisitioning, calling and holding that meeting.

Notice may be given by mail or delivery at the shareholder's registered address, or by facsimile or email if the fax number or email address is provided by the shareholder. The Articles also state that shareholders may approve by ordinary resolution any other method for giving notice.

Election of Directors

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 BCBCA 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; and
- the date on which he or she otherwise ceases to hold office under the BCBCA or the Articles.

Disclosure of shareholdings

Under applicable Canadian securities laws, every "insider" of the Company must disclose any direct or indirect beneficial ownership of, or control or direction over securities of the Company and any acquisitions or dispositions of securities of the Company on an ongoing basis. An insider is a Director or senior officer of the Company, a Director or senior officer of a person that is itself an insider or subsidiary of the Company, a person that has direct or indirect beneficial ownership of, or control or direction over securities of the Company carrying more than 10% of the voting rights, or the Company itself.

Shareholders are also obliged to issue a news release and file a report upon acquiring beneficial ownership or control or direction over 10% or more of the Company's outstanding Shares or securities that are, within 60 days, convertible into or exchangeable for Shares. Thereafter the Shareholder must issue an additional news release and file another report if the Shareholder acquires an additional 2% or more of the Company's outstanding Shares or there is a change in any material fact disclosed in a previous news release and report. A shareholder whose percentage holding in the Company is increased by no action of such shareholder, such as in connection with a share repurchase by the Company, is not required to make disclosure in accordance with these requirements unless such shareholder has previously filed a report and the change in the shareholder's percentage holding constitutes a change in a material fact disclosed in that report.

Classes of Shares

The Company used to have two classes of Shares: Shares without par value and Preferred Shares without par value. Pursuant to the special resolution passed by the Shareholders on October 14, 2010, the class of Preferred Shares was removed. See "Appendix VIII — Statutory and General Information — Resolutions of our Shareholders" for further information.

Special Rights and Restrictions on Shares

Pursuant to section 61 of the BCBCA, a right or special right attached to issued shares must not be prejudiced or interfered with unless the shareholders holding shares of the class or series of shares to which the right or special right is attached consent by a special separate resolution of those shareholders. There are no special rights or restrictions currently attached to any of the Company's shares, however, the Company may by special resolution (i) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or (ii) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.

Reduction of capital

The Company may reduce its share capital if it is authorized to do so by court order or by special resolution of its Shareholders. The Company may reduce its share capital without a court order or a special resolution, subject to its Articles and the BCBCA, in order to redeem, purchase or otherwise acquire any Shares, accept a surrender of Shares by way of gift or for cancellation or convert fractional Shares into whole Shares. The Company may not reduce its share capital by special resolution if there are reasonable grounds for believing that the realizable value of the Company's assets would, after the reduction, be less than the aggregate of its liabilities.

Share repurchases

Subject to the BCBCA and the Company's Articles, the Company may purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time. TSX Listing Policies and applicable Canadian securities laws regulate the purchase or other acquisition by the Company of its own Shares. Subject to a limited number of exemptions, the Company must comply with a detailed body of rules with the intended purpose that all of the Company's shareholders are treated equally.

Corporate Rules Governing Share Repurchases

The BCBCA and the Articles permit the Company to purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time. The Company may not make a payment or provide any other consideration to purchase or otherwise acquire any of its Shares if there are reasonable grounds for believing that the Company is insolvent or that making the payment or providing the consideration would render the Company insolvent. The Articles provide that, if the Company retains a Share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the Share, but, while such Share is held by the Company, it:

- is not entitled to vote the Share at a meeting of its Shareholders;
- must not pay a dividend in respect of the Share; and
- must not make any other distribution in respect of the Share.

Securities Rules Governing Issuer Bids

Under applicable Canadian securities laws, any offer to acquire or redeem any securities (other than nonconvertible debt securities) made by the Company in respect of securities of its own issue made to any person resident in a province of Canada is an "issuer bid". The legal definition of an issuer bid specifically excludes acquisitions or redemptions by a company of its own securities where:

- no valuable consideration is offered or paid for the securities; or
- the acquisition, redemption or offer is a step in an amalgamation, merger, reorganization or arrangement that requires approval in a vote of security holders.

If the Company were to make an offer to acquire securities of its own issue, the Company would be required to make a formal issuer bid in compliance with the requirements of applicable Canadian securities laws, unless an exemption from these requirements is available. The requirements for making a formal issuer bid include preparing, filing and sending an issuer bid circular in the prescribed form to all holders of the class of securities that are the subject of the issuer bid. Unless exempt, the company is required to obtain an independent formal valuation of the securities that are the subject of the bid and summarize the formal valuation in the issuer bid circular.

A formal issuer bid must remain open for acceptance for a minimum of 35 days and the Company must not take up any securities deposited under the bid until at least 35 days have elapsed. Depositing security holders are entitled to withdraw their securities at any time before the securities are taken up by the Company. Adequate arrangements must be in place before the commencement of a bid to ensure that the required funds are available to make full payment of all cash consideration offered in respect of the securities subject to the bid.

Subject to certain exceptions, acquisitions of securities by the Company are prohibited during the issuer bid and for the 20 business days after the expiry of the issuer bid. In addition, there is a prohibition against selling or agreeing to sell any securities subject to the bid from the date of announcement of the intention to make the bid until its expiry, except for sales in respect of dividend plans, dividend reinvestment plans, employee purchase plans and other similar plans.

In the case of a partial issuer bid, the Company is required to take up and pay for the securities proportionately according to the number of securities deposited by each security holder. However, the

Company is not required to take up securities on a pro rata basis from those security holders who are entitled to elect a minimum price per security and elect a minimum price that is higher than the price that the Company pays for securities under the bid.

Certain issuer bids are exempt from the formal issuer bid requirements. The following is a summary of some of the principal exemptions available under applicable Canadian securities laws for issuer bids.

Foreign Bid Exemption

There is an exemption for issuers with minimal share ownership presence in Canada. This exemption is available where less than 10% of the securities subject to the bid are held by security holders in Canada (including beneficial ownership) and the published market with the greatest dollar value of trading in the securities subject to the bid during the 12 months preceding the commencement of the bid is not in Canada. In order for an offeror to rely on this exemption, security holders in Canada must be able to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class and the information and issuer bid materials must be filed in Canada and sent to Canadian security holders.

Minimal Connection Exemption

An exemption is also available for issuer bids where the number of registered holders of securities of the class subject to the bid in the province of Canada where the bid is made is fewer than 50 and security holders in the province beneficially own less than 2% of the outstanding securities of the class. The security holders must be entitled to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class and the information and issuer bid materials must be filed and sent to the security holders in the relevant jurisdiction.

Redemption or Retraction Exemption

A company is permitted to acquire its own securities in accordance with redemption or retraction provisions in the terms and conditions attaching to the class of securities, or as required by law.

Employee, Executive Officer, Director and Consultant Exemption

A company is permitted to repurchase its own securities from its current and former employees, consultants, executive officers and directors and current and former employees, consultants, executive officers and directors of its affiliates. The exemption requires that if there is a published market for the securities, the value of the consideration paid must not be greater than the market price and that purchases not exceed 5% of the outstanding securities of the class in any 12-month period.

Normal Course Issuer Bid Exemption

An issuer bid is exempt if it is made in the normal course over the TSX, the TSX-V or another designated exchange in accordance with the rules and regulations of that exchange.

An issuer bid made in a published market that is not a designated exchange will also be exempt if:

- the bid is for not more than 5% of the outstanding securities of the class;
- the aggregate number of securities acquired under this exemption within any 12-month period under the exemption does not exceed 5% of the outstanding securities at the beginning of the period; and
- the value of the consideration paid for any of the securities does not exceed the market price plus reasonable brokerage fees and commissions actually paid.

A company relying on this exemption is required to issue and file a news release describing the class and number of securities, the dates of the issuer bid, the consideration offered, the manner in which the securities will be acquired and the reasons for the bid.

TSX Rules for Normal Course Issuer Bids

Pursuant to the TSX Listing Policies a normal course issuer bid carried out over the facilities of the TSX is subject to the following requirements:

1. Volume Limitations

The rules of the TSX limit the volume of purchases by the Company of its Shares in two ways.

First, the rules of the TSX limit the number of listed securities that may be purchased by an issuer under an issuer bid on any trading day, when aggregated with all other purchases by the issuer during the same trading day over the TSX, to not more than the greater of: (i) 25% of the average daily trading volume ("ADTV") of the listed securities of that class; and (ii) 1,000 securities. An issuer may make one "block purchase" per calendar week that exceeds this daily repurchase limit. A "block" means a quantity of securities, not owned, directly or indirectly, by an insider of the issuer, that either (i) has a purchase price of C$200,000 or more (ii) is at least 5,000 securities and has a purchase price of at least C$50,000; or (iii) is at least 20 board lots of the security and total 150% or more of the ADTV for that security. However, once the block purchase exception has been relied on, the issuer may not make any further purchases under the issuer bid for the remainder of that calendar day.

The "average daily trading volume" or "ADTV" means the trading volume on the TSX for the most recently completed six calendar months preceding the date of acceptance of the notice of the issuer bid by the TSX, excluding any purchases made by the issuer through the facilities of TSX under its issuer bid during such six months, divided by the number of trading days for the relevant six months.

Second, the rules of the TSX limit the number of listed securities that may be purchased in a 12-month period commencing on the date specified in the notice of the issuer bid to a number that does not exceed the greater of (i) 10% of the public float, and (ii) 5% of such class of securities issued and outstanding, in each case calculated on the first day of the 12 month period. This limitation is based on total purchases on the TSX, other stock exchanges or otherwise.

The "public float" means the number of securities which are issued and outstanding less the number of securities that are pooled, escrowed or non-transferable, and less the number of securities, known by the issuer after reasonable inquiry beneficially owned or over which control or direction is exercised by the issuer, every senior officer or director of the issuer and every person who beneficially owns or exercises control or direction over more than 10% of the issued and outstanding securities of any class of voting securities or equity securities of the issuer.

2. Price Limitations

Purchases made pursuant to an issuer bid must be made at a price which is not higher than the last independent trade of a board lot of the securities to which the issuer bid relates. Trades that are not "independent trades" under the TSX rules include both trades, directly or indirectly, for the account on an insider of the issuer, and certain trades made by, or for the account of the broker that is engaged by the issuer in respect of the issuer bid.

3. Timing Limitations

An issuer may not make any purchases pursuant to an issuer bid at the opening of a trading session, or during the 30 minutes before the scheduled close of a trading session. However, purchases of securities under an issuer bid may be effected through the market on close facility.

4. Prohibited Trades

It is a principle of issuer bids that all transactions should be made in the open market without abnormally influencing the market price of the securities, treating all holders of identical securities in a fair and even-handed manner. Accordingly, the TSX prohibits private agreement purchases other than by means of open market transactions.

An intentional cross or pre-arranged trade is not permitted under an issuer bid, unless such trade is made in connection with the block purchase exception.

Purchases under an issuer bid may not be made from a person or company effecting a sale from a control block (from a holder of securities carrying more than 20% of the votes or in a position to affect the control of an issuer). This prohibition is intended to ensure that a large security holder is not, in effect, selling down its position in an issuer to the issuer itself. The TSX rules provide that it is the responsibility of the broker acting as agent for the issuer in respect of an issuer bid to ensure that it is not bidding in the market at the same time as a broker is offering the same class of securities under a sale from control.

An issuer may not purchase securities pursuant to an issuer bid when the issuer possesses any material information which has not been generally disclosed. However, it is open to the issuer to enter into arrangements with its broker to implement an automatic securities purchase plan that would permit that broker to make trades on the issuer's behalf on the issuer bid during blackout periods when trades in the issuer's securities by insiders would be otherwise prohibited. These arrangements must be pre-cleared by the TSX.

In addition, an issuer may not make any purchases under an issuer bid during a circular bid for those securities. This restriction applies during the period from the first public announcement of the circular bid to termination of the period during which securities may be deposited-under such issuer bid.

