

THIS INFORMATION CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this information circular, or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of **CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**, 中國黃金國際資源有限公司, you should at once hand this information circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

中國黃金國際資源有限公司

(a company incorporated under the laws of British Columbia, Canada with limited liability)

(Hong Kong Stock Code: 2099)

(Toronto Stock Code: CGG)

**REVISIONS TO EXISTING CONTINUING CONNECTED TRANSACTIONS AND MAJOR
AND DISCLOSEABLE TRANSACTIONS**

GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

RE-ELECTION OF DIRECTORS

**NOTICE AND INFORMATION CIRCULAR
RELATING TO THE ANNUAL AND SPECIAL MEETING
OF THE SHAREHOLDERS**

TO BE HELD IN VANCOUVER, BRITISH COLUMBIA, CANADA

ON JUNE 28, 2017 VANCOUVER TIME (JUNE 29, 2017 HONG KONG TIME)

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



May 31, 2017

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(a company incorporated under the laws of British Columbia, Canada with limited liability)

(TSX Symbol: CGG)

(HKEx Stock Code: 2099)

One Bentall Centre

Suite 660, 505 Burrard Street, Box 27

Vancouver, British Columbia V7X 1M4

Telephone: 604-609-0598 Fax: 604-688-0598

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "**Meeting**") of the shareholders of China Gold International Resources Corp. Ltd. (the "**Company**") (TSX: CGG) (HKEx: 2099) will be held at the offices of Osler, Hoskin & Harcourt LLP located at Suite 1700, Guinness Tower, 1055 West Hastings Street, Vancouver, British Columbia on Wednesday, June 28, 2017 commencing at 9:00 am Vancouver time, for the following purposes:

1. to receive and consider the audited consolidated financial statements of the Company for the financial year ended December 31, 2016, together with the report of the directors and the auditors thereon;
2. to set the number of directors of the Company at nine (9);
3. to elect directors for the ensuing year;
4. to re-appoint Deloitte Touche Tohmatsu as the auditors of the Company for the ensuing year and to authorize the directors to fix their remuneration;
5. to grant to the board of directors a general mandate to allot, issue and otherwise deal with unissued shares not exceeding 20% of the aggregate number of issued shares of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly;
6. to grant to the board of directors a general mandate to repurchase shares not exceeding 10% of the aggregate number of issued shares of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly;
7. to extend the share allotment mandate by the addition thereto of the shares repurchased by the Company;
8. to consider and, if though fit, pass, with or without variation, an ordinary resolution of independent shareholders of the Company (consisting of the shareholders of the Company other than China National Gold Group Corporation and any of its associates):
 - (a) the Supplemental Loan Framework Agreement dated May 26, 2017 and the transactions contemplated thereunder, as more particularly described in the information circular accompanying this notice;
 - (b) the annual monetary cap for the transactions contemplated under the Supplemental Loan Framework Agreement,

- (c) the Supplemental Contract for the Purchase and Sale of Dore dated May 26, 2017 and the transactions contemplated thereunder, as more particularly described in the information circular accompanying this notice and
 - (d) the annual monetary cap for the three years ending December 31, 2018, 2019, and 2020 for the transactions contemplated under the Supplemental Contract for the Purchase and Sale of Dore, as more particularly described in the information circular accompanying this notice;
 - (e) the Supplemental Product and Service Framework Agreement dated May 26, 2017 and the transactions contemplated thereunder, as more particularly described in the information circular accompanying this notice;
 - (f) the annual monetary cap for the transactions contemplated under the Supplemental Product and Service Framework Agreement for the years ending December 31, 2018, 2019 and 2020, as more particularly described in the information circular accompanying this notice;
 - (g) the New Financial Services Agreement dated May 26, 2017 (as amended May 29, 2017) and the transactions contemplated thereunder, as more particularly described in the information circular accompanying this notice;
 - (h) the daily monetary caps for the transactions contemplated under the New Financial Services Agreement for the years ending June 30, 2018, 2019 and 2020, as more particularly described in the information circular accompanying this notice; and
 - (i) to authorize any one director of the Company to do such further acts and things and to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, and to take all such steps which in the opinion of such director of the Company deems necessary or desirable to implement and/or carry out to give effect to the terms of the foregoing resolutions; and
9. to transact such other business as may properly come before the Meeting or any adjournments thereof.

The board of directors have fixed May 15, 2017 Vancouver time (being May 16, 2017 Hong Kong time) as the record date for determining the shareholders entitled to receive notice of and to vote at the Meeting and at any adjournments thereof.

An information circular and a form of proxy accompany this notice. The information circular provides additional information relating to the matters to be dealt with at the Meeting.

A Shareholder who is unable to attend the Meeting in person and who wishes to ensure that such Shareholder's shares are voted at the Meeting is requested to complete, date and execute the enclosed form of proxy and deliver it by facsimile, by hand or by mail in accordance with the instructions set out in the form of proxy and in the accompanying information circular.

Please advise the Company of any change in your address.

DATED at Vancouver, British Columbia, this 31st day of May, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS
OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

(signed) "Jerry Xie"
Jerry Xie
Executive Vice President and Corporate Secretary

As of the date of this notice the executive directors are Xin Song, Bing Liu and Liangyou Jiang, the non-executive directors are Lianzhong Sun and Xiangdong Jiang and the independent non-executive directors are Ian He, Yunfei Chen, Gregory Hall and John King Burns.

If you are in any doubt about any aspect of this information circular, or as to the action to be taken, you should consult a licensed securities dealer or other registered Institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

*If you have sold or transferred all your shares of **CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**, 中國黃金國際資源有限公司, you should at once hand this information circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.*

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(a company incorporated under the laws of British Columbia, Canada with limited liability)

(TSX Symbol: CGG)

(HKEx Stock Code: 2099)

Registered office/ Headquarters:

One Bentall Centre

Suite 660, 505 Burrard Street, Box 27

Vancouver, British Columbia V7X 1M4

Telephone: 604-609-0598 Fax: 604-688-0598

Principal Place of Business in Hong Kong:

18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Executive Directors	Non-executive Director	Independent non-executive Directors
Xin Song Bing Liu Liangyou Jiang	Lianzhong Sun Xiangdong Jiang	Ian He Yunfei Chen Gregory Hall John King Burns

INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation of proxies by the management of China Gold International Resources Corp. Ltd. (the "Company") (TSX: CGG) (HKEx: 2099) for use at the annual and special meeting (the "Meeting") of its Shareholders to be held on Wednesday, June 28, 2017 commencing at 9:00 am Vancouver time at the offices of Osler, Hoskin & Harcourt LLP located at Suite 1700, Guinness Tower, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9, and at any adjournments thereof, for the purposes set forth in the notice that accompanies this information circular. Unless otherwise stated, this information circular contains information as at the Latest Practicable Date. Certain capitalized terms used in this information circular have the meanings given to them in Schedule C. All dollar figures are in Canadian dollars and references to "US\$" are to United States dollars, except as otherwise noted.

SOLICITATION OF PROXIES

The solicitation of proxies by management will be primarily by mail, but proxies may be solicited by directors, officers and employees of the Company personally, by telephone, or by means of electronic communication. All costs of this solicitation will be borne by the Company.

APPOINTMENT OF PROXYHOLDERS

A Shareholder entitled to vote at the Meeting may, by means of proxy, appoint a proxyholder or one or more alternate proxyholders, who need not be Shareholders, to attend and act at the Meeting for the Shareholder and on the Shareholder's behalf.

The individuals named in the accompanying form of proxy are directors or officers of the Company. **A Shareholder may appoint, as proxyholder or alternate proxyholder, a person or persons other than any of the persons designated in the accompanying form of proxy, and may do so either by inserting the name or names of such persons in the blank space provided in the accompanying form of proxy or by completing another suitable form of proxy.**

An appointment of a proxyholder or alternate proxyholders will not be valid unless a form of proxy making the appointment, signed by the Shareholder or by an attorney of the Shareholder authorized in writing (a "Proxy"), is deposited with CST Trust Company, by facsimile to 416-368-2502 or 1-866-781-3111, by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1 or by e-mail to proxy@canstockta.com or by hand to 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6 and received by CST Trust Company not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or any adjournment thereof at which the proxy is to be used.

REVOCAION OF PROXIES

A Shareholder who has given a proxy may revoke it:

- (a) by depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing:
 - (i) with CST Trust Company, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or any adjournment thereof, at which the proxy is to be used; or
 - (ii) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or
 - (iii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof;
- (b) in any other manner provided by law.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

VOTING OF PROXIES AND EXERCISE OF DISCRETION

The nominees named in the accompanying form of proxy will vote or withhold from voting the shares represented thereby in accordance with the instructions of the Shareholder on any ballot that may be called for. If the Shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. The form of proxy will confer discretionary authority on the nominees named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified;
- (b) any amendment to or variation of any matter identified therein; and

- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the form of proxy, the nominees named in the accompanying form of proxy will vote shares represented by the proxy in favour of such matter.

As of the date of this information circular, the management of the Company is not aware of any amendment, variation or other matter that may come before the Meeting, but if any amendment, variation or other matter properly comes before the Meeting, each nominee named in the accompanying form of proxy intends to vote on such business in accordance with their best judgment.

VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are “non-registered” Shareholders (“**Non-Registered Shareholders**”) because the shares they own are not registered in their own names, but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Shareholder deals with in respect of the shares of the Company (Intermediaries include, among others, banks, trust companies, securities dealers, securities brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, TFSAAs and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited or HKSCC Nominees Limited) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the notice, this information circular, and the form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either be given:

- (a) a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “voting instruction form”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar code and other information, wherever applicable. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (b) a form of proxy which has already been signed by the Intermediary (typically by a facsimile with a stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the form of proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with the Company c/o CST Trust Company, 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the common shares of the Company they beneficially own. Should a Non-Registered Shareholder

who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person's name in the blank space provided. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

A Non-Registered Shareholder may revoke a proxy or voting instruction form given to an Intermediary by contacting the Intermediary through which the Non-Registered Shareholder's common shares of the Company are held and following the instructions of the Intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

VOTES NECESSARY TO PASS RESOLUTIONS

Pursuant to the Articles of the Company, a quorum for the transaction of business at any meeting of Shareholders is at least two persons who are, or who represent by proxy, Shareholders who, in the aggregate hold at least 5% of the issued shares entitled to be voted at the Meeting.

Under the *Business Corporations Act* (British Columbia) (the "**Business Corporations Act**"), the Company's governing corporate law statute, a simple majority of the votes cast at the Meeting is required to pass all ordinary resolutions and, pursuant to the Company's Articles, a majority of not less than two-thirds of the votes cast at the Meeting is required to pass all special resolutions.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at a general meeting must be taken by poll, and the Company will announce the results of the poll in the manner prescribed in Rule 13.39(5) of the Hong Kong Listing Rules.

At the Meeting, Shareholders will be asked to set the number of directors of the Company at nine (9) by ordinary resolution, to elect directors and appoint auditors for the ensuing year, to approve a Share Issue Mandate (as hereinafter defined), to approve a Share Repurchase Mandate (as hereinafter defined) and to approve the Additional Share Allotment Mandate (as hereinafter defined).

Pursuant to Rule 14A.70(12) of the Hong Kong Listing Rules, any connected person of the Company and Shareholder with a material interest in the Supplemental Loan Framework Agreement, the Supplemental Product and Service Framework Agreement, the New Financial Services Agreement and the Caps thereunder, and the transactions contemplated thereunder, and its associates will not be entitled to vote at the Meeting relating to the Supplemental Loan Framework Agreement, the Supplemental Product and Service Framework Agreement, the New Financial Services Agreement and the Caps thereunder, and the transactions contemplated thereunder. As such, the Independent Shareholders consisting of the Shareholders other than China National Gold Group Corporation ("**China National Gold**") and any of its associates (as defined in the Hong Kong Listing Rules), will be asked to consider and, if thought fit, pass ordinary resolutions to, among other things, approve the Supplemental Loan Framework Agreement, the Supplemental Product and Service Framework Agreement, the New Financial Services Agreement and the Caps thereunder, and the transactions contemplated thereunder, as more particularly described in this information circular.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Xin Song, Bing Liu, Lianzhong Sun, and Liangyou Jiang are considered to have a conflict of interest in the transactions contemplated under the Continuing Connected Transactions and Major and Discloseable Transactions due to their senior management positions in China National Gold of Beijing, PRC. They had abstained from voting on Board resolutions in relation to such transactions. Other than as disclosed herein, no other person who has been a director or officer of the Company at any time since the commencement of the Company's last financial year, or any affiliate or associate (as such term is defined in the *Securities Act*

(British Columbia)) of any of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company has an authorized share capital consisting of an unlimited number of common shares without par value. As of the Record Date, the Company had outstanding 396,413,753 fully paid and non-assessable common Shares without par value, each carrying the right to one vote.

A holder of record of one or more common shares on the securities register of the Company at the close of business on the Record Date who either attends the Meeting personally or deposits a proxy in the manner and subject to the provisions described above will be entitled to vote or to have such common shares voted at the Meeting.

To the knowledge of the Company's directors and senior officers, China National Gold, through its wholly owned subsidiary, China National Gold Group Hong Kong Limited ("**CNGGHK**") of Hong Kong, owns 155,794,830 common shares of the Company, representing approximately 39.3% of the outstanding voting shares of the Company and Van Eck Associates Corporation owns 40,039,700 common shares of the Company, representing approximately 10.1% of the outstanding voting shares of the Company. To the knowledge of the Company's directors and senior officers, no other person or company beneficially owns, or controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights of the Company.

ELECTION OF DIRECTORS

The Company's Articles provide that the number of directors of the Company is set at the greater of three (3) and the number set by ordinary resolution. Directors are elected at each annual general meeting and hold office until the next annual general meeting, unless a director's office is earlier vacated in accordance with the provisions of the Business Corporations Act and the Company's Articles. The Company's board of directors (the "**Board**") believes that the process in place to elect directors allows appointing the most qualified candidates, independently. The Nominating and Corporate Governance Committee of the Board is comprised of directors who are considered "independent" under Rule 3.13 of the Hong Kong Listing Rules and Section 311 of the TSX Company Manual. The Nominating and Corporate Governance Committee identifies director nominees who, in its best judgment, have high personal and professional integrity, who have demonstrated exceptional ability and sound judgment and who shall be effective in their services as a director, in conjunction with the other Board members, in order to serve the interests of the Shareholders. It does so after assessing the size, functions, composition and performance of the Board, the Board's committees, the Chairman, the chairman of each committee and individual directors. The Nominating and Corporate Governance Committee has concluded that the group of individuals proposed to the Shareholders is a highly skilled group, who will fulfill the needs of the Company and be able to serve the interests of the Shareholders.

All members comprising the committees of the Board to-date are independent non-executive directors. The Board continues to assess all relevant factors. A significant number of common shares are held by the Company's principal shareholder, China National Gold, and all directors of the Company have historically been re-elected by a majority of votes casted by shareholders. The Board is committed to implementing sound corporate governance and annually reviews the votes casted by shareholders to ensure that a majority of such votes are in favour of the elected directors

At the Meeting, Shareholders will be asked to pass an ordinary resolution setting the number of directors of the Company at nine (9), subject to any further increases permitted by the Company's Articles.

Majority Voting Policy

On March 24, 2015, the Board adopted a Majority Voting Policy. The Majority Voting Policy requires that a nominee for director, who is not elected by at least a majority (50% + 1 vote) of the votes cast with respect


to his or her election, shall immediately tender a resignation. The Majority Voting Policy does not apply where an election of directors occurs at a contested meeting (being a meeting where the number of directors nominated for election is greater than the number of seats available on the Board). The Board will determine whether to accept the resignation within 90 days after the shareholders' meeting. The Board shall accept the resignation unless it determines that there are exceptional circumstances. The resignation becomes effective on acceptance by the Board. The Company shall promptly issue a news release announcing the Board's decision. If a resignation is rejected, reasons for the rejection are to be set forth in the news release. If a resignation is accepted, the Board may leave the vacancy unfilled until the next annual general meeting, or fill the vacancy by appointing a new director whom the Board considers to merit the confidence of the Company's shareholders, or call a special meeting to consider a new nominee to fill the vacant position. A director who tenders a resignation pursuant to the Majority Voting Policy will not participate in any meeting of the Board or Committee of the Board at which such resignation is considered.

Advance Notice Provisions




On June 22, 2016, Shareholders approved the adoption of a new set of Articles of the Company which contain advance notice provisions (the "**Advance Notice Provisions**"). The Advance Notice Provisions require nominations for election of directors at meetings of Shareholders of the Company to be delivered (together with supporting documentation) sufficiently in advance of the meeting to enable the Company to reflect such nominations in its information circular for the meeting. This allows the Company (i) to facilitate an orderly and efficient annual general meeting or, where the need arises, special meeting process; (ii) ensure that all Shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allow Shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.




Any additional director nominations for the Meeting must have been received by the Company no later than the close of business on May 29, 2017. No such nominations have been received as of the date of this information circular. If no such nominations are received by the Company prior to such date, management's nominees for election as directors set forth below will be the only nominees eligible to stand for election at the Meeting. See our Articles on SEDAR at www.sedar.com for the terms of our Advance Notice Provisions.

Management proposes to nominate the persons named in the following table for election as director. The information concerning the proposed nominees has been furnished by each of them:

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾	Number of Options Held	Principal Occupation and Qualifications ⁽⁶⁾
 <p>Xin Song Beijing, PRC Age: 54 Director and Chairman</p>	October 9, 2009	Nil	Nil	Xin Song's principal occupations include Chairman of China National Gold. He was formerly Chief Executive Officer of the Company from October 9, 2009 to February 2014, President of China National Gold from December 2013 to January 2017, Vice President of China National Gold in charge of resources development and international operations from 2003 to 2013, Chairman of the Board of Skyland Mining Limited from December 2007 to May 2015 and Chairman of the Board of Tibet Jia Ertong Minerals Exploration Ltd. from April 2008 to February 2014, the

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾	Number of Options Held	Principal Occupation and Qualifications ⁽⁶⁾
				<p>subsidiaries of the Company that indirectly hold the Jiama Mine.</p> <p>Xin Song holds a Ph.D. doctorate degree in resources economics and management from the University of Science and Technology Beijing, China, a master's degree in business administration from the China Europe International Business School, a master's degree in mining engineering from the University of Science and Technology in Beijing and a bachelor's degree in mineral processing engineering from the Central-South Institute of Mining and Metallurgy.</p>
 <p>Bing Liu Beijing, PRC Age: 54 Director and Chief Executive Officer</p>	May 12, 2008	Nil	Nil	<p>Bing Liu's principal occupation includes Chief Executive Officer of the Company since February 2014 to present; Vice President and Chief Accountant of China National Gold from November 1999 to 2017, and President of China National Gold since January 2017.</p> <p>Bing Liu holds a master's degree in Business Administration, Asia International Open University in Macau and holds a bachelor's degree in accounting from Capital University of Finance and Trade Economics and Business and is a post-graduate of currency and banking from Chinese Academy of Social Science.</p>
 <p>Lianzhong Sun Beijing, PRC Age: 59 Director</p>	February 24, 2014	Nil	Nil	<p>Lianzhong Sun's principal occupations include Vice President of China National Gold in charge of resource development. From February 2011 to present. Director of CNGGHK since February 2014. Chairman of the board of Kichi-chaarat Company since February 2012. Director of China Gold Hong Kong Buchuk Mining Company Limited ("CGHKBM") since May 2015; Chairman of the board of Tibet Huatailong Mining Development Co., Ltd. from June 2010 to February 2012.</p> <p>Mr. Sun graduated from Shenyang Gold Institute and majored in Mining Engineering.</p>

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾	Number of Options Held	Principal Occupation and Qualifications ⁽⁶⁾
 <p>Liangyou Jiang Beijing, PRC Age: 51 Senior Executive Vice President and Director</p>	October 10, 2014	Nil	Nil	<p>Mr. Jiang's principal occupations include Senior Executive Vice President of the Company since August 2014; Director of Tibet Jia Ertong since August 2014; Director of Skyland since October 2014; director of CGHKBM since May 2015; Manager of the Investment Management Department of China National Gold (February 2008 to August 2014); Chairman of Huatailong from February 2012 to August 2014; and General Manager of Huatailong (August 2010 to February 2012).</p> <p>Mr. Jiang is a Senior Professional Engineer, holds a Bachelor's Degree in mineral processing from Northeastern University, and is currently a Ph.D. candidate in mineral processing at Northeastern University.</p>
 <p>Ian He ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ British Columbia, Canada Age: 55 Director (Independent)</p>	May 31, 2000	150,000	Nil	<p>Ian He's principal occupations include President of Tri-River Ventures Inc. from July 2007 to present, Managing Director and General Manager of Yichang Mapleleaf Chemicals Inc. from November 2003 to June 2006 and from March 2012 to October 2016, and President of Spur Ventures Inc. from August 1995 to June 2006.</p> <p>Ian He holds a Ph.D. degree and a M.A.Sc. degree from the Department of Mining Engineering of the University of British Columbia and a bachelor's degree from the Heilongjiang Institute of Mining and Technology, China.</p>
 <p>Yunfei Chen ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Hong Kong, PRC Age: 46 Director (Independent)</p>	May 12, 2008	Nil	Nil	<p>Yunfei Chen's principal occupations include acting as an Independent Advisor from August 2007 to present and Managing Director of Deutsche Bank Hong Kong from July 2001 to August 2007.</p> <p>Yunfei Chen graduated from Southern Illinois University, Carbondale, with a juris doctor degree and is qualified to practice law in New York. Mr. Chen obtained a bachelor of law degree in China.</p>

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾	Number of Options Held	Principal Occupation and Qualifications ⁽⁶⁾
 <p>Gregory Hall ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Western Australia, Australia Age: 67 Director (Independent)</p>	October 9, 2009	Nil	Nil	<p>Gregory Hall's principal occupations include acting as an Independent Geological Consultant from August 2006 to present and Chief Geologist of Placer Dome Group from 2000 to July 2006.</p> <p>Gregory Hall holds a Bachelor of Science degree in applied geology from the University of New South Wales, Australia.</p>
 <p>John King Burns ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Pennsylvania, USA Age: 66 Director (Independent)</p>	October 27, 2009	Nil	Nil	<p>John King Burns' principal occupations include serving as a Director of several public and private mineral and energy companies from 1995 to present.</p> <p>John King Burns holds a Bachelor of Arts degree in economics from the University of Pennsylvania.</p>
 <p>Xiangdong Jiang British Columbia, Canada Age: 58 Director and former Vice President of Production</p>	June 17, 2010	38,800	Nil	<p>Xiangdong Jiang's principal occupations include Vice President of Production of the Company from March 24, 2009 to March 31, 2017, Director of Inner Mongolia Pacific Mining Co. Ltd. from September 2008 to March 31, 2017, General Manager of the CSH Mine from August 2007 to March 31, 2017, Vice President of Production and Technology of the Company from September 8, 2008 to March 23, 2009 and Vice President of Business Development of the Company from May 20, 2004 to September 8, 2008.</p> <p>Xiangdong Jiang holds a bachelor's degree in Geology and Mineral Exploration from Changchun College of Geology.</p>

Notes:

- (1) As of the Latest Practicable Date.
- (2) Denotes a member of the Audit Committee.
- (3) Denotes a member of the Compensation and Benefits Committee.
- (4) Denotes a member of the Nominating and Corporate Governance Committee.
- (5) Denotes a member of the Health, Safety and Environmental Committee.
- (6) As of the Latest Practicable Date, none of the proposed directors of the Company held any other positions with the Company or its subsidiaries or had any other major appointments or professional qualifications. For information regarding the other public company directorships of the proposed directors including their former directorships in the previous three

years, see “Schedule A – Corporate Governance Disclosure – Board of Directors.” As of the Latest Practicable Date, none of the proposed directors of the Company had any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company (as defined in the Hong Kong Listing Rules), except as disclosed in “Schedule A – Corporate Governance Disclosure – Board of Directors.”

Re-election of Independent Directors

The Board has assessed the independence of each of the proposed independent non-executive director nominees with reference to the criteria affecting independence as set out in Rule 3.13 of the Hong Kong Listing Rules and Section 311 of the TSX Company Manual. Each of Ian He, Yunfei Chen, Gregory Hall and John King Burns has confirmed his independence accordingly.

Ian He has served on the Board for more than 16 years. Accordingly, particular consideration was applied in assessing his continued independence. Taking into account that Ian He (i) does not hold more than 1% of the total issued share capital of the Company, (ii) save for the Shares and/or options of the Company held by him, has no past or present financial or other interest in the Group’s business, (iii) has no connection with any of the Company’s connected persons (as defined in the Hong Kong Listing Rules) and (iv) is free from any business or other relationship which could materially interfere with the exercise of his independent judgment, the Board believes that Ian He remains independent and will continue to provide a strong independent element on the Board. Ian He holds a Master’s Degree in Applied Science and a Ph.D. in metallurgy and has extensive experience in the mining industry including serving as director of several public companies. The Board believes that Ian He’s continued service on the Board will be valuable to the Company and accordingly, the Board recommends that Ian He be re-elected as an independent non-executive director.

Furthermore, taking into account that each of Yunfei Chen, Gregory Hall and John King Burns (i) does not hold more than 1% of the total issued share capital of the Company, (ii) save for the options of the Company held by him, has no past or present financial or other interest in the Group’s business, (iii) has no connection with any of the Company’s connected persons (as defined in the Hong Kong Listing Rules) and (iv) is free from any business or other relationship which could materially interfere with the exercise of his independent judgment, the Board believes that Yunfei Chen, Gregory Hall and John King Burns remain independent and will continue to provide strong independent elements on the Board. Yunfei Chen is a legal practitioner with a broad range of experience both in Asia and in the U.S. including mining industry experience and experience as an investment banker. Gregory Hall is a seasoned geologist with extensive experience working with global mining companies. John King Burns has extensive experience in the global resource sector and serves as a director of several public and private mineral and energy companies. The Board believes that the continued service of Yunfei Chen, Gregory Hall and John King Burns on the Board will be valuable to the Company. The Board recommends that each of Yunfei Chen, Gregory Hall and John King Burns be re-elected as an independent non-executive director.

Corporate Cease Trade Orders and Bankruptcies

Gregory Hall, a director of the Company, was a director of Colossus Minerals Inc. (“**Colossus**”) (TSX:CSI) from March 2008 to December 30, 2013. On January 14, 2014, Colossus announced a notice of intention to make a proposal under the Bankruptcy and Insolvency Act to enable Colossus to pursue a sale and restructuring with the benefit of creditor protection. Colossus’s common shares were suspended from trading by the TSX. On January 21, 2014, the TSX decided to delist Colossus common shares and all other listed securities on February 21, 2014. The securities of Colossus will remain suspended in the interim.

Mr. Hall, is also a non-executive director of Zeus Resources Limited (“**Zeus**”) (ASX:ZEU), and a director of Kalium Corporation Pty Ltd., a wholly owned subsidiary of Zeus. Kalium was placed into creditor liquidation on November 8, 2013.

Y.B. Ian He, a director of the Company, is a director of Huaxing Machinery Corp. (“**Huaxing**”) from January 2011 to December 2016. On February 26, 2015 the British Columbia Securities Commission issued a cease trade order requiring all persons to cease trading in the securities of Huaxing until Huaxing

files amended and restated audited financial information for the financial years ended December 31, 2013 and 2012.

To the knowledge of the Company, save as disclosed above, no other proposed director of the Company is or has been, within the past 10 years, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Company, apart from Mr. Hall's disclosure above, no other proposed director of the Company is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Individual Bankruptcies

To the knowledge of the Company, no proposed director of the Company has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

To the knowledge of the Company, no proposed director has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices which are in the interest of the Shareholders and also contribute to effective and efficient decision making. A description of certain corporate governance practices of the Company in accordance with Form 58-101F1 of National Instrument 58-101 of the Canadian Securities Administrators is attached as Schedule A to this information circular.

DIRECTORS AND OFFICERS INSURANCE

The Company has purchased directors and officers liability insurance with aggregate coverage in the amount of US\$50,000,000. The aggregate premium for the insurance coverage was US\$135,000 and the coverage has a deductible of US\$50,000 per claim except for securities claims which have a deductible of US\$100,000.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets out a summary of all compensation paid by the Company and its subsidiaries for the three years ended December 31, 2016, 2015 and 2014 to its Chief Executive Officer, Chief Financial Officer, and each of the individuals who at December 31, 2016 were the three most highly compensated executive officers of the Company having total compensation individually of more than Cdn\$150,000 (collectively, the “**Named Executive Officers**”) and includes former executive officers of the Company who would otherwise be considered Named Executive Officers but for the fact that such individuals were no longer executive officers of the Company as of December 31, 2016:

Name and Principal Position	Year	Salary (US\$) ⁽¹⁾	Share based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation		Pension Value (US\$)	All Other Compensation (US\$) ⁽³⁾	Total Compensation (US\$)
					Annual incentive plans (US\$)	Long-term incentive plans (US\$)			
Bing Liu ⁽²⁾ Chief Executive Officer	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Derrick Zhang Chief Financial Officer	2016	\$142,843	Nil	Nil	Nil	Nil	Nil	Nil	\$142,843
	2015	\$140,853	Nil	Nil	Nil	Nil	Nil	Nil	\$140,853
	2014	\$146,539	Nil	Nil	Nil	Nil	Nil	Nil	\$146,539
Xiangdong Jiang Vice President Production	2016	\$122,724	Nil	Nil	Nil	Nil	Nil	Nil	\$122,724
	2015	\$201,216	Nil	Nil	Nil	Nil	Nil	Nil	\$201,216
	2014	\$172,398	Nil	Nil	Nil	Nil	Nil	Nil	\$172,398
Jerry Xie Executive Vice President and Corporate Secretary	2016	\$167,031	Nil	Nil	Nil	Nil	Nil	Nil	\$167,031
	2015	\$165,712	Nil	Nil	Nil	Nil	Nil	Nil	\$165,712
	2014	\$172,398	Nil	Nil	Nil	Nil	Nil	Nil	\$172,398
Songlin Zhang Senior Mine Manager	2016	\$292,204	Nil	Nil	Nil	Nil	Nil	Nil	\$292,204
	2015	\$278,132	Nil	Nil	Nil	Nil	Nil	Nil	\$278,132
	2014	\$199,999	nil	nil	nil	nil	nil	Nil	\$199,999

Notes:

- (1) The Company pays each of the Named Executive Officers in Canadian currency. Notwithstanding this fact, the Company reports its financial results in U.S. currency, and is therefore required under applicable securities laws to disclose the above compensation information in U.S. currency. For the purpose of reporting the salary in the Compensation Table, the salary paid to each Named Executive Officer was converted from Canadian currency to U.S. currency at the Bank of Canada noon buying rate for the years ended December 31.
- (2) Bing Liu was appointed as Chief Executive Officer on February 24, 2014. Bing Liu does not receive any compensation from the Company for his role as Chief Executive Officer.
- (3) The value of prerequisites for each Named Executive Officer did not exceed the lesser of Cdn\$50,000 and 10% of the total salary of such Named Executive Officer for the years ended December 31, and are therefore not included in “All Other Compensation” as permitted under Canadian securities laws.

