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

Reference is made to the Annual Financial Statements for the year ended December 31, 2012 which was published by China Gold International Resources Corp. Ltd. (the "Company") on March 26, 2013. The Company has been requested by the Canadian regulators to file amended annual financial statements (including the auditor's report for the year ended December 31, 2012) (the "Amended Report"). The requested amendment relates only to revising certain terminology used in the aforesaid auditor's report to comply with the Canadian regulatory requirements. Except for this change, there were no other amendments made to the Annual Financial Statements published on March 26, 2013.

Please see the attached Amended Report for more details.

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

Hong Kong, May 28, 2013

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

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(incorporated in British Columbia, Canada with limited liability)

Report and Consolidated Financial Statements

For the year ended December 31, 2012

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
(incorporated in British Columbia, Canada with limited liability)

We have audited the accompanying consolidated financial statements of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD. - continued
(incorporated in British Columbia, Canada with limited liability)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2012 and December 31, 2011, and of the Group's financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 25, 2013

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31

	NOTES	2012 US$'000	2011 US$'000
Revenues	29	332,387	311,312
Cost of sales		(207,458)	(190,551)
Mine operating earnings		124,929	120,761
(Expenses) income			
General and administrative expenses	5	(25,049)	(17,369)
Exploration and evaluation expenditure	6	(390)	(467)
Gain on disposal of a mining project	21(c)	-	6,932
		(25,439)	(10,904)
Income from operations		99,490	109,857
Other income (expenses)			
Foreign exchange gain, net		171	2,355
Interest and other income		12,565	6,324
Finance costs	7	(12,549)	(14,053)
		187	(5,374)
Profit before income tax		99,677	104,483
Income tax expense	8	(26,163)	(22,520)
Profit for the year	9	73,514	81,963
Other comprehensive income for the year			
Exchange difference arising on translation		2,931	4,860
Fair value gain on available-for-sale investment	19	559	-
Total comprehensive income for the year		77,004	86,823
Profit for the year attributable to			
Non-controlling interests		2,576	2,555
Owners of the Company		70,938	79,408
		73,514	81,963
Total comprehensive income for the year attributable to			
Non-controlling interests		2,586	2,555
Owners of the Company		74,418	84,268
		77,004	86,823
Basic earnings per share	12	17.90 cents	20.04 cents
Diluted earnings per share	12	17.90 cents	20.04 cents
Basic weighted average number of common shares outstanding	12	396,257,575	396,153,549
Diluted weighted average number of common shares outstanding	12	396,337,619	396,307,689

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31

	NOTES	2012 US$'000	2011 US$'000
Current assets			
Cash and cash equivalents	13	181,740	354,313
Accounts receivable	14	3,380	5,845
Prepaid expenses, deposits and other receivables	15	10,270	6,372
Entrusted loan receivable	16	16,052	-
Prepaid lease payments	17	194	192
Inventory	18	38,450	27,105
		250,086	393,827
Non-current assets			
Prepaid expense, deposits and other receivables	15	45,727	5,859
Prepaid lease payments	17	6,626	6,732
Inventory	18	10,005	14,292
Deferred tax assets	8	7,100	769
Available-for-sale investment	19	20,570	-
Investment in an associate	20	803	-
Property, plant and equipment	21	517,115	361,061
Mining rights	22	948,232	962,004
		1,556,178	1,350,717
Total assets		1,806,264	1,744,544
Current liabilities			
Accounts payable and accrued expenses	23	75,073	70,536
Borrowings	24	72,234	44,492
Tax liabilities		12,193	17,838
		159,500	132,866
Net current assets		90,586	260,961
Total assets less current liabilities		1,646,764	1,611,678
Non-current liabilities			
Deferred tax liabilities	8	130,659	132,866
Deferred income	25	803	975
Borrowings	24	140,695	183,052
Environmental rehabilitation	26	6,813	4,253
		278,970	321,146
Total liabilities		438,470	454,012

	NOTES	2012 US$'000	2011 US$'000
Owners' equity			
Share capital	27	1,228,731	1,228,184
Reserves		23,761	16,452
Retained profits		107,166	40,161
		1,359,658	1,284,797
Non-controlling interests		8,136	5,735
Total owners' equity		1,367,794	1,290,532
Total liabilities and owners' equity		1,806,264	1,744,544

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2013 and are signed on its behalf by:

Xin Song Director	Zhanming Wu Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31

	Notes	Number of shares	Share capital US$'000	Equity reserve US$'000 note (b)	Investment revaluation reserve US$'000	Exchange reserve US$'000	Statutory reserve US$'000 note (c)	Retained (deficits) profits US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total owners' equity US$'000
At January 1, 2011		396,126,753	1,228,099	11,160	-	237	-	(39,247)	1,200,249	3,180	1,203,429
Profit for the year		-	-	-	-	-	-	79,408	79,408	2,555	81,963
Exchange difference arising on translation		-	-	-	-	4,860	-	-	4,860	-	4,860
Total comprehensive income for the year		-	-	-	-	4,860	-	79,408	84,268	2,555	86,823
Exercise of stock options (note a)	27(b)	37,000	85	(33)	-	-	-	-	52	-	52
Share-based compensation (note a)		-	-	228	-	-	-	-	228	-	228
Transfer to statutory surplus reserve		-	-	-	-	-	-	-	-	-	-
At December 31, 2011		396,163,753	1,228,184	11,355	-	5,097	-	40,161	1,284,797	5,735	1,290,532
Profit for the year		-	-	-	-	-	-	70,938	70,938	2,576	73,514
Fair value gain on available-for-sale investment		-	-	-	559	-	-	-	559	-	559
Exchange difference arising on translation		-	-		-	2,921	-	-	2,921	10	2,931
Total comprehensive income for the year		-	-	-	559	2,921	-	70,938	74,418	2,586	77,004
Exercise of stock options (note a)	27(b)	155,000	547	(206)	-	-	-	-	341	-	341
Share-based compensation (note a)		-	-	102	-	-	-	-	102	-	102
Transfer to statutory reserve		-	-	-	-	-	3,933	(3,933)	-	-	-
Dividend paid to a non-controlling shareholder		-	-	-	-	-	-	-	-	(185)	(185)
At December 31, 2012		396,318,753	1,228,731	11,251	559	8,018	3,933	107,166	1,359,658	8,136	1,367,794

Notes:

(a) Amounts represent equity reserve arising from share-based compensation provided to directors and employees during the years ended December 31, 2012 and 2011.

