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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)

**ANNOUNCEMENT**

**CONNECTED TRANSACTIONS**

Geological Exploration Design Agreement  
Technology Development Agreements and  
Purchase Agreement

The Board is pleased to announce that Inner Mongolia Pacific, a cooperative joint venture company controlled by the Company, has entered into the Geological Exploration Design Agreement with Jinsheng Mining on 3 September 2012 pursuant to which Jinsheng Mining has agreed to prepare the next stage geological exploration design with respect to the Haoyaoerhudong region of the CSH Mine.

Inner Mongolia Pacific has also entered into the Ore Processing Technology Development Agreement with the Technical Centre on 3 September 2012 pursuant to which the Technical Centre has agreed to provide research and development services to advance the ore processing technology at the CSH Mine.

Huatailong has entered into the Ore Flotation Technology Development Agreement with the Technical Centre on 3 September 2012 pursuant to which the Technical Centre has agreed to provide research and development services to advance the ore flotation technology at the Jiama Mine.

Further, Huatailong has also entered into the Purchase Agreement with Henan Jinyuan on 3 September 2012 pursuant to which Huatailong shall purchase from Henan Jinyuan ball mill liners and spare parts for the ball mill liners at the Jiama Mine.

The Company, Jinsheng Mining, the Technical Centre and Henan Jinyuan are ultimately controlled by China National Gold and therefore, Jinsheng Mining, the Technical Centre and Henan Jinyuan are connected persons of the Company under the Listing Rules.

The Group has entered into certain transactions with its connected persons in the previous 12-month period. The Previous Connected Transactions have been disclosed in the announcements of the Company (i) dated 5 January 2012 in relation to the geological exploration technical service contract entered into between Inner Mongolia Pacific and Beijing Jinyou which is a wholly-owned subsidiary of China National Gold; (ii) dated 16 November 2011 in relation to the geological reserves verification contract entered into between Inner Mongolia Pacific and Beijing Jinyou; and (iii) dated 7 November 2011 in relation to the technology development agreement entered into between Inner Mongolia Pacific and Changchun Institute which is an entity wholly-owned by China National Gold.

The transactions contemplated under the Geological Exploration Design Agreement, the Technology Development Agreements, the Purchase Agreement and the Previous Connected Transactions are aggregated pursuant to Rule 14A.25 of the Listing Rules on the basis that (a) Jinsheng Mining, the Technical Centre, Henan Jinyuan, Beijing Jinyou and Changchun Institute are all ultimately controlled by China National Gold; (b) the transactions under the Geological Exploration Design Agreement, the Technology Development Agreements, the Purchase Agreement and the Previous Connected Transactions are all in relation to exploration and mining activities; and (c) such transactions will be completed within a 12-month period. As a result, the transactions under the Geological Exploration Design Agreement, the Technology Development Agreements and the Purchase Agreement constitute connected transactions of the Company which, based on the applicable aggregated percentage ratios, are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

## **BACKGROUND**

Inner Mongolia Pacific, a cooperative joint venture company controlled by the Company, has entered into a geological exploration design agreement (the “**Geological Exploration Design Agreement**”) with Jinsheng Mining on 3 September 2012 pursuant to which Jinsheng Mining has agreed to prepare the next stage geological exploration design with respect to the Haoyaoerhudong region of the CSH Mine.

Inner Mongolia Pacific has also entered into an ore processing technology development agreement (the “**Ore Processing Technology Development Agreement**”) with the Technical Centre on 3 September 2012 pursuant to which the Technical Centre has agreed to provide research and development services to advance the ore processing technology of the CSH Mine.

Huatailong has entered into an ore flotation technology development agreement (the “**Ore Flotation Technology Development Agreement**”) with the Technical Centre on 3 September 2012 pursuant to which the Technical Centre has agreed to provide research and development services to advance the ore flotation technology at the Jiama Mine.

Further, Huatailong has also entered into a purchase agreement (the “**Purchase Agreement**”) with Henan Jinyuan on 3 September 2012 pursuant to which Huatailong shall purchase from Henan Jinyuan ball mill liners and spare parts for the ball mill liners at the Jiama Mine.

Details of the Geological Exploration Design Agreement, the Technology Development Agreements and the Purchase Agreement are set out below.