LONG-TERM INCENTIVE PLAN (“LTIP”) AWARDS

The Company does not have a LTIP pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Company's securities) was paid or distributed to any Named Executive Officers during the financial year ended December 31, 2016.

DEFINED BENEFIT AND PENSION PLANS

The Company does not presently provide any defined benefit, pension plan or deferred compensation to its directors, executive officers or employees.

Outstanding share-based awards and option-based awards

There are no outstanding share-based awards and option-based awards held by any of the Named Executive Officers of the Company as of December 31, 2016:

Incentive Plan Awards – value vested or earned during 2016

There are no outstanding incentive plan awards held by any of the Named Executive Officers of the Company as of December 31, 2016.

TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

The Company has employment contracts with each of its Named Executive Officers with the exception of Bing Liu, who does not receive any compensation for acting as Chief Executive Officer. Under employment contracts with the Named Executive Officers, the Named Executive Officers may terminate their employment on notice to the Company. In the case of Derrick Zhang, Jerry Xie and Songlin Zhang, one month's notice is required, and in the case of Xiangdong Jiang, three months' notice is required.

Under employment contracts with the Named Executive Officers, the Company may terminate Xiangdong Jiang's employment for cause, or without cause upon three months' notice or lump sum payment equivalent, and may terminate Derrick Zhang, Jerry Xie and Songlin Zhang's employment for cause, or without cause upon one month's notice or lump sum payment equivalent. In the event of a change of control of the Company and if the employment contract of Xiangdong Jiang or Jerry Xie is terminated within twelve months of such change of control, Xiangdong Jiang and Jerry Xie will be entitled to a lump sum payment equivalent to 18 months' of their respective salaries and to a continuation of benefits during such period until alternate employment is commenced.

Xiangdong Jiang resigned as an officer of the Company on March 31, 2017. Mr. Jiang remains a director of the Company.

COMPENSATION OF DIRECTORS

Compensation of Directors Table

The Company paid the following compensation to its directors during the financial year ended December 31, 2016:

Name ⁽¹⁾	Fees Earned (US\$) ⁽²⁾	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension value (US\$)	All other compensation	Total (US\$)
Xin Song	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Lianzhong Sun	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Liangyou Jiang	\$56,455	Nil	Nil	Nil	Nil	Nil	\$56,455
Ian He ⁽³⁾	\$42,889	Nil	Nil	Nil	Nil	Nil	\$42,889
Yunfei Chen ⁽³⁾	\$36,264	Nil	Nil	Nil	Nil	Nil	\$36,264
Gregory Hall ⁽³⁾	\$36,264	Nil	Nil	Nil	Nil	Nil	\$36,264
John King Burns ⁽³⁾	\$36,264	Nil	Nil	Nil	Nil	Nil	\$36,264

Notes:

- (1) Information for Bing Liu and Xiangdong Jiang is included in the Summary Compensation Table for Named Executive Officers and is not reported in the Director Compensation section of this information circular.
- (2) The Company pays each of the directors in Canadian currency. Notwithstanding this fact, the Company reports its financial results in U.S. currency, and is therefore required under applicable securities laws to disclose the above compensation information in U.S. currency. For the purpose of reporting fees earned in the table above, the amount of fees paid or payable to each director was converted from Canadian currency to U.S. currency at the Bank of Canada noon buying rate on December 31, 2016.
- (3) The Company paid Cdn\$4,000 per month for acting as a director and for their roles on various committees of the Board. The Company paid the Chairman of its committees a cash retainer of Cdn\$4,500. No other fixed compensation is paid to directors of the Company for acting as such, although the independent directors may be granted stock options from time to time. The directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors. Save as disclosed herein, the Company does not have service contracts with its directors.

Compensation of Directors - Outstanding share-based awards and option-based awards

The Company's incentive stock option plan ceased to be in effect as at the end of December 31, 2015.

Composition of the Compensation and Benefits Committee

During the year ended December 31, 2016, the Compensation and Benefits Committee was comprised of Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Compensation and Benefits Committee. The members of the Compensation and Benefits Committee are all independent non-executive directors and each member has had previous experience working with the compensation practices and policies of other listed issuers in addition to their work on the Company's Compensation and Benefits Committee. For information regarding the responsibilities, powers and operation of the Compensation and Benefits Committee, see "Schedule A – Corporate Governance Disclosure – Compensation."

None of the Company's executive officers serve as a member of the Compensation and Benefits Committee or the board of directors of any entity that has an executive officer serving as a member of the Compensation and Benefits Committee or board of directors of the Company.

Compensation Discussion and Analysis

Compensation Committee and Compensation Philosophy

The Company's executive compensation program is administered by the Compensation and Benefits Committee. Following review and approval by the Compensation and Benefits Committee, decisions relating to executive compensation are reported to and approved by the full board of directors.

The basic philosophy underlying the Company's executive compensation program is that the interests of the Company's executive officers should be aligned as closely as possible with the interests of the Company and its Shareholders as a whole. The Company has its operations in China and the Company's principal shareholder China National Gold is a Chinese state owned enterprise. The Company attempts to bridge its compensation practices with the norms for listed issuers in North America and the norms for Chinese state owned enterprises. At the same time, the Company recognizes that competition in the mining industry for highly skilled employees is intense and that the levels of compensation offered by the Company must be comparable to those offered by its competitors in order to attract, retain and motivate executive personnel of the highest caliber.

The Compensation and Benefits Committee assesses the individual performance of the Company's executive officers and makes recommendations to the board of directors. Based on these recommendations, the board of directors makes decisions concerning the nature and scope of compensation to be paid to the Company's executive officers.

Compensation for the Company's senior executive officers has been traditionally determined with regard to the following considerations in approximately equal level of importance:

- (a) the desirability of providing a strong incentive to management to work as a team to achieve the Company's corporate long term and short term business development goals;
- (b) the principle that the economic interests of management and those of the Shareholders should be aligned as closely as reasonably possible;
- (c) the competitive environment that exists in the mining industry for the recruitment and retention of qualified personnel and the resulting need to offer levels of executive compensation that are comparable to those offered by the Company's competitors; and
- (d) the present stage of development of the Company's business.

The criteria upon which these recommendations are based has, in the earlier stages of the Company's development, tended to be subjective and has reflected the Company's views as to the nature and value of the contributions made by its executive officers to the achievement of the Company's corporate plans and objectives.

The Company's compensation decisions have been largely subjective, based on the Company's compensation philosophy and in particular focusing on retention and available resources.

How the Company makes Compensation Decisions

The Compensation and Benefits Committee reviews levels of cash compensation on an ad hoc basis, and at least annually, and makes recommendations to the board of directors to adjust cash compensation in light of individual and Company performance, improvements in job proficiency, retention risks, succession requirements and compensation changes in the market. The Compensation and Benefits Committee also reviews the corporate goals and objectives relevant to the compensation of the senior executive officers as needed and at least annually based on recommendations from the Chief Executive Officer and other members of the management team. The board of directors maintains discretionary authority over all compensation awards.

The Compensation and Benefits Committee makes its determinations as to overall compensation levels on the basis of both available third party data regarding comparable compensation at similar size companies as well as their own industry experience, hiring and retention needs and other subjective factors. The Compensation and Benefits Committee has not formalized a peer comparator group for purposes of making compensation decisions although the Company's compensation practices compare favorably with other Toronto Stock Exchange listed issuers with producing and expanding mines. Compensation decisions are not currently made on the basis of the achievement of pre-determined objective benchmarks or goals for the various management positions.

Elements of Total Compensation

The compensation that the Company's Named Executive Officers receive generally consists of base salary and performance bonuses. Base salary comprises the largest component of each Named Executive Officer's compensation. The following summarizes the primary purpose of each element of compensation and its emphasis within overall compensation for the Named Executive Officers:

- (a) Base salary – paid in cash and is a fixed amount of compensation for performing day-to-day responsibilities; and
- (b) Performance bonuses – bonus awards, paid in cash, earned for achieving short-term goals and other objectives based on the corporate, business unit and individual performance.

In making compensation decisions in respect of these reward categories, the Compensation and Benefits Committee considers the cumulative compensation granted to executives as well as internal comparisons amongst executives.

Given the Company's stage of development and its transitional stage of growth, the trend in the overall compensation paid to the Company's executive officers over the past five years has not been designed to track the performance of the market price of the Company's common shares, or the S&P/TSX Composite Index.

Salary Compensation

Salaries are reviewed upon hiring decisions and then again at least annually. Salary adjustments for the following year are considered based on a variety of factors, including the individual's performance and contributions, improvements in job proficiency, retention risks, succession requirements and compensation changes in the market and available cash resources.

Bing Liu has elected not to receive any compensation, salary or otherwise, from the Company for carrying out the duties of such role.

Bonus Compensation

Executive officers of the Company are eligible for annual incentive compensation in the form of a bonus in cash. Annual incentive awards are based on an assessment of performance of a combination of company, business unit and individual performance, as well as a consideration of overall compensation targets and market changes. To date, the Company has not implemented a formalized approach to bonuses, although as the Company experiences further growth, it intends to assess quantitative and qualitative economic measurement criteria and to develop a more objective approach to determining annual bonuses.

For the 2016 financial year, the Company did not award any annual incentive bonuses to any Named Executive Officers.

Other Compensation

The Company does not maintain a current stock option plan for its Named Executive Officers; however, certain stock options remain outstanding under the Company's prior equity incentive plan. For more information, see "Securities Authorized for Issuance under Equity Compensation Plans".

The Company does not maintain a pension plan or other long-term compensation plan for its Named Executive Officers.

For the 2016 financial year, the Company did not provide any other material compensation for its Named Executive Officers beyond the salaries disclosed above.

Compensation Governance

For the most recently completed financial year ended December 31, 2016 no fees were billed by any consultant or advisor for services related to determining compensation for any of the Company's directors and executive officers.

Future Compensation Program

The Company does not expect to change its compensation program in any significant way for the 2016 year.

Compensation Risk Management

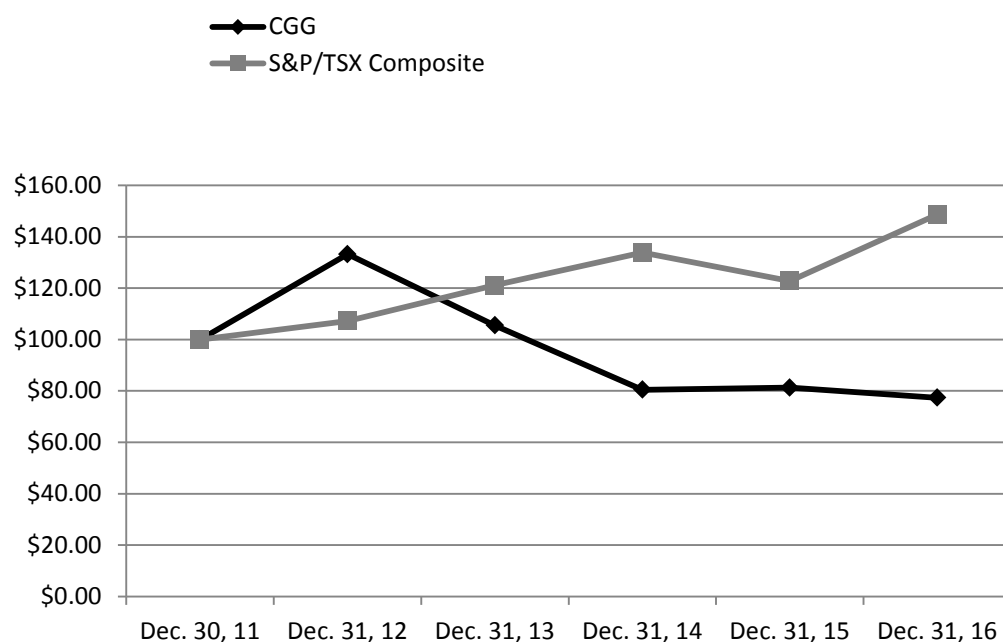
The Board has considered the implications of the risks associated with the Company's compensation policies and practices. The Board has ultimate oversight of the risks associated with the Company's compensation policies and practices, and carefully reviews the risks associated with the Company's compensation structure. The Company's current compensation structure consists of cash compensation in the form of salary and bonus compensation. The Company does not currently maintain an equity incentive plan nor does it maintain a long term incentive plan. The Company will adopt a more formalized approach to compensation risk management as its compensation practices evolve. The Company uses the following practices to identify and mitigate compensation policies and practices that could encourage an individual to take inappropriate or excessive risks: (i) the Compensation and Benefits Committee completes an annual review of all forms of compensation provided to the Named Executive Officers, directors and top paid employees; (ii) the Board completes an annual review of the Company's compensation philosophy and components and (iii) independent advisors are engaged from time to time at the recommendation of the Compensation and Benefits Committee. There are no identified risks arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Financial Instruments

The Company does not have a written policy which restricts its executive officers and directors from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officers or directors.

Performance Graph

The following graph and table compares the cumulative total shareholder return on a Cdn\$100 investment in common shares of the Company on December 31, 2011 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial periods of the Company, assuming the reinvestment of all dividends. For a discussion of the relationship between compensation paid to executive officers and shareholder returns, see “Compensation Discussion and Analysis – Elements of Total Compensation”.



Cdn\$						
	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016
China Gold International Resources Corp. Ltd.	100.00	133.20	105.47	80.47	81.25	77.34
S&P/TSX Composite Index	100.00	107.19	121.11	133.90	122.76	148.64

The trend in overall compensation paid to the Company’s executive officers over the past five years has not tracked the performance of the market price of the Company’s common shares or the S&P/TSX Composite Index.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The Company’s incentive stock option plan ceased to be in effect as at the end of December 31, 2015. All unexercised options granted to the Company’s directors thereunder have expired.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Company's directors or executive officers, proposed nominees for election as directors, or associates of any of them, is or has been indebted to the Company or its subsidiaries, or to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries at any time since the beginning of the most recently completed financial year, and none of the foregoing persons, nor any current or former employees or former directors and executive officers, are indebted to the Company or any of its subsidiaries as at the date of this information circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, no informed person of the Company, no proposed nominee for election as a director of the Company, and no associate or affiliate of any of these persons has any material interest, direct or indirect, in any transaction since the commencement of the Company's last financial year or in any proposed transaction which, in either case, has materially affected or will materially affect the Company or any of its subsidiaries.

An "informed person" means:

- (a) a director or executive officer of the Company;
- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company;
- (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Company, other than voting securities held by an underwriter as such in the course of a distribution; and
- (d) the Company if it has acquired any of its securities, for so long as it holds any of its securities.

COMPETING INTERESTS

As of the Latest Practicable Date, other than the directorships and management roles of the proposed directors of the Company in other gold and other mineral mining companies as disclosed in paragraph 1 of "Schedule A – Corporate Governance Disclosure – Board of Directors", none of the proposed directors of the Company or their associates was considered by the Company to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group, other than those businesses where such proposed directors had been appointed to represent the interests of the Company and/or other members of the Group.

DIRECTORS' INTEREST IN THE GROUP'S ASSETS

As of the Latest Practicable Date, none of the Directors and proposed directors had any interests, either directly or indirectly, in any assets which had been, since December 31, 2016 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

OTHER ARRANGEMENTS INVOLVING DIRECTORS

As of the Latest Practicable Date, other than as disclosed in paragraph 1 of "Schedule A – Corporate Governance Disclosure – Board of Directors", there was no contract or arrangement subsisting at the date

of this information circular in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2016 (being the date to which the latest published audited financial statements of the Group were made).

LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group other than an arbitration between the Group and a construction supplier to the Group before the China International Economic and Trade Arbitration Commission, as more particularly described in the Company's annual report for the year ended December 31, 2016.

SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

DISCLOSURE OF INTERESTS

Other than as disclosed below, the Directors and chief executive officer of the Company are not aware of any other person who, as of the Latest Practicable Date, had an interest or short position in the Shares, convertible securities, warrants, options or derivatives of the Company, the underlying shares of the Company which would fail to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be interested, directly or indirectly, 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 the Company:

Name	Nature of interest	Number of Shares held	Approximate percentage of outstanding Shares
China National Gold Group Corporation ⁽¹⁾	Indirect	155,794,830 ⁽¹⁾	39.3%
China National Gold Group Hong Kong Limited	Registered Owner	155,794,830	39.3%
Van Eck Associates Corporation	Indirect	40,039,700	10.1%

Note:

(1) China National Gold directly and wholly owns CNGGHK therefore the interest attributable to China National Gold represents its indirect interest in the Shares through its equity interest in CNGGHK.

OTHER DISCLOSURE

Save as disclosed in pages 6-9 herein, each of the proposed Directors and the chief executive officer of the Company does not have any other interest or short position in the Shares, convertibles securities, warrants, options or derivatives, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Division 7 and Division 8 of Part XV of the SFO in Hong Kong, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Hong Kong Listing Rules) to be notified to the Company and the Hong Kong Stock Exchange.

Save as disclosed herein, each of the proposed directors does not hold any other position with the Company or its subsidiaries, nor has any other directorships in other listed public companies and no director has any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company (as defined in the Hong Kong Listing Rules). For information regarding the other public company directorships of the proposed directors, see “Schedule A – Corporate Governance Disclosure – Board of Directors.” For information regarding the relationship between certain proposed directors and China National Gold see “Schedule A – Corporate Governance Disclosure – Board of Directors.”

Save as disclosed herein, there is no information for each of the proposed directors of the Company which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

APPOINTMENT OF AUDITORS

Deloitte Touche Tohmatsu will be nominated at the Meeting for re-appointment as auditors of the Company to hold office until the next annual general meeting of Shareholders with their remuneration to be fixed by the board of directors. Deloitte Touche Tohmatsu was first appointed as auditors of the Company on April 1, 2010.

MANAGEMENT CONTRACTS

The management functions of the Company and its subsidiaries are not performed by a person or persons other than the directors or executive officers of the Company.

EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this information circular:

Name	Qualification
TC Capital International Limited	Independent financial adviser and a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulatory activities under the SFO.

As of the Latest Practicable Date, TC Capital had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As of the Latest Practicable Date, TC Capital had no direct or indirect interest in any assets which had been, since December 31, 2016 (the date to which the latest published audited financial statements of the Company were made), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

TC Capital has given and has not withdrawn its written consent to the issue of this information circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

PARTICULARS OF MATTERS TO BE ACTED UPON

In addition to the election of the directors and other matters disclosed elsewhere in this information circular, the board of directors is proposing that the Shareholders consider and vote upon the following matters at the Meeting:

Share Repurchase Mandate

The existing general mandate to repurchase common shares of the Company granted to the Board at the annual general and special meeting held on June 22, 2016 will expire upon the conclusion of this Meeting.

An ordinary resolution will be proposed at the Meeting to seek the approval of the Shareholders to grant a general and unconditional mandate to the board of directors of the Company to repurchase Shares up to a maximum of 10% of the aggregate number of issued Shares as at the date of the passing of the ordinary resolution set out as resolution B below (the “**Share Repurchase Mandate**”). If the resolution is passed, in the event that the Share Repurchase Mandate is exercised in full (on the basis of 396,413,753 Shares outstanding as of the Latest Practicable Date), up to 39,641,375 Shares may be repurchased by the Company as a result during the Relevant Period (as defined below).

An explanatory statement as required by the Hong Kong Listing Rules, providing the requisite information regarding the grant of the Share Repurchase Mandate is set out in Schedule B to this information circular.

Share Issue Mandate

The existing general mandate to allot, issue or otherwise deal with new Shares granted to the Board at the annual general and special meeting held on June 22, 2016 will expire upon the conclusion of this Meeting.

An ordinary resolution will be proposed at the Meeting to seek the approval of the Shareholders to grant a general and unconditional mandate to the Board to allot, issue and otherwise deal with additional Shares up to a maximum of 20% of the aggregate number of issued Shares as at the date of passing of the ordinary resolution set out as resolution A below (the “**Share Issue Mandate**”), in order to increase the flexibility for the Company to raise new capital as and when the board of directors consider appropriate. If the resolution is passed, in the event that the Share Issue Mandate is exercised in full (on the basis of 396,413,753 Shares outstanding as of the Latest Practicable Date), up to 79,282,750 new Shares may be allotted, issued and dealt with by the Company during the Relevant Period (as defined below).

Additional Share Allotment Mandate

In addition, if the Share Repurchase Mandate is granted, an ordinary resolution will be proposed at the Meeting providing that any Shares repurchased under the Share Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Share Issue Mandate (the “**Additional Share Allotment Mandate**”).

Accordingly, at the Meeting, the Shareholders will be asked to consider and if thought fit, pass with or without amendments, the following as an ordinary resolution:

RESOLVED, as an ordinary resolution:

A. “THAT:

- (a) subject to paragraph (c) of this resolution, the exercise by the board of directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with additional Shares in the share capital of the Company or securities convertible into such Shares or options, warrants, or similar rights to subscribe for any such Shares or such convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws be and is hereby generally and unconditionally approved;
- (b) the approval of paragraph (a) of this resolution shall authorize the board of directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers at any time during or after the end of the Relevant Period;

(c) the aggregate nominal amount of the share capital of the Company which may be allotted or conditionally or unconditionally agreed to be allotted (whether pursuant to an option or otherwise), issued or otherwise dealt with by the board of directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of the subscription or conversion rights attaching to any securities or warrants which may be issued by the Company or any securities which are convertible into common shares of the Company from time to time or (iii) the exercise of options granted under the stock option plan of the Company or similar arrangement from the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of common shares or rights to acquire common shares of the Company or (iv) any issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of the Company in force from time to time, shall not exceed 20% of the aggregate number of issued shares of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of the Company to be held; and
- (iii) the time of the passing of an ordinary resolution of the Company in a general meeting revoking or varying the authority set out in this resolution; and

“Rights Issue” means an offer of Shares open for a period fixed by the board of directors to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the board of directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

B. “THAT:

(a) subject to paragraph (b) of this resolution, the exercise by the board of directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase securities of the Company on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the Toronto Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognized by the Securities and Futures Commission of Hong Kong and the Hong Kong Stock Exchange for this purpose (the “Recognized Stock Exchange”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange or on the Toronto Stock Exchange or any other Recognized Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the Shares authorized to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate number of issued shares of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of the Company to be held; and
- (iii) the time of the passing of an ordinary resolution of the Company in a general meeting revoking or varying the authority set out in this resolution.”

- C. **“THAT** conditional upon the resolutions set out in paragraphs A and B above, the general mandate granted to the board of directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and otherwise deal with additional Shares in the share capital of the Company pursuant to the resolution set out in paragraph A above be and is hereby extended by the addition of an amount representing the aggregate number of issued shares of the Company repurchased by the Company under the authority granted pursuant to the resolution set out in paragraph B above, provided that such extended amount shall not exceed 10% of the aggregate number of issued shares of the Company as at the date of passing of this resolution.”

THE PROPOSED MATTERS

Continuing Connected Transactions and Major and Discloseable Transactions

Supplemental Loan Framework Agreement

On May 24, 2016, the Company entered into the original Loan Framework Agreement with China National Gold, pursuant to which the Company or any of its subsidiaries, agreed to make available to China National Gold or any of its subsidiaries, Loan(s) in an aggregate principal amount of up to US\$200 million. The approval of the original Loan Framework Agreement by the Independent Shareholders was obtained on June 22, 2016. Each Loan outstanding under the Loan Framework Agreement currently expires on July 31, 2017. On May 26, 2017 the Company and China National Gold entered into the Supplemental Loan Framework Agreement to extend the term to July 31, 2020. For further information please see Schedule D to this information circular.

Supplemental Contract for Purchase and Sale of Dore

On May 7, 2014, Inner Mongolia Pacific entered into the original Contract for Purchase and Sale of Dore with China National Gold for the purpose of regulating the sale and purchase of gold dore to be carried out between them for the three years ending December 31, 2015, 2016 and 2017. On May 26, 2017 the Company and Inner Mongolia Pacific entered into the Supplemental Contract for Purchase and Sale of Dore for an extended term commencing on January 1, 2018 and expiring on December 31, 2020. For further information please see Schedule D to this information circular.

Supplemental Product and Services Framework Agreement

On April 26, 2013, the Company entered into the original Product and Service Framework Agreement with China National Gold, pursuant to which China National Gold agreed to provide mining related services and products, to the Company for three years until June 18, 2016 in order to facilitate the Group's operations in the PRC. The Company and China National Gold entered into the first Supplemental Product and Service Framework Agreement on May 29, 2015 to add the sale and purchase of copper concentrates produced at the Jiama Mine. On May 26, 2017, the Company and China National Gold entered into the second Supplemental Product and Service Framework Agreement to extend the term to December 31, 2020 and to extend the scope of the Product and Service Framework Agreement to include leasing services to be provided by a subsidiary of China National Gold. For further information please see Schedule D to this information circular.

New Financial Services Agreement

Inner Mongolia Pacific, Huatailong and China Gold Finance entered into a Financial Services Agreement on May 29, 2015 pursuant to which China Gold Finance agreed to satisfy the financial services needs of Inner Mongolia Pacific and Huatailong within the People's Republic of China by providing the certain functions performed by financial institutions offering flexibility and favourable terms for a term of three years. On May 26, 2017 (as amended May 29, 2017), the Company and China Gold Finance entered into the New Financial Services Agreement pursuant to which China Gold Finance agreed to satisfy the financial needs of the Company and its subsidiaries (including but not limited to Inner Mongolia Pacific and Huatailong) within the People's Republic of China by providing the certain functions performed by financial institutions

on substantially the same terms as the Financial Services Agreement for a term of three years expiring on June 30, 2020. As with the Financial Services Agreement, the daily maximum deposit balance (including accumulative settlement interest) under the New Financial Services Agreement shall not exceed RMB3 billion. Upon the effectiveness of the New Financial Services Agreement (following the approval of the Independent Shareholders) the parties have agreed to terminate the original Financial Services Agreement. For further information please see Schedule D to this information circular.

Implications under the Hong Kong Listing Rules

Major Transactions

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the Supplemental Loan Framework Agreement and the Deposit Services under the New Financial Services Agreement, when calculated on an aggregated basis as mentioned above, exceed 25%, the transactions contemplated under the Supplemental Loan Framework Agreement and the Deposit Services under the New Financial Services Agreement on an aggregated basis constitute a major transaction for the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Further, as one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the leasing services under the leasing services pursuant to the Supplemental Product and Services Framework Agreement exceed 5% but are less than 25%, the transactions contemplated under the Supplemental Product and Services Framework Agreement constitute a discloseable transaction for the Company and is only subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Since the remaining transactions contemplated under the New Financial Services Agreement, the Supplemental Contract for the Purchase and Sale of Dore and the Supplemental Product and Services Framework Agreement are of a revenue nature in the ordinary and usual course of business of the Group, they are not subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Continuing Connected Transactions

As at the Latest Practicable Date, China National Gold held approximately 39.3% of the 396,413,753 number of issued Shares through China National Gold Hong Kong Limited, its wholly-owned subsidiary, and thus is the ultimate controlling shareholder of the Company. Accordingly, China National Gold is a connected person of the Company as defined under the Hong Kong Listing Rules.

The transactions contemplated under the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement, when calculated on an aggregated basis as mentioned above, exceed 5% and the anticipated transaction amount exceeds HK\$10,000,000, the transactions contemplated under the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Further, as one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the other Continuing Connected Transactions (other than the Loans Service, the settlement service and other financial services under the New Financial Services Agreement) exceed 5% and the anticipated transaction amount exceeds HK\$10,000,000, the transactions contemplated under

each of such Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to Rule 14A.90 of the Hong Kong Listing Rules, the Loan Service under the New Financial Services Agreement constitutes financial assistance to the Group, which as the Directors consider is on normal commercial terms and not secured by the assets of the Group, is fully exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, given that all the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the settlement service and other financial services under the New Financial Services Agreement does not exceed 0.1%, such settlement service and other financial services are fully exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules.

The Company will also disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Hong Kong Listing Rules.