(b) Amounts represent reserves arising from share-based compensation provided to directors and employees, and deemed contribution from shareholders in previous years.

(c) Statutory reserve which consists of appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC"), forms part of the equity of the PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, these PRC subsidiaries are required to appropriate an amount equal to a minimum of 10% of their profits after taxation each year to a statutory reserve.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31

	2012	2011
	US$'000	US$'000
Operating activities		
Profit before income tax for the year	99,677	104,483
Items not requiring use of cash and cash equivalents:		
Depreciation	24,920	21,853
Amortization of mining rights	14,252	15,710
Release of prepaid lease payment	168	163
Release of deferred lease inducement	(34)	(34)
Release of deferred income	(145)	(28)
Finance costs	12,549	14,053
(Gain) loss on disposal of property, plant and equipment	(6)	283
Share-based compensation	102	228
Foreign exchange gain	(826)	(1,653)
Gain on disposal of a mining project	-	(6,932)
Change in non-cash operating working capital items:		
Accounts receivable	(1,655)	3,261
Prepaid expenses, deposits and other receivables	(3,470)	(5,494)
Inventory	(6,994)	10,950
Deferred income	-	144
Accounts payable and accrued expenses	5,643	(8,717)
Cash generated from operations	144,181	148,270
Interest paid	(11,921)	(14,125)
Income taxes paid	(40,351)	(18,541)
Environmental rehabilitation expenses paid	(1,124)	-
Net cash from operating activities	90,785	115,604
Investing activities		
Payment for acquisition of property, plant and equipment	(174,865)	(71,000)
Deposit paid for acquisition of property, plant and equipment	(40,230)	(221)
Acquisition of available-for-sale investment	(20,011)	-
Investment in an associate	(803)	-
Settlement of deferred consideration from disposal of a mining project to a related company	(671)	-
Proceeds from disposal of property, plant and equipment	42	189
Receipt of deferred consideration from disposal of a mining project to a related company	1,398	-
Net cash used in investing activities	(235,140)	(71,032)

	2012 US$'000	2011 US$'000
Financing activities		
Loan to a substantial shareholder	(16,052)	-
Proceeds from borrowings	27,534	73,952
Repayments of borrowings	(44,335)	(68,277)
Dividend paid to a non-controlling shareholder	(185)	-
Issuance of common shares upon exercise of share options	341	52
Deemed capital contribution from a shareholder through settlement of listing fee	2,736	-
Net cash from financing activities	(29,961)	5,727
Effect of foreign exchange rate changes on cash and cash equivalents	1,743	2,405
Net (decrease) increase in cash and cash equivalents	(172,573)	52,704
Cash and cash equivalents, beginning of year	354,313	301,609
Cash and cash equivalents, end of year	181,740	354,313
Cash and cash equivalents are comprised of		
Cash and bank deposits in bank	181,740	354,313

1. GENERAL

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines Inc., (the "Company") is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange ("TSX") and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the acquisition, exploration, development and mining of mineral reserves in the PRC. Particulars of the subsidiaries of the Company are set out in Note 36. The Group considers that China National Gold Group Corporation ("CNG"), a state owned company registered in Beijing, PRC which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC, is able to exercise significant influence over the Company.

The head office, principal address and registered and records office of the Company are located at Suite 1030, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M5.

The consolidated financial statements are presented in United States Dollars ("US$") which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standard Board and IFRS Interpretations Committee which are effective for the financial year beginning January 1, 2012:

Amendments to IFRS 7	Financial Instruments Disclosures - Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets

The application of the new or revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[3]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[3]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after January 1, 2013
[2] Effective for annual periods beginning on or after January 1, 2015
[3] Effective for annual periods beginning on or after January 1, 2014
[4] Effective for annual periods beginning on or after July 1, 2012

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. In addition, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for the Group for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognized as a non-current asset ("stripping activity asset") when certain criteria are met. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 with specific transitional provisions that are provided to entities that apply IFRIC 20 for the first time. The Group anticipates that the interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. Currently, stripping costs that are incurred to enhance the accessibility of the identified component of the ore are capitalized as part of mineral assets in the period incurred, when management determine that there is sufficient evidence that the expenditure will result in a probable future economic benefit to the Group. Mineral assets are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mines which may be different from that required by IFRIC 20, in which depreciation should be over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. Identified component refers to the specific volume of the ore body that is made more accessible by the stripping activity. The Group is currently assessing the financial impact on the application of IFRIC 20.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance to IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combination - continued

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognized at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period which cannot exceed one year from the acquisition date, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Interests in subsidiaries

Interests in subsidiaries are stated in the Company's statement of financial position at cost (including deemed capital contribution) less subsequent accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in foreign currencies are initially recorded in the entity's functional currency at the exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payments

The Company grants stock options to directors and employees to acquire common shares of the Company. The Company grants such options for periods of up to six years, with vesting periods determined at its sole discretion and at prices equal to the weighted average price of the common shares for the five days immediately preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the current tax charge and the movement in deferred tax.

The tax currently payable is based on taxable income for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. Current and deferred tax is recognized in profit or loss, except when it relates to items recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Government grants

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

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

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

Retirement benefit costs

Payments made to state-managed retirement benefit scheme are charged as expenses when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Prepaid lease payments

Prepaid lease payments representing land use rights in the PRC are stated at cost and amortized on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortized in the next twelve months or less are classified as current assets.

Inventory

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

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

Gold in process inventory

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

Gold doré bars inventory

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

Copper inventory is copper concentrate after metallurgical processing and ready to sales.

Consumables used in operations, such as fuel, chemicals, and reagents and spare parts inventory are valued at the lower of cost or net realizable value.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

General

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

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

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

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

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

Exploration and evaluation expenditure

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

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

- Geology - whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. A history of conversion of resources to reserves at operating mines to support the likelihood of conversion.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

Exploration and evaluation expenditure - continued

- Scoping - there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.

- Accessible facilities - mining property can be processed economically at accessible mining and processing facilities where applicable.

- Life of mine plans - an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing orebody.

- Authorizations - operating permits and feasible environmental programs exist or are obtainable.

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

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

Development expenditure

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

Production expenditure

Capitalization of costs incurred ceases when the related mining property has reached the condition necessary for it to be capable of operating in the manner intended by management, therefore, such costs incurred are capitalized as part of the mineral assets and the proceeds from sales prior to commissioning are offset against costs capitalized.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

Depreciation

Mineral assets are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mine.