5. Procedure

The TSX procedure for the Company to make an issuer bid is as follows:

Notice of intention (the "Notices")

The Notice must be filed with the TSX. The Notice is first filed in draft for TSX review and comment, together with a draft press release (as described below) and public float schedule (if applicable). When the Notice is in a form acceptable to the TSX, it is filed in final form duly executed by an officer or Director of the Company, together with the final form of the press release and public float schedule (if applicable).

Duration

An issuer bid may run for a period of one year from the date on which purchases are permitted to begin (the "Commencement Date" as defined below), and may be renewed on an annual basis thereafter.

Press Release

A press release must be issued indicating the intention of the issuer to make an issuer bid, and summarizing the material contents of the Notice. The press release is first filed with the TSX for its review, together with the draft Notice and public float schedule (if applicable). A final version of the press release is filed with the TSX at the time of filing the final form of Notice. This press release must be issued as soon as the Notice is finally accepted by the TSX. The issuer may also issue a press release prior to final acceptance of the executed Notice by the TSX if the press release states that the issuer bid is subject to regulatory approval.

Disclosure to Shareholders

A summary of the material information contained in an accepted Notice must be included in the next annual report, quarterly report, information circular or other document mailed to shareholders. Security holders are entitled to obtain a copy of the Notice without charge from the issuer.

Commencement of Purchases

Purchases under the issuer bid may commence two trading days after the later of the date of acceptance by the TSX of the final Notice and the date of issuance of the press release described above (the "Commencement Date").

Broker

The issuer must appoint only one broker at any one time as its broker to make purchases (the "Broker"). If the issuer decides to change the Broker, it must obtain the written consent of the TSX.

Amendment of issuer bids

During an issuer bid, an issuer may determine to amend its notice by increasing the number of securities sought while not exceeding: (i) the maximum volume limitations permitted by the TSX or (ii) provided that the issuer has increased its number of issued securities that are subject to the issuer bid by at least 25% from the number of issued securities as of the date of acceptance of the Notice by the TSX, the maximum volume limitations as calculated as of the date of the amended notice. When the amended notice is in a form acceptable to the TSX, the listed issuer files the amended notice in final form, duly executed by a senior officer or director of the listed issuer, for acceptance by the TSX. The final form of the amended notice must be filed at least three clear trading days prior to the commencement of any purchases under the amended issuer bid. In addition, a draft press release must be provided to the TSX and the listed issuer must issue a press release as soon as the amended notice is accepted by the TSX. A copy of the final press release shall be filed with the TSX.

Statutory derivative actions

A Shareholder or Director of the Company (the "complainant") may, with leave of a court of competent jurisdiction, prosecute a legal proceeding in the name and on behalf of the Company:

- to enforce a right, duty or obligation owed to the Company that could be enforced by the Company itself; or
- to obtain damages for any breach of such a right, duty or obligation.

With leave of a court of competent jurisdiction, a complainant may, in the name and on behalf of the Company, defend a legal proceeding brought against the Company. A court of competent jurisdiction may grant leave for a statutory derivative action on terms it considers appropriate if:

- the complainant has made reasonable efforts to cause the Directors to prosecute or defend the legal proceeding;
- notice of the application for leave has been given to the Company and any other person that the court may order;
- the complainant is acting in good faith; and
- it appears to the court that it is in the best interests of the Company for the legal proceeding to be prosecuted or defended.

Protection of minorities

A Shareholder may apply to a court of competent jurisdiction for an order on the grounds:

- that the affairs of the Company are being or have been conducted, or that the powers of the Directors are being or have been exercised, in a manner oppressive to one or more of the Shareholders, including the applicant; or
- that some act of the Company has been done or is threatened, or that some resolution of the Shareholders or of the Shareholders holding Shares of a class or series of Shares has been passed or is proposed, that is unfairly prejudicial to one or more of the Shareholders, including the applicant.

On application, the court may, with a view to remedying or bringing to an end the matters complained of, make any interim or final order it considers appropriate, including an order:

- directing or prohibiting any act;
- regulating the conduct of the Company's affairs;

- appointing a receiver or receiver manager;
- directing an issue or conversion or exchange of Shares;
- appointing Directors in place of or in addition to all or any of the Directors then in office;
- removing any Director;
- directing the Company to purchase some or all of the Shares of a Shareholder and, if required, to reduce its capital in the manner specified by the court, unless the Company is insolvent or the purchase would render it insolvent;
- directing a Shareholder to purchase some or all of the Shares of any other Shareholder;
- directing the Company, unless the Company is insolvent or the payment would render it insolvent, or any other person, to pay to a Shareholder all or any part of the money paid by that Shareholder for Shares of the Company;
- varying or setting aside a transaction to which the Company is a party and directing any party to the transaction to compensate any other party to the transaction;
- varying or setting aside a resolution;
- requiring the Company, within a time specified by the court, to produce to the court or to an interested person financial statements or an accounting in any form the court may determine;
- directing the Company, subject to the BCBCA, to compensate an aggrieved person, unless the Company is insolvent or the payment of such compensation would render it insolvent;
- directing correction of the registers or other records of the Company;
- directing that the Company be liquidated and dissolved, and appointing one or more liquidators, with or without security;
- directing that an investigation be made under the BCBCA;
- requiring the trial of any issue; or
- authorizing or directing that legal proceedings be commenced in the name of the Company against any person on the terms the court directs.

Disposal of assets

Under the BCBCA, the Company may not sell, lease or otherwise dispose of all or substantially all of the Company's assets and undertaking unless it does so in the ordinary course of the Company's business or it has been authorized to do so by special resolution. Otherwise, there are no specific restrictions under the BCBCA on the power of the Directors to dispose of the Company's assets. Under the BCBCA, in the exercise of those powers, the Directors must discharge their duties of care to act in good faith, for a proper purpose and in the best interests of the company.

The Company is subject to the provisions of Multilateral Instrument 61-101 of the Canadian Securities Administrators ("MI 61-101"). The intended purpose of MI 61-101 is to regulate business combinations, insider bids, issuers bids, and related party transactions in order to treat all security holders in a manner that is fair and that is perceived to be fair, by setting out Formal Valuation and minority approval requirements for these kinds of transactions in certain prescribed circumstances.

Accounting and auditing requirements

A Canadian public company that is listed on the TSX, such as the Company, must prepare annual financial statements which must be audited, and unaudited quarterly financial statements. The annual financial statements and the auditor's report must also be presented to the annual general meeting of Shareholders and delivered to Shareholders.

Securities registers

The Company must maintain, at a location designated by the Directors, a central securities register in which it registers the Shares issued by the Company, all transfers of Shares so issued and details of such issuances and transfers. The Company may also maintain one or more branch registers at locations designated by the Directors. Particulars of each issue or transfer of a Share registered in a branch securities register must also be promptly registered in the central securities register.

Replacement Share Certificates

Section 92 of the *Securities Transfer Act* (British Columbia) requires an owner that claims a security certificate (including a certificate for convertible securities such as warrants) has been lost, destroyed or wrongfully taken to provide the issuer with an indemnity bond sufficient in the issuer's judgment to protect the issuer from any loss that the issuer may suffer by issuing a new certificate.

Inspection of books and records

A Shareholder may, during statutory business hours and without charge, inspect the records of the Company, other than certain records prescribed under the BCBCA as records that a Shareholder is not entitled to inspect.

Subsidiary owning Shares in parent

The Company may purchase or otherwise acquire shares of a corporation of which it is a subsidiary. The Company must not purchase any of the shares of its parent corporation if there are reasonable grounds for believing that the Company is insolvent, or the purchase would render the Company insolvent. Likewise, a subsidiary of the Company may purchase or otherwise acquire Shares provided that there are no reasonable grounds for believing that the subsidiary is insolvent or that the purchase would render it insolvent.

Arrangements and other fundamental corporate transactions

The BCBCA provides for arrangements and other fundamental corporate transactions involving the Company, the Shareholders, creditors and other persons. The relevant provisions of the BCBCA permit fundamental changes to take place with respect to the Company affecting Shareholders, creditors and other persons if certain approvals are obtained from the affected Shareholders, creditors and other persons. In the case of arrangements, the prior approval of a court of competent jurisdiction is also required.

Arrangements are typically used for numerous forms of acquisitions, going-private transactions, substitutions of new Shares for arrears of dividends on existing Shares, exchanges of Shares for Shares or other securities of the Company or of another body corporate, exchanges of Shares or other securities for money and, in the case of creditors, debt reorganizations.

Dissent and Appraisal Rights

The BCBCA provides that Shareholders of the Company are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their Shares in connection therewith. The right of dissent is applicable in respect of:

- a resolution to alter the Articles, to alter restrictions on the powers of the Company or on the business it is permitted to carry on;
- a resolution to adopt an amalgamation agreement or otherwise approve an amalgamation;
- a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the Company's undertaking;
- a resolution to authorize the continuation of the Company into a jurisdiction other than British Columbia;
- any other resolution, if dissent is authorized by the resolution; or
- any court order that permits dissent.

The BCBCA sets out the process and procedures that must be followed for a Shareholder to exercise dissent rights.

Stamp duty on transfers

No Canadian or British Columbia stamp duty is payable on transfers of shares in a company that is incorporated or continued in British Columbia.

Remuneration of Directors

Neither the BCBCA nor the Articles requires a Director of the Company to hold shares issued by the Company. The BCBCA and the Company's Articles are also silent with respect to the remuneration of the Directors.

Other

Our Canadian legal advisers have issued a letter of advice summarizing certain aspects of Canadian laws and regulations relating to the Company as contained in this appendix. This letter is available for inspection as referred to in "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" to this prospectus.

SHAREHOLDER PROTECTION MATTERS

Under Rule 19.05(1)(b) of the Listing Rules, the Stock Exchange may refuse a listing of securities by an issuer if the Stock Exchange is not satisfied that the overseas issuer is incorporated or otherwise established in a jurisdiction where the standards of shareholder protection are at least equivalent to those provided in Hong Kong.

As explained further under the section headed "Waivers — Equivalent Shareholder Protections" in this prospectus, the Joint Policy Statement states that for the purpose of determining whether an overseas company demonstrates acceptable shareholder protection standards, the Stock Exchange ordinarily expects an overseas applicant to demonstrate appropriate shareholder protection standards in the various matters set out in the Attachment to the Joint Policy Statement.

The Stock Exchange accepted the Company's application for listing on the Stock Exchange on the basis that, with respect to most of the shareholder protection items set out in the attachment to the Joint Policy Statement, the standards of shareholder protection afforded to shareholders of companies incorporated in British Columbia, taken as a whole, are, in all material respects, at least equivalent to, or broadly commensurate with, standards of shareholder protection afforded to shareholders of companies incorporated in Hong Kong.

Not all the shareholder protections afforded to shareholders of companies incorporated in British Columbia are at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong.

Material shareholder protection matters

With respect to some of the matters set out in the Attachment to the Joint Policy Statement, shareholder protections afforded to shareholders of companies incorporated in British Columbia are not at least equivalent to, or broadly commensurate with, those afforded to shareholders of companies incorporated in Hong Kong. In respect of those matters, the Company is satisfied that such items are broadly commensurate with those protections afforded to shareholders of companies incorporated in Hong Kong on the grounds that there are nevertheless material shareholder protections in place in respect of such items.

Variation of class rights

The Joint Policy Statement requirement is that the rights attached to any class of shares of an overseas company may only be varied with the approval of members on terms comparable to those required of a Hong Kong incorporated public company (i.e. a three-quarter majority vote in general meeting subject to rights of members holding not less than 10% of the nominal value of the issued shares of that class to make a petition to the court to have the variation cancelled). Under the BCBCA, alteration of class rights requires a special separate resolution by shareholders of that class as well as by special resolution of all shareholders pursuant to section 58(2)(b) of the BCBCA. The threshold for a special resolution in Canada is two-thirds and therefore is not equivalent to the three-quarter majority required for a Hong Kong incorporated public company. However, the structure which is set out in the BCBCA and is reinforced by the Articles requires a supportive vote in excess of a base majority. See "Shareholder Protection Matters — Classes of Shares" for further information. There is no specific legislative right in British Columbia to petition the court in relation to a variation of class rights by special resolution. However, minority shareholders do have the ability to challenge an improper variation that is oppressive through the British Columbia courts through oppression remedies available both at statute and at common law.