### **GEOLOGICAL EXPLORATION DESIGN AGREEMENT**

Date: 3 September 2012

Subject Matter: Jinsheng Mining shall prepare the next stage geological exploration design for Inner Mongolia Pacific with respect to the Haoyaoerhudong region of the CSH Mine.

Term: The project shall be completed by 31 October 2012.

Service Fee: In consideration for the preparation of the geological exploration design, Inner Mongolia will pay Jinsheng Mining a service fee of RMB60,000 upon entering into the agreement.

### **ORE PROCESSING TECHNOLOGY DEVELOPMENT AGREEMENT**

Date: 3 September 2012

Subject Matter: The Technical Centre shall carry out research and development with respect to mineral processing and all slime cyanidation by analyzing ore samples supplied by Inner Mongolia Pacific.

Term: The Technical Centre shall deliver the research and development plan within 30 days upon entering into the agreement.

The Technical Centre shall deliver the completed research and development proposal within 120 days upon receipt of ore samples from Inner Mongolia Pacific.

Service Fee: In consideration for the research and development services, Inner Mongolia Pacific shall pay to the Technical Centre a service fee of RMB3,500,000.

Payment: The service fee shall be paid by Inner Mongolia Pacific to the Technical Centre in one lump sum payment of RMB3,500,000 prior to 31 November 2012.

## ORE FLOTATION TECHNOLOGY DEVELOPMENT AGREEMENT

Date: 3 September 2012

Subject Matter: The Technical Centre shall carry out research and analysis of ore samples supplied by Huatailong in order to develop and identify a suitable flotation process for copper and molybdenum ore for the Jiama Mine.

Term: The Technical Centre shall deliver its research and development report within 100 days following receipt of the ore samples and service fee payment.

Service Fee: In consideration for the research and development services, Huatailong shall pay to the Technical Centre a service fee of RMB1,500,000.

Payment: The service fee shall be paid by Huatailong to the Technical Centre in one lump sum payment of RMB1,500,000 prior to 31 November 2012.

## PURCHASE AGREEMENT

Date: 3 September 2012

Subject Matter: Henan Jinyuan through its Songxian Gold Foundry\* shall supply to, and Huatailong shall purchase, ball mill liners and spare parts for the ball mill liners (the “**Goods**”) at the Jiama Mine.

Term: Henan Jinyuan shall deliver the Goods within 45 days from the receipt of the Advance Payment (as defined below).

Purchase Price: The total consideration for the purchase of the Goods is RMB975,669.38.

Payment: The purchase price shall be paid by Huatailong to Henan Jinyuan in three installments in the following manner:

- (i) RMB292,700.81 (being approximately 30% of the purchase price) shall be paid as advance payment upon signing of the Purchase Agreement (the “**Advance Payment**”).
- (ii) RMB585,401.63 (being approximately 60% of the purchase price) shall be paid upon receipt and acceptance of the Goods by Huatailong to the satisfaction of Huatailong.

- (iii) RMB97,566.94 (being approximately 10% of the purchase price) shall be paid within seven days after the ball mill liners have processed 700,000 tons of ore. In the event that the ball mill liners are not capable of processing 700,000 tons of ore due to a shorter service life, Huatailong shall only be required to pay such amount calculated in accordance with the following formula:

$$\frac{\text{Actual amount of ore processed}}{700,000 \text{ tons}} \times \text{unit price}$$

### **REASONS FOR AND BENEFITS OF THE AGREEMENTS**

The Technical Centre is an integrated technology research institute and it was accredited as a “State Recognized Enterprise Technology Centre” in October 2006. With a large team of expert researchers, it has extensive experiences in carrying out research and development on mining, ore dressing and design related technologies.

In order for Inner Mongolia Pacific to maintain its mining permit of 2012, it is required to obtain the next stage exploration design produced by a qualified exploration company, and such exploration design will need to be reviewed and approved by the Inner Mongolia Mining Association. In order to maintain its mining permit, Inner Mongolia Pacific has commissioned Jinsheng Mining to prepare the next stage geological exploration design with respect to the Haoyaoerhudong region of the CSH Mine.

Huatailong has separately contacted Henan Jinyuan and other machinery and materials manufacturers for price quotes. In comparison, Henan Jinyuan offers the best value for costs. Following a comprehensive consideration, Huatailong decided to order the Goods from Henan Jinyuan.