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

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

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

Mining rights

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

Mining rights acquired in a business combination

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

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

Impairment of tangible assets and mining rights

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and mining rights to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Mining rights - continued

Impairment of tangible assets and mining rights - continued

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

Financial instruments

The Group's financial assets and liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months or those that are expected to be settled after twelve months from the end of the reporting period, which are classified as non-current assets. Assets in this category include "accounts receivable", "entrusted loan receivable", "cash and cash equivalents", and "amount due from a non-controlling shareholder" (included other receivables).

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments;
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

Trade receivables (included in accounts receivable) assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in investment revaluation reserve.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs. Equity instruments issued in a business combination are recorded at their fair value at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities

Financial liabilities, including borrowings and accounts payable and accrued expenses excluding advance from customers, other tax payables and accruals, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Environmental rehabilitation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, the Group has identified the following key sources of estimation uncertainty that have significant effect on the amounts recognized in the consolidated financial statements.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

(a) Inventories

The Group records the cost of gold mining ore placed on its leach pads and in process at its mine as gold in process inventory, and values gold in process inventory at the lower of cost and estimated net realizable value. The assumptions used in the valuation of gold in process inventories include estimates of gold contained in the ore placed on leach pads, assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads, and the amount of gold in the process plant and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove inaccurate, the Group could be required to write down the recorded value of its gold in process inventories.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

(a) *Inventories* - continued

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

The management of the Group (the "Management") periodically reassesses the assumptions used in the valuation of gold in process and the costing of production of gold doré bars, particularly the assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads (the "Estimated Recovery Rate"). As a result of such reassessments, an increase/decrease in the Estimated Recovery Rate led to a decrease/increase in the average production cost of gold doré bars.

The carrying amount of gold in process as at December 31, 2012 is US$26,192,000 (December 31, 2011: US$23,408,000). The carrying amount of gold doré bars as at December 31, 2012 is US$4,127,000 (December31, 2011: US$8,506,000).

(b) *Property, plant and equipment*

The Group's property, plant and equipment is depreciated and amortized on either a unit-of-production basis or straight-line method over their estimated useful lives. Under the unit-of-production method, the calculation of depreciation of property, plant and equipment is based on the amount of reserves expected to be recovered from the mine, as included in the technical report prepared by an independent valuer and the assumption is that the Group is able be to renew the mining rights without significant cost until the end of the mine's life. If these estimates of reserves prove to be inaccurate, or if the Group revises its mining plan, due to reductions in the metal price forecasts or otherwise, to reduce the amount of reserves expected to be recovered, the Group could be required to write down the recorded value of its property, plant and equipment, or to increase the amount of future depreciation and depletion expense.

The Group believes that it is able to renew the mining rights without significant cost until the end of the life of the mine. If the renewal of mining rights is unsuccessful, the Group could be required to write down the recorded value of its property, plant and equipment.

The carrying amount of property, plant and equipment as at December 31, 2012 is US$517,115,000 (December 31, 2011: US$361,061,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

(c) Mining rights

The Group's mining rights in the Jiama polymetallic mineral property ("Jiama Mine"), are amortized on a unit-of-production basis over their estimated useful lives. Under the unit-of-production method, the calculation of amortization of mining rights is based on the amount of reserves expected to be recovered from the Jiama Mine as included in the technical report prepared by an independent valuer and the assumption is that the mining rights are renewable by the Group without significant cost until the end of the mine's life. If these estimates of reserves prove to be inaccurate, or if the Group revises its mining plan, due to reductions in the future prices of copper, lead and silver, or otherwise, to reduce the amount of reserves expected to be recovered, the Group could be required to write down the recorded value of its mining rights, or to increase the amount of future amortization expense.

The Group believes that it is able to renew the mining rights without significant cost until the end of the life of the mine. If the renewal of mining rights is unsuccessful, the Group could be required to write down the recorded value of its mining rights.

The carrying amount of mining rights as at December 31, 2012 is US$948,232,000 (December 31, 2011: US$962,004,000).

(d) Environmental rehabilitation

Environmental rehabilitation costs have been estimated based on the Group's interpretation of current regulatory requirements and have been measured at the net present value of expected future cash expenditure upon reclamation and closure. Environmental rehabilitation costs are capitalized as mineral assets costs and depreciated over the life of the mine. Because the fair value measurement requires the input of subjective assumptions, including the environmental rehabilitation costs, changes in subjective input assumptions can materially affect the estimate of the obligation.

During the year ended December 31, 2012, environmental rehabilitation costs were reduced by US$698,000 due to a change in the discount rate (2011: reduction of US$127,000 were made due to change in the discount rate), details of which are disclosed in Note 26.

The carrying amount of environmental rehabilitation costs as at December 31, 2012 is US$6,813,000 (December 31, 2011: US$4,253,000).

5. GENERAL AND ADMINISTRATIVE EXPENSES

	2012 US$'000	2011 US$'000
Administration and office	11,500	5,470
Depreciation of property, plant and equipment	1,070	333
Investor relations	1,186	641
Professional fees	3,181	2,217
Salaries and benefits(1)	6,836	7,445
Shareholder information, transfer agent and filing fees	255	265
Travel	1,021	998
Total general and administrative expenses	25,049	17,369

(1) Share-based compensation (a non-cash item) of approximately US$99,000 (2011: US$222,000) has been included in salaries and benefits for the year ended December 31, 2012.

6. EXPLORATION AND EVALUATION EXPENDITURE

	2012 US$'000	2011 US$'000
CSH Gold Mine (Note 21(a))	370	467
Generative exploration	20	-
Total exploration and evaluation expenditure	390	467

7. FINANCE COSTS

	2012 US$'000	2011 US$'000
Effective interests on borrowings wholly repayable within 5 years	11,885	13,874
Accretion on environmental rehabilitation (Note 26)	664	179
Total finance costs	12,549	14,053

8. INCOME TAX EXPENSE

The Company was incorporated in Canada and is subject to Canadian federal and provincial tax requirements which are calculated at 25% (2011: 26.5%) of the estimated assessable profit for the year ended December 31, 2012. Since its incorporation, the Company had no assessable profit subject to Canadian federal and provincial tax requirements.