Voluntary winding up

The Joint Policy Statement requirement is that voluntary winding up of an overseas company must be approved by members on terms comparable to those required of a Hong Kong incorporated public company (e.g. currently a three-quarter majority vote in general meeting is required). The BCBCA has different resolution requirements for voluntary dissolution and liquidation. A company may voluntarily dissolve by passing an ordinary resolution. However, before a company can voluntarily dissolve it must have no assets and either no liabilities or adequate provision for payment of its liabilities. These provisions provide protection for shareholders in that all the company's assets will have to be distributed out before dissolution. Liquidation of a company in British Columbia requires a special resolution.

Notice of a special resolution

The Joint Policy Statement requirement is that overseas companies must ensure that any annual general meeting or any extraordinary general meeting at which a resolution that requires the approval of members by three-quarter majority vote will be proposed shall be convened in at least 21 days' written notice; and that any other general meeting shall be convened on at least 14 days' notice. The Company's articles specify only a 21 day notice period to convene a meeting that requires approval of the Shareholders by a special resolution constituting a two-thirds majority vote, and accordingly, special resolutions of the Company are at least equivalent, or broadly commensurate, under British Columbia law to that afforded to shareholders of companies incorporated in Hong Kong for resolutions requiring a three-quarters majority.

Change to constitutional document

The Joint Policy Statement requirement is that for any change to an overseas company's constitutional document, however framed, there should be a general requirement for the company to obtain the approval of members on terms comparable to those required of a Hong Kong incorporated public company (e.g. currently a three-quarter majority vote in general meeting is required). Changes to the Company's authorized share structure, name, special rights and restrictions attaching to shares and corporate powers all require approval by a special resolution. The Company's Articles specify a two-thirds majority for special resolutions.

Reduction of share capital

The Joint Policy Statement requirement is that any reduction of share capital in an overseas company must be subject to confirmation by the court and be approved by members on terms comparable to those required of a Hong Kong incorporated public company (e.g. currently a three-quarter majority vote in a general meeting is required). Under the BCBCA, a company can reduce its share capital by court order or by special resolution (currently a two-thirds majority vote), unlike Hong Kong, which requires both. Except where authorized by a court order, under the BCBCA, a company may not reduce its share capital if to do so would render the company insolvent.

Redemption of shares

The Joint Policy Statement requirement is that an overseas company may only redeem its shares out of distributable profits or fresh proceeds from a new issue of shares or under other circumstances comparable to those under which a Hong Kong incorporated public company may be allowed to make such redemption. The primary restriction on redemption of shares for a British Columbia company is that redemption is not permitted if the company is insolvent or would be rendered insolvent as a result of the redemption.

Distribution of assets

The Joint Policy Statement requirement is that an overseas company may only distribute its assets to its members in circumstances comparable to those under which a Hong Kong incorporated public company may be allowed to make such distribution, that is, out of realized profits and if out of assets, the remaining net assets must not be less than the share capital plus undistributable reserves. The primary restriction on a British Columbia company's ability to pay dividends is that the payment of the dividend cannot result in the company being insolvent. There is no requirement that dividends have to be paid out of profits, as is the case in Hong Kong, although a British Columbia company does have protections where such distributions would reduce the share capital of the company, in which case a court order or special resolution is required.

Other matters

In respect of the following matters, the Company notes that there are three areas in the Joint Policy Statement which are addressed in significantly divergent manners as between Canada and Hong Kong, and as such it is not possible for the Company or the sole sponsor to state or conclude on objective grounds that such three areas are truly comparable. The three areas are as follows:

Loans to directors

The Joint Policy Statement requirement is that the circumstances under which an overseas company may make loans, including quasi loans and credit transactions, to a director must be confined to circumstances no less stringent than those permitted for a Hong Kong incorporated public company. Under the BCBCA, there is no prohibition on giving financial assistance to directors, although disclosure is mandated under the BCBCA except in limited circumstances. Under the BCBCA, full details of any loans to directors must be disclosed on an annual basis and, if such loans are sufficiently large, approval of the minority shareholders must be obtained.

Financial assistance

The Joint Policy Statement requirement is that the circumstances under which an overseas company may give financial assistance for the acquisition of its own shares must be clearly stated. Financial assistance is not expressly defined under the BCBCA but would be interpreted broadly enough to cover each of the areas set out in the Companies Ordinance definition of that term. Under the BCBCA there is no prohibition on giving financial assistance to a person who is acquiring or proposing to acquire shares of the Company. Instead, the BCBCA requires disclosure of material financial assistance for this purpose. Under section 195 of the BCBCA, subject to certain carve-outs for financial assistance by ordinary course lenders, to certain related entities and persons, to employees for housing and to employees to purchase shares or to court waiver, a company must disclose any financial assistance that is material to the company and that the company gives to (a) a person known to the company to be a shareholder of, a beneficial owner of a share of, a director of, an officer of or an employee of (i) the company, or (ii) an affiliate of the company, (b) a person known to the company to be an associate of any of the persons referred to in paragraph (a), or (c) any person for the purpose of a purchase by that person of a share issued or to be issued by the company or an affiliate of the company.

Payment to Directors for compensation for loss of office or retirement from office

The joint Policy Statement requirement is that any payment to a director or past director of an overseas company as compensation for loss of office or retirement from office is required to be approved by members of the company on terms comparable to those required of a Hong Kong incorporated public company (e.g. currently a majority vote in general meeting is required). Under the BCBCA, the directors of the Company have the power to approve agreements with directors and officers that provide for payments upon termination of employment, a change of control of the corporation, or change of responsibilities following a change of control. All such contracts with named executive officers must be described in the Company's proxy circular and, if they are material and not in the ordinary course of business, filed on the SEDAR website where they are available for public inspection. Canadian takeover bid rules prohibit the payment of a collateral benefit to any person in connection with a bid for control of a corporation. Any payment by a bidder to a director or officer upon a change of control as compensation for loss of office where that payment was not previously approved by the board and the compensation committee could constitute a collateral benefit and would be prohibited.

EQUIVALENT SHAREHOLDER PROTECTION

Under Listing Rule 19.05(1)(b) the Stock Exchange may refuse a listing of securities by an issuer if the Stock Exchange is not satisfied that the overseas issuer is incorporated or otherwise established in a jurisdiction where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. The Joint Policy Statement states that for the purpose of determining whether an overseas company demonstrates acceptable shareholder protection standards, the Stock Exchange ordinarily expects an overseas application to demonstrate appropriate shareholder protection standards in the various shareholder protection items set out in the attachment to the Joint Policy Statement.

The Stock Exchange accepted our application for listing on the Stock Exchange on the basis that, with respect to most of the shareholder protection items set out in the attachment to the Joint Policy Statement, the standards of shareholder protection afforded to shareholders of companies incorporated in British Columbia, taken as a whole, are, in all material respects, at least equivalent to, or broadly commensurate with, standards of shareholder protection afforded to shareholders of companies incorporated in Hong Kong.

Not all the shareholder protection afforded to shareholders of companies incorporated in British Columbia are at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong. In respect of the matters that are set out in "— Shareholder Protection Matters — Material Shareholder Protection Matters", our Company is satisfied that such items are broadly commensurate with those protections afforded to shareholders of companies incorporated in Hong Kong on the grounds that there are nevertheless material shareholder protections in place in respect of such items. Those matters are set out in "— Shareholder Protection Matters — Material Shareholder Protection

Matters" to this prospectus. In respect of certain other shareholder protection items our Company was unable to confirm that there are material shareholder protections in place, these matters are set out in "— Shareholder Protection Matters — Other Matters" to this prospectus.

NOTIFIABLE AND CONNECTED TRANSACTIONS

The Canadian and Hong Kong regulatory regimes governing notifiable and connected transactions have differences in approach, but both provide material shareholder protections.

In terms of notifiable transactions, the Hong Kong system uses asset, consideration, profit, revenue and equity capital ratios to determine whether a transaction is subject to the notifiable transaction requirements. The Canadian system does not prescribe ratios in determining whether a transaction is notifiable, but instead focuses on whether the details of a transaction constitute "material information". Material information is any information relating to the business and affairs of a company that results in or would reasonably be expected to result in a significant change in the market price or value of any of the company's listed securities.

In terms of connected party transactions, both the Hong Kong and Canadian regulatory regimes have the same policy basis in terms of providing shareholder approval, independent valuation and disclosure requirements; for transactions that are conducted with "connected persons" of an issuer. The definition of "related-party transaction" in MI 61-101, the instrument governing related party transactions, is broad enough to include the transactions contemplated in the definition of "transaction" in Chapter 14A. The definition of "related party" in MI 61-101 is similar to the definition of "connected person" in Chapter 14A, but it does not include past directors, associates, promoters or supervisors.

Further details of the Canadian regulatory regime for notifiable and connected transactions are set-out below.

Notifiable Transactions

In British Columbia three sources of regulation govern notifiable transactions, being the TSX Manual, the Securities Act (British Columbia) and the BCBCA. The following is a summary of the regulations under each source.

TSX Manual

The Company is required to immediately notify the TSX in writing of any transaction involving the issuance or potential issuance of any of its securities including exchangeable and convertible securities other than unlisted, non-voting, non-participating securities. A TSX listed issuer may not proceed with a specified transaction unless accepted by the TSX. In addition to any specific requirement for shareholders' approval, the TSX will generally require shareholders' approval as a condition of acceptance of a transaction if, in the opinion of the TSX, the transaction materially affects control of the TSX listed issuer; provides consideration to insiders in aggregate of 10% or greater of the market capitalization of the TSX listed issuer and has not been negotiated at arm's length. In addition to the general notification and Shareholders' approval requirements, the TSX imposes certain additional requirements for prospectus offerings, private placements, acquisitions which involve the issuance of securities and other corporate actions related to share issuances.

British Columbia Securities Act

There is a general requirement on all reporting issuers in Canada to make immediate disclosure of any material change in its affairs by immediately issuing and filing a news release disclosing the nature and substance of the change and no later than 10 days after the date on which the change occurred, file a material change report. There are two types of transactions that require pre-review by Canadian securities regulators, rights offerings and prospectus offerings.

British Columbia Business Corporations Act

Under the BCBCA, there are certain transactions that require the notification to, and approval of, shareholders of the Company. These transactions include article amendments, amalgamations, plans of arrangement, compulsory acquisitions, disposals of significant assets, continuances, and dissolutions and liquidations.

Connected Party Transactions

British Columbia corporate law requires directors to disclose interests and abstain from voting on matters in which they are interested while the TSX Manual requires shareholder approval where insiders are parties to significant transactions. However, securities laws impose the most comprehensive regime including heightened disclosure, independent valuation and shareholder approval obligations subject to certain exemptions. The following provides a summary of the Canadian securities law rules relating to related party transactions.

Application

Related party transactions are widely defined as transactions between the issuer and a person or company that is a related party of the issuer at the time the transaction is agreed to, as a consequence of which either through the transaction itself or together with connected transactions, the issuer conducts any type of business with a related party. Related party is broadly defined to include persons with direct and indirect relationships with the issuer including control persons, persons holding greater than 10% of the voting securities of the issuer, directors or senior officers and affiliates of these persons.

Disclosure Obligations

Where minority approval is required (as discussed below), the issuer must call a shareholders' meeting and send an information circular to those shareholders. The circular must contain detailed disclosure relating to the transaction including the background to the transaction, general details relating to every prior valuation in respect of the issuer and any bona fide offer relating to the subject, a discussion of the review and approval process adopted by the board of directors and the special committee, a summary of the formal valuation or an explanation on why a formal valuation is not required, and the holdings and identity of the shareholders excluded from voting.