The Independent Board Committee comprised of all the independent non-executive Directors was established by the Company to consider the terms of the Continuing Connected Transactions and the transactions contemplated thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the Meeting on the ordinary resolution(s) regarding the Continuing Connected Transactions and the transactions contemplated thereunder. The Independent Board Committee, having taken into account, among other things, the advice of TC Capital International Limited, as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard, considers that each of the Continuing Connected Transactions and the transactions contemplated thereunder have been entered into equitably, determined after arm's length negotiation and on normal commercial terms, are fair and reasonable that are in the interests of the Company and its Shareholders as a whole; and that the Group will remain able to operate independently of the controlling shareholders and its close associates. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions in respect of each of the Continuing Connected Transactions and the transactions contemplated thereunder at the Meeting.

Ordinary Resolutions

The Independent Shareholders will be asked to consider and, if thought fit, pass the following:

"RESOLVED, as an ordinary resolution that:

- (a) the Supplemental Loan Framework Agreement, as defined in the information circular of the Company dated May 31, 2017 (the "**Circular**"), as more particularly described in this information circular, be and is hereby approved;
- (b) the annual monetary cap for the transactions contemplated under the Supplemental Loan Framework Agreement, be and hereby is approved;
- (c) the Supplemental Contract for Purchase and Sale of Dore and the transactions contemplated thereunder, as more particularly described in this Circular, be and hereby is approved;
- (d) the annual monetary caps for the transactions contemplated under the Supplemental Contract for Purchase and Sale of Dore for the three years ending December 31, 2018, 2019, and 2020, as more particularly described in this Circular, be and hereby are approved;
- (e) the Supplemental Product and Service Framework Agreement and the transactions contemplated thereunder, as more particularly described in this Circular, be and hereby is approved;

- (f) the annual monetary caps for the transactions contemplated in the Supplemental Product and Service Framework Agreement for the years ending December 31, 2018, 2019, and 2020 be and hereby are approved;
- (g) the New Financial Services Agreement and the transactions contemplated thereunder, as more particularly described in this Circular, be and hereby are approved;
- (h) the annual monetary cap for the transactions contemplated in the New Financial Services Agreement for the years ending June 30, 2018, 2019, and 2020 be and hereby is approved; and
- (i) any one director of the Company be and is hereby authorized to do such acts and things and to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, under hand (or where required, under the common seal of the Company together with another director or any other person authorized by the board of directors), and to take all such steps which in the opinion of such director deems necessary, appropriate or desirable to implement and/or carry out to give effect to the terms of the foregoing resolutions."

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the foregoing resolutions.

OTHER BUSINESS

Management of the Company is not aware of any additional matters to come before the Meeting other than the matters referred to in the notice of the Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during local normal business hours up to and including June 13, 2017 Vancouver time and at 8/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and at the Company's office, One Bentall Centre, Suite 660, 505 Burrard Street, Box 27, Vancouver, British Columbia, Canada V7X 1M4:

1. Articles of the Company currently in force;
2. the Company's annual reports for the three years ended December 31, 2014, 2015 and 2016;
3. each of the material contracts as referred to in the paragraph headed "Material Contracts" set out in Schedule D to this information circular;
4. the letter from the Independent Board Committee, the text of which is set out in Schedule E to this information circular;
5. the letter from TC Capital International Limited, the text of which is set out in Schedule F to this information circular;
6. the written consent of TC Capital International Limited;
7. the Supplemental Loan Framework Agreement;
8. the Supplemental Contract for Purchase and Sale of Dore;
9. the Supplemental Product and Service Framework Agreement;
10. the New Financial Services Agreement;

11. the written resolutions of the Board dated May 26, 2017 approving, among other things, the Continuing Connected Transactions and the transactions contemplated thereunder; and
12. an announcement of the Company dated May 26, 2017 in respect of the Continuing Connected Transactions.

ADDITIONAL INFORMATION

Additional information about the Company is located on SEDAR at www.sedar.com. Financial information is provided in the Company's comparative annual financial statements and Management's Discussion and Analysis for the most recently completed financial year ended December 31, 2016. Shareholders may contact the Company to request copies of the annual financial statements and Management's Discussion and Analysis by writing to the Company's Executive Vice President and Corporate Secretary, Jerry Xie, who is a Professional Engineer with APEGGA, at the following address:

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

One Bentall Centre
Suite 660, 505 Burrard Street, Box 27
Vancouver, British Columbia V7X 1M4

DIRECTORS' APPROVAL

The contents of this information circular and its distribution to Shareholders have been approved by the Board.

The Board considers that the ordinary resolutions to set the number of directors of the Company at nine (9), to elect each of the nominated directors, to re-appoint Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year with their remuneration to be fixed by the Board, to approve the Share Issue Mandate, to approve the Share Repurchase Mandate, to approve the Additional Share Allotment Mandate, and to approve each of the Continuing Connected Transactions, the Caps thereunder, and the transactions contemplated thereunder. Accordingly, the Board recommends all Shareholders to vote in favor of the relevant resolutions at the Meeting.

SCHEDULE A
FORM 58-101F1
CORPORATE GOVERNANCE DISCLOSURE

1. Board of Directors

- (a) Disclose the identity of directors who are independent.

The Board has reviewed the independence of each director on the basis of the definitions in section 1.4 of National Instrument 52-110 (“**NI 52-110**”), as amended. A director is “independent” if he or she has no direct or indirect material relationship with the Company. A “material relationship” is one that would, or in the view of the Board could, be reasonably expected to interfere with the exercise of a director’s independent judgment. The Board has determined, after reviewing the roles and relationships of each of the directors that, at the date of this Information Circular, four of the nine nominees as members of the Board are “independent” for the purposes of NI 52-110. The Company has determined that Ian He, Yunfei Chen, Gregory Hall and John King Burns are independent non-executive directors and have no material connection to the Company, other than as directors.

- (b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

The Board has determined that Xin Song, Bing Liu, Liangyou Jiang and Xiangdong Jiang are not independent of the Company. Xin Song is not considered independent of the Company because of his role as an officer of China National Gold, the Company’s controlling shareholder and his role as a former senior officer of the Company within the previous three years. Bing Liu and Liangyou Jiang are not considered independent of the Company because of their roles as officers of China National Gold and as senior officers of the Company. Lianzhong Sun is not considered independent of the Company because of his role as an officer of China National Gold. Xiangdong Jiang is not considered independent of the Company because of his former role as a senior officer of the Company up to March 31, 2017.

- (c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board does to facilitate its exercise of independent judgment in carrying out its responsibilities.

The Board has determined that four of its nine directors are independent. The Board believes that its current size and composition results in balanced representation among management and non-management directors and enables the independent non-executive directors to adequately facilitate the exercise of independent supervision over management. The Company’s Nominating and Corporate Governance Committee is composed entirely of independent non-executive directors and monitors the disclosure of conflicts of interest by the directors and ensures that no director votes on a matter in respect of which he has a material interest. The Company’s Nominating and Corporate Governance Committee will continue to examine the size and composition of the Board and recommend adjustments from time to time to ensure that the Board continues to be of a size that facilitates effective decision-making.

- (d) If a director is presently or in the last three years a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

Name of Director	Other reporting issuer (or equivalent in a foreign jurisdiction)
Xin Song	Zhongjin Gold Corporation Limited (Shanghai Stock Exchange)
Bing Liu	Zhongjin Gold Corporation Limited (Shanghai Stock Exchange)
Lianzhong Sun	Zhongjin Gold Corporation Limited (Shanghai Stock Exchange)
Liangyou Jiang	---
Ian He	Tri-River Ventures Inc. (TSX Venture Exchange) Jiulian Resources Inc. (TSX Venture Exchange) Zhongrun Resources Investment Corporation (Shenzhen Stock Exchange) Huaxing Machinery Corp. (TSX Venture Exchange)
Yunfei Chen ⁽¹⁾	DongFeng Auto (Hong Kong Stock Exchange)
Gregory Hall ⁽²⁾	Montero Mining and Exploration Limited (TSX Venture Exchange) Zeus Uranium Ltd. (Australian Securities Exchange) Namibian Copper Limited (Australian Securities Exchange) Dateline Resources Ltd. (Australian Securities Exchange)
John King Burns ⁽³⁾	Simba Energy Inc. (TSX Venture Exchange) Urban Select Capital Corporation (TSX Venture Exchange)
Xiangdong Jiang	---

Notes:

- (1) Yunfei Chen was a former director of Asia Coal Limited (Hong Kong Stock Exchange) in the previous three years.
(2) Gregory Hall was a former director of Colossus Minerals Inc. (Toronto Stock Exchange), Laurentian Goldfields Ltd. (TSX Venture Exchange) and Triton Gold Limited (Australian Securities Exchange) in the previous three years.
(3) John King Burns was former director of NovaDx Ventures Corp. (TSX Venture Exchange), Corazon Gold Corp. (TSX Venture Exchange), Titan Goldworx Resources (CNSX) and Dolly Varden Silver Corporation (TSX Venture Exchange) in the previous three years.

- (e) Disclose whether or not the independent non-executive directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent non-executive directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent non-executive directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent non-executive directors.

Although the independent non-executive directors do not hold regularly scheduled meetings, they may meet without management being present at the request of any director. The frequency of meetings as well as the nature of agenda items changes depending upon the state of the Company's affairs and in light of opportunities or issues that the Company may face. The independent non-executive directors held four (4) meetings in 2016. In addition, each of the Board committees is composed entirely of independent non-executive directors and the independent non-executive directors and Board committee members attended four (4) meetings of the Audit Committee, one (1) meeting of the Nominating and Corporate Governance Committee, one (1) meeting of the Compensation and Benefits Committee and one (1) meetings of the Health, Safety and Environmental Committee in 2016. Since the end of the most recently completed financial year the independent non-executive directors have held an in-camera session at each Board meeting during which session non-independent directors and members of management do not attend.

The Chairman of the Audit Committee acts as the de facto lead independent non-executive director and facilitates and chairs discussions among the Company's independent directors and facilitates communication between the independent directors and the Company's management. The de facto lead independent director considers any comments or requests made by an independent director or during an in-camera session of the independent directors and determines the most appropriate action or response which may include a request for additional information or action by the Chief Executive Officer or other members of the Company's management, seeking independent legal or other advice, or any other action that the de facto lead independent director deems appropriate or advisable under the circumstances to address the comments or requests raised.

- (f) Disclose whether or not the chair of the Board is an independent non-executive director. If the Board has a chair or lead director who is an independent non-executive director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.

Mr. Song currently serves as Chairman of the Board and is not an independent non-executive director. At present, the Chairman of the Audit Committee acts as the de facto lead independent director and liaises with management and non-independent directors regarding relevant matters. The de facto lead independent director is also responsible for chairing discussions among the Company's independent directors and ensuring that the Board is able to function independently of management.

- (g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.

The following table discloses the attendance record of each director at meetings of the Board for which that director was eligible to attend during the financial year ended December 31, 2016:

Name of Director	Number of Board Meetings Attended	Number of Board Meetings Held
Executive Directors		
Xin Song	4	4
Bing Liu	4	4
Liangyou Jiang	4	4
Non-Executive Directors		
Lianzhong Sun	4	4
Xiangdong Jiang	1	4
Independent Non-Executive Directors		
Ian He	4	4
Yunfei Chen	4	4
Gregory Hall	4	4
John King Burns	4	4

2. Board Mandate

Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

BOARD MANDATE

The Board of Directors (the “**Board**”) of China Gold International Resources Corp. Ltd. (the “**Company**”) shall have the oversight responsibility, authority and specific duties as described below.

Under the *Business Corporations Act* (British Columbia), the directors of the Company are required to manage the Company’s business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Company. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board of Directors is responsible for supervising the conduct of the Company’s affairs and the management of its business. This includes setting long term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their implementation. Although the Board delegates the responsibility for managing the day to day affairs of the Company to senior management personnel, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

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

In discharging this responsibility, the Board oversees and monitors significant corporate plans and strategic initiatives. The Board’s strategic planning process includes annual and quarterly budget reviews and approvals, and discussions with management relating to strategic and budgetary issues. At least one meeting per year is to be devoted substantially to a review of strategic plans proposed by management.

The Board reviews the principal risks inherent in the Company’s business, including financial risks, through periodic reports from management of such risks. This review takes place in conjunction with the Board’s review of operations and risk issues at each Board meeting, at which time the Board assesses the systems established to manage those risks. Directly and through the Audit Committee, the Board also assesses the integrity of the internal financial control and management information systems.

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

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

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

Each Committee of the Board is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outsider advisor at the expense of the Company provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.

The roles of Chairman, Chief Executive Officer and Lead Director (if any) will be as set forth in position statements as may be established by the Board from time to time.

This Mandate will be reviewed periodically by the Board of Directors of the Company and supplemented as required from time to time.

The Roles of the Board of Directors

The Board fulfills its mandate through direct oversight, setting policy, appointing committees and appointing management. Specific responsibilities include the following:

1. Approving the issuance of any securities of the Company.
2. Approving the incurrence of any debt by the Company outside the ordinary course of business.
3. Reviewing and approving the annual and quarterly capital and operating budgets.
4. Reviewing and approving major deviations from the capital and operating budgets.
5. Approving the annual financial statements and quarterly financial statements, including the Management Discussion & Analysis, information circulars, annual information forms, annual reports, offering memorandums and prospectuses.
6. Approving material investments, dispositions and joint ventures, and approving any other major initiatives outside the scope of approved budgets.
7. Reviewing and approving the Company's strategic plans, adopting a strategic planning process and monitoring the Company's performance.
8. Reviewing and approving the Company's incentive compensation plans.
9. Determining the composition, structure, processes, and characteristics of the Board and the terms of reference of committees of the Board, and establishing a process for monitoring the Board and its directors on an ongoing basis.
10. Appointing a Nominating and Corporate Governance Committee, an Audit Committee, a Compensation and Benefits Committee and other Board Committees and delegating to any such committees powers of the Board as appropriate and legally permissible.
11. Nominating the candidates for the Board to the Shareholders, based on recommendations from the Nominating and Corporate Governance Committee.
12. Ensuring an appropriate orientation and education program for new directors is provided.
13. Determining whether individual directors meet the requirements for independence under applicable regulatory requirements.
14. Monitoring the ethical conduct of the Company and ensuring that it complies with applicable legal and regulatory requirements.

15. Ensuring that the directors that are independent of management have the opportunity to meet regularly.
16. Reviewing this Mandate and other Board policies and terms of reference for Committees in place from time to time and propose modifications as applicable.
17. Appointing and monitoring the performance of senior management, formulating succession plans for senior management and, with the advice of the Compensation and Benefits Committee, approving the compensation of senior management.
18. Ensuring policies and processes are in place for identifying principal business risks and opportunities for the Company, addressing the extent to which such risks are acceptable to the Company, and ensuring that appropriate systems are in place to manage risks.
19. Ensuring policies and processes are in place to ensure the integrity of the Company's internal control, financial reporting and management information systems.
20. Ensuring appropriate policies and processes are in place to ensure the Company's compliance with applicable laws and regulations, including timely disclosure of relevant corporate information and regulatory reporting.
21. Exercising direct control during periods of crisis.
22. Serving as a source of advice to senior management, based on directors' particular backgrounds and experience.

Organization of the Board of Directors

Independence: The Company intends to monitor best practices recommendations and to fully comply with the corporate governance requirements relating to the composition and independence of board and committee members under applicable legislation and stock exchange rules by the date of the effectiveness of such legislation and rules or earlier and, through the Nominating and Corporate Governance Committee, to identify additional qualified board candidates where required to meet such requirements.

Committees: The Company has an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation and Benefits Committee and a Health, Safety and Environmental Committee. The Company will have such other committees of the Board as may be required from time to time.

Meetings

The Board holds regular annual and quarterly meetings. Between the quarterly meetings, the Board meets on an ad hoc basis as required, generally by means of telephone conferencing facilities. As part of the annual and quarterly meetings, the independent non-executive directors also have the opportunity to meet separate from management. Management also communicates informally with members of the Board on a regular basis, and solicits the advice of Board members falling within their specific knowledge and experience. Each director shall review all Board meeting materials in advance of each meeting and shall make all reasonable efforts for attendance at all Board and Board Committee meetings.

3. Position Descriptions

- (a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the

chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.

The Board does not have written position descriptions for the Chair of the Board or of the committees. For each such position, the Chair assumes a leadership role over the relevant organization (Board or committee, as applicable) within the bounds of authority identified in the applicable Board mandate or committee charter, as applicable, including the setting of agenda items at meetings and chairing of those meetings.

- (b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.

The Board has developed position descriptions for both the CEO and the CFO. Such position descriptions were reviewed by the Nominating and Corporate Governance Committee and approved by the Board and are subject to annual review by the Nominating and Corporate Governance Committee.

4. Orientation and Continuing Education

- (a) Briefly describe what measures the Board takes to orient new directors regarding (i) the role of the Board, its committees and its directors; and (ii) the nature of the operation of the Company's business.

The Board takes steps to ensure that prospective directors fully understand the role of the Board and its committees and the contribution individual directors are expected to make, including, in particular, the commitment of time and energy that the Company expects of its directors. New directors receive a detailed briefing with the Chair of the Board and of its committees and a comprehensive information package, including pertinent corporate documents and a director's manual containing information on the duties, responsibilities and liabilities of directors. New directors are also briefed by management as to the status of the Company's business. The Nominating and Corporate Governance Committee reviews the orientation program in connection with new appointments.

To facilitate ongoing education of the Company's directors, the Nominating and Corporate Governance Committee: (i) periodically canvasses the directors to determine their training and education needs and interests; (ii) arranges ongoing visitation by the directors to the Company's facilities and operations; (iii) arranges funding for the attendance of directors at seminars or conferences of interest and relevance to their position as a director of the Company and (iv) encourages and facilitates presentations by outside experts to the Board and its committees on matters of importance.

- (b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

To facilitate ongoing education of the Company's directors, the Nominating and Corporate Governance Committee: (i) periodically canvasses the directors to determine their training and education needs and interests; (ii) arranges ongoing visitation by the directors to the Company's facilities and operations; (iii) arranges funding for the attendance of directors at seminars or conferences of interest and relevance to their position as a director of the Company and (iv) encourages and facilitates presentations by outside experts to the Board and its committees on matters of importance.

Directors have the opportunity to take courses relevant to the Company and its business, particularly with respect to corporate governance and the mining industry. As a means of facilitating continuing education opportunities for Directors, each Director is enrolled as a member of the Institute of Corporate Directors.

5. Ethical Business Conduct

- (a) Disclose whether or not the Board has adopted a written code for its directors, officers and employees. If the Board has adopted a written code:
- (i) disclose how a person or company may obtain a copy of the code;
 - (ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and disclose how a person or company may obtain a copy of the code; and
 - (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

The Company has adopted a Code of Business Conduct and Ethics applicable to its directors, officers and employees. The Audit Committee of the Board is responsible for monitoring compliance with the Code. The Code of Business Conduct and Ethics provides that the Company's employees, consultants, officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Company requires the highest standards of professional and ethical conduct from its employees, consultants, officers and directors. No material change reports have been filed since the beginning of the Company's most recently completed financial year that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

A copy of the Company's Code of Business Conduct and Ethics is located on SEDAR at www.sedar.com and is available on the Company's website at www.chinagoldintl.com. Shareholders may contact the Company to request a copy of the Code of Business Conduct and Ethics, without charge, by writing to the Company's Executive Vice President and Corporate Secretary, Jerry Xie at China Gold International Resources Corp. Ltd., One Bentall Centre, Suite 660, 505 Burrard Street, Box 27, Vancouver, British Columbia, V7X 1M4.

- (b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

The Nominating and Corporate Governance Committee monitors the disclosure of conflicts of interest to the Board and ensures that no director will vote nor participate in a discussion on a matter in respect of which such a director has a material interest. Committee Chairs perform the same function with respect to meetings of the committees of the Board.

- (c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.

The Company has developed a vision and mission statement as well as various corporate policies including a Corporate Disclosure, Confidentiality and Securities Trading policy and a Whistleblower Policy, administered by an independent third party.

6. Nomination of Directors

- (a) Describe the process by which the Board identifies new candidates for Board nomination.

The full Board determines what competencies, skills and personal qualities it should seek in new members in order to add value to the Company. Candidates for nomination to the Board are identified within the network and contacts of the Board and from various professional associations based on the competencies, skills and personal characteristics sought by the Company from time to time to advance its organizational goals as determined by the stage of development, size and complexity of the Company's business. The Nominating and Corporate Governance Committee is responsible for identifying new candidates for nomination to the Board, and for reporting to the Board on appropriate candidates. The Nominating and Corporate Governance Committee considers candidates for nomination from across the world based on the expertise of each candidate for nomination and the needs of the Company. Candidates for nomination are evaluated by the Nominating and Corporate Governance Committee based on (i) the independence of each nominee; (ii) the experience and background of each nominee; (iii) having a balance of skills for the Board and its committees to meet their respective mandates; (iv) the past performance of directors being considered for re-election; (v) applicable regulatory requirements; and (vi) such other criteria as may be established by the Board or the Nominating and Corporate Governance Committee from time to time. The Nominating and Corporate Governance Committee is responsible for assessing director performance on an ongoing basis.

- (b) Disclose whether or not the Board has a nominating committee composed entirely of independent non-executive directors. If the Board does not have a nominating committee composed entirely of independent non-executive directors, describe what steps the Board takes to encourage an objective nomination process.

The Nominating and Corporate Governance Committee of the Board is composed entirely of independent non-executive directors, being Ian He, Yunfei Chen, Gregory Hall and John King Burns.

- (c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The responsibilities of the Nominating and Corporate Governance Committee include developing the Company's approach to corporate governance, making recommendations to the Board with respect to corporate governance developments and practices, reporting to the Board on appropriate candidates for nomination to the Board and its committees and overseeing the evaluation process of the Board and its committees.

7. Compensation

- (a) Describe the process by which the Board determines the compensation for the Company's directors and officers.

The Compensation and Benefits Committee presently composed entirely of independent non-executive directors has the responsibility for recommending compensation for the Company's officers and directors to the Board. The Compensation and Benefits Committee reviews and makes recommendations to the Board regarding the adequacy and form of the compensation for non-management directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director, without comprising the director's independence. Currently, the Company pays a cash retainer to its independent non-executive directors for acting in such capacity. Ian He, receives Cdn\$4,500 per month for acting as independent non-executive director and Chairman of the Board committees and Yunfei Chen, Gregory Hall and John King Burns each receive Cdn\$4,000 per month for acting as independent

non-executive directors. In addition to their cash compensation, the independent non-executive directors may be granted stock options from time to time. No fees or commissions are paid to those directors that are not independent and no grants of stock options are permitted to such directors. The directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors.

- (b) Disclose whether or not the Board has a compensation committee composed entirely of independent non-executive directors. If the Board does not have a compensation committee composed entirely of independent non-executive directors, describe what steps the Board takes to ensure an objective process for determining such compensation.

The Board acts through its Compensation and Benefits Committee to review the adequacy and form of compensation of the directors and senior management and to ensure that such compensation realistically reflects the responsibilities and risks of such positions. All members of the Compensation and Benefits Committee are independent non-executive directors.

- (c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The responsibilities of the Company's Compensation and Benefits Committee include: (i) developing a compensation philosophy and policy; (ii) evaluating the performance of the Company's senior executive officers; (iii) reviewing the compensation of the Company's senior executive officers and top paid employees; and (iv) monitoring the Company's equity incentive arrangements. The role of the Compensation and Benefits Committee is primarily to review the adequacy and form of compensation of senior management and the directors with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the equity incentive plan of the Company if any, to determine the recipients of, and the nature and size of share compensation awards granted from time to time, to determine the remuneration of executive officers and to determine any bonuses to be awarded.

8. Other Board Committees

If the Board has standing committees other than the audit, compensation & benefits and nominating & corporate governance committees, identify the committees and describe their function.

Other than the Audit Committee, the Compensation and Benefits Committee, the Nominating and Corporate Governance Committee, the Board has a Health, Safety and Environmental Committee.

Audit Committee

The Audit Committee is responsible for overseeing the Company's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Company's financial statements, monitoring the independence and performance of the Company's external auditors and acting as a liaison between the Board and the Company's auditors. The activities of the Audit Committee typically include reviewing interim financial statements and annual financial statements, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to Shareholders, reviewing the results of internal and external audits and any change in accounting procedures or policies, and evaluating the performance of the Company's auditors. The Audit Committee communicates directly with the Company's external auditors in order to discuss audit and related matters whenever appropriate.

The members of the Audit Committee are Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Audit Committee.

Information concerning the Audit Committee of the Company, as required by National Instrument 52-110, is provided in the Company's Annual Information Form for the year ended December 31, 2016 located under the Company's profile on SEDAR at www.sedar.com.

Compensation and Benefits Committee

The Compensation and Benefits Committee is responsible for reviewing the adequacy and form of compensation of senior management, the directors and top paid employees with such compensation realistically reflecting the responsibilities and risks of such positions, for determining the recipients of, and the nature and size of share compensation awards granted from time to time, for determining the remuneration of executive officers and for determining any bonuses to be awarded.

The members of the Compensation and Benefits Committee are Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Compensation and Benefits Committee. For more information on the Compensation and Benefits Committee see "*Compensation Discussion and Analysis*".

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board with respect to developments in the area of corporate governance and the practices of the Board. The Nominating and Corporate Governance Committee has expressly assumed responsibility for developing the Company's approach to governance issues. The Nominating and Corporate Governance Committee is also responsible for reporting to the Board with respect to appropriate candidates for nomination to the Board, and for overseeing the execution of an assessment process appropriate for the Board and its committees to evaluate the performance and effectiveness of the Board.

When identifying candidates for election or appointment to the Board, the Nominating and Corporate Governance Committee is guided by the principles of its diversity policy adopted by the Company in 2013, setting out the diversity criteria representing genders, age, cultural communities and geographic areas. The Company recognizes and embraces the benefits of diversity of Board members. The Nominating and Corporate Governance Committee works hard to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including, but not limited to, (i) business experience; (ii) specialized skills and other experiences; (iii) race, ethnicity, international background, gender and age; (iv) applicable regulatory requirements; and (v) issues involving possible conflicts of interest. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

No measurable objectives for achieving diversity were specifically set by the Nominating and Corporate Governance Committee at this time, other than the recruitment of the most suitable candidate for a position.

The Nominating and Corporate Governance Committee adopted a majority voting policy for the election of the board of directors pursuant to the TSX requirements of listed companies. The policy states that should a board nominee not receive more than 50% of the votes cast in favour of his or her appointment, the director nominee is compelled to resign.

The members of the Nominating and Corporate Governance Committee are Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Nominating and Corporate Governance Committee.

Health, Safety and Environmental Committee

The Health, Safety and Environmental Committee is responsible for assisting the board of directors in its oversight responsibilities relating to the development, implementation and evaluation by management of

the Company's health, safety and environmental objectives and social responsibility programs and for monitoring compliance with applicable health, safety and environmental laws and regulations.

The members of the Health, Safety and Environmental Committee are Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Health, Safety and Environmental Committee.

9. Assessments

Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.

The Nominating and Corporate Governance Committee of the Board is responsible for overseeing the assessment process for the Board and its committees on an ongoing-basis. It has developed and is continuing to refine an assessment process for the Board and each of its committees.

In order to facilitate the ongoing assessment of the effectiveness of the Board and its committees, each director is required, at least annually, to assess the members of the Board and each committee of which he is member.

The Nominating and Corporate Governance Committee has initiated a process whereby it reviews and approves a Board effectiveness survey that is forwarded to the members of the Board on an annual basis. The survey covers a wide range of issues and allows for comments and suggestions.

10. Director Term Limits and Other Mechanisms of Board Renewal

Directors can be re-elected to the Board annually. The Board has not adopted a term limit for directors or established a retirement age for directors. The Company believes that the imposition of director term limits implicitly discounts the value of experience and continuity on the Board and runs the risk of excluding effective Board members who have longstanding knowledge of the Company and its operations as a result of an arbitrary determination. The Board believes that it can achieve the right balance between continuity and encouraging turnover and independence without mandated term limits and relies on its annual director assessment procedures in this regard.

11. Policies Regarding the Representation of Women on the Board

- (a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.

The Company has adopted a diversity policy which includes consideration of women in the selection criteria of the new Board members

- (b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy:
- (i) a short summary of its objectives and key provisions:

The objective of the diversity policy is to enhance diversity within the Company, including gender diversity on its Board and executive management.

During 2013, the Nominating and Corporate Governance Committee adopted a diversity policy setting out the approach to diversity of members of the Board. The Company recognizes and embraces the benefits of diversity of Board members. The Nominating and Corporate Governance Committee works hard to ensure that the Board has a balance of skills, experience and diversity of

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

- (ii) the measures taken to ensure that the policy has been effectively implemented:
- (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and
- (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.

The diversity policy was implemented in March, 2013. There are no measurable objectives for achieving diversity at this time.

12. Consideration of the Representation of Women in the Director Identification and Selection Process

Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.

In accordance with its Diversity Policy, the Board considers diversity, including gender diversity, in the selection criteria of new Board members.

13. Consideration Given to the Representation of Women in Executive Officer Appointments

Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.

In accordance with its Diversity Policy, the Company considers diversity, including gender diversity, in the selection criteria of new executive officer appointments.

14. Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

- (a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.

In accordance with its Diversity Policy, the Company has not adopted a target or quota regarding women on its Board or executive management, as it considers gender diversity to be part of a broader diversity goal which includes age, gender, ethnicity, cultural background, disability or other personal factors. Diversity, including gender diversity, is one aspect of merit which includes an individual's skills, performance, values, leadership and other job related criteria. While the Board is not setting any targets initially, it will monitor progress and could decide to do so in the future if progress is not being made in obtaining appropriate diversity.