The terms of the Geological Exploration Design Agreement, the Technology Development Agreements and the Purchase Agreement have been arrived upon arm’s-length negotiations between the parties thereto. The service fees charged by Jinsheng Mining and the Technical Centre and the purchase price charged by Henan Jinyuan are fair and reasonable.

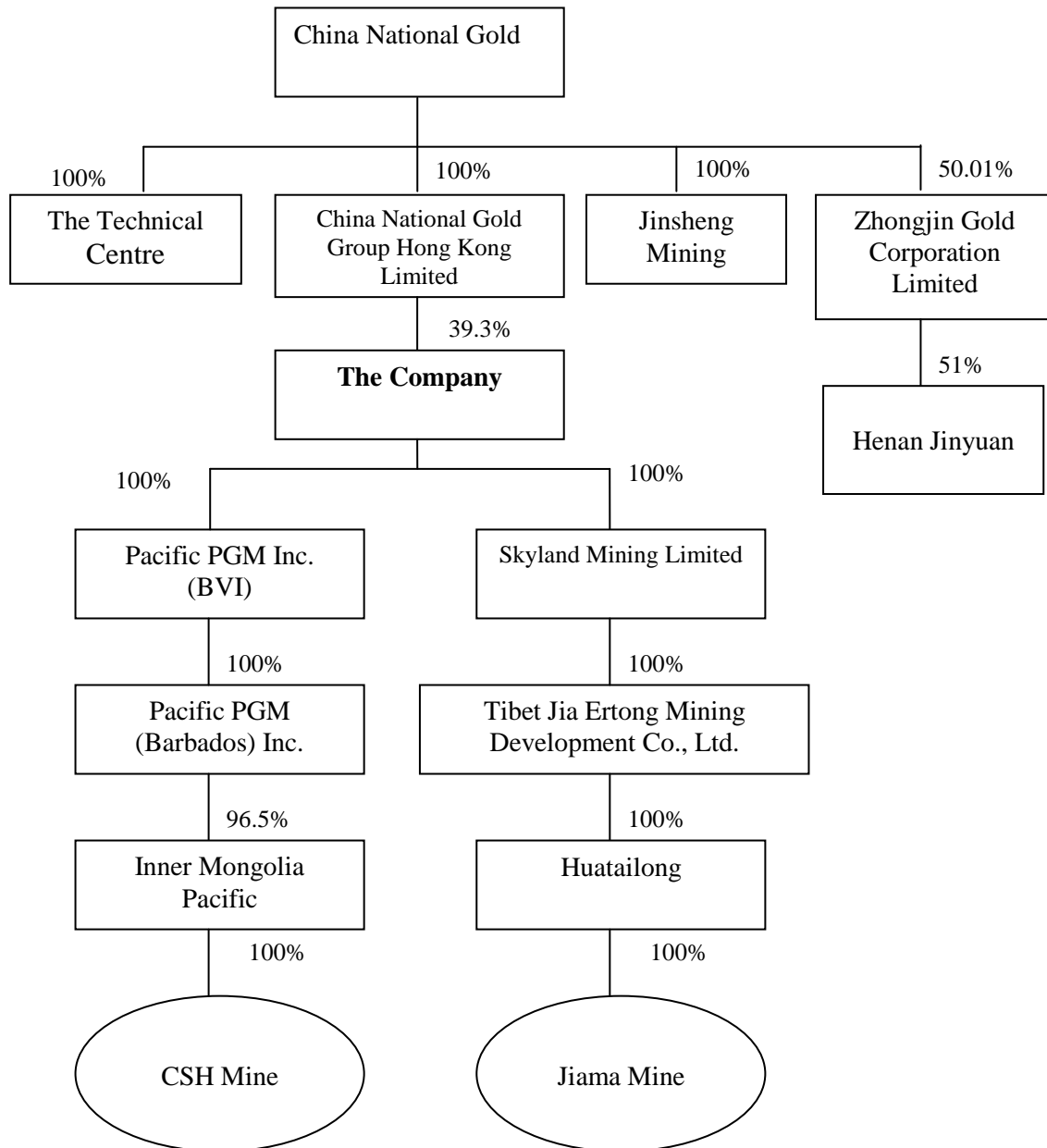
The Directors (including the independent non-executive Directors) consider that the transactions under the Geological Exploration Design Agreement, the Technology Development Agreements and the Purchase Agreement will be entered into in the ordinary course of business of the Group and the terms of these agreements are normal commercial terms which are fair, reasonable, and in the interests of the Group and the shareholders of the Company as a whole.