Formal Valuation

Subject to certain exemptions, securities law requires an issuer to obtain an independent formal valuation for a related party transaction. If a formal valuation is required, the valuation must contain prescribed disclosure such as the valuator's opinion as to the fair market value of the subject matter and how the valuator arrived at the conclusion. The valuation must be publicly filed concurrently with the disclosure document.

Minority Approval

Subject to certain exemptions, minority approval of a related party transaction is required. In determining minority approval, an issuer shall exclude the votes attached to affected securities that are beneficially owned or over which control or direction is exercised by the issuer; an interested party; a related party of an interested party (unless the related party meets that description solely in its capacity as a director or senior officer of one or more entities that are neither interested parties nor issuer insiders of the issuer) or a joint actor with a person or company referred to above.

Continuous Disclosure Obligations

Canadian securities laws and the TSX Manual contain extensive continuing disclosure obligations which provide sufficient shareholder protection. To summarise, Canadian continuous disclosure obligations may be divided in two categories, routine filings and special event filings.

Routine Filings

Routine filings are prescribed filings that the Company must make on a regular basis. The principle behind routine filings is to provide shareholders with consistent, predictable disclosure relating to reporting issuers. Routine filings include annual and quarterly financial statements and related MD&A, CEO and CFO certification, shareholders' meeting material such as information circular and related party materials, annual information form and codes of business conducts and ethics.

Special Event Filings

The Company and certain persons in a special relationship with the Company must make public disclosure and filings upon the occurrence of specified events or changes. For example, any event that constitutes material information requires the Company to immediately issue a press release and, if such an event constitutes a material change, the Company must, within 10 days of the material change, file a material change report. Other examples of special events requiring specific filings include: the institution of an incentive option scheme, a significant business acquisition and distributions to shareholders.

Filing

Most filings are required to be made electronically through either the System for Electronic Document Analysis and Retrieval ("SEDAR") or the System for Electronic Disclosure by Insiders ("SEDI"). Filings on SEDAR and SEDI will satisfy the relevant filing obligations in all provincial and territorial jurisdictions. In general, once a document is filed on SEDAR or SEDI, the document becomes publicly available through the SEDAR website (**www.sedar.com**) or the SEDI website (**www.sedi.ca**), as the case may be.

REGISTRATION

The Company's principal register of shareholders is maintained in Canada by CIBC Mellon Trust Company, whose address is 1600-1066 West Hastings Street, Vancouver, BC Canada V6E 3X1, Canada. The Company will establish a branch register of members in Hong Kong which will be maintained by its Hong Kong Share Registrar.

CERTIFICATES

Certificates for Shares issued by the Hong Kong Share Registrar or the Canadian Share Registrar will be valid for delivery in respect of dealings effected on the Stock Exchange.

Canadian Shares may or may not be held in certificated form. If Canadian Shares are held in certificated form, the Shareholder's name appearing on the certificate appears on the Company's Canadian Share Registry and that Shareholder maintains possession of the Share certificates. Shareholders holding Canadian Shares through a brokerage firm do not appear on the Canadian Share Registry. In that case, either the brokerage firm has been issued a physical Canadian share certificate registered in the brokerage firm's name which appears on the Canadian Share Registry or the brokerage firm holds the Canadian Shares in its participant account in CDS. CDS is the registered Canadian Shareholder on the Canadian Share Registry for all Canadian Shares held by participants such as brokerage firms, banks and other financial, intermediaries. Canadian Shares held through CDS arc not certificated but there is no legal requirement that they be held this way. Where Canadian Shares are held through CDS, the brokerage firm who is the participant in CDS transfers the Canadian Shares from that participant account to the necessary participant account or requests that a certificate be issued to the transferee specified.

The Company participates in the Canadian security transfer system, the Canadian Clearing System.

DEALINGS

The transaction costs of dealings in the Shares on the Stock Exchange include a Stock Exchange trading fee of 0.005%, a SFC transaction levy of 0.003%, a transfer deed stamp duty of HK$5.00 per transfer deed and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of the Shares transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

The transaction costs of dealings in the Shares on the TSX are CAD4 plus tax for each share certificate issued. If required there are also rush fees which are based on a sliding scale depending on the required speed of the transaction. These are also subject to tax.

SETTLEMENT

Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant's stock account maintained with CCASS, settlement is effected in CCASS in accordance with the. CCASS Rules in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker by the settlement date.

An investor may arrange with his broker on a settlement date in respect of his trades executed on the Stock Exchange. Under the Listing Rules and the CCASS Rules, the date of settlement must not be later than the second day following the trade date on which the settlement services of CCASS are open for use by CCASS Participants (T2). For trades settled through CCASS, the CCASS Rules provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T3), or if it is not practicable to do so on T3, at any time thereafter. HKSCC may also impose fines from T2 onwards.

The CCASS stock settlement fee payable by each counterparty to a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK$2 and a maximum fee of HK$100 per trade.

Settlement of dealings on the TSX takes place on the third Business Day following the date of transaction.

TRANSFER BETWEEN REGISTERS

The general procedure for transfer of Shares between the Canadian Share Registry and the Hong Kong Share register is as follows:

- the Canadian Share Registrar will keep the central securities register, with the Hong Kong Share Registrar keeping the Hong Kong branch securities register;
- one form of certificate will represent the Shares both in Canada and in Hong Kong;
- investors may transfer Shares by presenting certificates to the Hong Kong Share Registrar or the Canadian Share Registrar in transferable order according to each respective registrar's requirements;
- transfers of Shares issued in Hong Kong and initiated in Hong Kong will be processed by the Hong Kong Share Registrar;
- Hong Kong Shareholders who have registered Shares with CCASS will need to allow up to 10 business days to re-register Shares in their own name or the name of a nominee before they request a transfer of their Shares to the Canadian Share Registry. Expedited re-registration services at a turnaround time of 6 business days, 3 business days, and 24 hours respectively are available at shareholders' request but, subject to the discretion of the Hong Kong Share Registrar as the expedited re-registration services are not available during peak operation seasons of the Hong Kong Share Registrar;
- upon a request for transfers of Shares issued in Canada and initiated in Hong Kong, the Hong Kong Share Registrar will confirm with the Canadian Share Registrar that the Shares are in order before processing the transfer;
- information regarding transfers initiated in Hong Kong will be provided to the Canadian Share Registrar after such transfer is processed;
- information regarding transfers initiated in Canada will not be provided to the Hong Kong Share Registrar except for information regarding transfer restrictions;
- on any day on which there has been a change in the Hong Kong Share register due to transfers of title processed in Hong Kong, the Hong Kong Share Registrar will transmit the

transfer reports to the Canadian Share Registrar; the Canadian Share Registrar will then update the Canadian Share Registry accordingly;

- the Canadian Share Registrar will from time to time inform the Hong Kong Share Registrar to update the Hong Share Register to remove Shares that have been transferred outside Hong Kong on the Canadian Share Registry; the Hong Kong Share Registrar will then update the Hong Kong Branch Share register accordingly; and
- transfers of Shares between the Canadian Share Registry and the Hong Kong Branch Share register (in respect of Shares held directly by Shareholders on that register) will generally take two business days for the Canadian Share Registrar and the Hong Kong Share Registrar to process.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

(a) Our Company was incorporated under the laws of British Columbia, Canada pursuant to the Company Act (British Columbia) (the predecessor statute to the BCBCA) under the name Pacific Minerals Inc. on May 31, 2000. On March 8, 2004, our name was changed to Jinshan Gold Mines Inc., and subsequently on July 9, 2010, to China Gold International Resource Corp. Ltd. Our Company has established its principal place of business in Hong Kong at 8/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Ms. Ma, Sau Kuen Gloria has been appointed as our agent for acceptance of service of process and notices on our Company in Hong Kong under the same address.

(b) As our Company was incorporated in British Columbia, Canada, our corporate structure and our Notice of Articles and Articles are subject to the relevant laws of British Columbia, Canada. A summary of the relevant provisions of our Notice of Articles and Articles and certain relevant aspects of the BCBCA is set out in "Appendix VI — Summary of Articles, Canadian Corporate and Securities Laws, Certain TSX Listing Policies and Shareholder Protection Matters" to this prospectus.

2. Changes in share capital of our Company and Skyland

The authorised share capital of our Company as of the date of its incorporation consisted of two classes of equity securities, being 1 billion Shares without par value, and 1 billion preferred shares without par value. On May 20, 2004, the authorized share capital of each class of the Company's shares was increased from 1 billion to an unlimited number of shares pursuant to a resolution in writing passed by the Shareholders. Pursuant to the resolution passed by the Shareholders on October 14, 2010, the class of preferred shares was cancelled. See "— Resolutions of our Shareholders" below for further information. Save as disclosed above, there has been no alteration in the authorised share capital of our Company within the two years immediately preceding the date of this prospectus.

Skyland was incorporated with an authorised share capital of US$1.0 million divided into 1,000,000 shares of US$1.0 each. On July 7, 2009, its authorised share capital was increased to US$50.0 million divided into 50,000,000 shares of US$1.0 each pursuant to a special resolution passed by its shareholders. Save as disclosed above, there has been no alteration in the share capital of Skyland within the two years immediately preceding the date of this prospectus.

Assuming that the Global Offering and the Skyland Acquisition becomes unconditional, and the Offer Shares and the Shares under the Skyland Acquisition are issued, immediately upon completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised, the total number of issued Shares will be 395,931,753 Shares.

3. Changes in share capital of our subsidiaries and the subsidiaries of the Skyland Group

The subsidiaries of our Company are referred to in the Accountants' Report as set out in "Appendix I-A — Accountants' Report" to this prospectus. The following alterations in the share capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this prospectus.

(a) On April 7, 2008, 20,000 new common shares, at a price of US$1.00 per share, in Pacific PGM were allotted and issued to Pacific PGM BVI for US$20,000.

(b) On July 14, 2009, 5,000 new common shares, at a price of US$1.00 per share, in Pacific PGM were allotted and issued to Pacific PGM BVI for US$5,000.

(c) On July 14, 2009, 5,000 new common shares, at a price of US$1.00 per share, in Gansu Mining were allotted and issued to Pacific PGM BVI for US$5,000.

(d) On July 14, 2009, 5,000 new common shares, at a price of US$1.00 per share, in Yunnan Southern Copper were allotted and issued to Pacific PGM BVI for US$5,000.

(e) On April 23, 2007, the registered capital of CSH CJV was increased from US$20 million to US$45 million. The outstanding registered capital in the sum of US$7.5 million has not been paid up. Pursuant to the approval of the relevant PRC authority on May 22, 2010, the due date of payment of the outstanding registered capital has been deferred to December 28, 2010.

(f) On September 18, 2006, Dadiangou CJV was established in the PRC by Gansu Gold Mining Company Ltd. (incorporated in the BVI) and NINETC as a limited liability company with a registered capital of RMB52.5 million. The outstanding registered capital in the sum of RMB22.1 million has not been paid up. Upon the approval of the relevant PRC authority on November 18, 2009, the due date of payment of the outstanding registered capital has been deferred to December 31, 2010.

The subsidiaries of Skyland are referred to in the Accountants' Report of Skyland as set out in "Appendix I-B — Accountants' Report of Skyland" to this prospectus. The following alterations in the share capital (or registered capital, as the case may be) of the subsidiaries of Skyland have taken place within the two years preceding the dates of this prospectus:

(a) On June 30, 2008, the registered capital of Jia Ertong was increased from US$5.0 million to US$55.0 million, which has been fully paid up.

(b) On January 24, 2007, Huatailong was established in the PRC by Beijing Honglu and Brigade 6 as a limited liability company with a registered capital of RMB3.0 million, which has been fully paid up.

(c) On November 10, 2007, the registered capital of Huatailong was increased from RMB3.0 million to RMB18.0 million, which has been fully paid up.