- (b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.

In accordance with its Diversity Policy, the Company has not adopted a target or quota regarding women on its Board or executive management, as it considers gender diversity to be part of a broader diversity goal which includes age, gender, ethnicity, cultural background, disability or other personal factors. Diversity, including gender diversity, is one aspect of merit which includes an individual's skills, performance, values, leadership and other job related criteria. While the Board is not setting any targets initially, it will monitor progress and could decide to do so in the future if progress is not being made in obtaining appropriate diversity.

- (c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.

In accordance with its Diversity Policy, the Company has not adopted a target or quota regarding women on its Board or executive management, as it considers gender diversity to be part of a broader diversity goal which includes age, gender, ethnicity, cultural background, disability or other personal factors. Diversity, including gender diversity, is one aspect of merit which includes an individual's skills, performance, values, leadership and other job related criteria. While the Board is not setting any targets initially, it will monitor progress and could decide to do so in the future if progress is not being made in obtaining appropriate diversity.

- (d) If the issuer has adopted a target referred to in either (b) or (c), disclose:

- (i) the target, and
- (ii) the annual and cumulative progress of the issuer in achieving the target.

Not applicable.

15. Number of Women on the Board and in Executive Officer Positions

- (a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.

The Company's Board currently does not have any members who are women.

- (b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.

None of the Company's executive officers were women, and one executive of the Company's subsidiary executive officers was a woman.

SCHEDULE B

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

EXPLANATORY STATEMENT SHARE REPURCHASE MANDATE

This Schedule serves as an explanatory statement, as required by the Hong Kong Listing Rules, to provide requisite information to the Shareholders for their consideration of the Share Repurchase Mandate.

HONG KONG LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Hong Kong Listing Rules permit companies whose primary listing is on the Hong Kong Stock Exchange to repurchase their shares on the Hong Kong Stock Exchange, Toronto Stock Exchange or other stock exchange subject to certain restrictions. The Company is empowered by its Articles to repurchase its own shares.

SHARE CAPITAL

As of the Latest Practicable Date, the issued and outstanding share capital of the Company comprised of 396,413,753 fully paid up common Shares. Subject to the passing of the repurchase resolution and on the basis that no further shares are issued or repurchased prior to the Meeting, the Company would be allowed to repurchase up to a maximum of 39,641,375 fully paid up common shares under the Share Repurchase Mandate during the Relevant Period, representing 10% of the number of issued shares of the Company as of the Latest Practicable Date.

REASONS FOR THE REPURCHASES

The Board believes that the flexibility afforded to them by the Share Repurchase Mandate would be in the best interests of the Company and the Shareholders. Repurchases pursuant to such mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or the earnings per share and will only be made when the Board believes that such actions will benefit the Company and the Shareholders as a whole. Notwithstanding the foregoing, any repurchase of the Company's securities as contemplated in the Share Repurchase Mandate will still require compliance with Canadian securities laws and, the rules and regulations of the Toronto Stock Exchange and the Hong Kong Listing Rules.

FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Articles and the *Business Corporations Act* (British Columbia). It is expected that the Company will fund any repurchase of Shares from its available internal resources.

Pursuant to the *Business Corporations Act* (British Columbia), a company may not redeem or repurchase any of its share capital if it is insolvent at the time of such redemption or repurchase or, if by virtue of such redemption or repurchase, would become insolvent.

IMPACT ON THE WORKING CAPITAL OR GEARING POSITION

If the Share Repurchase Mandate is exercised in full at any time during the Relevant Period, there may be a material adverse effect on the working capital requirements of the Company or its gearing levels, as compared with the position disclosed in the Company's audited financial statements for the year ended

December 31, 2016 (the most recent published audited financial statements). However, the Board does not propose to exercise such mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company at the time of the relevant repurchases unless the Board determines that such repurchases are, taking into account of all relevant factors, in the best interests of the Company.

SHARE PRICES

The highest and lowest prices at which the Company's shares have been traded on the Hong Kong Stock Exchange during each of the following months preceding the issue of this information circular were as follows:

	Per Share	
	Highest HK\$	Lowest HK\$
2016		
May	15.16	12.60
June	15.48	12.74
July	15.70	13.62
August	15.38	13.88
September	19.18	14.50
October	19.88	17.34
November	21.00	16.50
December	17.14	11.50
2017		
January	15.32	12.06
February	19.36	15.30
March	18.10	14.52
April	16.40	13.20
May (up to the Latest Practicable Date)	13.34	11.76

EFFECT OF THE CODE OF TAKEOVERS AND MERGERS OF HONG KONG (“TAKEOVERS CODE”)

A shareholder's proportionate interest in the voting rights of the Company will increase upon the Company's exercise of its powers to repurchase shares pursuant to the Share Repurchase Mandate, and such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase in his/her or their shareholding interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As of the Latest Practicable Date, China National Gold, through its wholly owned subsidiary, CNGGHK, held 155,794,830 Shares, representing 39.3% of the outstanding shares of the Company. On the basis that no further Shares are issued or repurchased prior to the Meeting and in the event that the Board exercises in full the power to repurchase Shares pursuant to the Share Repurchase Mandate, the shareholding interest held by China National Gold (through CNGGHK) would be increased to approximately 43.67% of the issued share capital of the Company. Such increase would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. In such an event, the Board will take all steps necessary to comply with the Hong Kong Listing Rules and Takeovers Code.

In addition, assuming that there is no issue of Shares between the Latest Practicable Date and the date of repurchase, an exercise of the Share Repurchase Mandate whether in whole or in part will not result in less than 25% of the issued share capital of the Company being held by the public, being the prescribed minimum percentage of shares required under the Hong Kong Listing Rules. The Board has no intention to

exercise the Share Repurchase Mandate to the extent that it may result in a public shareholding of less than the prescribed minimum percentage under the Hong Kong Listing Rules.

DIRECTORS, THEIR CLOSE ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Hong Kong Listing Rules), has any present intention to sell Shares to the Company in the event that the Share Repurchase Mandate is approved by the Shareholders.

The Company has not been notified by any core connected person (as defined in the Hong Kong Listing Rules) of the Company that he has a present intention to sell Shares to the Company or has undertaken not to sell Shares held by him to the Company in the event that the Share Repurchase Mandate is approved by the Shareholders.

UNDERTAKING OF DIRECTORS

The Directors have undertaken to the Hong Kong Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the Share Repurchase Mandate in accordance with the Hong Kong Listing Rules, Canadian laws and the Articles of the Company.

SHARE PURCHASE MADE BY THE COMPANY

The Company has not purchased any of its Shares whether on the Hong Kong Stock Exchange or otherwise in the six months preceding the Latest Practicable Date.

SCHEDULE C

DEFINITIONS

In this information circular, unless the context otherwise requires, the following expressions have the following meanings:

“AGM” or the “Meeting”	the annual general meeting and special meeting of the Company to be held on Wednesday, June 28, 2017 at 9:00 am in Vancouver, British Columbia, Canada (Thursday, June 29, 2017 Hong Kong time), to consider and, if appropriate, to approve the matters set out in this information circular, or any adjournment thereof;
“Board”	the board of Directors;
“Bonds”	the US\$500,000,000 aggregate principal amount of 3.5% unsecured bonds issued by the Company’s wholly-owned subsidiary, Skyland Mining (BVI) Limited on July 10, 2014;
“Borrower”	with respect to the Supplemental Loan Framework Agreement, China National Gold or any of its subsidiaries;
“Caps”	with respect to the relevant Continuing Connected Transactions, the various annual caps of such transactions individually or in the aggregate (as the case may be), as set out in Schedule D to this information circular;
“Cdn”	Canadian dollars, the lawful currency of Canada;
“China Gold Finance”	China Gold Group Finance Co. Ltd., a subsidiary of China National Gold existing under the laws of PRC;
“China National Gold”	China National Gold Group Corporation, the ultimate controlling shareholder of the Company currently holding approximately 39.3% of the issued share capital of the Company through China National Gold Hong Kong Limited, its wholly-owned subsidiary;
“CNGGHK”	China National Gold Group Hong Kong Limited
“Company”	China Gold International Resources Corp. Ltd., a limited liability company incorporated under the laws of British Columbia, Canada with its Shares listed on both the Hong Kong Stock Exchange and the Toronto Stock Exchange;
“connected person(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules;
“Continuing Connected Transactions”	the transactions contemplated under the Supplemental Loan Framework Agreement, the Supplemental Contract for the Purchase and Sale of Dore, the Supplemental Product and Service Framework Agreement, the New Financial Services Agreement, the Caps thereunder (where applicable), and the transactions contemplated thereunder, which constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules;

“CSH Mine”	Chang Shan Hao mine, a gold mine located in Wulate Zhong Qi in Inner Mongolia, in which the Company holds a 96.5% interest through Pacific PGM (Barbados) Inc., its wholly-owned subsidiary incorporated in Barbados;
“Directors”, each a “Director”	the directors of the Company;
“Group”	the Company and its subsidiaries (as defined under the Hong Kong Listing Rules);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Huatailong”	Tibet Huatailong Mining Development Co., Ltd., a limited liability company incorporated in the PRC which owns and operates the Jiama Mine, in which the Company holds a 100% interest through Skyland Mining Limited and Tibet Jia Ertong Mining Development Co., Ltd., its wholly-owned subsidiaries;
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors;
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulatory activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Continuing Connected Transactions;
“Independent Shareholders”	the Shareholders (other than China National Gold and any of its associates) who do not have a material interest in the transactions contemplated under the Continuing Connected Transactions, and are not required to abstain from voting at the Meeting to approve the Continuing Connected Transactions, the Caps thereunder, and the transactions contemplated thereunder;
“Inner Mongolia”	Inner Mongolia Autonomous Region of the PRC;
“Inner Mongolia Pacific”	Inner Mongolia Pacific Mining Co. Limited, a cooperative joint venture company incorporated in the PRC which owns and operates the CSH Mine and in which the Company holds a 96.5% interest through Pacific PGM (Barbados) Inc., its wholly-owned subsidiary incorporated in Barbados;
“Jiama Mine”	Jiama Copper-Gold Polymetallic Mine located in Tibet, China. Jiama hosts a large scale copper-gold polymetallic deposit consisting of copper, gold, molybdenum, silver, lead and zinc. It is owned and operated by the Group through the Company’s indirect wholly-owned subsidiary Huatailong;

“Latest Practicable Date”	May 29, 2017, being the latest practicable date before printing of this information circular for ascertaining information contained herein;
“Lender”	with respect to the Supplemental Loan Framework Agreement, the Company or any of its subsidiaries;
“Loan(s)”, and each a “Loan”	with respect to the Supplemental Loan Framework Agreement, the loans to be provided by the Lender to the Borrower in an aggregate principal amount of up to US\$200 million on the terms set out in the Supplemental Loan Framework Agreement;
“Loan Facility”	the loan facility agreement entered into between Huatailong and a syndicate of banks on November 3, 2015 pursuant to which the banks agreed to lend to the aggregate principal amount of RMB3.98 billion, approximately US\$627 million;
“New Financial Services Agreement”	the financial services agreement dated May 26, 2017 (as amended May 29, 2017) between China Gold Finance and the Company pursuant to which China Gold Finance will provide financial services and banking services;
“PRC”	the People’s Republic of China, excluding, for the purpose of this information circular only, Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan;
“Proposed Bond Issue”	the proposed issuance of unsecured bonds by the Company’s wholly-owned subsidiary, Skyland Mining (BVI) Limited of up to US\$500 million to refinance the indebtedness represented by the Bonds;
“Provider”	with respect to the New Financial Services Agreement, China Gold Finance as the provider of financial services and banking services;
“Recipient”	with respect to the New Financial Services Agreement, the Company or its subsidiaries as the recipient of financial services and banking services;
“Record Date”	May 15, 2017 Vancouver time (being May 16, 2017 Hong Kong time), being the record date fixed for the determination of the Shareholders who are entitled to receive the notice of, and to attend and vote at, the Meeting or adjournment thereof;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong);
“Shareholder(s)”	holder(s) of Share(s);
“Share(s)”	share(s) of the Company;
“Supplemental Contract for the Purchase and Sale of Dore”	the Contract for the Purchase and Sale of Dore dated May 7, 2014, as amended on May 26, 2017, between China National Gold and Inner Mongolia Pacific pursuant to which China National Gold purchases dore from the CSH Mine;

“Supplemental Loan Framework Agreement”	the Loan Framework Agreement dated May 24, 2016, as amended on May 26, 2017 entered into between the Company and China National Gold, pursuant to which the Company or any of its subsidiaries has agreed to make available to China National Gold and any of its subsidiaries the Loan(s) in an aggregate principal amount of up to US\$200 million;
“Supplemental Product and Services Framework Agreement”	the Product and Services Framework Agreement dated April 26, 2103, as amended on May 29, 2015 and May 26, 2017 between China National Gold and the Company pursuant to which China National Gold with its subsidiaries will provide services and products to the Company, and China National Gold will purchase copper concentrates produced from the Jiama Mine;
“Toronto Stock Exchange” or “TSX”	The Toronto Stock Exchange of Toronto, Canada;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Zhongjin Gold Corporation”	Zhongjin Gold Corporation Limited is a limited liability company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange; and China National Gold holds approximately 50% of its issued shares; and
“%”	percent.

SCHEDULE D

LETTER FROM THE BOARD OF DIRECTORS

Dear Shareholders,

INTRODUCTION

Reference is made to the Company's announcement dated May 26, 2017 in relation to the Supplemental Loan Framework Agreement, the Supplemental Contract for Purchase and Sale of Dore, the Supplemental Product and Services Framework Agreement, the New Financial Services Agreement, the Caps thereunder, and the transactions contemplated thereunder.

The main purpose of this information circular is to provide you with more information and request your approval of the ordinary resolution(s) regarding the Continuing Connected Transactions and the transactions contemplated thereunder as set out in the accompanying notice and information circular of the Meeting.

Unless the context requires otherwise, terms and expressions defined in the accompanying information circular to the Shareholders dated May 31, 2017 shall have the same meanings in this letter.

CONTINUING CONNECTED TRANSACTIONS AND MAJOR AND DISCLOSEABLE TRANSACTIONS

Supplemental Loan Framework Agreement

On May 24, 2016, the Company entered into the Loan Framework Agreement with China National Gold, pursuant to which the Company or any of its subsidiaries, agreed to make available to China National Gold or any of its subsidiaries, Loan(s) in an aggregate principal amount of up to US\$200 million. The approval of the Loan Framework Agreement by the Independent Shareholders was obtained on June 22, 2016, Each Loan outstanding under the Loan Framework Agreement currently expires on July 31, 2017. Please refer to the information circular of the Company dated May 24, 2016 for details. On May 26, 2017 the Company and China National Gold entered into an agreement pursuant to which the parties agreed to extend the term of the Loan Framework Agreement to July 31, 2020.

A. Key terms of the Supplemental Loan Framework Agreement

Date:	May 24, 2016, as amended on May 26, 2017
Parties:	(a) China Gold International Resources Corp. Ltd. and/or any of its subsidiaries, as lender (collectively, the " Lender "); and (b) China National Gold and/or any of its subsidiaries, as borrower (collectively, the " Borrower ").
Aggregate principal amount	Up to a maximum of US\$200 million. The Borrower may request to draw Loan(s) in one or multiple tranches from the date on which the approval of the Supplemental Loan Framework Agreement by the Independent Shareholders is obtained, based on the Company having sufficient available funds to make available the Loan(s). Any repaid principal amounts of the Loan(s) will refresh the facility amount available for drawing within the term of the Supplemental Loan Framework Agreement provided the aggregate principal amount of all Loan(s) outstanding at any time will not exceed US\$200 million.
Maturity Date:	Maturing July 31, 2020.

- Interest:** A fixed interest rate per annum equal to the interest rate applicable to the Proposed Bond Issue plus annualized issuance expenses shall accrue on the principal amount of the Loan(s) calculated from the drawdown date of such tranche, and shall remain unchanged during the term of such tranche until the Maturity Date.
- The Proposed Bond Issue is expected to be completed after the date of the Meeting. The interest rate under the Proposed Bond Issue has not been set as of the Latest Practicable Date, but the parties to the Supplemental Loan Framework Agreement have agreed to set the interest rate under the Supplemental Loan Framework Agreement as a fixed rate of interest based on the interest rate applicable to the Proposed Bond Issue.
- The interest rate was agreed to by the Company and the Borrower with reference to commercial practice and arm's length negotiations taking into account the Company's current and anticipated cost of capital to ensure that the interest income would be sufficient to pay the Company's interest payment obligations under the Proposed Bond Issuance.
- Security:** The Loan(s) to be advanced under the Supplemental Loan Framework Agreement will be unsecured.
- Repayment:** The Borrower may, in respect of each Loan, at any time prior to the Maturity Date repay such Loan(s) in whole or in part (and/or the interest accrued thereon, from the date of drawdown until the actual date of repayment), without any penalty at any time after such Loan(s) have been advanced, upon 3 days' notice to the Company.
- Conditions:** The Supplemental Loan Framework Agreement is conditional on the Company completing the Proposed Bond Issue. It is anticipated that the Proposed Bond Issuance will be completed in late June or early July 2017 prior to the maturity of the Bonds. If the Proposed Bond Issue is not completed the Supplemental Loan Framework Agreement will terminate even if shareholder approval has been obtained.

B. Reasons for and benefits of the Supplemental Loan Framework Agreement

In determining the aggregate principal amount under the original Loan Framework Agreement in 2016, the Company considered its cash and cash equivalents of US\$116.2 million as of March 31, 2016, the progress of its projects, the development and financial needs of the Group during the term of the original Loan Framework Agreement, the level of exposure of counterparty risk by the Group and its current requirements for at least the next twelve (12) months. As of December 31, 2016, the Company had advanced an aggregate of US\$158.5 million to the Borrower at an interest rate of 3.9% and had undeployed available cash of an aggregate of US\$59.9 million.

The Directors consider that the extension of the Supplemental Loan Framework Agreement to July 31, 2020 will enable the Company to continue to reduce the level of its idle cash and its funding strength, through the reasonable allocation of resources and increasing its funding utilization rate. The Directors consider that the Supplemental Loan Framework Agreement has been beneficial to the Group and consider it prudent to extend the term of the Supplemental Loan Framework Agreement to July 31, 2020.

The Loan(s) to be provided to the Borrower under the Supplemental Loan Framework Agreement have been and are intended to continue to be funded from the internal resources of the Group. The Company, either directly or through its subsidiaries, will make available its uncommitted cash. The Company holds certain funds outside of the PRC to facilitate its business objective of pursuing international acquisitions of mineral projects. The transactions contemplated by the Supplemental Loan Framework Agreement will enable the Company to reserve a return on such funds pending the identification of an acquisition opportunity. Accordingly, the scope of the Supplemental Loan Framework Agreement is only for funds

outside of the PRC, in contrast to the New Financial Services Agreement. The currently outstanding Loans are significantly comprised of proceeds of the Company's US\$500 million Bonds at a financing rate of 3.5% per annum completed on July 18, 2014. The deployment as a Loan under the original Loan Framework Agreement improved the Group's capital efficiency and better utilized its financial resources by earning interest income in United States dollars to align with the currency of its interest expense obligations. The current interest rate of the Bonds is 3.5% per annum and the interest rate under the Loans is 3.9%. The Company anticipates that the interest rate for the Proposed Bond Issuance will be comparable to the current interest rate under the Loans, and will reflect current market interest rates.

The Company is currently preparing to carry out the Proposed Bond Issue prior to the maturity of the Bonds on July 17, 2017. The Supplemental Loan Framework Agreement is conditional on the completion of the Proposed Bond Issue. The Company considers that the transactions contemplated by the Supplemental Loan Framework Agreement provide significant flexibility in managing its capital structure as it enables the Company to raise debt capital to fund future acquisitions while also managing net interest expenses that are incurred prior to the identification and completion of such future acquisitions.

The Company also took into account additional funding available from its Loan Facility entered into between Huatailong and a syndicate of banks on November 3, 2015 pursuant to which the banks agreed to lend the aggregate principal amount of RMB3.98 billion, approximately US\$627 million subject to a floating rate, currently set at 2.83% per annum, set by the People's Bank of China Lhasa Center Branch's interest rate benchmark, discounted by 7 base points (or 0.07%). As of March 31, 2017, the Company has drawn down approximately US\$458.7 million from the Loan Facility. Please refer to the announcement of the Company dated November 3, 2015. Given the favourable borrowing cost of the Loan Facility, the Group will be able to continue to generate additional profit at a relatively low risk level by taking advantage of the interest rate differentials between the Loan Facility and the anticipated interest rate under the Supplemental Loan Framework Agreement.

The Group estimates the additional profit to be generated from Loan(s) under the Supplemental Loan Framework Agreement to be a minimum US\$800,000 based on 3.9% per annum interest less the Group's annualized finance costs (assuming the interest rate under the Proposed Bond Issue remains 3.5% per annum and the annualized offering expenses amount to 0.3% to result in a 3.9% interest rate under the Supplemental Loan Framework Agreement). Therefore the Group has determined that the Supplemental Loan Framework Agreement will be profitable and is therefore considered to be in the interest of the Company and the Shareholders as a whole. Even if the interest rate under the Proposed Bond Issue is higher than 3.5% per annum, since the interest rate under the Supplemental Loan Framework Agreement is based on such rate the Group will not incur a loss.

At the time a drawdown request is received by the Company, the Company will evaluate its currently available cash, the amount and terms of the available credit under the Loan Facility, the cash flow forecast of the Company, risk analysis of operations and potential interest income receivable from such Loan(s), to ensure it is able to meet its sufficient working capital prior to accepting the request for drawdown and entering into a Loan. The Company will not accept the request for drawdown should the cost of borrowing exceed the interest rate it will charge.

The advancement of any Loan(s) under the Supplemental Loan Framework Agreement will depend on the cash requirement of the Borrower, as well as the amount of available cash of the Lender. At all times, the Company reserves the right to refuse the request by the Borrower, for any drawdown request for Loan(s) and neither the Company nor the Borrower shall have any obligations or liability towards each other in the event such request is refused. In respect of each Loan, individual loan agreement(s) will be entered into between the Lender and the Borrower setting out the interest rate as agreed, the loan amount and the repayment term before the drawdown is funded. The aggregate principal amount of all Loan(s) under the Supplemental Loan Framework Agreement will not exceed US\$200 million.

The terms of the Supplemental Loan Framework Agreement, including the interest rate, were agreed by the Company and China National Gold after arm's length negotiations with reference to the commercial practice of making a profit and preserving capital as its main goals, taking into account the Group's finance

costs (i.e. the interest rate of 3.5% per annum for the Bonds, the interest rate of 2.83% for the Loan Facility and anticipated interest rate for the Proposed Bond Issue) and the existing cash balance of the Group.

To the extent the Borrower is a subsidiary of China National Gold, each of the subsidiary of China National Gold and China National Gold will be obligated to cause such subsidiary to satisfy the obligations of the Borrower under the Supplemental Loan Framework Agreement and will be liable for any breach under the Supplemental Loan Framework Agreement by such subsidiary. The Loan(s) would be unsecured based on China National Gold's credit rating and financial status. China National Gold has a favourable credit rating (as shown below), and has a strong financial status (through its ability to obtain significant loan facilities also shown below). The Loan(s) may also be guaranteed by other parties based on the circumstances of each Loan.

China National Gold is a centrally state owned Chinese gold corporation and is the only enterprise in the gold industry in the PRC that explores, produces and processes gold with a grade of Au99999. It is the largest gold producer in the PRC and possesses the largest gold refinery facility in the PRC. It has excellent credibility in the gold industry in the PRC and also has a very good financial history having obtained over US\$10 billion in loan facilities from banks without collateral or security. It has received a BBB rating by Standard and Poor, with a AAA rating by Chinese rating firm.

The Group has a long term cooperative relationship with China National Gold mutually benefiting from a collaborative relationship with a wide view of dealings including overall cost reduction. Since any indebtedness from the Group is considered by China National Gold to represent internal inter-corporate indebtedness, it will not affect China National Gold's indebtedness on a fully consolidated basis.

In addition, pursuant to the terms and conditions of the Supplemental Loan Framework Agreement, the Loan(s), in one or multiple drawdowns, are limited to China National Gold and its subsidiaries, thereby reducing the risk that the Company may otherwise be exposed to if the Loan(s) were provided to unrelated entities. At the time a drawdown request is received by the Company, the Company will evaluate its currently available cash, the amount and terms of the available credit under the Loan Facility, the cash flow forecast of the Company, risk analysis of operations and potential interest income receivable from such Loan(s), to ensure it is able to meet its sufficient working capital prior to accepting the request for drawdown and entering into a Loan.

As set out above, individual loan agreement(s) will be entered into between the Lender and the Borrower in respect of each Loan setting out the interest rate as agreed, the loan amount and the repayment term before the drawdown is funded.

Although it is not the Company's ordinary business to provide external financing, the Directors (including independent non-executive Directors whose views are set out in Schedule E to this information circular), believe that the provisions of the Supplemental Loan Framework Agreement and any Loan(s) advanced thereon will benefit the Company in the long run and will be able to generate additional profit at a relatively low risk level, having considered the above reasons together with (i) the current market norm in relation to similar transactions, (ii) the costs of providing the Loan(s) to the Borrower, (iii) the fact that the interest income to be generated by Loan(s) would be higher than the interest income received from depositing undeployed funds in US dollars in a financial institution in Hong Kong (based on prevailing interest rates) and would also be beneficial to support additional cash flow income to better manage the Group's United States dollar denominated interest payment obligations, and (iv) the continued ability of China National Gold to repay Loan(s) and fund interest expenses thereunder, are of the view that the Supplemental Loan Framework Agreement and the transactions contemplated thereunder have been entered into equitably, determined after arm's length negotiation and on normal commercial terms and the terms of the Supplemental Loan Framework Agreement are fair and reasonable that are in the interests of the Company and its Shareholders as a whole.

Furthermore, as the Group is accounted for as a subsidiary in the financial statements of China National Gold, the costs of finance and overall performance of the Group will be reflected in the accounts of China National Gold on a consolidated basis. China National Gold considers that the advancement of any Loan(s)

by the Group (which may be funded by available idle cash) will be a more cost-efficient way for China National Gold taken as a whole to satisfy its financing needs. By contrast, if China National Gold borrows from another party that is not its subsidiary, it would increase its overall indebtedness on a consolidated basis.

Each of Mr. Xin Song (Chairman and executive Director), Mr. Bing Liu (executive Director), Mr. Lianzhong Sun (non-executive Director) and Mr. Liangyou Jiang (executive Director) are considered to have a conflict of interest in the transactions contemplated under the Supplemental Loan Framework Agreement due to their senior management positions held in China National Gold. All of them abstained from voting on the relevant resolutions at the Board meeting to approve the Supplemental Loan Framework Agreement. All the remaining Directors have confirmed at such Board meeting that they have no material interest in the transactions contemplated under the Supplemental Loan Framework Agreement.

C. Internal Control Measures

In order to secure the Shareholders' interests and ensure the terms of the Supplemental Loan Framework Agreement and the transactions contemplated thereunder and the Cap are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (a) the fact that no Loan under the Supplemental Loan Framework Agreement is required to be advanced unless the Company confirms it has sufficient working capital for its current requirements for at least the next twelve (12) months;
- (b) the terms of the Loan(s) are fixed for the term (including the interest rate) and are set out in the Supplemental Loan Framework Agreement,
- (c) the Company will conduct continuous reviews of the Borrower to evaluate each Borrower's credit, capacity, collateral and character; as well as its own financial position prior to acceptance of a drawdown request. Individual loan agreements will be prepared for each Borrower;
- (d) the Company's financial reporting department monitors on a monthly and quarterly basis the amounts advanced under the Loan(s), interest accruable and payable, anticipated interest payable through to the maturity of such Loan(s) and compliance with the Cap; and
- (e) the Company's financial reporting department continually monitors working capital independent of China National Gold.

D. Proposed cap and basis of determination for cap under the Supplemental Loan Framework Agreement

The Company proposes to maintain the cap for the Supplemental Loan Framework Agreement at US\$208 million, which is the same as the cap for the initial term of the Supplemental Loan Framework Agreement that expires on July 31, 2017. Based on having US\$158.5 million advanced under a Loan as at December 31, 2016, and an additional US\$59.9 million of undeployed capital in US dollars as at December 31, 2016, the Company considered that the current cap is reasonable and appropriate and should be maintained through to the year ended July 31, 2020. Even though not all of the original aggregate principal amount of US\$200 million was advanced in the original term the Company anticipates that it will have the capacity to do so during the term of the Supplemental Loan Framework Agreement.

The cap assumes that the aggregate principal amount of the Supplemental Loan Framework Agreement is outstanding at all times throughout the year, which accounts for any refreshment of Loan(s). Moreover, as at December 31, 2016 the Company had a buffer amount of US\$59.9 million that had not been deployed, which provides additional comfort that the cap will not be exceeded.

Supplemental Contract for the Purchase and Sale of Dore

On May 7, 2014, Inner Mongolia Pacific entered into the original Contract for Purchase and Sale of Dore with China National Gold for the purpose of regulating the sale and purchase of gold dore to be carried out between them for the three years ending December 31, 2015, 2016 and 2017. Please refer to the information circular of the Company dated May 14, 2014 for details. On May 26, 2017 the Company and Inner Mongolia Pacific entered into the Supplemental Contract for Purchase and Sale of Dore for a term commencing on January 1, 2018 and expiring on December 31, 2020.