Each of Mr. Sun Zhaoxue, Mr. Song Xin, Mr. Liu Bing and Mr. Wu Zhanming are considered to have a conflict of interest in the transactions under the Geological Exploration Design Agreement, the Technology Development Agreements and the Purchase Agreement due to their senior management positions in China National

Gold. They abstained from voting at the resolutions in relation to the Geological Exploration Design Agreement, the Technology Development Agreements and the Purchase Agreement proposed to the Board.

**LISTING RULES IMPLICATIONS**

The following chart sets out the current shareholding relationship among China National Gold, the Company, Inner Mongolia Pacific, Huatailong, Jinsheng Mining, the Technical Centre and Henan Jinyuan:



As shown above, (i) Inner Mongolia Pacific is a cooperative joint venture company controlled by the Company; (ii) Huatailong is an indirect wholly-owned subsidiary of the Company; (iii) the Company, Jinsheng Mining, the Technical Centre and Henan Jinyuan are ultimately controlled by China National Gold. As such, Jinsheng Mining, the Technical Centre and Henan Jinyuan are connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

The Group has entered into certain transactions with its connected persons in the previous 12-month period. Such transactions have been disclosed in the announcements of the Company (i) dated 5 January 2012 in relation to the geological exploration technical service contract entered into between Inner Mongolia Pacific and Beijing Jinyou Geological Surveillance Company Limited\* (北京金有地質勘測有限責任公司) (“**Beijing Jinyou**”) which is a wholly-owned subsidiary of China National Gold; (ii) dated 16 November 2011 in relation to the geological reserves verification contract entered into between Inner Mongolia Pacific and Beijing Jinyou; and (iii) dated 7 November 2011 in relation to the technology development agreement entered into between Inner Mongolia Pacific and Changchun Gold Research Institute (長春黃金研究院) (“**Changchun Institute**”) which is an entity wholly-owned by China National Gold (collectively, the “**Previous Connected Transactions**”).

The transactions contemplated under the Geological Exploration Design Agreement, the Technology Development Agreements, the Purchase Agreement and the Previous Connected Transactions are aggregated pursuant to Rule 14A.25 of the Listing Rules on the basis that (a) Jinsheng Mining, the Technical Centre, Henan Jinyuan, Beijing Jinyou and Changchun Institute are all ultimately controlled by China National Gold; (b) the transactions under the Geological Exploration Design Agreement, the Technology Development Agreements, the Purchase Agreement and the Previous Connected Transactions are all in relation to exploration and mining activities; and (c) such transactions will be completed within a 12-month period. As a result, the transactions under the Geological Exploration Design Agreement, the Technology Development Agreements and the Purchase Agreement constitute connected transactions of the Company which, based on the applicable aggregated percentage ratios, are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirement under the Listing Rules.

## **GENERAL**

The Company is a gold and base metal mining company based in Vancouver, Canada. Its principal properties are the CSH Mine located in Inner Mongolia, China and the Jiama Mine, located in Tibet, China. The Company commenced gold production at the CSH Mine in July 2007 and commenced commercial production on 1 July 2008. The Company acquired 100% ownership of Jiama Mine which hosts a large scale copper-gold polymetallic deposit consisting of copper, molybdenum, gold, silver, lead and zinc on 1 December 2010. The mine commenced commercial production in September 2010.

Inner Mongolia Pacific is a cooperative joint venture company controlled by the Company whose major asset is the CSH Mine. Since its establishment in April 2002, it has been primarily engaged in exploration and mining activities. The Company has

been in control of 96.5% of the equity interest of Inner Mongolia Pacific through its wholly-owned subsidiary Pacific PGM (Barbados) Inc., since April 2005.

Huatailong owns and operates the Jiama Mine. Since its establishment on 11 January 2007, it has been primarily engaged in exploration and mining activities. It is ultimately controlled by the Company.

Jinsheng Mining was incorporated in November 2011 in Inner Mongolia as a state-owned enterprise which primarily focuses on mineral resources development. Its principal business activities include mineral resources exploration and mining asset consolidation.