(d) On July 30, 2008, the registered capital of Huatailong was increased from RMB18.0 million to approximately RMB371.8 million, and the registered capital was fully paid up.

(e) On October 11, 2009, the registered capital of Huatailong was increased from approximately RMB371.8 million to approximately RMB531.8 million, which has been fully paid up.

(f) On May 19, 2010, the registered capital of Huatailong was increased from approximately RMB531.8 million to approximately RMB551.8 million, which has been fully paid up.

(g) On December 1, 2009, Metrorkongka County Jiama Industry and Trade Co., Ltd. was established in the PRC by Huatailong and Metrorkongka County Jiama Economic

Cooperative, with a registered capital of RMB5.0 million, which has been fully paid up on November 26, 2009.

4. Resolutions of our Shareholders

Under the resolutions of our Shareholders passed at a special meeting held on October 14, 2010, it was resolved, inter alia that:

(a) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require the Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise that under (i) a Rights Issue (as defined below); (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles; or (iii) any specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering;

(b) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding Shares which may be allotted and issued under the Over-allotment Option); and

(c) the general unconditional mandate as mentioned in paragraph (a) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company under the mandate to repurchase Shares referred to in paragraph (b) above.

For the purposes of paragraph (a) above, "Rights Issue" means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares open for a period fixed by our Directors to holders of Shares whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company).

Each of the general mandates referred to in paragraphs (a), (b) and (c) above will remain in effect until whichever is the earliest of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; or (3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

Under the resolutions of our Shareholders passed at the annual and special meeting held on June 17, 2010, it was resolved that the Articles of the Company be altered to the effect that the name of the Company be changed to "China Gold International Resources Corp. Ltd.".

Under the resolutions of our Shareholders passed at the special meeting held on October 14, 2010, it was further resolved that, inter alia, the amendments to the Articles were approved and adopted, to the effect that the class of preferred shares be cancelled from the share capital of our Company. Such amendments have become effective on October 15, 2010.

5. Skyland Acquisition

The Skyland Acquisition is conditional upon, and will be completed concurrently with the completion of the Global Offering. For further information about the Skyland Acquisition, see "History and Corporate Structure — Acquisition of Skyland". The corporate structure of our Group upon completion of the Global Offering and the Skyland Acquisition, and assuming the Over-allotment Option and the Pre-IPO Share Options are not exercised, see "History and Corporate Structure — Our Corporate Structure".

6. Repurchase of our own securities

This paragraph includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

This mandate will expire at the earliest of (i) the conclusion of our next annual Shareholders' general meeting, (ii) the date by which our next Shareholders' general meeting is required by applicable laws and our Articles to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting.

(c) Source of funds

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Articles and the BCBCA. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases out of our profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of our Shares to be repurchased must be out of profits of our Company or out of our Company's share premium account. If authorised by our Articles and subject to the BCBCA, repurchase may also be made out of capital.

(d) Reasons for repurchases

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit us and our Shareholders.

(e) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Articles, the BCBCA and any other applicable securities laws of Canada.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person as defined by the Listing Rules has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

In addition, the repurchase of our Shares are subject to Canadian corporate and securities laws. See "Appendix VI — Summary of Articles, Canadian Corporate and Securities Laws, Certain TSX Listing Policies and Shareholder Protection Matters" for further information.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (excluding contracts which were entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) a shareholders' agreement dated July 7, 2009 and entered into by and among China National Gold Hong Kong, Rapid Result and Skyland in relation to the matters among the shareholders of Skyland;

(b) a memorandum of understanding dated September 15, 2009 and entered into among our Company, China National Gold Hong Kong and Rapid Result in relation to the Skyland Acquisition;

(c) a supplemental agreement dated November 24, 2009 and entered into between Gansu Mining and NINETC supplementing the terms of the supplement agreement to cooperative joint venture contract of Dadiangou CJV in relation to the cessation and disposal of the Dadiangou Project;

(d) a purchase and sale agreement dated April 26, 2010 and entered into between Pacific PGM BVI and Red Harvest Limited in relation to the transfer of the entire issued share capital of Yunnan Southern Copper from Pacific PGM BVI to Red Harvest Limited for a consideration of US$20,000;

(e) a transfer contract dated April 28, 2010 and entered into among Dadiangou CJV, NINETC and Gansu Zhongjin Gold Mining Co. Ltd. (the third party appointed by Shanxi Taibai Gold Mining Co. Ltd.) in relation to the transfer of the exploration permit and the relevant exploration data to the Dadiangou Project from Dadianguo CJV and NINETC to Gansu Zhongjin Gold Mining Co. Ltd. for a consideration of RMB88,000,000;

(f) a supplementary agreement dated May 25, 2010 and entered into between Pacific PGM BVI and Red Harvest Limited supplementing the terms of the purchase and sale agreement dated April 26, 2010 in relation to the transfer of the entire issued share capital of Yunnan Southern Copper;

(g) a share purchase agreement dated August 30, 2010 and entered into among our Company, Rapid Result and China National Gold Hong Kong in relation to the Skyland Acquisition;

(h) the Non-Competition Undertaking dated November 5, 2010 executed by China National Gold in favor of our Company regarding the non-competition undertakings as more particularly set out in the section headed "Relationship with Controlling Shareholder — Non-Competition Undertaking from China National Gold to our Company" in this prospectus;

(i) a cornerstone investment agreement dated November 8, 2010 and entered into among Chow Tai Fook Nominee Limited, the Joint Bookrunners and our Company pursuant to which Chow Tai Fook Nominee Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US$15 million;

(j) a cornerstone investment agreement dated November 9, 2010 and entered into among Surewit Finance Limited, the Joint Bookrunners and our Company pursuant to which Surewit Finance Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US$10 million;

(k) a cornerstone investment agreement dated November 9, 2010 and entered into among ICBC International Strategic Investment Limited, the Joint Bookrunners and our Company pursuant to which ICBC International Strategic Investment Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US$10 million;

(l) a cornerstone investment agreement dated November 9, 2010 and entered into between Golden Eagle International Retail Group Limited, the Joint Bookrunners and our Company pursuant to which Golden Eagle International Retail Group Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US$10 million;

(m) a cornerstone investment agreement dated November 9, 2010 and entered into among Winkey Limited, the Joint Bookrunners and our Company pursuant to which Winkey Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US$10 million;

(n) a cornerstone investment agreement dated November 9, 2010 and entered into among Jinchuan Group (Hong Kong) Resources Holdings Limited, the Joint Bookrunners and our Company pursuant to which Jinchuan Group (Hong Kong) Resources Holdings Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US$10 million; and

(o) the Hong Kong Underwriting Agreement dated November 16, 2010 and entered into by, among others, our Company, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters in relation to the underwriting of the Hong Kong Public Offer by the Hong Kong Underwriters as referred to in the section headed "Underwriting" in this prospectus.

2. Intellectual property rights

(a) Trademark

Trademark:

As of the Latest Practicable Date, our Group had been the registrant of the following trademark:

Trademark	Place of registration	Class	Registration number	Validity Period
中国黄金国际资源有限公司 China Gold International Resources Corp. Ltd	Hong Kong	1, 6, 14, 37, 39, 40, 42[(1)]	301496656	August 16, 2010 to December 10, 2019

(1) Class 1: Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry; chemical preparations for facilitating the alloying of metals; chemical preparations for scientific purposes other than for medical or veterinary use; chemical reagents other than for medical or veterinary purposes; chemical products for use in mining; chemical additives to drilling muds; gold salts and plating solution; all included in Class 1.

Class 6: Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores; all included in Class 6.

Class 14: Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments; gold; gold (unwrought or beaten); gold and silver bullion; gold and silver ware, other than cutlery, forks and spoons; alloys of golds, and goods made therefrom or coated therewith; all included in Class 14.

Class 37: Building construction; repair; installation services; maintenance, installation and repair of machinery and equipments; mining extraction; quarrying services; drilling of wells; mineral extraction services; mining and extraction services of gold, silver, ores, precious and common metals; advisory, consultancy and provision of information in relation to the aforesaid services; all included in Class 37.

Class 39: Transport; packaging and storage of goods; travel arrangement; collection, transport and storage of gold, silver, ores, precious and common metals; advisory, consultancy and provision of information in relation to the aforesaid services; all included in class 39.

Class 40: Treatment of materials; production and processing of gold, silver, ores, precious and common metals; advisory, consultancy and provision of information in relation to the aforesaid services; all included in class 40.

Class 42: Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; research development, technological consultation, engineering and technical services for the mining and metallurgical industries; mining and mineral exploration services; geological and mineralogical prospecting, exploration research and survey; advisory, consultancy and provision of information in relation to the aforesaid services; all included in Class 42.

(b) Domain name

As of the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Term
JINSHANMINES.COM	October 20, 2009 to February 9, 2012
CHINAGOLDINTL.COM	June 8, 2010 to June 8, 2011

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Shareholding interest of Directors

Immediately following completion of the Global Offering and the Skyland Acquisition, and assuming that the none of Over-allotment Option and the Pre-IPO Share Options is exercised, the interests of our Directors and the chief executive of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Stock Exchange and us under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 347 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Stock Exchange and us, or which will be required, under section 352 of the SFO, to be entered in the register referred to therein, in each case, once the Shares are listed on the Stock Exchange, will be as follows:

Long positions in the Shares and underlying Shares

Name of Director	Nature of Interest	Number of Shares(1)	Approximate percentage of interest in the Shares immediately upon completion of the Global Offering and the Skyland Acquisition(2)
Jiang, Xiang Dong	Personal Interest	200,000	0.051%
He, Ying Bin Ian	Personal Interest	200,000	0.051%
Hall, Gregory Clifton	Personal Interest	100,000	0.025%
Chen, Yunfei	Personal Interest	200,000	0.051%
Burns, John King	Personal Interest	100,000	0.025%

(1) Number of Shares which may be issued pursuant to the exercise of the outstanding Pre-IPO Share Options.

(2) Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

2. Substantial shareholders

So far as our Directors are aware, immediately following completion of the Global Offering and the Skyland Acquisition, and assuming that none of the Over-allotment Option and the Pre-IPO Share Options is exercised, the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company:

Long positions in the Shares and underlying Shares

Name of Shareholders	Nature of Interest	Number of Shares(1)	Approximate percentage of interest in the Shares immediately upon completion of the Global Offering and the Skyland Acquisition(3)
China National Gold	Interest in a controlled corporation, deemed interest	154,348,730	38.98%
China National Gold Hong Kong(1)	Corporate interest	154,348,730	38.98%
Rapid Result(2)	Corporate interest	83,423,624	21.07%

(1) China National Gold is the beneficial owner of 100% of the issued share capital of China National Gold Hong Kong and is deemed to be interested in the Shares held by China National Gold Hong Kong by virtue of China National Gold being entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of China National Gold Hong Kong.

(2) Rapid Result is beneficially owned by various individuals and a family trust, each of whom is an independent third party to our Group and no such individual/family trust holds one-third or more of the equity interest of Rapid Result, and therefore none of the individuals/family trust will be deemed to be interested in the Shares held by Rapid Result under the SFO.

(3) Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement. If all of our Shares under the working capital adjustment to the maximum set by the TSX approval, amounting to 4,747,706 additional Consideration Shares, are issued, the number of Consideration Shares held by China National Gold Hong Kong and Rapid Result will be 89,250,000 and 85,750,000, respectively. In such event, China National Gold Hong Kong and Rapid Result will hold 39.13% and 21.40% of the issued share capital of our Company, respectively, immediately upon completion of the Global Offering and the Skyland Acquisition.

3. Remuneration of Directors

(1) The aggregate amount of compensation paid (including basic salary, stock-based compensation and retirement based contribution) to our Directors in respect of the three years ended December 31, 2007, 2008 and 2009 were approximately US$725,447, US$897,607 and US$85,917 respectively.

(2) Under the existing arrangements currently in force, the estimated aggregate amount of compensation payable by us to our Directors in respect of the year ending December 31, 2010 are estimated to be approximately US$1,752,000, excluding management bonuses and stock-based compensation which are payable at the Company's discretion.