A. Key terms of the Supplemental Contract for the Purchase and Sale of Dore

- Date:** May 7, 2014, as amended on May 26, 2017
- Parties:** (a) Inner Mongolia Pacific (as the seller); and
(b) China National Gold (as the purchaser)
- Subject Matter:** The sale and purchase of gold dore bars and silver by-products produced at the CSH Mine owned and operated by Inner Mongolia Pacific in Inner Mongolia, China.
- Term:** Subject to the approval of the Independent Shareholders at the Meeting and compliance with other requirements under the Hong Kong Listing Rules, effective until December 31, 2020.
- Payment Terms:** Pricing for gold dore bar products is referenced to the price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange at the time and date to be notified by the seller to the purchaser at least 48 hours prior to delivery of shipment of gold dore bars less RMB0.95 per gram, multiplied by the settlement weight. The amount of RMB0.95 per gram to be deducted from the quoted price is the cost of refining gold dore bars by the purchaser which was determined based on and is consistent with prevailing market practice and with historical transactions between the Group and independent third parties. At current and anticipated prices of gold during the term of the Supplemental Contract for Purchase and Sale of Dore, the refining cost is expected to equal the costs incurred by the purchaser, but is not anticipated to be less than the purchaser's costs so there is a potential for a very small profit element which the Company considers to be de minimis.
- Pricing for silver by-products is referenced to the price of No. 2 silver at the Shanghai Huatong Platinum & Silver Exchange at the time and date to be notified by the seller to the purchaser at least 48 hours prior to delivery of shipment of silver by-products less RMB0.5 per gram, multiplied by the settlement weight. The amount of RMB0.5 per gram to be deducted from the quoted price is the cost of refining silver by-products which was determined based on and is consistent with prevailing market practice and with historical transactions between the Group and independent third parties. At current and anticipated prices of silver during the term of the Supplemental Contract for Purchase and Sale of Dore, the refining cost is expected to equal the costs incurred by the purchaser, but is not anticipated to be less than the purchaser's costs so there is a potential for a very small profit element which the Company considers to be de minimis. .
- Settlement shall take place three working days after China National Gold has received the material at the refinery unless samples are sent to an umpire analysis. Inner Mongolia Pacific shall deliver an invoice to China National Gold for the resulting settlement weight, and China National Gold will have 30 calendar days to effect payment to Inner Mongolia Pacific.

The Board is of the view that making references to unit price of gold and silver in the two exchanges located in Shanghai is fair and reasonable having considered that (i) the Company's principal market of gold dore bar products and silver by-products is in PRC, (ii) the Shanghai Gold Exchange and the Shanghai Huatong Platinum & Silver Exchange are the two most influential non-ferrous metal exchanges in PRC and (iii) it is the prevailing market and industry practice to determine price of gold and silver with reference to these two exchange platforms in the PRC.

The Board considers that granting 30 days credit period to China National Gold is fair and reasonable having considered (i) contract terms negotiated at arm's length with independent third parties and (ii) prevailing market and industry practice. It is also the industry practice to take into account the refinery cost in determining the settlement price of gold dore bars and silver by-products.

B. Reasons for and benefits of the Supplemental Contract for Purchase and Sale of Dore

The reasons for and benefits of the Supplemental Contract for Purchase and Sale of Dore mainly include:

- (a) the Group (including Inner Mongolia Pacific) has established a long-term cooperative relationship with China National Gold since 2008 in similar transactions and given Inner Mongolia Pacific has the flexibility to determine the timing of sale (as it is entitled but not obligated to designate one delivery date per week, and may cancel any shipment without penalty up to two working days prior to the relevant delivery date), therefore, the Supplemental Contract for Purchase and Sale of Dore will provide the Group with a ready buyer of the gold dore bars and silver by-products produced at the CSH Mine and the Group (including Inner Mongolia Pacific) is able to execute the transactions with China National Gold with more flexibility and on more favourable terms;
- (b) China National Gold, being the largest gold producer in China, has good credibility in the industry. This lends assurance to the Group (including Inner Mongolia Pacific) that risks it may face conducting business with China National Gold would be low;
- (c) the terms and conditions of the Supplemental Contract for Purchase and Sale of Dore are unchanged from the original Contract for Purchase and Sale of Dore entered into in 2014. To date, the original Contract for Purchase and Sale of Dore has been well executed which further demonstrates the good cooperative relationship between Inner Mongolia Pacific and China National Gold as well as the credibility of China National Gold;
- (d) the pricing term under the Supplemental Contract for Purchase and Sale of Dore is fair, reasonable and beneficial to Inner Mongolia Pacific; and
- (e) gold production at the CSH Mine is expected to remain stable at current levels for proposed term of the Supplemental Contract for Purchase and Sale of Dore.

C. Proposed annual caps and basis of determination for annual caps under the Supplemental Contract for the Purchase and Sale of Dore

Set out below are (1) the existing annual caps for the three years ending December 31, 2017 under the Supplemental Contract for Purchase and Sale of Dore; (2) the actual transaction amount for the two years ended December 31, 2016 and two months ended February 28, 2017; (3) the proposed annual cap for the financial years ending December 31, 2018, 2019 and 2020.

	For the financial year ended December 31					
	2015	2016	2017	2018	2019	2020
The existing annual Caps (RMB' Million)	2,275	2,438	2,470			
The actual transaction amounts (RMB' Million)	1,511	1,575	198 (Jan – Feb)			
Utilisation Rate (%)	66%	65%	48% (Jan – Feb)			
Annual Caps (RMB' Million)				2,700	2,700	2,700

The annual caps of RMB2,700 million have been determined with reference to (i) the expected sales volume of gold dore at 7.4 tonnes (i.e. 7.4 million gram) per year, (ii) the expected sales price of gold dore at RMB260.0 per gram and (iii) the expected price volatility of gold dore of approximately 40%. The Company has taken into account only the sales of gold dore bars in determining the annual caps without consideration of the sales of silver by-products under the Supplemental Contract for the Purchase and Sale of Dore, as silver by-products are not material to the content of the dore and are reflected in the calculation of the volatility of gold since historically a material increase in the price of gold usually results in a comparable increase in the price of silver. The Company factored into this determination the expansion of the CSH Mine which is anticipated to result in expanded production versus historical production, together with an allowance for a possible increase in the price of gold from the prevailing prices in effect from 2015 to 2017 if metal prices recover from the recent downturn.

The Directors (including the independent non-executive Directors) consider that (i) the transactions under the Supplemental Contract for Purchase and Sale of Dore will be entered into in the ordinary course of business of the Group; (ii) the terms of the Supplemental Contract for Purchase and Sale of Dore are normal commercial terms and are fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (iii) the annual monetary caps for the transactions contemplated under the Supplemental Contract for Purchase and Sale of Dore for the three years ending December 31, 2018, 2019 and 2020 are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

D. Internal Control Measures

In order to secure the Shareholders' interests and ensure the terms of the Supplemental Contract for Purchase and Sale of Dore and the transactions contemplated thereunder and the Cap are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (a) the Company will conduct continuous reviews of the prevailing market price for gold and silver on the Shanghai Gold Exchange and Shanghai Huatong Platinum & Silver Exchange;
- (b) the Company's financial reporting department monitors on a monthly and quarterly basis a reconciliation to the cap for the Supplemental Contract for Purchase and Sale of Dore; and
- (c) the Company's auditors review the transactions completed under the Supplemental Contract for Purchase and Sale of Dore and the caps thereunder and report to the independent non-executive directors.

Supplemental Product and Service Framework Agreement

A. Background

On April 26, 2013, the Company entered into the original Product and Service Framework Agreement with China National Gold, pursuant to which China National Gold will provide mining related services and products, to the Company in order to facilitate the Group's operations in the PRC. On May 29, 2015 the Company and China National Gold entered into the first Supplemental Product and Service Framework Agreement to add the sale and purchase of copper concentrates produced at the Jiama Mine and extended the term to December 31, 2017. Please refer to the information circulars of the Company dated May 21, 2013 and May 29, 2015 for details. On May 26, 2017 the Company and China National Gold entered into the second Supplemental Product and Service Framework Agreement to extend the term to December 31, 2020 and to extend the scope of the Supplemental Product and Service Framework Agreement to include leasing services to be provided by Zhongxin International Financial Leasing (Shenzhen) Co. Ltd., the shares of which are 80% owned by China National Gold.

B. Key terms of the Supplemental Product and Service Framework Agreement

1. Amendment Agreement

Date:	May 26, 2017
Parties:	(a) the Company; and (b) China National Gold
Amendments:	(a) extend the scope of the Supplemental Product and Service Framework Agreement to include leasing services to be provided by Zhongxin International Financial Leasing (Shenzhen) Co. Ltd., the shares of which are 80% owned by China National Gold (b) extend the term of the Supplemental Product and Service Framework Agreement to expire on December 31, 2020
Effect:	(a) the other terms of the original Product and Service Framework Agreement to remain unchanged (as amended by the first Supplemental Product and Service Framework Agreement) (b) the amendments under the second Supplemental Product and Service Framework Agreement to become effective subject to the approval of the Independent Shareholders at the meeting.

2. Supplemental Product and Service Framework Agreement

Subject matter:	China National Gold will provide mining related services and products in order to facilitate the Group's operations in the PRC. China National Gold will also purchase copper concentrate produced at the Jiama Mine.
Term:	Subject to the approval of the Independent Shareholders at the meeting, effective until December 31, 2020.
Products and services provided:	The products and mining development services encompass the following: (a) stripping and related work in mine planning and development; (b) mining research, development and design and related engineering services; (c) environmental, safety and occupational health management services;

- (d) tendering agency service;
- (e) office lease;
- (f) copper concentrate sales;
- (g) auxiliary mining equipment and materials; and
- (h) mining equipment leasing services to be provided by a subsidiary of China National Gold.

The products and services relate to mining development and planning for daily mining operations in addition to copper concentrate sales.

Selection providers suppliers

The provider for each category of services and products will be determined by the Company through an arm's length negotiation process or an open market tendering process, depending on the number of potential providers or suppliers in the market for a particular product or service. Where prices are to be determined through arms' length negotiation, in order to ensure that the pricing is fair and reasonable and in line with market practices, the Company has adopted the following measures (the "Internal Measures"): (i) the applicable purchase department will have regular contact with market providers or suppliers (including China National Gold) to keep abreast of market developments and pricing trends;(ii) before entering into an individual purchase agreement, the Company will invite at least three providers or suppliers (including China National Gold) to submit quotations or proposals; and (iii) the Company will have the providers or suppliers and pricing of the products determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval. They will compare the quotations or proposals received and assess the same based on various factors such as pricing and other terms. The Company utilizes open market tendering processes to the maximum extent possible, and generally only utilizes arm's length negotiations for products and services which are not subject to the pricing requirements under the relevant PRC laws and regulations and where there are no comparable historical prices or no active market such that an open market tendering process would be unlikely to result in the required product or service at the best possible price and terms. The tendering process would be conducted strictly in compliance with Law of the People's Republic of China on Tenders and Bids. The Company treats all bidders equally in the tendering process and will accept the proposal of the winning bidder, be it China National Gold or any other bidder.

Pricing and Payment:

Payment terms are determined as follows:

Services, Auxiliary Equipment and Materials

The pricing and payment parameters for services relates to each of stripping and related work, mining research, development and design and related services, environmental, safety and occupational health management services; tendering agency service, office leasing services and equipment leasing services.

The pricing of the services rendered and auxiliary equipment and materials provided under the Supplemental Product and Service Framework Agreement shall be determined based on the following:

- (a) prices as may be stipulated by the PRC governmental department responsible for setting such prices or its local bureaus (if any);
- (b) should there be no such prices stipulated by the PRC governmental department respectively for setting such prices or its local bureaus, but

there exists an active trading market, prices may be determined by an offering of tender of at least three independent quotes;

- (c) should there be no such prices stipulated by the PRC governmental department respectively for setting such prices or its local bureaus, and there is no active trading market, prices will be determined by comparison to identical or similar historical prices (based on the assessment of three independent quotes submitted under (b) above plus the review of prices for comparable products and services); or
- (d) otherwise, at an agreed upon price consisting of the actual costs plus a reasonable profit margin in accordance with market practice for comparable products and services in the mining industry in China. The reasonable profit margin will be determined after arm's length negotiations in accordance with the Internal Measures and with reference to profit margin of prevailing market for the services and products as contemplated under the Supplemental Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval, and with reference to (i) at least three quotations (including one obtained from China National Gold and two obtained from independent third parties, which provide the same or similar services or products), and (ii) comparing the estimated costs of China National Gold in providing the relevant services as assessed by the Group's relevant internal experts with the quotations obtained, and then submitting to the deputy general manager or the general manager for final approval.

The pricing basis for each of the above services shall fall into category (b) above given the fact that there is active trading markets in China. If category (b) for each of the above services cannot be followed, the Company will consider category (c) and if category (c) cannot be followed, then category (d). All pricing and payment terms will be set out in a specific contract for such products and services. A key principle stipulated in the Supplemental Product and Service Framework Agreement is that payment terms shall not be less favourable than those offered or received by independent third parties.

Copper Concentrate Sales

The pricing of the copper concentrate sold under the Supplemental Product and Service Framework Agreement shall be referenced to the pricing principles for connected transactions set out under the original Product and Service Framework Agreement, as follows:

- (a) prices as may be stipulated by the PRC governmental department respectively for setting such prices or its local bureaus (if any);
- (b) if there are no such stipulated prices but an active market exists, prices as may be determined by offering of tender;
- (c) if there are no such stipulated prices and also no active market, prices as with reference to identical or similar transacted prices as observed from the market; otherwise;
- (d) an agreed price consisting of the actual costs plus a reasonable profit margin. The reasonable profit margin will be determined after arm's length negotiations in accordance with the Internal Measures and with reference

to profit margin of prevailing market for the services and products as contemplated under the Supplemental Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval, and with reference to (i) at least three quotations (including one obtained from China National Gold and two obtained from independent third parties, which provide the same or similar services or products), and (ii) comparing the actual costs of the Group. The pricing basis for the sales and purchase of copper concentrates between the Group and China National Gold shall fall into category (b) above given the fact that there is active markets for copper, gold and silver in China. If category (b) for each of the sales and purchase of copper concentrates cannot be followed, the Company will consider category (c) and if category (c) cannot be followed, then category (d). The settlement price of the Group's copper concentrates shall be referenced to the publicly available quotation from international recognized commodity exchanges in China such as (i) the spot contract of the standard cathode copper in Shanghai Futures Exchange, (ii) the price of Au9995 gold ingot in the Shanghai Gold Exchange, and (iii) the No.3 GB silver in the Shanghai White Platinum & Silver Exchange prevailing at the time of each purchase order.

China National Gold represented and warranted in the Supplemental Product and Service Framework Agreement that the terms offered to the Company are not less favourable than those offered to independent third parties. The Group has in place internal control measures for choosing between China National Gold and other independent third party buyers for the Group's copper concentrates. Under such measures, the Group will select the successful buyer of the Group's products including the copper concentrates by the way of tender. In particular, before entering into specific purchase and sales contract with the potential buyers, at least 3 quotations from different parties (including China National Gold) will be obtained by the Group and the Group will assess each potential buyer based on the following criteria:

- (a) Pricing terms
- (b) Payment terms
- (c) Payment ability (with the assessment on historical payment record of potential buyers)
- (d) Volume of intended transactions (buyers with the ability to take up a large volume of the Group's products will be preferred)

The screening process, rationale and result on the potential buyers will be documented and submitted to the senior management of the Group for review and final approval before entering into specific purchase and sales contract with the successful buyers.

After considering the above including the pricing basis and the internal control measures mentioned above, the Directors are of the view that the transactions contemplated under the Supplemental Product and Service Framework Agreement will be conducted on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Equipment Leasing Services

The pricing and payment parameters for equipment leasing services relates to equipment leasing which may include one or more sale and leaseback transactions.

The pricing of the equipment leasing services rendered under the Supplemental Product and Service Framework Agreement shall be determined based on the following:

- (a) prices and rates as may be stipulated by the PRC governmental department responsible for setting such prices or its local bureaus (if any);
- (b) should there be no such prices or rates stipulated by the PRC governmental department respectively for setting such prices or its local bureaus, but there exists an active trading market, prices may be determined by an offering of tender;
- (c) should there be no such prices stipulated by the PRC governmental department respectively for setting such prices or its local bureaus, and there is no active trading market, prices will be determined by comparison to identical or similar historical prices; or (d) otherwise, at an agreed upon price consisting of the actual costs plus a reasonable profit margin in accordance with market practice for comparable leasing services in the mining industry in China. The reasonable profit margin will be determined after arm's length negotiations in accordance with the Internal Measures and with reference to profit margin of prevailing market for leasing services as contemplated under the Supplemental Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval, and with reference to (i) at least three quotations (including one obtained from China National Gold and two obtained from independent third parties, which provide the same or similar leasing services and/or leasing finance services), and (ii) comparing the estimated costs of China National Gold in providing the relevant services as assessed by the Group's relevant internal experts with the quotations obtained, and then submitting to the deputy general manager or the general manager for final approval.

The pricing basis for each of the above services shall fall into category (b) above given the fact that there is active trading markets in China. If category (b) for each of the above services cannot be followed, the Company will consider category (c) and if category (c) cannot be followed, then category (d). All pricing and payment terms will be set out in a specific contract for such products and services. A key principle stipulated in the Supplemental Product and Service Framework Agreement is that payment terms shall not be less favourable than those offered or received by independent third parties.

C. Basis for the proposed revision to the Supplemental Product and Service Framework Agreement

The reasons for and benefits of the Supplemental Product and Service Framework Agreement mainly include:

- (a) the ability to leverage on China National Gold's expertise in mining related services like mining and stripping, exploration, research and development, mining design, its centralized procurement system and its technological capabilities to maximize productivity;
- (b) with respect to sales of copper concentrate, in view of the unfavourable copper market for copper producers, by entering such agreement, the Company can leverage on China National Gold's strong melting and purchase capabilities; and
- (c) with respect to leasing services, providing the Company with an alternative source of funding and potentially reduce the taxation expense of the Group since equipment leasing costs would be recorded as operating expenses as opposed to capitalized acquisitions of equipment, which then reduce the operating profits at the operating subsidiary level which would reduce taxes payable at such level.

D. Proposed annual caps and basis of determination for annual caps under the Supplemental Product and Service Framework Agreement

Set out below are (1) the existing annual caps for the three years ending December 31, 2017 under the Supplemental Product and Service Framework Agreement; (2) the actual transaction amount for the two years ended December 31, 2016 and two months ended February 28, 2017; and (3) the proposed annual caps under the Supplemental Product and Service Framework Agreement for the years ending December 31, 2018, 2019 and 2020.

	For the financial year ended 31 December					
	2015	2016	2017	2018	2019	2020
The existing annual Caps (RMB' Million)	5,123	5,800	7,067			
The actual transaction amounts (RMB' Million)	931	672	202 (Jan – Feb)			
Utilisation Rate (%)	18%	12.0%	17%] (Jan – Feb)			
Annual Caps (RMB' Million)				11,400	11,400	11,400

Set out below are: (i) the actual transaction amount by product and services types under the Product and Service Framework Agreement for the two years ended December 31, 2016 and (ii) the basis used by the Group to determine the annual caps of RMB11,400 million for each of the three financial years ending 31 December 2020.

	For the financial year ended 31 December		
	2015	2016	2018-2020
	Actual	Actual	Proposed
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Stripping and related services	728	210	140
Mining research	1	2	17
Product supervision	3	3	5
Mining design	20	13	20
Mine development and construction	-	-	398
Environmental, safety and occupational health management	6	12	10
Tendering agency service	7	6	10
Office lease	7	8	8
Auxiliary equipment	28	22	37
Copper concentrates	131	396	7,000
Leasing Services	-	-	500
Subtotal	931	672	8,145
40% buffer	N/A	N/A	3,255
	931	672	11,400

According to the above table, other than (i) mining research, development and design and related services, (ii) sales of copper concentrates and (iii) the new leasing services, the proposed transaction amounts for other types of products and services assumed by the Company in determining the annual caps are similar to the historical transaction amount in the prior years. The increase in mining research, development and design and related services is attributable to the Company's ongoing ramp up and expansion of its Jiama Mine, in particular the ramp-up of the Phase II Series I expansion which is scheduled to be completed in mid-2017 and will require significant technical services in that time. The increase in sales of copper concentrates is due to the expanded capacity of the Jiama Mine and the anticipated recovery of copper prices. The Company established a 40% buffer in the determination of annual caps to take into account potential fluctuation in the price of copper.

E. Internal Control Measures

In order to secure the Shareholders' interests and ensure the terms of the Supplemental Product and Service Framework Agreement and the transactions contemplated thereunder and the Cap are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted certain internal control measures.

All specific contracts under the Supplemental Product and Service Framework Agreement are provided from the mine sites to the Company's corporate office through its record management system (OA) for review by the legal team. After the contract is approved by management, all contracts above a pre-authorized value are provided to the Company's independent non-executive directors to review and approve.

The Company's legal manager is responsible for maintaining a record of all contracts and for monitoring transactions processed under such contracts. On a quarterly basis, the legal manager is responsible for verifying the transaction total directly with the finance department of the mine sites. The report is then provided to the independent auditors, who review all contracts from the mine sites to verify transaction amounts. The audited report on continuing connected transactions will then be provided to the Company's independent non-executive directors for review.

F. Reasons for and benefits of revising the Supplemental Product and Service Framework Agreement

The reasons for and benefits of the Supplemental Product and Service Framework Agreement mainly include:

- (a) China National Gold is the largest gold production enterprise in the PRC and is engaged in survey design, resources development, production, sale and construction in relation to minerals such as gold, silver, copper and molybdenum. The Group can leverage on China National Gold's expertise in mining related services like mining and stripping, exploration, research and development, mining design, its centralized procurement system and its technological capabilities to maximize productivity at the CSH Mine and the Jiama Mine.
- (b) The Directors are of the view that the Supplemental Product and Service Framework Agreement will effectively facilitate the Group's operations in the PRC.
- (c) As required under the Price Law of the PRC, the relevant rules, regulations and measures formulated and promulgated thereunder and other applicable PRC laws and regulations, merchandise and services prescribed thereunder will be subject to the pricing requirements thereunder or the prices stipulated in the price catalogs issued by the central government or local governments at the provincial, autonomous regional and municipal levels of the PRC from time to time. Should the services or products provided for the transactions under the Supplemental Product and Service Framework Agreement fall within the scope of such pricing requirements or the applicable price catalogs issued by the PRC government at the relevant time, the prices of such services or products will be determined in accordance with the prices stipulated under such requirements or such catalogs. Should there be no such prices stipulated by the PRC government but there exists an active trading market, prices may be determined by an offering of tender. Should there be no such prices stipulated by the PRC government and there is no active trading market, prices will be determined by comparison to identical or similar historical prices. For transactions which are not subject to the pricing requirements under the relevant PRC laws and regulations and where there are no comparable historical prices or no active market, the prices will be determined through arm's length negotiations between the parties after taking into account the actual costs and reasonable profit margin, which will be determined after arm's length negotiations and with reference to profit margin of prevailing market for the services and products as contemplated under the Supplemental Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined with reference to the quotations obtained from independent third parties, which provide the same or similar services or products.
- (d) Where prices are to be determined through arms' length negotiation, in order to ensure that the pricing is fair and reasonable and in line with market practices, the Company has adopted the following measures: (i) the applicable purchase department will have regular contact with market providers or suppliers (including China National Gold) to keep abreast of market developments and pricing trends; (ii) before entering into an individual purchase agreement, the Company will invite certain providers or suppliers (including China National Gold) to submit quotations or proposals; and (iii) the Company will have the providers or suppliers and pricing of the products determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval. They will compare the quotations or proposals received and assess the same based on various factors such as pricing and other terms.
- (e) Where prices are to be determined through the application of a cost plus profit margin, the profit margin must fall into the range of the pre-agreed arm's length range, which is equal to or no favourable than those provided by China National Gold to any independent third-party. The Company anticipates that based on previous experience, there are only a very minor number of

services may fall into this category. Historically, the pre-agreed arm's length range of profit margin is 10% to 30% and the Company expects that range would continue to be applied.

- (f) The strong procurement capacity of copper concentrates of China National Gold, which is anticipated to result in stronger pricing capacity for copper concentrates produced at the Jiama Mine.
- (g) The addition of leasing services is anticipated to provide the Group with an alternative source of funding and to potentially reduce the taxation expense of the Group in the future. It will also enable the Company to leverage the significant amount of fixed assets on its balance sheet.

The Directors (including the independent non-executive Directors) consider that (i) the revisions to the transactions under the Supplemental Product and Service Framework Agreement will be entered into in the ordinary course of business; (ii) the terms of the Supplemental Product and Service Framework Agreement are normal commercial terms and are fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (iii) the proposed annual monetary caps for the transactions contemplated under the Supplemental Product and Service Framework Agreement for years ending December 31, 2018, 2019 and 2020 are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

New Financial Services Agreement

Inner Mongolia Pacific, Huatailong and China Gold Finance entered into a Financial Services Agreement on May 29, 2015 pursuant to which China Gold Finance agreed to satisfy the financial services needs of Inner Mongolia Pacific and Huatailong within the People's Republic of China by providing the certain functions performed by financial institutions offering flexibility and favourable terms for a term of three years. Please refer to the information circular of the Company dated May 29, 2015 for further details. On May 26, 2017 (as amended May 29, 2017), the Company and China Gold Finance entered into the New Financial Services Agreement pursuant to which China Gold Finance agreed to satisfy the financial needs of the Company and its subsidiaries (including but not limited to Inner Mongolia Pacific and Huatailong) within the People's Republic of China by providing the certain functions performed by financial institutions on substantially the same terms as the Financial Services Agreement for a term of three years expiring on June 30, 2020. The scope of the New Financial Services Agreement only extends to finance services within the PRC in accordance with the license of China Gold Finance with the China Banking Regulatory Commission. As with the Financial Services Agreement, the daily maximum deposit balance (including accumulative settlement interest) under the New Financial Services Agreement shall not exceed RMB3 billion. Upon the effectiveness of the New Financial Services Agreement (following the approval of the Independent Shareholders) the parties have agreed to terminate the original Financial Services Agreement.

A. Key terms of the New Financial Services Agreement

Date:	May 26, 2017 (as amended May 29, 2017)
Parties:	(a) the Company, as the Recipient; and (b) China Gold Finance, as the Provider
Subject matter:	Financial Services provided by China Gold Finance to the Recipient and/or its controlling subsidiaries include deposits, loans, settlement services, financial advisory and other financial services within the People's Republic of China.
Term:	From the date of the approval of the Financial Services Agreement by the Independent Shareholders at the Meeting to June 30, 2020.
Description:	China Gold Finance will provide the financial services set out below. China Gold Finance undertakes to provide the Recipient with high quality and efficient financial services.

Deposit Service

China Gold Finance will accept deposits from the Recipients, up to a maximum amount of daily deposit balance (including accumulative settlement interest) not to exceed RMB3,000 million during the term of the Financial Services Agreement. Each of the deposit service, the loan service, the settlement service and other financial services mentioned above will be conducted separately and independently from one another, although the terms of these services are set out in the Financial Services Agreement as opposed to in separate agreements. However, the Recipient will not simultaneously enter into loan transactions and make deposits under the New Financial Services Agreement where the interest rate for loans is higher than the interest rate for deposits.

Further, no security over the Group's assets will be given in favour of China Gold Finance for each type of service to be provided under the Financial Services Agreement.

Loan Service

China Gold Finance will provide funds circulation services, such as loans and guarantees of financial obligations of the Recipients. The loans are to be provided on a similar basis as the Recipient and its subsidiaries are currently subject to in dealings with the major domestic commercial banks within the People's Republic of China, but not when the Recipient has available cash that has been deposited with China Gold Finance pursuant to deposit services set out above. The Recipient and its subsidiaries will not grant any security interest over their assets for loans made under the Financial Services Agreement. In the event the Recipient is unable to repay any loans, China Gold Finance will have the only recourse under the contract to sue for damages for that particular loan. China Gold Finance will not have any recourse against the Recipient under such contracts that affect any deposits provided by the Group under the Financial Services Agreement (including but not limited to any right whatsoever relating to the control, offset or other disposal of such deposits).

Settlement Service

China Gold Finance will provide settlement services such as collection, payment or internal settlement services.

Other Financial Services

China Gold Finance will provide financial advisory services, credit appraisal services and other services approved by the China Banking Regulatory Commission.

Payment terms: Payment terms are determined as follows:

Deposit Service

Deposit interest rates will be the higher of (i) the benchmark rates established by the Chinese central bank for the same period and the same type, (ii) the same type of deposit interest rate at the same period from the major domestic commercial banks, and (iii) the interest rate for deposits made by China National Gold or its subsidiaries at the same period. The benchmark rate applied in 2016 was 0.35%.

Loan Service

Loan interest rates will be the lower of (i) the benchmark rates established by the Chinese central bank for the same period and the same type of loan, (ii) the interest rate for the same type of loans at the same period from the major domestic commercial banks, and (iii) the interest rate for comparable loans made to China National Gold or its subsidiaries at the same period. The benchmark rate applied in 2016 was 4.35%.

Settlement Service

China Gold Finance will provide settlement services at a fee equal to the lower of (i) the fees publicly quoted by the major domestic commercial banks for the same type of services, and (ii) the fees charged to China National Gold or its subsidiaries by China Gold Finance for the same type of services. The benchmark rates to be applied are set by government regulation.