PRC Enterprise Income Tax ("EIT") is calculated at the prevailing tax rate of 25% on the estimated taxable profit of the group entities located in the PRC for the years ended December 31, 2012 (2011: 25%) except as described below.

Tibet Huatailong Mining Development Co. Ltd. ("Huatailong") and Metrorkongka County Jiama Industry and Trade Co. ("Jiama Industry and Trade"), subsidiaries acquired in December 2010, were established in the westward development area of the PRC and subject to preferential tax rate of 15% of taxable profit.

Under relevant PRC Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated distributable profits of the PRC subsidiaries amounting to approximately US$241,691,000 and US$156,872,000 at December 31, 2012 and 2011, respectively, as the Company is able to control the timing of the reversal of temporary differences and it is probable the temporary differences will not reverse in the foreseeable future.

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

Tax expense comprises:

	2012	2011
	US$'000	US$'000
Current tax expense - PRC EIT	34,701	28,735
Deferred tax expense	(8,538)	(6,215)
	26,163	22,520

8. INCOME TAX EXPENSE - continued

Per the consolidated statement of comprehensive income, the tax expense for the Group can be reconciled to the profit before income tax for the year as follows:

	2012 US$'000	2011 US$'000
Profit before income tax	99,677	104,483
PRC EIT tax rate	25%	25%
Tax at the PRC EIT tax rate	24,919	26,120
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	-	(79)
Tax effect of concessionary tax rate	(564)	(911)
Tax effect of tax losses not recognized	415	485
Utilization of deductible temporary differences previously not recognized	-	(2,711)
Tax effect of non-deductible expenses	1,331	1,738
Tax effect of non-taxable income	-	(2,183)
Others	62	61
	26,163	22,520

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

	Property, Plant and equipment US$'000	Environmental rehabilitation US$'000	Mining Rights [1] US$'000	Inventory US$'000	Prepaid lease payment US$'000	Others US$'000	Total US$'000
At January 1, 2011	(8,877)	(472)	139,473	6,886	102	1,200	138,312
Charge (credit) to profit or loss	(248)	(369)	(2,070)	(1,278)	(1)	(2,249)	(6,215)
At December 31, 2011	(9,125)	(841)	137,403	5,608	101	(1,049)	132,097
(Credit) charge to profit or loss	717	(609)	(2,047)	(7,033)	(2)	436	(8,538)
At December 31, 2012	(8,408)	(1,450)	135,356	(1,425)	99	(613)	123,559

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

8. INCOME TAX EXPENSE - continued

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

	2012 US$'000	2011 US$'000
Deferred tax assets	7,100	769
Deferred tax liabilities	(130,659)	(132,866)
	(123,559)	(132,097)

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

	2012 US$'000	2011 US$'000
Deferred income tax assets		
Tax loss carry forwards	12,422	12,547
Other deductible temporary differences	872	1,786
Total unrecognized deferred income tax assets	13,294	14,333

No deferred tax asset has been recognized in respect of unused tax loss of US$12,422,000 (December 31, 2011: US$12,547,000) due to the unpredictability of future profit streams. Under Canadian tax laws, unused tax loss arising in a tax year ended between March 22, 2004 and December 31, 2005 can be carried forward for 10 years while the unused tax loss can be carried forward for 20 years if the loss is arising in tax years ended after December 31, 2005.

Other deductible temporary differences primarily comprise of share issue costs and cumulative eligible capital expenditures that were incurred by the Company which are tax deductible according to the relevant tax laws in Canada. No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable and not probable.

9. PROFIT FOR THE YEAR

	2012 US$'000	2011 US$'000
Auditor's remuneration	714	699
Depreciation included in cost of sales and inventory	23,850	21,520
Depreciation included in administrative expenses (Note 5)	1,070	333
Total depreciation	24,920	21,853
Release of prepaid lease payment (included in cost of sales)	168	163
Amortization of mining rights (included in cost of sales)	14,252	15,710
(Gain) loss on disposal of property, plant and equipment	(6)	283
Staff costs		
Directors' and chief executive's emoluments (Note 10)	496	586
Retirement benefit contributions	647	397
Staff salaries and benefits	5,693	6,462
Total salaries and benefits included in administrative expenses (Note 5)	6,836	7,445
Share-based compensation	-	6
Staff salaries and benefits	-	9
Total salaries and benefits included in Exploration and evaluation expenditure (Note 6)	-	15
Staff costs included in cost of sales and inventory	12,644	11,334
Total staff costs	19,480	18,794
Operating lease payments	1,361	548
Bank interest income	(5,830)	(2,417)
Government subsidies[1]	(5,064)	(2,007)

[1] Government subsidies of US$4,919,000 (2011: US$1,978,000) have been received from the local Finance Bureau of Tibet in the current year as a reward for the Group's contribution to community development and environmental preservation in the local Tibet region. There is no condition attached to the subsidies and the entire amount is recognized as other income in 2012.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of the nine (2011: nine) directors and the Chief Executive were as follows:

	2012				
	Fees	Salaries and other benefits	Retirement benefit contributions	Share-based compensation	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Directors					
Zhaoxue Sun*	-	-	-	-	-
Xin Song*	-	-	-	-	-
Bing Liu	-	-	-	-	-
Xiangdong Jiang	-	234	2	3	239
Zhanming Wu*	-	104	-	-	104
Yunfei Chen	12	-	-	24	36
Ian He	18	-	2	25	45
Gregory Hall	12	-	-	24	36
John King Burns	12	-	-	24	36
	54	338	4	100	496

	2011				
	Fees	Salaries and other benefits	Retirement benefit contributions	Stock-based compensation	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Directors					
Zhaoxue Sun*	-	-	-	-	-
Xin Song*	-	-	-	-	-
Bing Liu	-	-	-	-	-
Xiangdong Jiang	-	230	2	11	243
Zhanming Wu*	-	75	2	-	77
Yunfei Chen	12	-	-	50	62
Ian He	18	-	1	61	80
Gregory Hall	12	-	-	50	62
John King Burns	12	-	-	50	62
	54	305	5	222	586

* Executive director

Mr. Xin Song is a director and Chief Executive of the Company. The emoluments disclosed above are inclusive of services rendered by him as the Chief Executive.