4. Service contracts of Directors

None of our Directors has or is proposed to have a service contract with any member of our Group or the Skyland Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

5. Fees or commissions received

Save as disclosed in this prospectus, none of our Directors nor any of the persons whose names are listed in "— Other Information — Consents" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries from our Company within the two years preceding the date of this prospectus.

6. Related party transactions

During the two years preceding that date of this prospectus, we were engaged in related party transactions as described under note 27 of the Accountants' Report set out in "Appendix I-A — Accountants' Report" to this prospectus.

7. Interest in our largest suppliers or customers

Save as disclosed in this prospectus, as of the Latest Practicable Date, none of our Directors nor their associates, nor any Shareholder (which to the knowledge of our Director owned more than 5% of our Company's share capital) has any interest in our five largest suppliers or our five largest customers.

D. PRE-IPO SHARE OPTIONS

The purpose of the 2006 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme are to provide incentive to the Directors and our employees who, in the judgment of the Board, will contribute to our future growth and are critical to the success of our Company's operation. The Directors are of the view that the schemes would also help retaining employees and directors of exceptional ability to stay with our Company.

2006 Pre-IPO Share Option Scheme

The principal terms of the 2006 Pre-IPO Share Option Scheme, approved by a resolution of our Shareholders passed at the annual general meeting held on May 25, 2006 are:

(a) the exercise price per Share under the 2006 Pre-IPO Share Option Scheme shall be subject to the restrictions imposed by the TSX Listing Policies, including, the following restrictions:

  i. the minimum exercise price must not be less than the "Discounted Market Price", as defined under the TSX Listing Policies;

  ii. if 2006 Pre-IPO Share Options are issued without vesting periods, the exercise price must not be less than the "Market Price", as defined under the TSX Listing Policies;

  iii. the minimum exercise price may only be established after the 2006 Pre-IPO Share Options have been allocated to a particular person; and

  iv. if 2006 Pre-IPO Share Options are granted within 90 days of a distribution of Shares by prospectus, the minimum exercise price of the 2006 Pre-IPO Share Options will be the greater of the "Discounted Market Price" and the per Share price paid by the public investors for Share acquired under the prospectus. Such 90-day period will begin on the earlier of (1) the date a final receipt is issued for the prospectus, (2) the date of the special warrant private placement in the case of a prospectus which qualifies Shares issuable upon the exercise of special warrants and (3) if the prospectus is part of an initial public offering, the date of listing of the Shares;

(b) the total number of Shares which may be issued upon the exercise of the 2006 Pre-IPO Share Options granted under the 2006 Pre-IPO Share Option Scheme is 10% of the issued Share of the Company;

(c) the 2006 Pre-IPO Share Options granted to former directors, senior management and employees expire (i) 90 calendar days after the date of termination of such individual's employment with the Company or (ii) another date approved by the Board;

(d) the 2006 Pre-IPO Share Options granted are valid for a term to be determined by the Board which shall, so long as the Company remains a Tier 1 issuer on the TSX, not be later than 10 years from the date of grant of the 2006 Pre-IPO Share Options and if the Company becomes a Tier 2 issuer on the TSX, not later than five years from the date of grant of the 2006 Pre-IPO Share Options, or such longer period as may be prescribed by the TSX; and

(e) the Board may determine the vesting schedule of the 2006 Pre-IPO Share Options subject to certain limitations.

As of the Latest Practicable Date, options to subscribe for an aggregate of 25,000 Shares at an exercise price of CAD1.05 have been granted to one participant under the 2006 Pre-IPO Share Option Scheme and remained outstanding. The outstanding 2006 Pre-IPO Share Options were granted on June 29, 2006, and are exercisable upon vesting until June 29, 2011. No option will be granted pursuant to the 2006 Pre-IPO Share Option Scheme.

Particulars of the outstanding 2006 Pre-IPO Share Options as of the Latest Practicable Date were set out below:

Name of grantee and position in the Company	Residential address	Exercise Price (CAD)	Number of Shares issuable under the outstanding 2006 Pre-IPO Share Options	Expiry date	Approximate percentage of interest held upon exercise of all the outstanding 2006 Pre-IPO Share Options held by the grantee(1)
Bo, David	Suite 1030(2) One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	1.05	25,000	June 29, 2011	0.006%
			25,000		0.006%

(1) The percentage is calculated by reference to the number of Shares in issue immediately following the completion of the Global Offering and the Skyland Acquisition and on the assumption that no Share is allotted and issued pursuant to the exercise of the Over-allotment Option or the outstanding Pre-IPO Share Options. Consequently, this is based on 395,931,753 Shares in issue on the Listing Date assuming that the Offer Shares and Consideration Shares are allotted and issued.

(2) See "— Pre-IPO Share Options — Exemption" below.

2007 Pre-IPO Share Option Scheme

The principal terms of the 2007 Pre-IPO Share Option Scheme, approved by a resolution of our Shareholders passed at the annual general meeting held on May 9, 2007 are:

(a) the exercise price per Share under the 2007 Pre-IPO Share Option Scheme cannot be less than 100% of the trading price of the Shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant;

(b) the total number of Shares which may be issued upon the exercise of the 2007 Pre-IPO Share Options granted under the 2007 Pre-IPO Share Option Scheme is 10% of the issued Shares of the Company;

(c) the 2007 Pre-IPO Share Options granted to former directors, senior management and employees expire (i) 12 months after the date of termination of such individual's employment with the Company or (ii) another date approved by the Board;

(d) the 2007 Pre-IPO Share Options granted are valid for five years commencing from the date of grant of such options or such greater or lesser duration as the Board may determine; and

(e) the 2007 Pre-IPO Share Options may be exercised (i) at any time during the first year from the grant date for up to 20% of the total number of Shares reserved for issuance pursuant to the 2007 Pre-IPO Share Options granted to the grantee, and (ii) at any time during each additional year an additional 20% of the total number of Shares reserved for the issuance pursuant to the 2007 Pre-IPO Share Options granted to the grantee plus any Shares not purchased in accordance with (i) until, the fifth year from the grant date, 100% of the 2007 Pre-IPO Share Options will be exercisable.

As of the Latest Practicable Date, options to subscribe for an aggregate of 950,000 Shares at the exercise price in the range of CAD2.20 to CAD6.09 had been granted to 10 participants under the 2007 Pre-IPO Share Option Scheme and remained outstanding. The outstanding 2007 Pre-IPO Share Options were granted on July 20, 2007 and June 1, 2010, respectively, and are exercisable upon vesting until July 20, 2013 and July 1, 2015, respectively. No further option will be granted pursuant to the 2007 Pre-IPO Share Option Scheme upon the Listing.

Particulars of the outstanding 2007 Pre-IPO Share Options as of the Latest Practicable Date were set out below:

Name of grantee (Position in the Company)	Residential address	Exercise Price (CAD)	Number of Shares issuable under the outstanding 2007 Pre-IPO Share Options	Expiry date	Approximate percentage of interest held upon exercise of all the outstanding 2007 Pre-IPO Share Options held by the relevant grantee[(1)]
Jiang, Xiang Dong (Executive Director and vice president of production)	Suite 1030[(3)] One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	2.20	200,000	July 20, 2013	0.051%
He, Ying Bin Ian (Independent non-executive Director)	Suite 1030[(3)] One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	2.20	200,000	July 20, 2013	0.051%
Hall, Gregory Clifton (Independent non-executive Director)	Suite 1030[(3)] One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	4.35 to 6.09[(2)]	100,000	July 1, 2015	0.025%
Chen, Yunfei (Independent non-executive Director)	Flat 40A, Tower 1, Robinson Place 70 Robinson Road Hong Kong	4.35 to 6.09[(2)]	200,000	July 1, 2015	0.051%
Burns, John King (Independent non-executive Director)	Suite 1030[(3)] One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	4.35 to 6.09[(2)]	100,000	July 1, 2015	0.025%

Name of grantee (Position in the Company)	Residential address	Exercise Price (CAD)	Number of Shares issuable under the outstanding 2007 Pre-IPO Share Options	Expiry date	Approximate percentage of interest held upon exercise of all the outstanding 2007 Pre-IPO Share Options held by the relevant grantee[(1)]
Chen, Terry	Room 14 Unit 1 Building 88 Wang Jiang Qiao Wu Hua District Kunming City Yunnan Province PRC	2.20	20,000	July 20, 2013	0.005%
Guo, Tony	660 West 70th Avenue Vancouver British Columbia Canada	2.20	75,000	July 20, 2013	0.019%
He, Annie	Suite 1030[(3)] One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	2.20	5,000	July 20, 2013	0.001%
Sun, Linda	Suite 1030[(3)] One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	2.20	20,000	July 20, 2013	0.005%
Zhang, Jin	321-5777 Birney Avenue Vancouver British Columbia Canada	2.20	30,000	July 20, 2013	0.008%
			950,000		0.240%[(4)]

(1) The percentage is calculated by reference to the number of Shares in issue immediately following the completion of the Global Offering and the Skyland Acquisition and on the assumption that no Share is allotted and issued pursuant to the exercise of the Over-allotment Option or the Outstanding Pre-IPO Share Options. Consequently, this is based on 395,931,753 Shares in issue on the Listing Date assuming that the Offer Shares and Consideration Shares are allotted and issued.

(2) Details of the exercise price (CAD) and expiry date are as follows:
from June 1, 2010 to June 1, 2011: $4.35
from June 2, 2011 to June 1, 2012: $4.78
from June 2, 2012 to June 1, 2013: $5.21
from June 2, 2013 to June 1, 2014: $5.64
from June 2, 2014 to June 1, 2015: $6.09

(3) See "— Pre-IPO Share Options — Exemption" below.

(4) Discrepancies between totals set out above are due to rounding.

The following table shows a breakdown of the outstanding Pre-IPO Share Options granted to our Directors, employees and consultant:

Position	Number of grantees	Number of outstanding Pre-IPO Share Options
Directors	5	800,000
Consultant	1	25,000
Employees	5	150,000
	11	975,000

Save as set out above, no option has been granted or agreed to be granted by us under the Pre-IPO Share Option Schemes. It is intended that no further option will be granted before the Listing apart from those disclosed above.

Assuming that all the outstanding Pre-IPO Share Options are exercised in full on the Listing Date, the total issued share capital of our Company immediately after completion of the Global Offering and the Skyland Acquisition (assuming the Over-allotment Option is not exercised), would be diluted by approximately 0.25%.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued under the exercise of the outstanding Pre-IPO Share Options.

The Directors will not exercise any option if as a result of which our Company will not be able to comply with the public float requirements of the Listing Rules.

Exemption

We have applied for, and the SFC has granted, an exemption from strict compliance with the requirements under Paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in relation to the disclosure of the residential addresses of certain grantees under the Pre-IPO Share Option Schemes who currently reside in Canada, including (i) four directors, namely, Mr. Jiang, Xiaodong, Mr. He, Ying Bin Ian, Mr. Hall, Gregory Clifton and Mr. Burns, John King; (ii) one consultant, namely, Mr. Bo, David; and (iii) two employees who are on extended sick leave, namely, Ms. He, Annie and Ms. Linda Sun (the "Canadian Resident Grantees"), for the following reasons:

(a) As advised by our Canadian legal adviser, disclosure in the prospectus of the names and residential addresses of the Canadian Resident Grantees will breach the Personal Information Protection and Electronic Documents Act. Therefore, the privacy legislation in Canada limits our ability to strictly comply with such disclosure requirements and consents from them are required to override such restriction;

(b) We have requested consents from the Canadian Resident Grantees for full disclosure of all details required in order to comply with the requirements under Paragraph 10(d) of Part I and Paragraph 45 of Part III of the Third Schedule to the Companies Ordinance. However, the Canadian Resident Grantees have refused to give their consents to the disclosure of their residential address in a public document (such as this prospectus) due to concerns of personal safety and harassment from demonstrators who have in the past held a series of protests at our offices in Canada relating to our mining operations in Tibet; and

(c) Based on the foregoing, our Board as a whole is of the view that the disclosure of the residential addresses of the Canadian Resident Grantees in this prospectus would be inappropriate and unduly burdensome, as the disclosure of such information may expose them to potential safety risks and could lead to severe disruptions to their personal lives. Furthermore, non-disclosure of the residential addresses of such grantees in this prospectus will not hinder us from providing an informed assessment of our activities, assets, liabilities, financial position, management and prospects to our potential investors, or cause any prejudice to the interests of the public.