Other Financial Services

China Gold Finance will provide other financial services at a fee equal to the lower of (i) the fees publicly quoted by the major domestic commercial banks for the same type of services, and (ii) the fees charged to China National Gold or its subsidiaries by China Gold Finance for the same type of services. The benchmark rates to be applied are set by government regulation.

B. Proposed caps and basis of determination for caps under the New Financial Services Agreement

The following table sets out the proposed daily caps for the years indicated.

PERIOD	2018 FINANCIAL YEAR	2019 FINANCIAL YEAR	2020 FINANCIAL YEAR
DAILY DEPOSIT BALANCE AND FEES	RMB 3 billion	RMB 3 billion	RMB 3 billion

The Company's estimate that the daily caps for the maximum daily balance of the deposit for each of the three years ending June 30, 2020 is RMB3,000,000,000 after considering the current operations and development plan of the Recipient. After giving effect to the expansion of the Jiama Mine and factoring in possible acquisitions that the Company is pursuing, the Company anticipates its revenues, and therefore its overall cash flows, will increase which will generate more utilization under the New Financial Services Agreement. The Company has also taken into account its current and anticipated daily deposit balance for the Recipient and its subsidiaries under the current Financial Services Agreement. During the term of the Financial Services Agreement the utilization by the Company increased each year from 2015 to 2017, and the maximum daily deposit balance was approximately RMB 485 million. However, the Company is positioning itself for additional growth through the establishment of the proposed cap.

The proposed daily cap is based on deposit services plus anticipated settlement services. However, the Company expects that any settlement services provided will be in conjunction with deposits made under the Financial Services Agreement and can be included within the current cap. The Company agreed to pay settlement fees and other financial service fees under the New Financial Services Agreement as it was a windfall for the Company under the Financial Service Agreement currently in effect and was a loss incurred by China Gold Finance. Through independent negotiations the Company agreed to modify those payment terms for the New Financial Services Agreement.

C. Basis for the New Financial Services Agreement

In arriving at the reasons to enter the New Financial Services Agreement, the Company has considered the following factors:

- (a) the New Financial Services Agreement will enable all of the existing and potential new members of the Group to continue to utilize the financial services provided by China Gold Finance;
- (b) the interest rate payable for the Recipient's deposits with China Gold Finance shall be the higher of the interest rate payable by major domestic commercial banks in the PRC for comparable deposits, benchmark rates established by the Chinese central bank, and interest rates for deposits made by China National Gold and its subsidiaries. Accordingly, such interest shall be payable by China Gold Finance on a basis that is not less favourable to the Recipients than other financial institutions;
- (c) the interest rate to be charged for the loans to be provided by China Gold Finance to either Recipient shall be the lower of the rate charged by major domestic commercial banks in the PRC for comparable loans, the benchmark rates established by the Chinese central bank and interest rates for loans made to China National Gold. Accordingly, such interest shall be payable on a basis that is not less favourable to the Recipients than other financial institutions;
- (d) the service fees charged for settlement services, financial and financing advisory services to be provided by China Gold Finance will be equal to the lower of fees charged by major domestic commercial banks in the PRC and fees charged to China National Gold or its subsidiaries for comparable services;
- (e) China Gold Finance shall ensure the prudent management of its business and the strict compliance with the risk control indicators for financial institutions issued by the China Banking Regulatory Commission ("**CBRC**");
- (f) China Gold Finance is required under the terms of the Financial Services Agreement to provide financial services at terms that are not inferior to the terms for the same type of services provided by the major domestic commercial banks and by China Gold Finance to China National Gold and its subsidiaries;
- (g) China National Gold has excellent credibility in the gold industry and also has a very good financial history;
- (h) the Group has a long term cooperative relationship with China National Gold;
- (i) China Gold Finance is regulated by the CBRC and must adhere to the relevant rules, regulations and measures formulated and promulgated thereunder and other applicable PRC laws and regulations issued by the central government or local governments at the provincial, autonomous regional and municipal levels of the PRC from time to time;
- (j) China Gold Finance has been in operation since 2015 and has established a good track record of performance under the financial services agreement currently in effect;
- (k) the New Financial Services Agreement will not cause significant financial impact to the Company or its subsidiaries.

D. Internal Control Measures

In order to secure the Shareholders' interests and ensure the terms of the New Financial Services Agreement and the transactions contemplated thereunder and the Cap are on normal commercial terms or

terms not more favourable than those available to independent third parties, the Company has adopted certain internal control measures.

The Company's accounting group continuously monitors prevailing benchmark rates for deposits and short term loans rates established by major domestic commercial banks within the PRC to ensure that pricing under the New Financial Services Agreement is consistent with the procedures set out in the Financial Services Agreement.

The Company also reconciles the amount of all daily deposits and short term loans under the New Financial Services Agreement on a monthly and quarterly basis to ensure that such amounts are within the cap.

E. Reasons for and benefits of the New Financial Services Agreement

The reasons for and benefits of the Financial Services Agreement mainly include:

- (a) The rates on loans, guarantees and deposits to be offered by China Gold Finance to the Recipient's will be equal to or more favourable than those offered by major domestic commercial banks in the PRC.
- (b) The settlement service and other financial services will be provided under the Financial Services Agreement at fees that are equal to or more favourable than those offered by major domestic commercial banks in the PRC so notwithstanding that such services were previously provided for no fee the net benefit to the Company is still maintained and the overall terms considered favourable.
- (c) China Gold Finance will be regulated by the CBRC and provides its services in accordance with the rules and operational requirements of these regulatory authorities. In addition, capital risks are reduced through the introduction of the risk control measures stipulated in the Financial Services Agreement.
- (d) The Recipient is expected to benefit from the China Gold Finance's better understanding of the operations of the Recipient which will allow more expedient and efficient services than those rendered by other major domestic commercial banks. For example, in the event that the Recipient considers that it necessary to obtain a loan and guarantee from China Gold Finance in view of its business and financial needs, it is expected that the time required for the examination and approval of the loans and guarantee to be provided by China Gold Finance will be shorter than that required by other major domestic commercial banks.
- (e) Pursuant to the relevant regulations of the CBRC, the customers of China Gold Finance are limited to entities affiliated with China National Gold and its subsidiaries, thereby reducing the risks that China Gold Finance may otherwise be exposed to if its customers include other entities unrelated to China National Gold.
- (f) China National Gold, being the largest gold producer in China and 100% owned by the Chinese central government, has good credibility in the industry. This lends assurance to the Company that risks it may face conducting business with China National Gold (including China Gold Finance) would be low.
- (g) The terms under the Financial Services Agreement are fair, reasonable and beneficial to the Company;
- (h) The Directors (including the independent non-executive Directors) considers that the terms of the Financial Services Agreement and the daily caps in respect of the maximum daily balance of deposit and the maximum fees (where applicable) payable for other financial services under the Financial Services Agreement are fair and reasonable and are entered into on normal commercial

terms, and on terms no less favourable than those available to independent third parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

Major and Discloseable Transactions

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement, when calculated on an aggregated basis, exceed 25%, the transactions contemplated under the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement on an aggregated basis constitute a major transaction for the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Further, as one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the leasing services under the leasing services pursuant to the Supplemental Product and Services Framework Agreement exceed 5% but are less than 25%, the transactions contemplated under the Supplemental Product and Services Framework Agreement constitute a discloseable transaction for the Company and is only subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Since the remaining transactions contemplated under the New Financial Services Agreement, the Supplemental Contract for the Purchase and Sale of Dore and the Supplemental Product and Services Framework Agreement are of a revenue nature in the ordinary and usual course of business of the Group, they are not subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Continuing Connected Transactions

As at the Latest Practicable Date, China National Gold held approximately 39.3% of the issued share capital of the Company through China National Gold Hong Kong Limited, its wholly-owned subsidiary, and thus is the ultimate controlling shareholder of the Company. Accordingly, China National Gold is a connected person of the Company as defined under the Hong Kong Listing Rules. The transactions contemplated under the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement, when calculated on an aggregated basis as mentioned above, exceed 5% and the anticipated transaction amount exceeds HK\$10,000,000, the transactions contemplated under the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Further, as one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the other Continuing Connected Transactions (other than the Loans Service, the settlement service and other financial services under the New Financial Services Agreement) exceed 5% and the anticipated transaction amount exceeds HK\$10,000,000, the transactions contemplated under each of such Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to Rule 14A.90 of the Hong Kong Listing Rules, the Loan Service under the New Financial Services Agreement constitutes financial assistance to the Group, which as the Directors consider is on

normal commercial terms and not secured by the assets of the Group, is fully exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, given that all the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the settlement service and other financial services under the New Financial Services Agreement does not exceed 0.1%, such settlement service and other financial services are fully exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules.

FINANCIAL EFFECTS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company does not anticipate that the Continuing Connected Transactions will have any material financial effects. Each of the Continuing Connected Transactions amounts to a renewal and/or amendment of existing connected transactions on virtually identical terms as are currently in force. Given the past performance, and the benefits realized by the Company under the existing terms of the Continuing Connected Transactions the Directors consider that the Continuing Connected Transactions constitute transactions in the ordinary course of business of the Group and will not have a significant impact on the financial results of the Company that is different from the financial effects the Company has realized in the past.

The Supplemental Loan Framework Agreement is anticipated to be funded by the proceeds of the Proposed Bond Issue. Accordingly, the transactions contemplated by the Supplemental Loan Framework Agreement will enable the Company to mitigate interest costs on borrowings in United States dollars, and will provide the Company with interest income for unutilized cash.

The Supplemental Contract for Purchase and Sale of Dore will continue the current agreement whereby CNG purchases dore produced at the CSH Mine. Under the Supplemental Contract for Purchase and Sale of Dore the Company will be able to realize real time pricing with respect to prevailing gold prices.

The Supplemental Product and Service Framework Agreement will continue the current agreement whereby CNG provides products and services for the development of the Jiama Mine and purchases copper concentrate from the Jiama Mine. The addition of leasing services will enable the Company to expense leasing costs as opposed to capitalize equipment acquisition costs, which may reduce profits and tax expense at the operating subsidiary level in the PRC without having any material effect on the Company as a whole.

The New Financial Services Agreement will continue the current agreement whereby China Gold Finance provides financial services to the Company's subsidiaries in the PRC. All costs incurred in such transaction are anticipated to be on the same terms as the Company would have incurred if it utilized the major domestic commercial banks in the PRC.

IMPACT ON THE GEARING POSITION

The Directors do not expect that the entering into of each of the Continuing Connected Transactions would have any adverse financial impact on the earnings, assets and liabilities or its gearing levels, as compared with the position disclosed in the Company's audited financial statements for the year ended December 31, 2016 (the most recent published audited financial statements).

INFORMATION ABOUT THE COMPANY

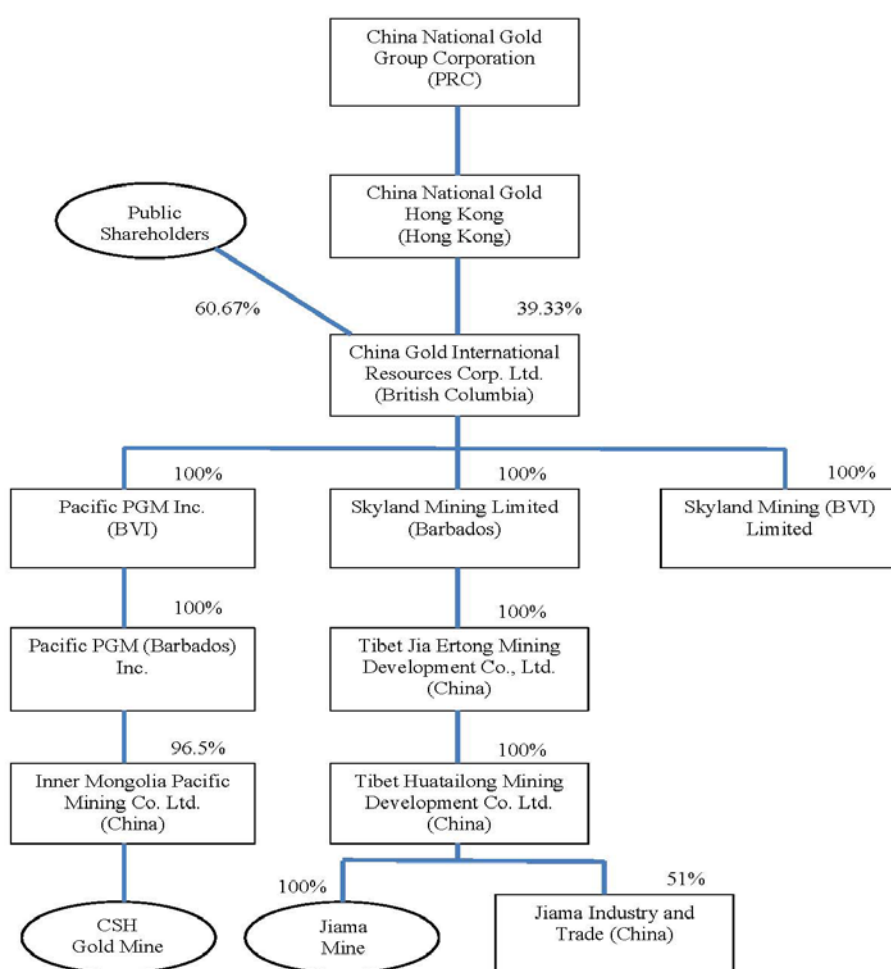
The Company is a gold and base metal mining company based in Vancouver, Canada. Its principal properties are located in Inner Mongolia, China and in the Tibet Autonomous Region, China. The Company commenced gold production at the Inner Mongolia mine in July 2007 and commenced commercial gold production on July 1, 2008. The Company also commenced commercial production of copper, molybdenum, gold, silver, lead and zinc at the Tibet mine in December 2010.

INFORMATION ABOUT THE CHINA NATIONAL GOLD

China National Gold is the only enterprise directly supervised by the State Council of the PRC that focuses on the exploration, mining, processing, smelting, refining and sales of gold. It also operates other nonferrous mineral assets related businesses. The predecessor of China National Gold was China National Gold Corporation, which was established in 1979 and headquartered in Beijing. China National Gold was the largest gold producer in China in 2016 by gold output, according to the China Gold Association. It is also the only enterprise in the gold industry in China that explores, produces and processes gold with a grade of Au99999.

China National Gold is the controlling shareholder of the Company, holding 39.3% of the issued and outstanding shares of the Company. Therefore, China National Gold is a connected person of the Company for the purpose of Chapter 14A of the Hong Kong Listing Rules.

The following chart illustrates the relationship between the Company and China National Gold.



INFORMATION ABOUT CHINA GOLD FINANCE

China Gold Finance obtained approval for establishment from the CBRC on August 18, 2014. China Gold Finance obtained the Financial License granted by CBRC's Beijing office on May 12, 2015. The principal operations of China Gold Finance include: providing financial and financing advisory, assisting its members

in collecting and making transaction payments; handling entrusted loan and entrusted investments among its members; handling bill acceptance and discounting affairs for its members; conducting internal financial transfers between members the corresponding settlement, clearing design; absorbing deposits from its members; providing loans and finance lease to its members; and engaging in inter-bank borrowings.

FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the company for the last three financial years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2017 are disclosed in the following documents which have been published on the Company's website, at the Company's profile on the SEDAR website at www.sedar.com, and on the website of the Stock Exchange (www.hkexnews.hk):

- (i) annual report of the Company for the year ended December 31, 2014 published on March 25, 2015 (pages 61 to 124);
- (ii) annual report of the Company for the year ended December 31, 2015 published on March 30, 2016 (pages 59 to 124);
- (iii) annual report of the Company for the year ended December 31, 2016 published on March 30, 2017 (pages 61 to 132);
- (iv) first quarter financial statements of the company for the three months ended March 31, 2017 published on May 12, 2017.

STATEMENT OF INDEBTEDNESS

As of the close of business on March 31, 2017, the Group had total interest bearing borrowings of approximately US\$1,210.6 million, comprised of US\$502.85 million of 3.5% unsecured bonds and US\$134.5 million of short term debt facilities with interest rates ranging from 2.75% to 4.35% per annum.

The Group did not have any contingent liabilities as at March 31, 2017.

The Group did not have any financial derivatives or outstanding hedging contracts as at March 31, 2017.

As at March 31, 2017, the Group held US\$13,253,000 investment in equity securities measured at fair value on a recurring basis. The Group's investment in listed equity securities represent investment in a company engaged in mining, processing and trading of nonferrous metals in the PRC. The Group also held a US\$2,029,000 investment in an unlisted company incorporated in the PRC is measured at cost since the investment in unlisted equity instrument does not have a quoted market price and the fair value cannot be measured reliably as at March 31, 2017.

Other than as set out above, the Group did not have any other outstanding indebtedness in respect of any debentures, loan capital, bank loans and overdrafts, term loans and other borrowings, debt securities, mortgages, charges or other similar indebtedness, purchase commitments, lease commitments, guarantees or contingent liabilities, whether guaranteed or secured, as of March 31, 2017.

The Directors have confirmed that there has not been any material change in the indebtedness of or the contingent liabilities of the Group since March 31, 2017.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account (i) the internal resources available to the Group; (ii) the presently available and unutilized banking and other facilities, and (iii) the provision of the Loan(s) under the Supplemental Loan Framework Agreement on the terms detailed above in this Schedule D, and in the absence of unforeseeable circumstance, the Group will have sufficient working capital for its

present requirements for at least the next twelve (12) months from the date of publication of this information circular.

MATERIAL CONTRACTS

Below are the particulars of each contract, other than those entered into in the ordinary course of business, that is material to the Company and was entered into within the last two years immediately preceding the Latest Practicable Date. Each of the following material contracts relates to the offering by Skyland Mining Limited, a wholly-owned subsidiary of the Company, of US\$500 million unsecured bonds bearing interest at a rate of 3.5% and maturing on July 17, 2017.

- (a) On July 17, 2014, the Company, its wholly-owned subsidiary, Skyland Mining Limited and China National Gold entered into a Trust Deed with The Bank of New York Mellon in connection with the US\$500 million bond issuance by Skyland Mining Limited.
- (b) On July 17, 2014, the Company, its wholly-owned subsidiary, Skyland Mining Limited and China National Gold entered into a Keepwell and Liquidity Support Deed with The Bank of New York Mellon in connection with the US\$500 million bond issuance by Skyland Mining Limited.
- (c) On July 17, 2014, China National Gold entered into an Equity Interest Purchase Undertaking with The Bank of New York Mellon as trustee in connection with the US\$500 million bond issuance by Skyland Mining Limited.

FINANCIAL AND TRADING PROSPECTS

The Company continues to focus on the operations of its Jiama Mine and CSH Mine. The Company projects to have 2016 production of 235,000 ounces of gold and 38.6 million pounds (18,000 tonnes) of copper. The Jiama Mine's Phase II expansion is anticipated to be finalized in 2017. Stage I has been completed and is now in the commissioning process at 22,000 tpd. The throughput capacity will be 28,000 tpd, up from the previous capacity of 6,000 tpd after completing the commissioning process. Stage II of the project, which will add an additional 22,000 tpd, is under way and is expected to be completed in the second half of 2017. The total processing capacity will increase to 50,000 tpd upon completion of the two-stage expansion program. The Company will continue to leverage the technical and operating experience of the Company's controlling shareholder, CNG, to improve operations at its mines. In addition, the Company continues to focus its efforts on increasing production while minimizing costs at both mines. To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining acquisition opportunities, namely projects outside of China, which can be readily and quickly brought into production with the possibility of further expansion through continued exploration. Risk factors that may impact the Company's performance going forward are set out on page 60 of the Company's annual report for the year ended December 31, 2016.

EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Directors are of the view that none of the Continuing Connected Transactions is expected to have any material impact on earnings, assets and liabilities of the Group. In particular, with respect to the Supplemental Loan Framework Agreement, the Loan(s) will increase the loans receivable under current assets in the Group's consolidated statement of financial position and will decrease the bank and cash balances of the Group by the same amount of up to US\$200 million. With respect to the New Financial Services Agreement, amounts deposited with China Gold Finance will remain assets of the Group and amounts borrowed will remain liabilities.

INDEPENDENCE FROM CHINA NATIONAL GOLD

According to the paragraphs headed "Independence from China National Gold" under section headed "Relationship with Controlling Shareholder" of the prospectus of the Company dated November 17, 2010

(the "**Prospectus**"), the Directors, having considered the matters and factors described in such section, confirmed that the Group was able to operate independently of China National Gold, being the controlling shareholder of the Company, and its close associates. The Directors are not aware of anything that has happened since the issue of the Prospectus which has made the Directors change their view about such independence of the Group. The Directors therefore are of the view that, having considered each of the Continuing Connected Transactions and the transactions contemplated thereunder, the Group remains able to operate independently of the controlling shareholders and its associates.

RECOMMENDATION

Based on its views set out above, the Board recommends that the Independent Shareholders vote in favour of the ordinary resolution(s) concerning each of the Continuing Connected Transactions, the Caps thereunder, and the transactions contemplated thereunder.

Furthermore, your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out in Schedule E to the accompanying information circular.

The Independent Board Committee, having taken into account, among other things, the advice from TC Capital International Limited, as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard, the current financial position of the Company and the Group, the current market norm in relation to similar transactions; the costs and benefits of the Continuing Connected Transactions, considers that each of the Continuing Connected Transactions and the transactions contemplated thereunder have been entered into equitably upon arm's length negotiation and on normal commercial terms, are fair and reasonable that are in the interests of the Company and its Shareholders as a whole, and that the Group will remain to operate independently of the controlling shareholder and its close associates. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) in respect of the Continuing Connected Transactions, the Caps thereunder and the transactions contemplated thereunder at the Meeting.

THE MEETING

The Meeting will be held at 9:00 am on Wednesday, June 28, 2017 Vancouver time (Thursday, June 29, 2017 Hong Kong time) at will be held at the offices of Osler, Hoskin & Harcourt LLP located at Suite 1700, Guinness Tower, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

At the Meeting, ordinary resolution(s) will be proposed to, among other things, approve the Continuing Connected Transactions, the Caps thereunder, and the transactions contemplated thereunder. Voting on such ordinary resolution(s) at the Meeting will be conducted by way of poll in accordance with the requirements of the Hong Kong Listing Rules.

As of the Latest Practicable Date, China National Gold was interested in and entitled to exercise control over approximately 39.3% of the total number of the issued shares of the Company. As such, China National Gold and its associates (as defined in the Hong Kong Listing Rules) will abstain from voting with regards to the ordinary resolution(s) to be proposed at the Meeting in connection with the Continuing Connected Transactions, the Caps thereunder, and the transactions contemplated thereunder.

Yours faithfully,

**FOR AND ON BEHALF OF THE BOARD
OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

(signed) "*Xin Song*"

Xin Song
Chairman

SCHEDULE E

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

May 31, 2017

Dear Independent Shareholders,

We refer to the information circular dated May 31, 2017 issued by the Company to its Shareholders, of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the accompanying information circular shall have the same meanings in this letter.

Under the Hong Kong Listing Rules, the transactions contemplated under each of the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and, together with the Caps, are subject to the approval of the Independent Shareholders at the Meeting.

We have been appointed to as members of the Independent Board Committee, to consider the terms of each of the Continuing Connected Transactions and the transactions contemplated thereunder and the Cap and to advise the Independent Shareholders on whether (i) the terms of each of the Continuing Connected Transactions are fair and reasonable; (ii) the transactions contemplated thereunder are on normal commercial terms; and (iii) such transactions are in the best interests of the Company and its Shareholders as a whole.

TC Capital International Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in respect of the transactions contemplated under each of the Continuing Connected Transactions. We wish to draw your attention to (a) the letter from the Board as set out in Schedule D to the accompanying information circular and (b) the letter from TC Capital International Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders as set out in Schedule F to the accompanying information circular.

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to (i) each of the Continuing Connected Transactions t, and (ii) the basis upon which the terms of t each of the Continuing Connected Transactions has been determined. We have also taken into account the principal factors and reasons considered by TC Capital International Limited in forming its opinion in relation to the transactions contemplated under each of the Continuing Connected Transactions, and have discussed with TC Capital International Limited its letter of advice.

On the basis of the above, we consider, and agree with the view of TC Capital International Limited, that (i) the terms of each of the Continuing Connected Transactions and the transactions contemplated thereunder and the Caps are fair and reasonable; and (ii) have been entered into equitably and have been entered into after arm's length negotiation and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of each of the Continuing Connected Transactions and the transactions contemplated thereunder and the Cap at the Meeting.

Yours faithfully,

**FOR AND ON BEHALF OF THE INDEPENDENT
BOARD COMMITTEE OF CHINA GOLD INTERNATIONAL
RESOURCES CORP. LTD.**

Ian He
Yunfei Chen
Gregory Hall
John King Burns
Independent Non-executive Directors

SCHEDULE F



31 May 2017

*The Independent Board Committee and the Independent Shareholders
China Gold International Resources Corp. Ltd.*

Dear Sirs,

MAJOR AND CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on

- (i) the provision of deposit service (the “**Deposit Service**”) by China Gold Finance to the Company and the maximum daily deposit caps from the date of the approval of the New Financial Services Agreement in the AGM to 30 June 2020 (the “**Deposit Cap**”) under the New Financial Services Agreement (as amended under the amendment agreement entered into between the Company and China Gold Finance on 29 May 2017 (the “**Amendment Agreement**”));
- (ii) the inclusion of the provision of the finance lease, operating lease, commercial factoring services etc. (the “**Leasing Services**”) by Zhongxin International to the Company, the further extension of the expiry date of the Product and Service Framework Agreement to 31 December 2020 and the proposed annual caps for the three years ending 31 December 2020 (the “**P&S Annual Caps**”) under the Second Supplemental Product and Service Framework Agreement;
- (iii) the amendment of certain delivery and settlement terms, the extension of the expiry date of the Contract for the Purchase and Sale of Dore to 31 December 2020 and the proposed annual caps for the three years ending 31 December 2020 (the “**Gold Dore Annual Caps**”) under the Supplemental Contract for the Purchase and Sale of Dore; and
- (iv) the amendment of interest rate term, the extension of the expiry date of the Loan Framework Agreement to 31 July 2020 and the maximum amount of daily loan balance (including accumulative interest) (the “**Loan Cap**”) for the three years ending 31 July 2020 under the Supplemental Loan Framework Agreement.

The details of the above transactions (the “**Continuing Connected Transactions**”) and the Deposit Cap, the P&S Annual Caps, the Gold Dore Annual Caps and the Loan Cap contemplated thereunder (the “**Proposed Annual Caps**”) are set out in Schedule D - Letter from the Board of Directors (the “**Board Letter**”) contained in the information circular dated 31 May 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

TC Capital Group
天財資本集團

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香港九龍廣東道9號海港城港威大廈第六座十九樓1904室

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On 26 May 2017, the Company and China Gold Finance entered into the New Financial Services Agreement, pursuant to which China Gold Finance agreed to provide the Company with a range of financial services including (a) the Deposit Services; (b) loans (including bill acceptance, bill discount, entrustment loans, guarantee, financing lease etc.) ("**Loan Services**"); (c) settlement services and (d) other financial services as approved by the CBRC (item (c) and (d) together called "**Other Financial Services**"), effective until 31 December 2020 from the date of the approval of the New Financial Services Agreement in the AGM. On 29 May 2017, the Company and China Gold Finance entered into the Amendment Agreement pursuant to which the parties agreed that the term of the New Financial Services Agreement would expire on 30 June 2020 instead of 31 December 2020. All other terms of the New Financial Services Agreement remain unchanged.

On 26 May 2017, the Company entered into the Second Supplemental Product and Service Framework Agreement with China National Gold, pursuant to which both parties agreed to (i) include the provision of the Leasing Services into the product and service scope of the Product and Service Framework Agreement and (ii) extend the expiry date of the Product and Service Framework Agreement to 31 December 2020. Save as the aforementioned, other terms and conditions under the Product and Service Framework Agreement (which subsequently supplemented by the Supplemental Product and Service Framework Agreement) shall remain unchanged.

On 26 May 2017, Inner Mongolia Pacific entered into the Supplemental Contract for the Purchase and Sale of Dore with China National Gold, pursuant to which both parties agreed to (i) amend the notification time of delivery of shipment from "no less than three working days" to "no less than 48 hours", (ii) amend the reference price for gold dore bar products from the "daily average price" to the "real-time price" of Au9995 gold ingot at Shanghai Gold Exchange and (iii) extend the expiry date of the Contract for the Purchase and Sale of Dore to 31 December 2020. Save as the aforementioned, other terms and conditions under the Contract for the Purchase and Sale of Dore shall remain unchanged.

On 26 May 2017, the Company entered into the Supplemental Loan Framework Agreement with China National Gold, pursuant to which both parties agreed to (i) amend the interest rate term from "3.9% per annum" to "the interest rate under the upcoming bond issue of the Company (the "**Proposed Bond Issue**") plus the expected annualized issuance expenses in terms of percentage in relation to the Proposed Bond Issue (the "**Bond Issue Expenses**") and (ii) extend the expiry date of the Loan Framework Agreement to 31 July 2020. Save as the aforementioned, other terms and conditions under the Loan Framework Agreement shall remain unchanged.