For the years ended December 31, 2012 and 2011, none of the directors of the Company has waived or agreed to waive any emoluments.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS - continued

(b) Employees' emoluments

The five highest paid individuals included one (2011: one) director for the year ended December 31, 2012. The emoluments of the remaining four (2011: four) individuals for the year ended December 31, 2012, are as follows:

	2012 US$'000	2011 US$'000
Employees		
Salaries and other benefits	688	479
Retirement benefit contributions	5	7
	693	486

Their emoluments were within the following bands:

	No. of individuals	
	2012	2011
HK$Nil to HK$1,000,000 (equivalent to approximately US$Nil to US$128,000)	-	3
HK$1,000,001 to HK$1,500,000 (equivalent to approximately US$128,000 to US$192,000)	4	1

During the years ended December 31, 2012 and 2011, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDEND

No dividends were paid or proposed during 2012 and 2011, nor has any dividend been proposed since the end of reporting period.

12. EARNINGS PER SHARE

Earnings used in determining earnings per share ("EPS") are presented below:

	2012 US$'000	2011 US$'000
Income attributable to owners of the Company for the purpose of basic earnings per share	70,938	79,408
Weighted average number of shares, basic	396,257,575	396,153,549
Dilutive securities		
- Stock options	80,044	154,140
Weighted average number of shares, diluted	396,337,619	396,307,689
Basic earnings per share	17.90 cents	20.04 cents
Diluted earnings per share	17.90 cents	20.04 cents

13. CASH AND CASH EQUIVALENTS

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

	2012 US$'000	2011 US$'000
Denominated in:		
Canadian dollars ("CAD")	342	455
Renminbi ("RMB")	97,121	192,234
US$	20	13,076
Hong Kong dollars ("HK$")	245	52,963
Total cash and cash equivalents	97,728	258,728

The bank balances and bank deposits carry interest rates ranging from 0.5% to 3.5% (2011: 1.10% to 1.80%) per annum for the year ended December 31, 2012.

14. ACCOUNTS RECEIVABLE

The Group's accounts receivable arise from the following sources: trade receivables, amounts due from the Company's shareholder and amounts due from related companies. These are broken down as follows:

	2012 US$'000	2011 US$'000
Trade receivables	1,234	704
Less: allowance for doubtful debts	(50)	(50)
	1,184	654
Amounts due from the Company's shareholder (Note 28(a)) [(1)]	-	2,736
Amounts due from related companies (Note 28(a)) [(2)]	1,354	1,398
Other receivables	842	1,057
Total accounts receivable	3,380	5,845

[(1)] The amount represented listing fee receivable from Rapid Result Investment Ltd and deemed as capital contribution, which was unsecured, interest free and repayable on demand. The amount has been fully settled during the year ended December 31, 2012.

[(2)] As at December 31, 2011, the amount mainly represented consideration receivable from Gansu Zhongjin Gold Mining Co. Ltd, CNG's subsidiary, regarding the disposal of a mining project in November 2011. The outstanding balances as at December 31, 2012 represents service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the year ended December 31, 2012. The amount is unsecured, interest free and repayable on demand.

The Group's other receivables mostly represent employees' cash and travel advances as at December 31, 2012 and December 31, 2011, which are unsecured, interest free and repayable upon written notice from the Group.

At December 31, 2012 and 2011, nil trade receivable is from gold doŕe bars sale to CNG (note 28(a)). The Group allows an average credit period of 90 days and 180 days to its external trade customers including CNG for gold doŕe bar sales and copper sales, respectively.

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

	2012 US$'000	2011 US$'000
Less than 30 days	372	68
31 to 90 days	343	163
91 to 180 days	249	119
Over 180 days	220	304
	1,184	654

14. ACCOUNTS RECEIVABLE - continued

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The customers with balances that are neither past due nor impaired has good repayment history and thus no impairment is considered necessary.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$220,000 and US$304,000 at 31 December 2012 and 2011, respectively, which are past due over six months for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience.

Movement in the allowance for doubtful debts:

	2012 US$'000	2011 US$'000
At January 1	50	42
Addition	-	8
At December 31	50	50

The Group holds no collateral for any receivable amounts outstanding as at December 31, 2012 and 2011.

15. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES

	2012 US$'000	2011 US$'000
Deposits for mine supplies and services (note a)	5,957	3,152
Deposits for spare parts	3,139	2,236
Deposits for environmental protection (note b)	4,753	4,109
Deposit for acquisition of property, plant and equipment (note c)	40,230	221
Prepaid property and machinery insurance	397	304
Amount due from a non-controlling shareholder (note d)	423	416
Others (note e)	1,098	1,793
Total prepaid expenses, deposits and other receivables	55,997	12,231
Less: Amounts that are settled or utilized within one year shown under current assets	(10,270)	(6,372)
Amounts that are settled or utilized for more than one year shown under non-current assets	45,727	5,859

15. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES - continued

Notes:

a. The amount represents deposits paid to third party vendors and related companies for purchasing of raw materials and inventory consumable. Included in the deposits, as at December 31, 2012, US$321,000 (December 31, 2011: US$318,000) are deposits for production safety monitoring services that are expected to be refunded upon closure of the relevant mine and therefore shown as non-current asset.

b. The amount represents deposits paid to the PRC local bureau of land and resources for undertaking the restoration of land when the lease term is expired. Such amount is receivable upon the end of the mine life and is expected to be repaid after one year and therefore it is shown as a non-current asset at both 2012 and 2011 year end.

c. The amount represents deposits paid to third party contractors for the acquisition of property, plant and equipment to expand its mining capacity in Tibet, the PRC. The amount is shown as non-current asset.

d. The amount represented the amount due from Metrorkonga Jiama Cooperatives ("Jiama Cooperatives"), a non-controlling shareholder of Jiama Industry and Trade, a 51% owned subsidiary of Tibet Huatailong Mining Development Co., Ltd. ("Huatailong"). Huatailong, a wholly owned subsidiary of the Company, paid RMB2,450,000 (equivalent to approximately US$423,000) on behalf of Jiama Cooperatives as the 49% capital contribution to Jiama Industry and Trade.

   The amount is unsecured, interest-free and repayable on demand. As agreed between Huatailong and Jiama Cooperatives, Jiama Cooperatives can use future distribution of dividend by Jiama Industry and Trade to settle the amount. The Group considers that the amount due from Jiama Cooperatives will not be repayable within one year; therefore, it is classified as non-current asset.

e. Included in the others, as at December 31, 2011, US$795,000 (equivalent to RMB5,000,000) was paid to the PRC local bureau land and resources for the acquisition of land use rights in Tibet and were included as non-current asset. The amount is written off during the year ended December 31, 2012.