The exemption from the SFC has granted on the condition that full details of all outstanding Pre-IPO Share Options as required under Paragraph 10 of Part I of the Third Schedule to the Companies Ordinance are clearly disclosed in this prospectus save for the residential addresses of the relevant grantees. The business address of our headquarters in Canada is disclosed in place of the residential addresses of the Canadian Resident Grantees. Furthermore, a full list of all the grantees in respect of all the outstanding Pre-IPO Share Options, containing all the details as required under Paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, will be included in the documents available for public inspection as set out under Appendix X to the Prospectus.

E. OTHER INFORMATION

1. Tax

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed "Business — Legal proceedings and compliances" in this prospectus, we are not involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

As of the Latest Practicable Date, save as disclosed in the section headed "Business — Legal proceedings and compliances" in this prospectus, the Directors are not aware that the Skyland Group is involved in any litigation or arbitration of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Skyland Group.

3. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in (i) the Shares in issue, (ii) the Offer Shares, (iii) the Shares to be issued to China National Gold Hong Kong and Rapid Result pursuant to the Sale and Purchase Agreement, and (iv) the Shares to be issued upon the exercise of the Pre-IPO Share Options.

4. Preliminary expenses

Our preliminary expenses are approximately CAD1,000. All preliminary expenses, and all expenses relating to the Global Offering which are estimated to be approximately US$20 million, are paid or payable by us.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding to the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to, any promoter in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Citigroup Global Markets Asia Limited	Licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading service) activities as defined under the SFO
Haiwen & Partners	Legal advisers on PRC Law
Goodmans	Legal advisers on Canadian law
Deloitte Touche Tohmatsu	Certified public accountants
Jones Lang LaSalle Sallmanns	Professional property valuer
Behre Dolbear Asia, Inc.	Independent technical expert
Hatch Management Consulting	Market Consultant

7. Consents

Each of Citigroup Global Markets Asia Limited, Haiwen & Partners, Goodmans, Deloitte Touche Tohmatsu, Jones Lang LaSalle Sallmanns Limited, Behre Dolbear Asia, Inc. and Hatch Management Consulting has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Share register

The register of members of our Company will be maintained in the Province of British Columbia by our Canadian Share Registrar and a branch register of members will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title to Shares for the purpose of trading on the Stock Exchange must be lodged for registration with, and registered by, our Hong Kong Share Registrar and may not be lodged with our Canadian Share Registrar.

9. Disclosure of information released in Canada

Pursuant to Rule 13.09(3) of the Listing Rules, our Company will inform the Stock Exchange simultaneously of any information disclosed to the public pursuant to Canadian securities laws and ensure that such information is released to the market in Hong Kong in both English and Chinese at the same time as it is released to the market in Canada.

10. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) none of our Directors or the chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered into the register referred to in that section, or will be required, under the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

(ii) none of our Directors nor any of the parties listed in "— Other Information — Consents" above has any direct or indirect interest in the promotion of our Company, any of our subsidiaries, Skyland or any of the subsidiaries of Skyland or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, any of our subsidiaries, Skyland or any of the subsidiaries of Skyland or are proposed to be acquired or disposed of by or leased to our Company, any of our subsidiaries, Skyland or any of the subsidiaries of Skyland;

(iii) none of our Directors nor any of the parties listed in "— Other Information — Consents" above is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business or the business of the Skyland Group;

(iv) save for the Underwriting Agreements, none of the parties listed in "— Other Information — Consents" above:

- is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or
- has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribed for our securities;

(v) within the two years preceding the date of this prospectus, no share or loan capital of our Company or Skyland is under option or is agreed conditionally or unconditionally to be put under option;

(vi) within the two years preceding the date of this prospectus, we have not issued or agreed to issue any founder shares, management shares or deferred shares;

(vii) we have no outstanding convertible debt securities;

(viii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Group or the Skyland Group and we have not nor the Skyland Group has issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(ix) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;

(x) there is no arrangement under which future dividends are waived or agreed to be waived;

(xi) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;

(xii) as of the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong; and

(xiii) the English text of this prospectus shall prevail over the Chinese text.

(b) There has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. SUMMARY OF THE TERMS OF THE SALE AND PURCHASE AGREEMENT

Structure of the Skyland Acquisition

The Sale and Purchase Agreement provides for the acquisition of all of the issued and outstanding share capital of Skyland (the "Acquisition Shares"), from China National Gold Hong Kong and Rapid Result (collectively, the "Vendors") by our Company and the assumption of the shareholder loans in the aggregate amount of approximately US$42.3 million advanced to Skyland by the Vendors (the "Skyland Shareholder Loans") by our Company. As a result of the transaction, Skyland will become a wholly owned subsidiary of our Company.

Completion of the Skyland Acquisition

The Skyland Acquisition will become effective at the Completion. The Completion is scheduled to occur concurrently with the completion of the Global Offering. At the Completion, each of the parties will deliver all relevant documents and complete all necessary filings to cause our Company to acquire all of the outstanding shares of Skyland and for the Skyland Shareholder Loans to be assigned to our Company, and for the Vendors to obtain an aggregate of 170,252,294 Shares to be issued at US$4.36 per Consideration Share (the "Consideration Shares") in consideration for their transfer of their 51% and 49% respective interest in Skyland. At the Completion, the parties will also deliver relevant legal opinions and other documents.

Consideration

Our Company has agreed to purchase the Acquisition Shares and the Vendors' interest to the Skyland Shareholder Loan in consideration for the payment of US$742.3 million to the Vendors, with such sum to be satisfied by delivery to the Vendors of the Consideration Shares (86,828,670 Consideration Shares will be issued to China National Gold Hong Kong as consideration for its Acquisition Shares and 83,423,624 Consideration Shares will be issued to Rapid Result as consideration for its Acquisition Shares), with each Consideration Share being issued at US$4.36 per Consideration Share. The Consideration Shares issued to China National Gold Hong Kong and Rapid Result will be subject to a non-disposal lockup undertaking of a term of six months following the completion of the Global Offering. Such non-disposal lockup undertakings provided by China National Gold Hong Kong and Rapid Result under the Sale and Purchase Agreement are subject to further lockup undertakings as set out in the section headed "Underwriting" in this prospectus.

The Sale and Purchase Agreement also provided for a working capital adjustment mechanism, whereby if, as of the Completion, the working capital of Skyland is less than US$786,728 (the "**Target Capital**"), the Vendors will proportionately return that amount of Consideration Shares as is equal to the quotient of the difference of the working capital from the Target Capital divided by US$4.36. Similarly, if the working capital exceeds the Target Capital, the Company will be obligated to issue to the Vendors, proportionately, that amount of additional Consideration Shares derived from the formula described above.

Deed of Non-Competition to China National Gold

As part of the Sale and Purchase Agreement, our Company agreed to provide a deed of non-competition to China National Gold, whereby the Company, on its own behalf and on behalf of any of its Controlled Entities (as such term is defined in the Listing Rules), will not compete with any member of China National Gold by engaging in any gold or other non-ferrous mining operations or assets located in the PRC in the form of asset acquisition, or acquisition of equity interests of PRC companies with gold or other non-ferrous mining assets located in the PRC without first receiving the written consent of China National Gold. The deed of non-competition will remain in place until the earlier of such time as the Company's shares are no longer listed on the Stock Exchange or the date on which China National Gold, directly or indirectly, ceases to be a "controlling shareholder" of the Company within the meaning of the Listing Rules of the HKSE.

Conditions Precedent to Completion of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is subject to various conditions (the "Condition(s)") being met at or prior to the Completion, including but not limited to:

- each covenant and agreement of the parties to the Sale and Purchase Agreement will have been performed on or before the date on which the Completion occurs (the "Completion Date"), and each representation and warranty of the parties shall remain true and correct as of such date;
- receipt from the TSX of conditional approval, subject only to customary post-completion deliveries and filings for the Skyland Acquisition;
- receipt by the by the special committee of independent non-executive Directors of our Company established to review the Skyland Acquisition (the "Special Committee") of a valuation of Skyland (the "Haywood Valuation") and a fairness opinion to be prepared by Haywood Securities Inc. ("Haywood") (the "Haywood Fairness Opinion") as of August 26, 2010 prepared by Haywood (collectively, the "Haywood Opinions"), providing that the acquisition, as a whole, is fair, from a financial point of view, to our Shareholders;
- the Skyland Acquisition and the transaction contemplated thereunder and the issuance of the Consideration Shares shall have been approved by the requisite numbers of votes cast by all of our Shareholders, other than China National Gold Hong Kong and its affiliates (the "Disinterested Shareholders") at a special meeting of our Shareholders (the "Special Meeting") held to approve the Skyland Acquisition and the issuance of the Consideration Shares;
- no action or proceeding will be pending or threatened to prohibit:
  - (i) the purchase and sale of the Acquisition Shares or the right of our Company to own the Acquisition Shares;
  - (ii) the right of Skyland to conduct its operations and carry on the business and operations in the normal course as such business and operations have been carried on in the past; and
  - (iii) the phase 1 development of the Jiama Mine, with an estimated production capacity of 6,000 tonnes per day of ore, as contemplated by the Jiama Technical Report, or the phase 2 development of the Jiama Mine, with an estimated production capacity of up to 12,000 tonnes per day of ore, as contemplated by the Jiama Technical Report;
- execution of the deed of non-competition and call option by China National Gold in favor of our Company;
- receipt of all required governmental authorizations, actions, approvals, orders and consents of, or declarations or filings with, or expirations or terminations of waiting periods imposed by any governmental authority or other person necessary to effect the transactions contemplated by the Skyland Acquisition;

- at the Completion Date, there shall be no encumbrances against any of the assets of any member of the Skyland Group, except for those encumbrances permitted under the Sale and Purchase Agreement;
- the absence of any material adverse change in the financial condition, assets, liabilities (contingent or otherwise) or results of operations of Skyland;
- delivery, together with the applicable certificates and consents of authors, of each of the CSH Technical Report and the Jiama Technical Report;
- delivery of certain legal opinions; and
- we shall have entered into the International Underwriting Agreement and the Hong Kong Underwriting Agreement in connection with the Global Offering, which agreements shall contain representations and warranties, covenants, conditions precedent, indemnification and other provisions customary for these agreements entered into in connection with the Global Offering.

In addition, the Completion shall not be deemed to have occurred until the completion of the Listing which is expected to take place concurrently.

Representations and Warranties

The Sale and Purchase Agreement contains representations and warranties made by our Company, including but not limited to those relating to:

- our Company and our subsidiaries' authorized and outstanding share capital;
- the truthfulness, completeness and accuracy of our Company's required public disclosure filings and financial statements;
- other than as described in the aforementioned public disclosure of our Company, an absence of litigation or any material change to our Company or its operations;
- the good standing of title and a description of the mining rights to the CSH Mine;
- all necessary corporate action taken to authorize the entering of the contemplated transaction and to deliver the Consideration Shares to the Vendors at the Completion in exchange for the Acquisition Shares;
- compliance with all applicable laws, including environmental laws;
- payment of all applicable taxes;
- the status of our Company as a reporting issuer under applicable Canadian securities laws; and
- our compliance with the rules and regulations of the TSX.