China National Gold is the ultimate controlling shareholder of the Company. In addition, given (i) China Gold Finance is respectively 51% and 49% directly owned by China National Gold and Zhongjin Gold Corporation Limited, which is a non-wholly-owned subsidiary of China National Gold, China National Gold, China Gold Finance are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the New Financial Services Agreement, the Second Supplemental Product and Service Framework Agreement, the Supplemental Contract for the Purchase and Sale of Dore and the Supplemental Loan Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As set out in the Board Letter, as one or more of the Percentage Ratios pursuant to the Listing Rules in respect of (i) the Deposit Services under the New Financial Services Agreement, (ii) the transactions under the Second Supplemental Product and Service Framework Agreement, (iii) the transactions under the Supplemental Contract for the Purchase and Sale of Dore and (iv) the transactions under the Supplemental Loan Framework Agreement exceeds 5%, the above mentioned transactions are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Loan Services to be provided by China Gold Finance to the Company under the New Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As disclosed in the Board Letter, the Loan Services will be provided on normal commercial terms (in particular, (i) the interest rate for such loan services shall not be higher than the interest rate payable by the Company for similar loans of equivalent term to other financial institutions, (ii) no security over any assets of the Group will be granted in respect of the loan services and (iii) in the event the Company are unable to repay the loan from China Gold Finance, China Gold Finance will not be permitted to offset such outstanding loans with any deposits under the Supplemental New Financial Services Agreement), the Loan Services are therefore exempt from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As the Percentage Ratios pursuant to the Listing Rules in respect of the provision the Other Financial Services under the New Financial Services Agreement will not exceeds 0.1%, therefore the Other Financial Services are fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Gregory Hall, Ian He, John King Burns and Yunfei Chen, has been established to advise the independent Shareholders as to whether the New Financial Services Agreement, the Supplemental Product and Service Framework Agreement, the Supplemental Contract for the Purchase and Sale of Dore and the Supplemental Loan Framework Agreement are entered in the ordinary course of business of the Group, on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole and how to vote on the relevant resolution in the AGM.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders, our role is to provide the Independent Board Committee and the independent Shareholders with an independent opinion and recommendation in this regard.

Basis of our opinion

As at the Latest Practicable Date, we were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules. In addition to the appointment as the Independent Financial Adviser, TC Capital International Limited (former: TC Capital Asia Limited) in the last two years was appointed by the Company as the independent financial adviser in respect of (i) the new continuing connected transaction as set out in the circular of the Company to the Shareholders dated on May 24, 2016 and (ii) the revisions to existing continuing connected transactions and new continuing connected transactions as set out in the circular of the Company to the Shareholders dated on May 29, 2015. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered and reviewed, among other things, (i) the New Financial Services Agreement and the Amendment Agreement; (ii) the Second Supplemental Product and Service Framework Agreement; (iii) the Supplemental Contract for the Purchase and Sale of Dore; (iv) the Supplemental Loan Framework Agreement; (v) the annual reports of the Company for the three years ended 31 December 2016 (respectively the "**Annual Report 2014**", the "**Annual Report 2015**" and the "**Annual Report 2016**"); and (vi) other information as set out in the Circular. We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the senior management of the Company. We have

assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to doubt that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and contained in the Circular, which would make any statement therein misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, affairs operations, financial position or future prospects of each of the Company and China National Gold, and any of their respective subsidiaries and/or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect to (i) the New Financial Services Agreement; (ii) the Second Supplemental Product and Service Framework Agreement; (iii) the Supplemental Contract for the Purchase and Sale of Dore; and (iv) the Supplemental Loan Framework Agreement, we have taken into consideration the following principal factors and reasons:

I. Background of and reasons considered for the entering into of the New Financial Services Agreement, the Second Supplemental Product and Service Framework Agreement, the Supplemental Contract for the Purchase and Sale of Dore, and the Supplemental Loan Framework Agreement

a. General backgrounds of the parties involved

The Company

The Company is a gold and base metal mining company based in Vancouver, Canada and principally engaged in operation, acquisition, development and exploration of gold and base metal properties. The Company's principal mining operations are the Chang Shan Hao Gold Mine (the "**CSH Mine**"), located in Inner Mongolia, China and the Jiama Copper-Gold Polymetallic Mine (the "**Jiama Mine**"), located in Tibet, China. The CSH mine has two open-pit mining operations with mining and processing capacity of 60,000 tpd and had commenced commercial production on 1 July 2008. The Jiama Mine has both underground mining and open-pit mining operations. Phase I of the Jiama Mine commenced mining operations in the latter half of 2010 and reached its design capacity of 6,000 tpd in early 2011. The Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tpd.

China National Gold

China National Gold is the largest gold production enterprise in the PRC. Its business covers survey design, resources development, production, sale and construction in relation to minerals such as gold, silver, copper and molybdenum.

China Gold Finance

China Gold Finance is principally engaged in the provision of financial services including (i) the provision of consultation services relating to financial affairs and financing to the members of China National Gold (the “**Member Companies**”), credit evaluation and related consultation and agency business; (ii) the provision of assistance to the Member Companies in the receipt and payment of transaction money; (iii) the provision of guarantee to the Member Companies; (iv) the provision of entrusted loans and entrusted investments among the Member Companies; (v) handling the bill acceptance and discount for the Member Companies; (vi) handling the internal transfer and settlement of funds among the Member Companies and formulation of liquidation plan; (vii) the provision of deposit services to the Member Companies; (viii) the provision of loan and financing lease to the Member Companies; and (ix) the engagement in short term financing among financial institutions.

b. The New Financial Services Agreement

On 29 May 2015, Tibet Huatailong, Inner Mongolia Pacific and China Gold Finance entered into the Financial Services Agreement, pursuant to which China Gold Finance agreed to provide Tibet Huatailong and Inner Mongolia Pacific with a range of financial services including (a) deposit services; (b) loan services; (c) settlement services and other financial services as approved by the CBRC, effective for three years from the date of the approval of the Financial Services Agreement in the 2015 AGM.

As set out in the Board Letter, in order to allow all the existing and potential new members of the Group as a whole to continue to enjoy the wide financial services provided by China National Gold, the Directors is of the view that it is in the interests of the Company and the Shareholders as a whole to enter into the New Financial Services Agreement.

In assessing the reasonableness of the Directors' view to allow all the existing and potential new members of the Group to receive the financial services provided by China National Gold instead of including Tibet Huatailong and Inner Mongolia Pacific as under the Financial Services Agreement, we have reviewed the 2016 Annual Report and we noted that other than Tibet Huatailong and Inner Mongolia Pacific, there are indeed other major operating subsidiaries of the Company (i.e. other than investment holding companies of the Group) including Tibet Jia Ertong Minerals Exploration Ltd., which principally engages in exploration, development and mining of mineral properties and investment holding, and Jiama Industry and Trade, which principally engages in mining logistics and transport business. We are therefore of the view that it is reasonable not to exclude any existing operating subsidiaries of the Group from enjoying the wide range of financial services provided by China National Gold in case any subsidiaries of the Group require the same services at a given time.

Furthermore, it is also disclosed in the 2016 Annual Report that the Company is continually working with China National Gold and other interested parties to identify potential international mining acquisition opportunities which can be readily and quickly brought into production with the possibility of further expansion through continued exploration. It is further disclosed that the Board has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions and the Company continues to review the possible acquisition targets, including the Jinfeng Mine acquired by China National Gold in September 2016, thus suggesting that there might be a possible increase in the subsidiaries of the Group in future.

Given (i) one of the main businesses of the Company involves the acquisition of gold and base metal properties, (ii) there is other existing operating subsidiaries of the Company not being included in the Financial Services Agreement, (iii) the potential increase in the subsidiaries of the Group in future and (iv) other than the change in the entering parties from Inner Mongolia Pacific and Tibet Huatailong to the Company and the extension of the expiry date of the Financial Services Agreement to 31 December 2020, other terms and conditions under the Financial Services Agreement, which was approved by the Independent Shareholders in the 2015 AGM, remain unchanged, we are therefore of the view that the New Financial Services Agreement (as amended under the Amendment Agreement) is entered into within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

c. The Second Supplemental Product and Service Framework Agreement

On 26 April 2013, the Company entered into the Product and Service Framework Agreement with China National Gold, pursuant to which China National Gold agreed to provide (i) stripping and related services; (ii) mining research, development and design; (iii) environmental, safety and occupational health management; (iv) tendering agency service; (v) office lease; and (vi) auxiliary equipment to the Company effective until 18 June 2016.

On 29 May 2015, the Company entered into the Supplemental Product and Service Framework Agreement with China National Gold to (i) revise the expiry date of the Product and Service Framework Agreement to 31 December 2017 and (ii) include the sales and purchase transaction of copper concentrates into the product and service scope of the Product and Service Framework Agreement.

As set out in the Board Letter, in order to (i) provide the Group an alternative source of funding and potentially reduce the taxation expense of the Group in future and (ii) allow the Group to continue to rely on (a) the professional mining related services like mining and stripping, exploration, research and development and (b) the strong procurement capacity of copper concentrates of China National Gold, the Directors is of the view that it is in the interests of the Company and the Shareholders as a whole to respectively (a) include the provision of the Leasing Services into the product and service scope of the Product and Service Framework Agreement and (b) to further extend of the expiry date of the Product and Service Framework Agreement to 31 December 2020.

We have obtained and reviewed the business license and company brochure of Zhongxin International and we noted that Zhongxin International was established in March 2016 with registered capital of RMB500.0 million and is principally engaged in the provision of finance lease, operating lease, commercial factoring services etc. Zhongxin International is respectively 40% and 60% directly owned by Zhongjin Gold Corporation Limited and China National Gold Group Hong Kong Limited, which is a wholly-owned subsidiary of China National Gold. In addition, we are being advised by the management of the Company that the main clients of Zhongxin International includes large-scale state-owned enterprises as well as publicly listed companies. Given its strong background and financial strength, we are of the view that it lends assurance to the Group in conducting business transactions with Zhongxin International.

We also concur with the Directors' view that the Leasing Services in particular the finance lease services rendered by Zhongxin International is able to provide the Group an alternative source of funding and potentially reduce the taxation expense of the Group in future. We believe that using the financial lease service instead of directly purchasing the target assets helps the Group to maintain a steady cash flow profile given the cash outflow related to financial leasing are usually spread out over several years, hence saving the burden of one-time significant cash payment for purchase. Such arrangement also releases capital for the Group to fund its other capital needs or to save money for a better capital investment decision in future. In addition, value added tax invoices for the interest payments under certain types of finance lease arrangement such as direct financing lease can be used to deduct value added tax under the relevant PRC domestic bonded zone regulations. Furthermore, according to the 2016 Annual Report, the Group's non-current assets was amounted to approximately US\$2,495.8 million or RMB16,971.4 million as at 31 December 2016 of which were mainly composed of property, plant and equipment (approximately 60.9% of the total non-current assets). Given the huge amount of fixed assets owned by the Group, we are of the view that the sale and leaseback services under the Leasing Services is able to provide the Group an alternative and quick source of funding by offloading its asset to Zhongxin International.

In assessing the reasonableness of the extension of the expiry date of the Product and Service Framework, we noted from the Annual Report 2016 that the commissioning of Series I of Jiama Phase II Expansion had commenced in December 2016 and it is expected that the output of the Jiama Phase II Series I will be ramped up to its full capacity of 22,000 tpd in the middle of 2017, and the total nameplate capacity will be therefore increased from 6,000 tpd to 28,000 tpd. Going forward, the Company will commence the construction of Phase II Series II facility. In light of such expansion plan of Jiama Mine, we consider that it would be in the best interest of the Group to continue to rely on the professional mining related services like mining and stripping, exploration, research and development provided by China National Gold. In accordance to our online research on the China National Gold's website, China National Gold ranks first in gold resource reserve, mineral gold output, refined gold output, gold investment products market share and gold dressing and processing technology in the PRC. China National Gold also owns the only national-level gold research institute, national technology industry demonstration base, national-level enterprise technology center and post-doctoral work station in the PRC. As such, we are of the view that the further extension of the expiry date of the Product and Service Framework Agreement allow the Group to continue to rely on the China National Gold's expertise in mining design, its centralized procurement office and its technological capabilities to maximize productivity at the Jiama Mine and the CSH Mine going forward.

Based on the foregoing and the fact that other than the inclusion of Lease Services into the product and service scope of the Product and Service Framework Agreement and the extension of the expiry date of the Product and Service Framework Agreement to 31 December 2020, other terms and conditions under the Product and Service Framework Agreement and the Supplemental Product and Service Framework Agreement, which were approved by the Independent Shareholders in the 2013 AGM and 2015 AGM respectively, remain unchanged, we are therefore of the view that the Second Supplemental Product and Service Framework Agreement is entered into within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

d. The Supplemental Contract for the Purchase and Sale of Dore

On 7 May 2014, Inner Mongolia Pacific and China National Gold entered into the Contract for the Purchase and Sale of Dore, pursuant to which China National Gold agreed to purchase and Inner Mongolia Pacific agreed to sell gold dore bars and silver by-products produced at the CSH Mine for the three financial years ending 31 December 2017.

As set out in the Board Letter, in light of the expected stable gold production of CSH Mine going forward, the Directors anticipate that the transactions contemplated under Contract for the Purchase and Sale of Dore will be extended beyond 31 December 2017.

According to the 2014 Annual Report, the 2015 Annual Report and the 2016 Annual Report, the production of gold at the CSH Mine was 163,443 ounces, 204,471 ounces and 185,052 ounces for each of the three years ended 31 December 2016. Also, according to the Company's announcement for preliminary 2016 production and guidance and 2017 outlook dated January 26 2017, it is expected the gold production at the CSH Mine will reach about 193,000 ounces in 2017. The stable output for CSH Mine shows a continuous need for Inner Mongolia Pacific to sell the Dore to China National Gold through the Contract for the Purchase and Sale of Dore beyond its expiry date.

Based on the foregoing and the fact that other than the extension of the expiry date of the Contract for the Purchase and Sale of Dore to 31 December 2020 and the amendment of certain delivery and settlement terms that to be further discussed below, other terms and conditions under the Contract for the Purchase and Sale of Dore, which were approved by the Independent Shareholders in the 2014 AGM, remain unchanged, we are therefore of the view that the Supplemental Contract for the Purchase and Sale of Dore is entered into within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

e. The Supplemental Loan Framework Agreement

On 24 May 2016, the Company and China National Gold entered into the Loan Framework Agreement pursuant to which the Group agreed to advance a loan to China National Gold with aggregate principal amount up to USD 200.0 million with the maximum amount of daily loan balance (including accumulative interest) not to exceed USD 208 million until 31 July 2017.

As set out in the Board Letter, by considering that (i) the expected loan interest earned from the advancement of the loan from the Company to China National Gold under the Supplemental Loan Framework Agreement (the "**Loan Advancement**") is higher than the interest income received by placing the same fund in the financial institution in the Hong Kong and (ii) the continuing strong ability of repayment of China National Gold, the Directors are of the view that the extension of the expiry date of the Loan Framework Agreement is in the interest of the Company and the Shareholders as a whole.

According to the 2016 Annual Report, the cash and cash equivalent of the Group was approximately USD 59.9 million as at 31 December 2016. In addition, the total loan advancement to China National Gold and its subsidiaries under the Loan Framework Agreement was approximately USD 158.5 million as at 31 December 2016. As advised by the Company, we understood that the available cash balance of the Group (taken into account of the repayment amount of loan

advancement by China National Gold to the Group under the Loan Framework Agreement upon its expiry) will be placed in the financial institution in the USD account in Hong Kong, therefore we are of the view that a comparison between the expected loan interest earned from the Loan Advancement and that from the financial institution in the Hong Kong allows us to, in a certain extent, justify the reason for the Group to enter into the Supplemental Loan Framework Agreement.

As discussed with the management of the Company, the expected loan interest rate under the Supplemental Loan Framework Agreement i.e. the interest rate under the Proposed Bond Issue plus the Bond Issue Expenses is approximately 3.9% p.a. taken into account of the previous loan interest rate under the Loan Framework Agreement.

According to the information published in the website of three major banks in Hong Kong, namely the Bank of China (Hong Kong) Limited, the Hong Kong and Shanghai Banking Corporation and the Standard Chartered Bank as at 6 April 2017, the USD fixed deposit interest rates of the Bank of China (Hong Kong) Limited for three-years term is 0.25% p.a. While the USD fixed deposit interest rates of the Hong Kong and Shanghai Banking Corporation and the Standard Chartered Bank for three-years term are not available, the USD fixed deposit interest rates of Hong Kong and Shanghai Banking Corporation and the Standard Chartered Bank for one-year term are 0.20% p.a. and 0.50% p.a., respectively, hence all of which are substantially lower than the expected interest rate payable by China National Gold to the Group under the Supplemental Loan Framework Agreement of 3.9% p.a.. According to the company website of the Bank of China (Hong Kong) Limited, the latest long term credit ratings of the Bank of China (Hong Kong) Limited is A+. According to Bloomberg, the latest long term credit ratings of the Hong Kong and Shanghai Banking Corporation and the Standard Chartered Bank are A and BBB+ respectively. According to the Company's announcement dated 14 September 2016, S&P has reaffirmed the Company's BBB- long-term corporate credit rating. According to Bloomberg, the average interest rate spreads between BBB- and A+, A and BBB+ are 0.88% p.a., 1.05% p.a. and 1.14% p.a. respectively. Accordingly the risk-adjusted interest rates of the Bank of China (Hong Kong) Limited, the Hong Kong and Shanghai Banking Corporation and the Standard Chartered Bank (i.e. taken into account of the different credit rating of China National Gold and the above mentioned financial institutions) are only 1.13% p.a., 1.25% p.a. and 1.64% p.a. respectively. As such, we are of the view that even on a risk-adjusted basis, it's still justifiable for the Company to enter into the Supplemental Loan Framework Agreement in order to earn a higher level of interest for its available cash on hand.

As discussed with the management of the Company, we understand that this credit rating is the one of highest among the companies in the industry. We have identified, to the best of our knowledge, an exhaustive list of current members of the World Gold Council, which are considered to be the leading gold mining companies in the world and their corresponding credit ratings assigned by S&P (on a scale from AAA to D) as at 14 March 2017. The table below summaries our relevant findings:

Company Name	S&P Credit rating
Acacia Mining plc	Not available

Agnico-Eagle Mines Limited	Not rated
Alamos Gold Inc.	B+
Barrick Gold Corporation	BBB-
Compania de Minas Buenaventura S.A.A.	Not available
Centerra Gold Inc.	Not available
Eldorado Gold Corporation	BB-
Franco-Nevada Corporation	Not available
Goldcorp Inc.	BBB+
Golden Star Resources Ltd	Not available
Iamgold Corporation	B+
Kinross Gold Corporation	BB+
Newcrest Mining Limited	BBB-
New Gold Inc.	B
Newmont Mining Corporation	BBB
OceanaGold Corporation	Not available
Primero Mining Corp.	Not available
Royal Gold Inc.	Not available
Sibanye Gold Limited	Not available
Silver Wheaton	Not available
Yamana Gold Inc.	BB+
China National Gold	BBB

Source: Bloomberg

As shown by the above table, among the 21 companies in the gold mining industry, only one company was assigned a higher credit rating than China National Gold, which reflect the sufficient repayment ability of China National Gold.

Since the Group is principally engaged in gold and base metal mining as at the Latest Practicable Date, the execution of the Supplemental Loan Framework Agreement is therefore not in the ordinary and usual course of the business of the Group. However, having considered that (i) the available cash on hand of the Group in future (taken into account of the repayment amount of loan advancement by China National Gold to the Group under the Loan Framework Agreement upon its expiry); (ii) the expected loan interest income earned from the Loan Advancement is higher than the interest income earned from the current practice of deployment of the same amount of fund i.e. placing in the financial institutions in the Hong Kong, even taken into account of the different credit rating of China National Gold and the financial institutions in

the Hong Kong, (iii) the relatively low risk of the Loan Advancement as evidenced by strong credit rating of China National Gold and (iv) other than the amendment in the interest rate term and the extension of the expiry date of the Loan Framework Agreement, other terms and conditions under the Loan Framework Agreement, which were approved by the Independent Shareholders in the 2016 AGM, remain unchanged, we are of the view that the execution of the Supplemental Loan Framework Agreement is just a continuation of the Loan Framework Agreement and is a normal practice of working capital management of the Group to earn additional income from available fund on hand to the Group and is therefore in the interest of the Company and the Shareholders as a whole.

II. Principal Terms of the New Financial Services Agreement, the Second Supplemental Product and Service Framework Agreement, the Supplemental Contract for the Purchase and Sale of Dore, and the Supplemental Loan Framework Agreement

a. *The New Financial Services Agreement*

Set out below are the major terms of the Deposit Services contemplated under the New Financial Services Agreement:

Date	:	26 May 2017 (as amended under the Amendment Agreement on 29 May 2017)
Parties	:	The Company and China Gold Finance
Duration	:	From the date of approval of the New Financial Services Agreement in the AGM to 30 June 2020
Scope of Deposit Services	:	(i) The Deposit Cap shall not exceed RMB3,000 million (ii) The interest rates payable by China Gold Finance to the Group for any deposits shall not be lower than (i) the benchmark interest rates prescribed by the PBC; (ii) the interest rates payable by other major commercial banks in the PRC; and (iii) the interest rates offered by China Gold Finance to any third party in the same period for the same type of deposits.

Given the date of approval of the New Financial Services Agreement is expected to be in late June 2017 and therefore the expected term of the New Financial Services Agreement is within 3 years.

In assessing the effectiveness of internal control imposed by the Group in ensuring the interest rates payable by China Gold Finance to the Company for any of its deposits shall not be lower than (i) the benchmark interest rates prescribed by the PBC and (ii) the interest rates payable by other major commercial banks in the PRC, we have discussed with the management of the Company and we understand that the Company will obtain not less than two quotations from

other independent financial institutions (which shall be leading licensed banks in the PRC) in relation to deposit services of the same type and with the same duration before the Company enter into any individual agreement for the deposit services with China Gold Finance. These quotations together with the quotation of China Gold Finance will be submitted to the financial controller of the Company for review and decide whether or not to accept the quotation of China Gold Finance.

As discussed with the management of the Company, we are given to understand that the deposit types that the Group required from China National Gold were demand deposit and call deposit. We have reviewed and compared the demand deposit rates and call deposit rates provided by China Gold Finance, the benchmark interest rates prescribed by the PBC and the quotations provided by Industrial and Commercial Bank of China, China Construction Bank and Agricultural Bank of China. Set out below the summary of the comparison:

	China Gold Finance	PBC	Industrial and Commercial Bank of China	China Construction Bank	Agricultural Bank of China
Demand deposit	0.420	0.350	0.300	0.300	0.300
Call deposit – 1 day	0.880	0.80	0.550	0.550	0.550
Call deposit – 7 day	1.485	1.350	1.100	1.100	1.100

Based on the above comparison, we noted that the quotation offered by China Gold Finance for both demand deposit and call deposit are higher than that quoted by the PBC and other major commercial banks in the PRC. We are also of the view that there are sufficient internal procedures for the Group to ensure that the interest rate offered to the Group under the deposit services by China Gold Finance will not be lower than that provided to the Group by other independent major commercial banks in the PRC and the Deposit Service are therefore on normal commercial terms, and are fair and reasonable so far as the Company and the independent Shareholders are concerned.

b. *The Second Supplemental Product and Service Framework Agreement*

According to the Board Letter, except for the further extension of the expiry date to 31 December 2020 and the inclusion of provision of the Leasing Services into the product and service scope of the Product and Service Framework Agreement, no material changes have been made to the terms and conditions under the Product and Service Framework Agreement (which subsequently supplemented by the Supplemental Product and Service Framework Agreement). Given the expiry date of the Product and Service Framework Agreement is 31 December 2017, the term of Second Supplemental Product and Service Framework Agreement which intend to extend the Product and Service Framework Agreement to 31 December 2020 do not exceed 3 years. Please refer to the Board Letter for details of the terms of the Second Supplemental Product and Service Framework Agreement.

The pricing principles for connected transactions set out under the Product and Service Framework Agreement are as follows:

- (i) prices as may be stipulated by the PRC Government (if any); if there are no such stipulated prices;
- (ii) prices as may be determined by offering of tender, if an active market exists; if there is no active market;
- (iii) prices as with reference to identical or similar transacted prices as observed from the market; otherwise
- (iv) an agreed price consisting of the actual costs plus a reasonable profit margin.

According to the management of the Company, under the Second Supplemental Product and Service Framework Agreement, the pricing basis for the Leasing Services shall fall into category (ii) above given there is active markets for lease services in China.

In addition, according to the Product and Service Framework Agreement, China National Gold represented and warranted that, the products and services offered by China National Gold to the Company (which subsequently includes the copper concentrates under the Supplemental Product and Service Framework Agreement and the Leasing Services under the Second Supplemental Product and Service Framework Agreement), will not be less favourable than those it offered to independent third parties.

In assessing the effectiveness of internal control imposed by the Group in choosing between China National Gold and other independent third party for the products and services stipulated in the Product and Service Framework Agreement, the Supplemental Product and Service Framework Agreement and the Second Supplemental Product and Service Framework Agreement, we have discussed with the management of the Company and we understand that the relevant subsidiary of the Group will select the successful suppliers and service providers by obtaining at least 3 quotations from different parties (including China National Gold). The screening process, rationale and result on the potential parties will be documented and submitted to the senior management of the relevant subsidiary of the Group for review and final approval before entering into specific contract with the successful parties. We have also reviewed the quotations provided by other independent third parties and obtained by the Group for several transactions in each of the product / services category that occurred during the term of the Supplemental Product and Service Framework Agreement and we are of the view that the above mentioned internal control is properly in place.

Having considered that (i) China National Gold represented and warranted in the Second Supplemental Product and Service Framework Agreement that the terms it offered to the Company will not be less favourable than those it offered to independent third parties; and (ii) the sound internal mechanism in the selection of suppliers and services providers of the Group, we are of the opinion that the terms of the Second Supplemental Product and Service Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

c. *The Supplemental Contract for the Purchase and Sale of Dore*

According to the Board Letter, except for amendment of certain delivery and settlement terms and the extension of the expiry date of the Contract for the Purchase and Sale of Dore to 31 December 2020, no material changes have been made to the terms and conditions under the Contract for the Purchase and Sale of Dore. Given the expiry date of the Contract for the Purchase and Sale of Dore is 31 December 2017, the term of Supplemental Contract for the Purchase and Sale of Dore which intend to extend the Contract for the Purchase and Sale of Dore to 31 December 2020 do not exceed 3 years. Please refer to the Board Letter for details of the terms of the Supplemental Contract for the Purchase and Sale of Dore.

Under the Contract for the Purchase and Sale of Dore, the pricing for gold dore bar products is referenced to the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange on the notification date to be notified by the seller to the purchaser at least three working days prior to delivery of shipment of gold dore bars less RMB0.95 per gram, which represent the cost of refining of gold dore bars by the purchaser, and multiplied by the settlement weight. On the other hand, the pricing for silver by-products is referenced to the daily average price of No. 2 silver at the Shanghai Huatong Platinum & Silver Exchange on the notification date to be notified by the seller to the purchaser at least three working days prior to delivery of shipment of silver by-products less RMB0.5 per gram, which represent the cost of refining of silver by-products by the purchaser, multiplied by the settlement weight.

According to the Supplemental Contract for the Purchase and Sale of Dore, both parties agreed to (i) amend the notification time of delivery of shipment from “no less than three working days” to “no less than 48 hours” and (ii) amend the reference price for gold dore bar products from the “daily average price” to the “real-time price” of Au9995 gold ingot at Shanghai Gold Exchange. According to our discussion with the management of the Company, we are given to understand that the amendment of notification time of delivery of shipment allows Inner Mongolia Pacific to (a) give a shorter notice to China National Gold for shipment and (b) estimate the timing of shipment more accurately. In addition, the use of “real-time price” instead of “daily average price” in pricing the gold dore bar products can also allow the gold dore bar products to be priced close to the market and reflect its most recent market value at the time of sale and more convenient for both Inner Mongolia Pacific to determine the price. We are therefore of the view that both amendments are in the interest of the Company. We are also advised by the management of the Company that in light of the increase in the depth of mining and corresponding change in the composition of ore in the CSH Mine, the Group expects that no silver by-products will be produced or sold from the CSH Mine going forward and therefore amendment of pricing in the silver by-products is not necessary.

With regards to determination of the selling prices of gold dore bars and silver by-product based the price quotation on the Shanghai Gold Exchange and Shanghai Huatong Platinum & Silver Exchange, we have discussed with the Company and noted that these two exchange platforms are the most influential precious metal exchanges in the PRC, and it is the industry practice to determine the price of gold and silver with reference to these two exchange platforms. Furthermore, based on our research, we note that (i) the Shanghai Gold Exchange is approved by the State Council to organizes the gold transactions with the principle of openness, fairness, justness and honesty and the gold prices published there are always referred by the domestic gold player to price their products; and (ii) the Shanghai Huatong Platinum & Silver Exchange is designated by the State Council and the most influential service platform for spot silver

transactions in China with more than 200 members including some of the largest silver producers in China. Also, we were advised by the Company that the sale of gold dore bars and silver by-products are for domestic only, we thus concur with the Directors that it is reasonable that the selling price of gold dore bars and silver by-products are referenced to these two local exchanges in the PRC.