16. ENTRUSTED LOAN RECEIVABLE

On October 18, 2012, the Group entered into an entrusted loan agreement with CNG and Agricultural Bank of China ("ABC") in which the Group provided a loan of RMB100 million (equivalent to approximately US$16,052,000) to CNG through ABC as the entrusted bank. The entrusted loan is unsecured and carries interest at floating rate based on the People's Bank of China base rate and will be repayable on May 13, 2013.

17. PREPAID LEASE PAYMENTS

	US$'000
At January 1, 2011	6,772
Release to profit or loss	(163)
Exchange realignment	315
At December 31, 2011 and January 1, 2012	6,924
Release to profit or loss	(168)
Exchange realignment	64
At December 31, 2012	6,820

	2012 US$'000	2011 US$'000
Analyzed for reporting purpose:		
Current portion	194	192
Non-current portion	6,626	6,732
	6,820	6,924

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

18. INVENTORY

	2012 US$'000	2011 US$'000
Gold in process	26,192	23,408
Gold doré bars	4,127	8,506
Consumables	7,677	4,356
Copper	5,004	2,071
Spare parts	5,455	3,056
Total inventory	48,455	41,397
Less: Amounts expected to be recovered after 12 months (note) (shown under non-current assets)	(10,005)	(14,292)
Amounts shown under current assets	38,450	27,105

Note:

Management has taken into consideration the long-term process involved in recovering gold from a heap leaching system and has classified inventory, specifically, the gold in process, that are expected to be recovered more than twelve months after the end of the reporting period into non-current assets.

Inventory totalling US$193,206,000 (2011: US$174,841,000) for the year ended December 31, 2012 was recognized in cost of sales.

19. AVAILABLE-FOR-SALE INVESTMENT

	2012 US$'000	2011 US$'000
Listed investment:		
- Equity securities listed in Hong Kong	20,570	-

On June 29, 2012, the Group acquired 70,545,000 shares of China Nonferrous Mining Corporation Limited ("CNMC"), a listed company in Hong Kong at HK$2.20 per share for a total consideration of US$20,011,000 which represents 2.03% equity interest in CNMC.

On December 31, 2012, the investment was stated at fair value on quoted bid prices on December 31, 2012 and a fair value gain of US$559,000 has been recognized in other comprehensive income.

20. INVESTMENT IN AN ASSOCIATE

	2012 US$'000	2011 US$'000
Cost of investment in an unlisted associate	803	-

On November 28, 2012, the Group invested RMB5,000,000 (approximately US$803,000) representing 10% share interest in Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd. ("Yong'an Chemicals"). Yong'an Chemicals is incorporated in the PRC and principally engaged in the development and manufacturing of chemicals. The Group is able to exercise significant influence over Yong'an Chemicals as the Group has the power to appoint one out of the three directors of Yong'an Chemicals under the provisions stated in the Articles of Association of Yong'an Chemicals.

The summarised financial information in respect of the Group's associate is set out below:

	2012 US$'000
Total assets	7,940
Total liabilities	(7,940)
Net assets	-
The Group's share of net asset of associate	-

For the year ended December 31, 2012, the Group has no share of comprehensive income of associate as Yong'an Chemicals has not yet commenced its business since incorporation.

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Crusher US$'000	Furniture and office equipment US$'000	Machinery and equipment US$'000	Motor vehicles US$'000	Leasehold improvements US$'000	Mineral assets US$'000	Construction in progress ("CIP") US$'000	Total US$'000
COST									
At January 1, 2011	91,471	72,479	1,297	72,849	4,633	100	28,654	46,445	317,928
Reversal of accrual	-	(196)	-	-	-	-	-	-	(196)
Additions	-	-	262	2,783	1,248	-	26,296	40,606	71,195
Disposals	-	-	(8)	-	(716)	-	-	-	(724)
Transfer from CIP	44,149	-	-	1,323	-	-	27,552	(73,024)	-
Environmental rehabilitation adjustment (Note 26)	-	-	-	-	-	-	2,097	-	2,097
Exchange realignment	5,783	-	22	2,077	208	-	2,616	2,096	12,802
At December 31, 2011	141,403	72,283	1,573	79,032	5,373	100	87,215	16,123	403,102
Additions	1,216	-	217	5,860	591	-	33,636	131,621	173,141
Disposals	-	-	-	-	(119)	-	-	-	(119)
Transfer from CIP	4,797	-	-	16,104	-	-	-	(20,901)	-
Environmental rehabilitation adjustment (Note 26)	-	-	-	-	-	-	3,003	-	3,003
Reclassification	13,589	-	(3)	(13,586)	-	-	-	-	-
Exchange realignment	1,553	-	7	730	45	-	951	2,020	5,306
At December 31, 2012	162,558	72,283	1,794	88,140	5,890	100	124,805	128,863	584,433
ACCUMULATED DEPRECIATION									
As at January 1, 2011	(1,258)	(4,344)	(647)	(7,803)	(726)	(23)	(5,225)	-	(20,026)
Provided for the year	(3,083)	(5,317)	(214)	(7,429)	(772)	(18)	(5,020)	-	(21,853)
Eliminated on disposals	-	-	3	-	250	-	-	-	253
Exchange realignment	(147)	-	(8)	(201)	(37)	-	(22)	-	(415)
At December 31, 2011	(4,488)	(9,661)	(866)	(15,433)	(1,285)	(41)	(10,267)	-	(42,041)
Provided for the year	(6,241)	(5,549)	(245)	(6,606)	(788)	(15)	(5,476)	-	(24,920)
Eliminated on disposals	-	-	-	-	83	-	-	-	83
Reclassification	(1,028)	-	-	1,028	-	-	-	-	-
Exchange realignment	(184)	-	(5)	(160)	(22)	-	(69)	-	(440)
At December 31, 2012	(11,941)	(15,210)	(1,116)	(21,171)	(2,012)	(56)	(15,812)	-	(67,318)
CARRYING VALUE									
At December 31, 2012	150,617	57,073	678	66,969	3,878	44	108,993	128,863	517,115
At December 31, 2011	136,915	62,622	707	63,599	4,088	59	76,948	16,123	361,061

Included in the cost above is US$15,984,000 (2011: US$15,984,000) as at December 31, 2012 in relation to finance costs which have been capitalized as crusher and mineral assets.