The Sale and Purchase Agreement also contains representations and warranties by each of the Vendors in respect of Skyland, including but not limited to the following:

- the authorized and outstanding share capital of Skyland and its subsidiaries that hold the mining rights to the Jiama Mine;
- the good standing of title and the mining rights to the Jiama Mine;

- all applicable books and corporate records of Skyland and its subsidiaries had been provided for review by our Company prior to execution of the Sale and Purchase Agreement;
- the truthfulness, completeness and accuracy of Skyland's consolidated financial statements;
- an absence of litigation or any material change to either Skyland or its subsidiaries, or their respective operations;
- compliance by Skyland and its subsidiaries with all applicable laws, including environmental laws;
- payment by Skyland and its subsidiaries of all applicable taxes;
- the Vendors' title to the Acquisition Shares;
- receipt of all necessary approvals required to deliver the Acquisition Shares to our Company in exchange for the Consideration Shares; and
- the absence of any third party rights to the Acquisition Shares.

The representations and warranties given by our Company and each of the Vendors expire on the fifth anniversary of the Sale and Purchase Agreement.

Conduct of Operations Before Completion of Sale and Purchase Agreement Transactions

Under the terms of the Sale and Purchase Agreement, until the Completion or the termination thereof, the Vendors have agreed to cause Skyland to do the following in respect of the Skyland Group:

- carry on business in the ordinary course and substantially in accordance with the procedures and practices currently in effect;
- maintain its current insurance coverage on its assets, including the Jiama Mine;
- use best efforts to preserve and maintain Skyland's goodwill and keep available the services of current officers, directors and employees of Skyland;
- confer with our Company on all operational matters of a material nature;
- take reasonable care to protect and safeguard its assets, including the Jiama Mine;
- not to permit Skyland from engaging in any of the following:
    - except in the ordinary course of business, purchase or sell, consume or otherwise dispose of any assets, including the Jiama Mine;
    - enter into any contract or assume or incur any liabilities except in the ordinary course of business;
    - settle any accounts receivable of a material nature at less than face value;
    - waive or surrender any material right;
    - discharge, satisfy or pay any lien, encumbrance, obligation or liabilities; or
    - make any capital expenditures or commitment for any capital expenditures.

Termination of the Sale and Purchase Agreement

Our Company and the Vendors may mutually agree to terminate the Sale and Purchase Agreement and abandon the transactions contemplated therein at any time prior to the Completion, whether before or after the vote of our Shareholders taken at the Special Meeting. In addition, any of the parties could decide, without the consent of the other, to terminate the Sale and Purchase Agreement in the following circumstances:

- by either our Company or the Vendors, if the Completion shall not have occurred by January 31, 2011, provided that such party is not involved in the failure to fulfill any obligation under the Sale and Purchase Agreement and/or being the cause of the failure of the Completion to occur on or before such date;
- by either of the Vendors, on the one hand, or our Company, on the other hand, if there has been a breach by the other party, which breach would cause the failure of any Conditions set forth in the Sale and Purchase Agreement, provided that any such breach has not been cured within ten (10) business days ("Business Day" means a day in both Hong Kong and Vancouver, British Columbia banks are open, other than Saturday, Sunday, a Hong Kong or Canadian federal holiday) following receipt by the breaching party of written notice of such breach;
- by any party, if there shall be any law or order of an applicable governmental authority that makes consummation of the Skyland Acquisition illegal or otherwise prohibited;
- by any party if the Special Meeting shall have been held and completed and the Skyland Acquisition is not approved by the requisite majority of our Disinterested Shareholders; or
- by our Company, on the one hand, if there has been a material adverse change with respect to any member of the Skyland Group, and by mutual agreement of the Vendors, on the other hand, if there has been a material adverse change with respect to our Company.

Amendment and Waiver

The Sale and Purchase Agreement may be amended in writing by the parties thereto at any time prior to the Completion, so long as no amendment that requires shareholders' approval under applicable laws shall be made without the requisite approval of such shareholders.

At any time prior to the Completion, the parties may:

- extend the time for the performance of any of the Conditions of the other party; or
- subject to applicable laws, waive compliance with any of the Conditions contained in the Sale and Purchase Agreement, including the Condition that the Completion and the Listing shall take place concurrently.

Provided that after approval of the share issuance by our Disinterested Shareholders, no extension or waiver may be made without further Shareholders' approval which, by law or in accordance with the rules of the TSX, requires further approval by our Disinterested Shareholders.

B. SUMMARY OF RELEVANT REQUIREMENTS AND PROCEDURES PURSUANT TO CANADIAN SECURITIES LAWS IN RELATION TO THE SKYLAND ACQUISITION

The Skyland Acquisition constitutes a related party transaction pursuant to Canadian securities laws, and as such our Company is obligated to undertake numerous steps in order to ensure that the Skyland Acquisition meets these requirements. The Special Committee consisting of independent non-executive Directors of the Company was formed in August 2009 and met regularly to consider progress of the transaction on behalf of the Disinterested Shareholders of Company. The Special Committee retained Haywood, an independent and one of Canada's leading groups of investment bankers, to advise it in its negotiations with China National Gold Hong Kong and Rapid Result, to prepare the Haywood Valuation and to complete Haywood Fairness Opinion. Haywood commenced the preparation of the Haywood Opinion in or about May 2010, and delivered the opinions prior to the execution of the Sale and Purchase Agreement. The negotiation of the purchase price in the Sale and Purchase Agreement was determined by the Special Committee on the one hand and China National Gold Hong Kong and Rapid Result on the other, principally by reference to the Haywood Valuation. Meanwhile, the deemed price of the Consideration Shares issued to purchase the interest in Skyland was determined principally by reference to the share price of our Company on the date that the commercial terms of the Share Purchase Agreement was conditionally approved by the Special Committee and the Haywood Valuation.

On March 22, 2010, the Special Committee convened and received a report (the "Prior Report") from an independent financial adviser that set out a preliminary range of values, and included a discussion of methodology, assumptions and comparable transactions. The Special Committee considered the Prior Report and determined that the parameters upon which the valuation was based were too narrow, and that the then current structure of the deal would not meet the commercial requirements of the parties. Accordingly, subsequent to such meeting, the Special Committee undertook a process, and directed the management of the Company to implement the process, to restructure the transaction and to expand the scope of the technical review of the Jiama Mine. On April 6, 2010 and April 29, 2010, the Special Committee convened to consider restructuring alternatives, to consider the scope and expansibility of the geological resources at the Jiama Mine, the scope and scale of metal production at the Jiama Mine, various commodity inputs and other factors related to the development of the Jiama Mine and structuring of the Skyland Acquisition. Following such meetings, the management of the Company co-ordinated discussions between the Special Committee on the one hand and the Vendors on the other hand with varying transaction alternatives and the Company engaged Behre Dolbear Asia, Inc. to prepare an expanded technical report that reviewed exploration and development data that was not covered in its draft technical report. The Special Committee members also conducted their own market analysis of transaction pricing and structuring and relevant commodity pricing, particularly in relation to long-term copper prices. On May 14, 2010, the Special Committee engaged Haywood to prepare the Haywood Opinions.

Canadian securities laws also impose a requirement for Disinterested Shareholders' approval of the Skyland Acquisition. The Company prepared an information circular that contained Canadian prospectus level disclosure of Skyland, the Jiama Mine and the terms of the Skyland Acquisition including the Sale and Purchase Agreement for consideration by the Shareholders in connection with the Special Meeting to vote on the Skyland Acquisition. The information circular included three years of audited financial statements of Skyland, the Jiama Technical Report, a copy of the Share Purchase Agreement and copies of the Haywood Opinion. The Special Meeting was held on October 14, 2010 and received approval of a majority of all voting Shareholders, excluding China National Gold Hong Kong and its affiliates.

We have obtained conditional approval of the TSX for the Skyland Acquisition and for the listing of the Consideration Shares on the TSX. Final approval of the TSX is subject to submission of customary post-closing documentation after the Listing. In particular, on September 14, 2010, the TSX conditionally approved the issuance of up to 175,000,000 Consideration Shares (170,252,294 Consideration Shares plus a maximum of 4,747,706 additional Shares issuable in connection with the working capital adjustment) as consideration for the Skyland Acquisition. Final approval of the Skyland Acquisition by the TSX remains subject to Disinterested Shareholders' approval of the Skyland Acquisition at the Special Meeting on October 14, 2010; clearance by the TSX of the materials sent to our Shareholders for the Special Meeting; written confirmation (by press release or otherwise) of the Completion of the Skyland Acquisition; and an opinion of legal counsel with respect to the Consideration Shares being fully paid and non-assessable upon issuance. The opinion to be provided by Goodmans, our legal advisers on Canadian law, with respect to the TSX approval is expected to be in substantially the form below, subject to customary, assumptions, limitations, reliances and qualifications in such opinion:

"As of the date of this prospectus, and without conducting any specific inquiry, Goodmans is not aware of any legal impediment to the filing of customary post-closing filings provided that the company meets the necessary conditions set forth in the TSX conditional approval letter and completes the necessary matters required for Goodmans to provide an opinion to TSX as to the valid issuance of common shares in connection with the Skyland Acquisition, including necessary board resolutions, treasury orders and other corporate procedural matters."

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to "Appendix VIII — Statutory and General Information — Other Information — Consents" to this prospectus, copies of the material contracts referred to in "Appendix VIII — Statutory and General Information — Further information about the business of the Group — Summary of material contracts" to this prospectus, and the statement of adjustments in relation to the Accountants' Report set out in "Appendix I-A — Accountants' Report" to this prospectus received from Deloitte Touche Tohmatsu.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Morrison & Foerster, 33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of the prospectus:

(a) the Articles and the Notice of Articles of the Company;

(b) the accountants' reports received from Deloitte Touche Tohmatsu, the text of which is set out in "Appendix I-A — Accountants' Report" and "Appendix I-B — Accountants' Report of Skyland" to this prospectus, together with the statement of adjustments in relation to the Accountants' Report set out in "Appendix I-A — Accountants' Report", received from Deloitte Touche Tohmatsu;

(c) the report received from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in "Appendix I-C — Unaudited Pro Forma Financial Information of the Enlarged Group" to this prospectus;

(d) the review report from Deloitte Touche Tohmatsu in relation to the unaudited interim financial information of the Group for the nine months ended September 30, 2010, the text of which is set out in Appendix I-D-A to this prospectus;

(e) the report received from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of our Group, the text of which is set out in "Appendix II — Unaudited Pro Forma Financial Information of Our Group" to this prospectus;

(f) the letters received from Deloitte Touche Tohmatsu and Citigroup Global Markets Asia Limited respectively relating to the profit forecast of the Group, the text of which is set out in "Appendix III — Profit Forecast" to this prospectus;

(g) the audited consolidated financial statements of the Company for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010;

(h) the letter, summary of valuation and valuation certificate relating to the property interests of the Group prepared by Jones Lang LaSalle Sallmanns Limited, the text of which is set out in "Appendix IV — Property Valuation" to this prospectus;

(i) the independent technical reports for the CSH Mine and Jiama Mine prepared by Behre Dolbear Asia, Inc., the text of which is set out in Appendices V-A – V-B to this prospectus;

(j) the letter of advice prepared by Goodmans referred to in "Appendix VI — Summary of Articles, Canadian Corporate and Securities Laws, Certain TSX Listing Policies and Shareholder Protection Matters" to this prospectus;

(k) the PRC legal opinion prepared by Haiwen & Partners, the legal advisers on PRC law;

(l) the BCBCA (the governing corporate law of the Company);

(m) the material contracts referred to in "Appendix VIII — Statutory and General Information — Further information about the business of the Group — Summary of material contracts" to this prospectus;

(n) the written consents referred to in "Appendix VIII — Statutory and General Information — Other information — Consents" to this prospectus; and

(o) the list of all the grantees in respect of all the outstanding Pre-IPO Share Options, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance.

In addition, investors can access copies of the following documents (which are very large documents) via the following weblinks:

(a) the TSX Listing Rules

http://tmx.complinet.com/en/tsx_rulebook.html

(b) the Insider Reporting Rules

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/104_2010

(c) the Related Party Transaction Regulation

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/48_334_90

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

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