The Technical Centre of China National Gold was established in Changchun Institute in April 2002. It was accredited as a “State-accredited Corporate Technology Center” jointly by the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Finance, the State Administration of Customs and the State Administration of Taxation in Shenzhen in October 2006. The Technical Centre has fully reinforced technological strengths as it is supported by well-known technical experts from mining, ore dressing, metallurgy, environmental protection, quality inspection, design and other necessary disciplines and employs senior scientific and technological researchers including research fellows, professors, senior engineers and doctors.

Henan Jinyuan is a limited liability company incorporated in the Henan Province of PRC. It became a subsidiary of China National Gold in 1997. Henan Jinyuan, through its manufacturing facility Songxian Gold Foundry\*, manufactures gold mining related products such as ball mill liners, steel balls and other castings. In February 2008, China National Gold transferred its 51% equity interest in Henan Jinyuan to Zhongjin Gold Corporation Limited which was listed on the Shanghai Stock Exchange.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“ <b>Board</b> ”	the board of Directors;
“ <b>China National Gold</b> ”	China National Gold Group Corporation* (中國黃金集團), 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 (中國黃金集團香港有限公司), its wholly-owned subsidiary;
“ <b>Company</b> ”	China Gold International Resources Corp. Ltd. (中國黃金國際資源有限公司), a limited liability company incorporated under the laws of British Columbia, Canada with shares listed on both the Hong Kong Stock Exchange and the Toronto Stock Exchange;



<b>“connected person(s)”</b>	has the same meaning ascribed thereto under the Listing Rules;
<b>“control”</b>	has the same meaning ascribed thereto under the Listing Rules;
<b>“CSH Mine”</b>	Chang Shan Hao mine (長山壕金礦), a gold mine located in Wulate Zhong Qi in Inner Mongolia Autonomous Region of the PRC, in which our Group holds a 96.5% interest through our wholly-owned subsidiary, Pacific PGM (Barbados) Inc.;
<b>“Directors”</b>	the directors of the Company;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“Henan Jinyuan”</b>	Henan Jinyuan Gold Mining Co., Ltd.* (河南金源黄金矿业有限责任公司), a company incorporated in Henan Province of PRC with limited liability, in which Zhongjin Gold Corporation Limited being a subsidiary of China National Gold, holds a 51% equity interest;
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC;
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Huatailong”</b>	Tibet Huatailong Mining Development Co., Ltd.* (西藏華泰龍礦業開發有限公司), a limited liability company incorporated in the PRC 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. (西藏嘉爾通礦業開發有限公司), its wholly-owned subsidiaries;
<b>“Inner Mongolia Pacific”</b>	Inner Mongolia Pacific Mining Co. Limited (內蒙古太平礦業有限公司), a cooperative joint venture company incorporated in the PRC which owns and operates the CSH Mine, in which our Group holds a 96.5% interest through our wholly-owned subsidiary, Pacific PGM (Barbados) Inc.;
<b>“Jiama Mine”</b>	Jiama Copper-Gold Polymetallic Mine (甲瑪銅多金屬礦) 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 its indirect wholly-owned subsidiary Huatailong;

<b>“Jinsheng Mining”</b>	China National Gold Group Inner Mongolia Jinsheng Mining Co., Ltd.* (中國黃金集團內蒙古金盛礦業開發有限公司), a company incorporated in the PRC with limited liability, being a wholly-owned subsidiary of China National Gold;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
<b>“PRC”</b>	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region, and Taiwan;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Technical Centre”</b>	China National Gold Group Technical Centre* (中國黃金集團技術中心), established in Changchun Institute in April 2002 which is wholly-owned by China National Gold and is designated for conducting mining and exploration related research and development activities;
<b>“Technology Development Agreements”</b>	the Ore Processing Technology Development Agreement and the Ore Flotation Technology Development Agreement;
<b>“Toronto Stock Exchange”</b>	The Toronto Stock Exchange of Toronto, Canada;
<b>“%”</b>	per cent.

*\*The English translation appears for identification purposes only.*

By Order of the Board  
**China Gold International Resources Corp. Ltd.**  
**Sun Zhaoxue**  
*Chairman*

Hong Kong, 3 September 2012

*As of the date of this announcement, the executive Directors are Mr. Sun, Zhaoxue, Mr. Song, Xin, Mr. Wu, Zhanming and Mr. Jiang, Xiangdong, the non-executive Director is Mr. Liu, Bing and the independent non-executive Directors are Mr. He, Ying Bin Ian, Mr. Chen, Yunfei, Mr. Hall, Gregory Clifton and Mr. Burns, John King.*