We have also discussed with the management of the Company that and we are given to understand that in determining the cost of refining of gold dore bars under the Contract for the Purchase and Sale of Dore, the Group had obtained several quotations from the independent third parties to ensure the cost of refining of gold dore bars set under the Contract for the Purchase and Sale of Dore with China National Gold is no less favorable than the independent third parties. We have been provided with such sample contracts and we noted that the refinery costs provided by the independent third parties are higher than RMB0.95 per gram. As set out in the Board Letter, "at current and anticipated prices of gold during the term of the Supplemental Contract for Purchase and Sale of Dore, the refining cost is expected to equal the costs incurred by the purchaser, but is not anticipated to be less than the purchaser's costs so there is a potential for a very small profit element which the Company considers to be de minimis". We are given to understand that the profit element mentioned in the Board Letter is in relation to the potential profit of the purchaser instead of potential profit of the Company. We are therefore of the view that it's not the Company's concern whether the purchasers, which may have different cost structure, can make any profit from the quotations they provided. The quotation provided by the purchasers to the Company shall include its own cost and profit margin they are looking for. Therefore, as long as the quotation from China National Gold is more favorable to the Group than that offered by the independent third parties, we are of the view that the pricing terms under the Contract for the Purchase and Sale of Dore (which subsequently supplemented by the Supplemental Contract for the Purchase and Sale of Dore) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

d. The Supplemental Loan Framework Agreement

According to the Board Letter, except for the amendment of interest rate term and the extension of the expiry date of the Loan Framework Agreement to 31 July 2020, no material changes have been made to the terms and conditions under the Loan Framework Agreement. Given the expiry date of the Loan Framework Agreement is 31 July 2017, the term of Supplemental Loan Framework Agreement which intend to extend the Loan Framework Agreement to 31 July 2020 do not exceed 3 years. Please refer to the Board Letter for details of the terms of the Supplemental Loan Framework Agreement.

As discussed with the management of the Company, the expected loan interest rate under the Supplemental Loan Framework Agreement i.e. the interest rate under the Proposed Bond Issue plus the Bond Issue Expenses is approximately 3.9% p.a. taken into account of the previous loan interest rate under the Loan Framework Agreement.

In order to assess whether the expected loan interest rate of 3.9% p.a. under the Supplemental Loan Framework Agreement is on normal commercial terms and are fair and reasonable so far as the Company and the independent Shareholders are concerned, we have compared the loan interest rate under the Supplemental Loan Framework Agreement with the borrowing cost of comparable borrowers who had the same credit rating with China National Gold (the "**Comparable**

Borrowers”), so as to justify the interest earned from the Loan Advancement by the Group would be no less than the same amount of fund to lend to other parties with the same risk profile.

The current credit rating of CNG issued by S&P is BBB. An exhaustive table below summarizes the bonds issued by the PRC based issuers who were also assigned a BBB credit rating by S&P since 1 November 2016 (i.e. approximately six months prior to the entering into of the Supplemental Loan Framework Agreement) with duration of three year and denominated in USD, which correspond to the term under the Supplemental Loan Framework Agreement (the “**Comparable Bonds**”):

Issue Date	Issuer Name	Approximate total Loan Amount (USD million)	Interest Rate (per annum)
2017/5/25	Ford Motor Credit Co LLC	5	2.350%
2017/5/18	Ford Motor Credit Co LLC	6	2.400%
2017/5/16	Sherwin-Williams Co/The	1,500	2.250%
2017/5/12	Capital One Financial Corp	1,400	2.500%
2017/5/11	Ford Motor Credit Co LLC	8	2.300%
2017/4/13	General Motors Financial Co Inc	1,000	2.650%
2017/4/6	Ford Motor Credit Co LLC	9	2.400%
2017/3/30	Ford Motor Credit Co LLC		2.400%
2017/3/27	DXC Technology Co	500	2.875%
2017/3/27	DXC Technology Co	500	2.875%
2017/3/23	Ford Motor Credit Co LLC	7	2.400%
2017/3/16	Ford Motor Credit Co LLC	5	2.350%
2017/3/9	Ford Motor Credit Co LLC	9	2.300%
2017/3/2	Ford Motor Credit Co LLC	10	2.400%
2017/2/24	Ford Motor Credit Co LLC	17	2.450%
2017/1/18	Dexia Credit Local SA	1,500	2.250%
2017/1/18	Dexia Credit Local SA	1,500	2.250%
2017/1/9	Ford Motor Credit Co LLC	1,250	2.681%
2016/12/22	Ford Motor Credit Co LLC	8	2.500%

2016/12/16	Marriott International Inc/MD	181	7.150%
2016/12/15	Ford Motor Credit Co LLC	10	2.450%
2016/12/8	Ford Motor Credit Co LLC	13	2.500%
2016/12/1	Ford Motor Credit Co LLC	12	2.350%
2016/10/3	Kroger Co	500	1.500%
2016/10/3	Air Lease Corp	500	2.125%
	Maximum		7.150%
	Minimum		1.500%
	Mean		2.586%
	The Loan Advancement	208	3.900%

Source: Bloomberg

As shown in the above table, the interest rates of the Comparable Bonds range from approximately 1.500% p.a. to 7.150% p.a., with the mean of 2.586% p.a. The expected interest rate under the Supplemental Loan Framework Agreement of 3.9% p.a. is therefore higher than the mean interest rates of the Comparable Bonds. Given the expected interest income expected to be earned by the Group under the Supplemental Loan Framework Agreement is higher than the same fund it loan out to other parties with the same risk profile, we are of the view that the interest rate terms of the Supplemental Loan Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the independent Shareholders are concerned.

III. Proposed annual caps

a. *The Deposit Cap*

It is proposed that the Deposit Cap shall not exceed RMB3,000 million for the three years ended 31 December 2020.

As set out in the Board Letter, the determination of the Deposit Cap by the Group has taken into account of its current operations and development plan in particular its expansion in the Jiama Mine and possible acquisitions in the upcoming future and hence the corresponding potential increase in its overall cash flows and its deposit balance in China Gold Finance.

According to the Board Letter, the maximum daily deposit balance during the term of the Financial Services Agreement was approximately RMB485 million, the Deposit Cap of RMB3,000 million therefore represented approximately 619% of it. Given the mining and mineral processing capacity of Jiama Mine is expected to increase from 6,000 tpd to 50,000 tpd or approximately 733% following the completion of the Series II of Jiama Phase II Expansion, we are of the view that the determination of the Deposit Cap can be justified in a large extent.

In addition, as discussed above, it is also disclosed in the 2016 Annual Report that the Company is continually working with China National Gold and other interested parties to identify potential international mining acquisition opportunities which can be readily and quickly brought into production with the possibility of further expansion through continued exploration, we concur with the Directors' view that the possible acquisitions in the upcoming future will further increase the utilization of the Deposit Cap in future in light of the potential expansion of operating scale after acquisitions.

In further assessing the fairness and reasonableness of the Deposit Cap, we have reviewed the Annual Report 2016 and noted that the Group had cash and cash equivalents of approximately USD59.9 million (equivalent to approximately RMB413.5 million) as at 31 December 2016. The Deposit Cap therefore represented approximately 725.5% of the Group's cash and cash equivalents as at 31 December 2016. We have then identified listed companies in Hong Kong (the "**Comparable Companies**") receiving deposit services provided by finance companies held by parent companies, with their respective circulars published from 1 November 2016 (approximately six months prior to the entering into of the New Financial Services Agreement). We have in particular reviewed and compared the proposed maximum daily deposit balances to be placed by the Comparable Companies with their respective finance companies, and the Comparable Companies' cash balance, including cash and cash equivalent, bank balances and time deposit (the "**Cash Balance**") according to their latest published financial reports prior to the publish date of their respective circulars. The Comparable Companies have obtained their respective independent shareholders' approval on such maximum daily deposit balances. We consider the list of Comparable Companies presented below to be an exhaustive list according to our research on the website of the Stock Exchange based on the above criteria. Despite the Comparable Companies are not engaged in exactly the same business as the Group and they may not be entirely comparable to the Group in terms of products, stage of development, operation scale, market capitalisation etc., we believe that below comparison is able to depict a more recent market practice in determining the terms of deposit services provided by the related parties of the Comparable Companies and allow us to judge whether the Deposit Cap is fair and reasonable in a general perspective. Based on our review, the results are highlighted in the following table:

Name of comparable companies	Stock code	Date of circular	Maximum daily deposit balance	Cash Balance	Maximum daily deposit balance as a percentage of cash balance
			(RMB million)	(RMB million)	(%)
			(A)	(B)	(A/B)
			(Note 1)		
Welling Holding Limited	382	May 23, 2017	4,479.3	1,919.0	233.4%
Datang Environment Industry Group Co., Ltd.	1272	May 15, 2017	4,000.0	3,012.6	132.8%

TCL Multimedia Technology Holdings Limited	1070	April 19, 2017	6,602.9	4386.7	150.5%
China National Materials Company Limited	1893	February 13, 2017	12,000.0	1,506.0	796.8%
CIMC Enric Holdings Limited	3899	January 26, 2017	360.0	2,583.9	13.9%
Huaneng Power International, INC.	902	January 9, 2017	13,000.0	8,917.9	145.8%
COFCO Meat Holdings Limited	1610	December 20, 2016	1,000.0	8,030.1	12.5%
Cosco Shipping Development CO., Ltd.	2866	December 13, 2016	12,000.0	13,965.0	85.9%
Shanghai Electric Group Company Limited	2727	December 12, 2016	7,500.0	38,169.2	19.6%
Datang International Power Generation Co., LTD.	991	December 9, 2016	15,000.0	3,689.0	406.6%
CGN Mining Company Limited	1164	December 9, 2016	3,317.8	2,307.0	143.8%
TCL Display Technology Holdings Limited	334	December 8, 2016	1,680.0	277.4	605.6%
Cosco Shipping International (Hong Kong) Co., Ltd.	517	December 6, 2016	1,180.0	6,142.8	19.2%
Sinopec Kantons Holdings Limited	934	December 2, 2016	500.0	32.3	1548.0%

China Daye Non-Ferrous Metals Mining Limited	661	November 24, 2016	683.0	937.0	72.9%
Xiwang Property Holdings Company Limited	2088	November 24, 2016	580.0	103.8	558.8%
Beijing Jiangneng Clean Energy Co., Limited	579	November 14, 2016	2,000.0	3,290.0	60.8%
Baic Motor Corporation Limited	1958	November 12, 2016	12,500.0	26,618.2	47.0%
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	2196	November 4, 2016	1,000.0	3,846.0	26.0%
China Southern Airlines Company Limited	1055	November 1, 2016	8,000.0	6,151.0	130.1%
				Mean	260.5%
				Maximum	1548.0%
				Minimum	12.5%
					Maximum daily deposit balance as a percentage of cash balance
		Deposit Cap		3,000.0	
		Cash Balance		413.5	725.5%
				(Note 2)	

Source: Latest published financial reports and circulars of the Comparable Companies

Notes:

1. For ease of our comparison, we have taken the average of the maximum daily deposit balances in case such balances varies with the terms of the respective agreement entered by the Comparable Companies
2. We have adopted an approximate exchange rate of and 1USD to RMB6.9

As shown in the above table, the maximum daily deposit balances of the Comparable Companies range from approximately 12.5% to 1,548.0% of their respective Cash Balance, with the mean of approximately 260.5%. By excluding the outliers of 12.5% and 1,548.0%, the maximum daily deposit balances of the Comparable Companies range from approximately 13.9% to 796.8% of their respective Cash Balance, with the mean of approximately 202.8%.

Though the Deposit Cap of RMB3,000 million represents approximately 725.5% of the Group's total cash balances of approximately RMB 413.5 million as at 31 December 2016 is above the means, by considering (i) such ratio is still within the range of that of the Comparable Companies, (ii) the additional cash balance of the Group from the possible acquisition of international gold and base metal companies in future and (iii) the expected increased cash balance of the Group followed by the completion of Series II of the Jiama Phase II construction and hence corresponding expansion of the production capacity of the Jiama Mine, we are of the view that the Deposit Cap, which set at a relatively higher level to absorb the possible high amount of cash received by the Group in a given time, is fair and reasonable so far as the independent Shareholders are concerned.

b. The P&S Annual Caps

Set out below are (1) the existing annual caps for the three years ending 31 December 2017 under the Supplemental Product and Service Framework Agreement; (2) the actual transaction amount for the two years ended 31 December 2016 and four months ended 30 April 2017; and (3) the P&S Annual Caps:

	For the financial year ended 31 December					
	2015	2016	2017	2018	2019	2020
The existing annual Caps (RMB' Million)	5,123	5,800	7,067			
The actual transaction amounts (RMB' Million)	931	672	254 (Jan – Apr)			
Utilisation Rate (%)	18%	12%	4% (Jan – Apr)			
The P&S Annual Caps (RMB' Million)				11,400	11,400	11,400

Set out below also (i) the actual transaction amount by product and services types under the Supplemental Product and Service Framework Agreement for the two years ended 31

December 2016 and (ii) the basis used by the Group to determine the P&S Annual Caps of RMB11,400 million for each of the three financial years ending 31 December 2020.

	For the financial year ended 31 December		
	2015	2016	2018-2020
	Actual	Actual	Proposed
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Stripping and related services	728	210	140
Mining research, development and design and related services	24	18	440
Environmental, safety and occupational health management	6	12	10
Tendering agency service	7	6	10
Office lease	7	8	8
Auxiliary equipment	28	22	37
Copper concentrates	131	396	7,000
Leasing Services	-	-	500
Subtotal	931	672	8,145
~40% buffer	N/A	N/A	3,255
	931	672	11,400

According to the above table, other than (i) mining research, development and design and related services, (ii) sales of copper concentrates and (iii) the new Leasing Services, the proposed transaction amounts for other types of products and services assumed by the Company in determining the P&S Annual Caps are similar to the historical transaction amount in the prior years.

In assessing the reasonableness of the expected significant increase in the transaction amount of mining research, development and design and related services under the Second Supplemental Product and Service Framework Agreement, we have discussed with the management of the Company and we are given to understand that after the ramping up to the full capacity of Jiama Phase II Series I in 2017, the Group is expecting that it will be in a large demand for mining research, development and design and related services from China National Gold for the Jiama Phase II Series II expansion in the upcoming years.

In assessing the reasonableness of the expected significant increase in the transaction amount of the sales of copper concentrates from the Group to China National Gold, we have obtained (i) the actual sales amount of copper concentrates broken by metals types under the Supplemental Product and Service Framework Agreement for the two years ended 31 December 2016 and (ii) the basis used by the Group to determine the proposed annual caps for the copper concentrates sales under the Second Supplemental Product and Service Framework Agreement of RMB7,000 million for each of the three financial years ending 31 December 2020, of which are set out below:

	2015	2016	2018-2020
<i>Annual sales quantities</i>			
Gold (g)	131,000	401,000	2,050,000
Silver (g)	6,497,000	18,945,000	183,003,000
Copper (ton)	3,164	9,114	94,106
Molybdenum (ton)	-	-	4,314
Lead (ton)	-	-	23,080
Zinc (ton)	-	-	20,557
<i>Price per unit (RMB)</i>			
Gold (per g)	174	219	249
Silver (per g)	2.4	2.7	3.5
Copper (per ton)	28,997	28,228	47,000
Molybdenum (per ton)	-	-	200,000
Lead (per ton)	-	-	11,111
Zinc (per ton)	-	-	14,957
<i>Amount (RMB million)</i>			
Gold	22	88	510
Silver	16	51	641
Copper	92	257	4,423
Molybdenum	-	-	863
Lead	-	-	256
Zinc	-	-	307
Total	131	396	7,000

As illustrated in the above table, we noted the major underlying metals in determining the expected annual transaction amount of copper concentrates under the Second Supplemental Product and Service Framework Agreement was copper. As discussed with the management of the Company, we are given to understand that such forecasted annual sales quantities copper for each of the three year ending 31 December 2020 has taken into account of the expansion of mining and mineral processing capacity from 6,000 tpd to 50,000 tpd or approximately 733% following the completion of the Series II of Jiama Phase II Expansion.

Nevertheless, the forecasted annual sales quantities of copper for each of the three year ending 31 December 2020 is indeed set at approximately 933% higher than that in for the year ended 31 December 2016 under the Supplemental Product and Service Framework Agreement in light of the unusual low sales quantities of copper concentrates for the year ended 31 December 2016 attributed to the relatively low level of copper price in the same year. According to the historical Shanghai Changjiang Copper Spot price, we noted that the copper has been priced below RMB40,000 per tonne from the beginning of year 2016 until early November in 2016 and rise back to approximately RMB45,000 per tonne in December 2016. We are therefore concur with the Directors' view to set a higher extent of increase in the forecasted annual sales quantities of silver and copper for each of the three year ending 31 December 2020 than the actual sales of the copper for the year ended 31 December 2016 of 933% than the extent of expansion of mining and mineral processing capacity of approximately 733% taking into account of the

unusual sales low sales quantities of copper concentrates for the year ended 31 December 2016.

As illustrated in the above table, we also noted that the forecasted price of copper for each of the three year ending 31 December 2020 used to determine the expected annual transaction amount of copper concentrates under the Second Supplemental Product and Service Framework Agreement is 47,000 per ton. In assessing the fairness and reasonableness of the expected price of copper used by the Group to determine the expected annual transaction amount of copper concentrates under the Second Supplemental Product and Service Framework Agreement, we have referenced to the recent Shanghai Changjiang Copper Spot price from 1 January 2017 to 26 May 2017 and we noted that the average daily Shanghai Changjiang Copper Spot price in the same period was RMB 46,683 per tonne, which is close to the forecasted price of copper for each of the three year ending 31 December 2020 used by the Group to determine the expected annual transaction amount of copper concentrates under the Second Supplemental Product and Service Framework Agreement of 47,000 per tonne.

Based on the foregoing analysis, we are of the view that the significant increase in the transaction amount of the sales of copper concentrates from the Group to China National Gold under the Second Supplemental Product and Service Framework Agreement is justifiable and is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole.

In assessing the reasonableness of proposed transaction amount of Leasing Services under the Second Supplemental Product and Service Framework Agreement of RMB500.0 million, we noted that such amount is indeed equal to the registered capital of Zhongxin International. According to our discussion with the management of the Company, the Company intends to maximize the Group's flexibility in the alternative funding source by using the sale and leaseback services provided by Zhongxin International. In light of the large amount of fixed assets owned by the Group in particular approximately US\$2,495.8 million or RMB16,971.4 million as at 31 December 2016 according to the 2016 Annual Report, of which is much higher than the proposed transaction amount of Leasing Services, we concur with the Directors' view to maximize the potential usage of Leasing Service by setting the proposed transaction amount at the registered capital of Zhongxin International.

In assessing the reasonableness of setting 40% buffer on the proposed aggregate transaction amount to determine the P&S Annual Caps, we have discussed with the management of the Company and we are given to understand that such buffer was set for the potential fluctuation of copper price in future. Given the proposed transaction amount of copper concentrates contributed the most in the total proposed transaction amount under the Second Supplemental Product and Service Framework Agreement, we concur with the Directors' view in this regard. Set out below the historical Shanghai Changjiang Copper Spot price from 1 April 2014 to 31 March 2017 (the "**Copper Price Reference Period**").



Source: Bloomberg

As shown in the chart above, the highest copper price in the Copper Price Reference Period was RMB52,300/ton, about 55.9% higher than the lowest copper price of RMB33,540/ton. Given the historical volatility of the historical copper price and the unforeseeable nature of copper price in future, we therefore considered the incorporation of 40% buffer is fair and reasonable in determining the P&S Annual Caps.

Based on the foregoing analysis, we are of the view that the P&S Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole.

In addition, as discussed with the management of the Company, we are given to understand that the principal reason to renew the Product and Service Framework Agreement in the AGM rather than upon its expiry is to avoid additional time and cost incurred to convene another shareholders' meeting to approve the same matter. Given the terms of the Second Supplemental Product and Service Framework Agreement are substantially the same as that of the Product and Service Framework Agreement (as amended by the Supplemental Product and Service Framework Agreement), we are of the view that the major risk and uncertainty to the Shareholders for their early approval of the Second Supplemental Product and Service Framework Agreement in the AGM could be, if any, the material adverse change in the historical information of the Company (i.e. financial figures in 2015 and 2016) during the period between the date of this letter and the commencement of the Second Supplemental Product and Service Framework Agreement i.e. 1 January 2018 of which have been referenced by us in justifying the P&S Annual Cap. As discussed above, one of the major data that we have referenced to justify the P&S Annual Cap is the copper sales in 2016. Given that (i) the copper production volume of the Group is expected to reach 79

million pound according to the 2016 Annual Report, from approximately 40 million pound in 2016, we are of the view that, assuming other things being constant, it's reasonable to expect that there will be an increase in the sales quantities of copper concentrate from the Group to China National Gold in 2017 under the Product and Service Framework Agreement (as amended by the Supplemental Product and Service Framework Agreement) and (ii) the recent Shanghai Changjiang Copper Spot price from 1 January 2017 to 26 May 2017 were relatively stable ranging from RMB 44,820 per tonne to RMB49,580 per tonne, we are of the view that it would only make the copper concentrates sales that used by the management of the Company in determining the P&S Annual Caps even less aggressive. Based on the above, we are of the view that such early renewal of the Product and Service Framework Agreement do not give rise to material adverse uncertainty to the Shareholders and is reasonable and in the interest of the Company and the Shareholders as a whole.

c. *The Gold Dore Annual Caps*

Set out below are (1) the existing annual caps for the three years ending 31 December 2017 under the Contract for Purchase and Sale of Dore; (2) the actual transaction amount for the two years ended 31 December 2016 and four months ended 30 April 2017; (3) the Gold Dore Annual Caps:

	For the financial year ended December 31					
	2015	2016	2017	2018	2019	2020
The existing annual Caps (RMB' Million)	2,275	2,438	2,470			
The actual transaction amounts (RMB' Million)	1,511	1,575	408 (Jan – Apr)			
Utilisation Rate (%)	66%	65%	17% (Jan – Apr)			
The Gold Dore Annual Caps (RMB' Million)				2,700	2,700	2,700

As stated in the Board Letter, the Gold Dore Annual Caps of RMB2,700 million have been determined with reference to (i) the expected sales volume of gold dore at 7.4 tonne (i.e. 7.4 million gram) per year, (ii) the expected sales price of gold dore at RMB260.0 per gram and (iii) the expected price volatility of gold dore of approximately 40%. As advised by the Company, in light of the increase in the depth of mining and corresponding change in the composition of ore in the CSH Mine, the Group expects that no silver by-products will be produced or sold from the CSH Mine going forward and therefore the Company has prudently taken into account only the

sales of gold dore bars in determining the annual caps without consideration of the sales of silver by-products under the Supplemental Contract for the Purchase and Sale of Dore.

In assessing the fairness and reasonableness of the Gold Dore Annual Caps, we have considered the followings:

- (i) For the two years ended 31 December 2016, the total gold production at the CSH Mine was approximately 204,471 ounces (i.e. approximately 5.8 million gram) and approximately 185,051 ounces (i.e. approximately 5.2 million gram) respectively. According to the Company's announcement for preliminary 2016 production and guidance and 2017 outlook dated January 26 2017, it is expected the gold production at the CSH Mine will reach about 193,000 ounces (i.e. approximately 5.5 million gram) in 2017. The assumption of expected sales volume of gold dore at 7.4 million gram per year used by the Group to determine the Gold Dore Annual Caps is therefore approximately 35.2% higher than the expected gold production at the CSH Mine in 2017. As discussed with the management of the Company, due to the low grade of ore mined, the gold production for the year ended 31 December 2016 and 2017 was and is expected to be lower. According to the Annual Report 2016, the average ore grade decreased from 0.55 g/t for the year ended 31 December 2015 to 0.49 g/t for the year ended 31 December 2016. Nevertheless, according to the management of the Company, it is expected that the grading of the ore and the condition of the ore will be improve in 2018, and thus a higher growth of gold production since 2018 is expected. Assuming (i) the annual ore mined and placed on pad of approximately 22 million tonne of CSH Mine by referencing to the Annual Report 2016, (ii) the improvement of ore grade back to the level in year 2015 i.e. 0.55 g/t, and (iii) the expected accumulative gold recovery rate of approximately 57.6% in future of CSH Mine (approximately 52.1% as at 31 December 2016 according to the Annual Report 2016), the expected annual gold production will be approximately 7.0 million gram, which is close to the expected sales volume of gold dore at 7.4 million gram per year used by the Group to determine the Gold Dore Annual Caps, we are therefore of the view that the management's assumption is fair and reasonable in this regard.
- (ii) Given the price of gold dore bars to be purchased by China National Gold from Inner Mongolia Pacific 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, in assessing the fairness and reasonableness of the expected sales price of gold dore and the expected price volatility of gold dore used by the Group to determine the Gold Dore Annual Caps, we have referenced to the daily price chart for Au9995 gold ingot as quoted on the Shanghai Gold Exchange from 1 April 2014 to 26 May 2017 ("**Gold Price Reference Period**") as presented below:



Source: Bloomberg

During the Gold Price Reference Period, the average daily price for Au9995 gold ingot as quoted on the Shanghai Gold Exchange was RMB 254.27/g. During the same period, the highest settlement price was RMB 294.28/g, which was about 35.8% higher than the lowest settlement price of RMB 216.75/g. Given the volatility of gold ingot settlement price, we were advised by the Company that the Gold Dore Annual Caps have incorporated a buffer to allow for such price fluctuation. We also understand that metal prices will be determined by a number of unpredictable factors, including but not limited to supply, demand and current stockpiles in place, and the uncertainty for economy of the countries over the world, during which gold is always use as a tool for hedging. Based on the foregoing, we consider the expected sales price of gold dore of RMB 260/g and the expected price volatility of gold dore of 40% used by the Group to determine the Gold Dore Annual Caps is therefore fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole.

In addition, as discussed with the management of the Company, we are also given to understand that the principal reason to renew the Contract for the Purchase and Sale of Dore in the AGM before its expiry is to avoid additional time and cost incurred to convene another shareholders' meeting to approve the same matter. Given the terms of the Supplemental Contract for the Purchase and Sale of Dore are substantially the same as that of the Contract for the Purchase and Sale of Dore, we are of the view that the major risk and uncertainty to the Shareholders for their early approval of the Supplemental Contract for the Purchase and Sale of Dore in the AGM could be, if any, the material adverse change in the historical information of the Company (i.e. financial figures in 2015 and 2016) during the period between the date of this letter and the commencement of the Supplemental Contract for the Purchase and Sale of Dore i.e. 1 January 2018 of which have been referenced by us in justifying the Gold Dore Annual Cap. As

discussed above, one of the major assumptions that we use to justify the Gold Dore Annual Cap is the annual ore mined and placed on pad of approximately 22 million tonne of CSH Mine in 2016. Given that (i) the annual ore mined and placed on pad of CSH Mine was relatively stable at approximately 21 and 23 million tonne in 2014 and 2015 respectively as disclosed in the 2015 Annual Report, (ii) the gold production volume of the Group is expected to reach 193,000 ounces according to the Company's announcement for preliminary 2016 production and guidance and 2017 outlook, from approximately 185,052 ounces in 2016, we are of the view that, assuming other things being constant, it's reasonable to expect that there will be an increase in the ore mined and placed on pad of CSH Mine as well as the sales quantities gold products from Inner Mongolia Pacific to China National Gold in 2017 under the Contract for Purchase and Sale of Dore , (iii) the recent Au9995 gold ingot price from 1 January 2017 to 27 May 2017 showed an uptrend and were relatively stable ranging from 264.08 /g to 286.61/g, we are of the view that it would only make the gold sales that used by the management of the Company in determining the Gold Dore Annual Caps even less aggressive, we are therefore of the view that the early renewal of the Contract for the Purchase and Sale of Dore do not give rise to material adverse uncertainty to the Shareholders and is reasonable and in the interest of the Company and the Shareholders as a whole.

d. The Loan Caps

According to the Company, the total loan advancement to China National Gold and its subsidiaries under the Loan Framework Agreement was approximately USD 158.5 million as at 31 December 2016 out of the maximum daily loan caps (including accumulative interest) of USD 208 million.

The Loan Caps under the Supplemental Loan Framework Agreement is same as that of the Loan Framework Agreement of USD 208 million. As at December 31 2016, the cash and cash equivalent of the Group was approximately USD 59.9 million. Taken into account of the total loan advancement to China National Gold and its subsidiaries under the Loan Framework Agreement was approximately USD 158.5 million as at 31 December 2016, the total potential cash balance of the Group (taken into account of the repayment amount of loan advancement by China National Gold to the Group under the Loan Framework Agreement upon its expiry) will be amounted to approximately USD 218.4 million, which is higher than the Loan Caps. As discussed with the management of the Company, we are given to understand that the Company are not anticipating any material working capital needs in the foreseeable future. We are therefore of the view that the Loan Caps contemplated under the Supplemental Loan Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS REQUIREMENTS UNDER THE LISTING RULES

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report whether the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;

- (ii) on normal commercial terms or better; and
 - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (i) has not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group (if applicable);
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Continuing Connected Transactions; and
 - (iv) have exceeded the Proposed Annual Caps;
- (c) the Company must allow, and ensure that the relevant parties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the above reporting requirements attached to the Continuing Connected Transactions, we are of the view that appropriate measures will be in place to monitor the conduct of the Continuing Connected Transactions and assist to safeguard the interests of the independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons as discussed above, we are of the opinion that the entering into of the New Financial Services Agreement (as amended under the Amendment Agreement), the Second Supplemental Product and Service Framework Agreement, and the Supplemental Contract for the Purchase and Sale of Dore are on the ordinary course of business the Company, normal commercial terms and are fair and reasonable so far as the Company and the independent Shareholders are concerned, and the entering into of the Supplemental Loan Framework Agreement is normal commercial terms and are fair and reasonable so far as the Company and the independent Shareholders are concerned.

Accordingly, we would recommend the independent Shareholders, and advise the Independent Board Committee to recommend the independent Shareholders to vote in favour of the relevant resolution to be proposed at the AGM in respect of the Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully
For and on behalf of
TC Capital International Limited

Edward Wu
Chairman

Stanley Chung
Managing Director

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.