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

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

Mineral assets mainly represent drilling and related costs incurred on sites with an existing mine and on areas within the boundary of a known mineral deposit which contains proven and probable reserves and are capitalized prior to the commencement of production at the mine site. Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines.

21. PROPERTY, PLANT AND EQUIPMENT - continued

Mineral Assets

(a) CSH Gold Mine

CSH Gold Mine, in which our Group holds a 96.5% interest, consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. The site is centrally positioned within the east-west-trending Tian Shan Gold Belt and is approximately 650 kilometers ("km") northwest of Beijing. The carrying value of the CSH Gold Mine in relation to mineral assets is US$60,547,000 as at December 31, 2012 (December 31, 2011: US$36,355,000).

(b) Jiama Mine

The Jiama Mine, a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet, in which the Group holds 100% interest through its wholly-owned subsidiary, Skyland. The Group acquired Skyland on December 1, 2010. The Jiama Mine holds two exploration permits covering an area of approximately 76.9 km^2 and 66.4 km^2, respectively. The carrying value of the Jiama Mine in relation to mineral assets is US$48,446,000 as at December 31, 2012 (December 31, 2011: US$40,593,000).

(c) Dadiangou Gold Project

The Dadiangou project consists of a licensed area of 15 km^2 in Gansu Province, China. The project is located in the Qinling Fold Belt, a gold producing region that trends west to east through the provinces of Gansu and Shanxi in central China.

On April 28, 2010, the Group and Nuclear Industry Northwest Economic Technology Company ("Nuclear Industry"), the non-controlling shareholder of the Group's PRC subsidiary, Gansu Pacific Mining Company Ltd. ("Gansu Pacific"), entered into an agreement to sell the Dadiangou Gold Project owned by Gansu Pacific to Gansu Zhongjin Gold Mining Co. Ltd. (the Purchaser), a subsidiary of Zhongjin Gold Corporation Limited. The sale of Dadiangou Gold Project was considered as a related party transaction for the year ended December 31, 2011. The consideration is RMB88 million (approximately US$13.1 million), of which the Group was entitled to 53%, or RMB46.6 million (approximately US$7,215,000). The transaction was completed in November 2011 and the gain on disposal of this mining project was US$6,932,000 (net of related tax).

22. MINING RIGHTS

	Mining rights US$'000
COST	
At January 1, 2011	976,466
Exchange realignment	2,456
At December 31, 2011 and January 1, 2012	978,922
Exchange realignment	503
At December 31, 2012	979,425
ACCUMULATED AMORTIZATION	
At January 1, 2011	(1,184)
Additions	(15,710)
Exchange realignment	(24)
At December 31, 2012 and January 1, 2012	(16,918)
Additions	(14,252)
Exchange realignment	(23)
At December 31, 2012	(31,193)
CARRYING VALUE	
At December 31, 2012	948,232
At December 31, 2011	962,004

Mining rights represent two mining rights in the Jiama Mine, in relation to the copper concentrate and other by-products production, acquired through the acquisition of the Skyland Group. The mining rights will expire in 2014 and 2015, respectively, the Group considers that it will be able to renew the mining rights with the relevant government authority continuously at insignificant cost.

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

23. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accounts payables and accrued expenses comprise the following:

	2012 US$'000	2011 US$'000
Accounts payable	18,837	18,800
Construction cost payables	27,697	29,588
Advances from customers	6,221	1,736
Mining cost accrual	3,747	2,118
Other accruals	1,643	2,321
Payroll and benefit accruals	4,631	5,143
Other tax payables	6,803	8,389
Other payables	5,494	2,441
	75,073	70,536

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

	2012 US$'000	2011 US$'000
Less than 30 days	9,872	8,242
31 to 90 days	3,944	2,280
91 to 180 days	244	2,703
Over 180 days	4,777	5,575
Total accounts payable	18,837	18,800

24. BORROWINGS

	Effective interest rate 2012 %	Effective interest rate 2011 %	Maturity	2012 US$'000	2011 US$'000
Current					
Current portion of long-term loan - Agricultural Bank of China ("ABC") (a)	6.28	6.23	March 9, 2013 to December 9, 2013	16,052	12,712
Current portion of long-term loan - Bank of China ("BOC") (b)	5.00	4.62	December 28, 2013	24,078	31,780
Syndicated loan (c)	4.82	4.82	June 4, 2013	16,052	-
Current portion of long-term loan - China Construction Bank ("CCB") (d)	4.17	-	November 9, 2013	16,052	-
				72,234	44,492
Non-current					
Long-term loan - ABC (a)	6.28	6.23	March 9, 2014 to September 9, 2014	8,026	23,835
Long-term loan - BOC (b)	5.00	4.62	December 28, 2014	24,078	47,670
Syndicated loan (c)	4.82	4.82	June 4, 2014 to June 4, 2016	104,337	111,547
Long-term loan - CCB (d)	4.17	-	November 9, 2014	4,254	-
				140,695	183,052
				212,929	227,544

(a) ABC Loan

On September 14, 2009, the Group's subsidiary, Inner Mongolia Pacific Mining Co., Ltd. ("Inner Mongolia Pacific"), secured a five-year RMB290,000,000 (equivalent to US$42,300,000) long-term loan ("Term Loan") from ABC. The loan is secured and carries interest at floating rate based on the People's Bank of China base rate.

(b) BOC Loan

The loan was borrowed from BOC in December 2009. The loan is secured and carries interest at floating rate based on the People's Bank of China base rate.

(c) Syndicated Loan

Skyland entered into a syndicated loan facility agreement with various banks on June 4, 2010 which is available for Skyland to draw down up to June 4, 2013. As at December 31, 2012, Skyland has drawn down the full loan amount of RMB750,000,000 (equivalent to approximately US$120,389,000) (December 31, 2011: RMB702,000,000 equivalent to US$111,547,000). The unutilized facility was nil (2011: RMB48,000,000 (equivalent to approximately US$7,620,000)) as at December 31, 2012. The loan is secured and carries interest at the rate based on the People's Bank of China base rate.

24. BORROWINGS - continued

(d) CCB Loan

Skyland entered into a loan facility agreement with CCB on November 9, 2012 which is available to be drawn down up to November 8, 2015. As at December 31, 2012, Skyland has drawn down RMB126,500,000 (approximately US$20,306,000). The unutilized facility was RMB273,500,000 (approximately US$43,902,000) as at December 31, 2012. The loan is unsecured and carries interest at the rate based on the People's Bank of China base rate.

	2012 US$'000	2011 US$'000
Within one year	72,234	44,492
Between one to two years	60,435	55,615
Between two to five years	80,260	127,437
	212,929	227,544
Less: Amounts due for settlement within 12 months (Shown under current liabilities)	(72,234)	(44,492)
	140,695	183,052

The Group pledged certain assets to secure the ABC, BOC and syndicated loans and the carrying values of the pledged assets are as follows:

	2012 US$'000	2011 US$'000
Property, plant and equipment	348,471	246,993
Mining rights	948,232	962,004
	1,296,703	1,208,997

25. DEFERRED INCOME

	2012 US$'000	2011 US$'000
Deferred income - government grants	728	865
Deferred lease inducement	75	110
Total deferred income	803	975

Pursuant to the approval notices issued by the Ministry of Finance of the PRC in July 2010 and by the Provincial Bureau of Finance in Inner Mongolia of the PRC in December 2010, IMP received government grants in relation to the construction of property, plant and equipment of the Group amounting to approximately RMB4,839,000 (equivalent to approximately US$715,000) during the year ended December 31, 2010. In addition, approximately RMB930,000 (equivalent to approximately US$147,000) was further granted to IMP by local Finance Bureau in Inner Mongolia of the PRC in May 2011, in relation to construction of property, plant and equipment of the Group. The grants are recorded as deferred income in the consolidated statement of financial position and will be credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

Movement in the deferred income - government grants:

	2012 US$'000	2011 US$'000
At January 1	865	713
Addition	-	144
Charged to other income	(145)	(28)
Exchange realignment	8	36
At December 31	728	865

26. ENVIRONMENTAL REHABILITATION

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine and Jiama Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total US$41,890,000 (2011: US$24,429,000), discounted at 11.2% (2011: 10.1%) per annum at December 31, 2012.

The following is an analysis of the environmental rehabilitation:

	2012 US$'000	2011 US$'000
At January 1	4,253	1,888
Additions to site reclamation	3,701	2,224
Utilization during the year	(1,124)	-
Reductions resulted from change in discount rate during the year	(698)	(127)
Accretion incurred in the current year	664	179
Exchange realignment	17	89
At December 31	6,813	4,253

27. SHARE CAPITAL AND OPTIONS

(a) Common shares

(i) Authorized - Unlimited common shares without par value

(ii) Issued and outstanding

	Number of shares	Amount US$'000
Issued & fully paid:		
At January 1, 2011	396,126,753	1,228,099
Exercise of stock option	37,000	85
At December 31, 2011 and January 1, 2012	396,163,753	1,228,184
Exercise of stock option	155,000	547
At December 31, 2012	396,318,753	1,228,731

(b) Stock options

The Group has a stock option plan which permits the board of directors of the Company to grant options to directors and employees to acquire common shares of the Company at the fair market value on the date of approval by the board of directors. A portion of the stock options vest immediately on the grant date and the balance vests over a period of up to five years from the grant date.

The stock options have a life of up to six years from grant date. The fair market value of the exercise price is the volumn weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the board of directors.

The following is a summary of option transactions under the Group's stock option plan during the year:

	2012		2011	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance at January 1	695,000	3.98	780,000	3.71
Options exercised	(155,000)	2.18	(37,000)	1.45
Options forfeited	-	-	(48,000)	3.95
Balance at December 31	540,000	4.62	695,000	3.93

27. SHARE CAPITAL AND OPTIONS - continued

(b) Stock options - continued

295,000 stock options were granted during the year ended December 31, 2007 at exercise price of CAD2.2. These options will expire on July 20, 2013. 199,000 stock options were vested at December 31, 2011 while the remaining 96,000 stock options were vested on July 20, 2012. Approximately US$8,000 and US$28,000 were charged to the profit or loss for the year ended December 31, 2012 and 2011.

400,000 stock options were granted during the year ended December 31, 2010. The options were granted on June 1, 2010 and expire on June 1, 2015. The exercise price was CAD4.35 per share from June 1, 2010 until June 1, 2011, CAD4.78 per share from June 2, 2011 until June 1, 2012, CAD5.21 per share from June 2, 2012 until June 1, 2013, CAD5.64 per share from June 2, 2013 until June 1, 2014, and CAD6.09 per share from June 2, 2014 until June 1, 2015 or such later termination date as may apply. 20% of the shares are vested immediately, on June 2, 2011 and June 2, 2012, an additional 20% of the options will be vested on June 2, 2013 and June 2, 2014, respectively. The fair value of these options at date of grant was approximately US$860,000, of which approximately US$94,000 and US$200,000 were charged to the profit or loss for the year ended December 31, 2012 and 2011 respectively. No stock options were granted during the year ended December 31, 2012 and 2011.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2012:

	Options outstanding			Options exercisable	
Expiring in	Number of stock options	Remaining contractual life (years)	Weighted average exercise price CAD	Number of stock options	Weighted average exercise price CAD
2013	140,000	0.55	2.20	140,000	2.20
2015	400,000	2.42	5.47	240,000	5.21
	540,000		4.62	380,000	4.10

The following table summarizes information about stock options outstanding and exercisable at December 31, 2011:

	Options outstanding			Options exercisable	
Expiring in	Number of stock options	Remaining contractual life (years)	Weighted average exercise price CAD	Number of stock options	Weighted average exercise price CAD
2013	295,000	1.56	2.20	199,000	2.20
2015	400,000	3.42	5.30	160,000	4.78
	695,000		3.98	359,000	3.35

The fair value of options granted was determined using the Black-Scholes option pricing model at the grant date.

28. RELATED PARTY TRANSACTIONS

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

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

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

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

	2012 %	2011 %
CNG	39.3	39.3

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

(i) Transactions/balance with CNG and its subsidiaries

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

	2012 US$'000	2011 US$'000
Gold doré bars sales by the Group	220,142	205,015
Provision of transportation services by the Group	1,638	-
Construction services provided to the Group	77,032	-

The Group's gold doré bars were sold to CNG at market price under the relevant agreement.

28. RELATED PARTY TRANSACTIONS - continued

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

(i) Transactions/balance with CNG and its subsidiaries - continued

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

	2012 US$'000	2011 US$'000
Assets		
Entrusted loan receivable from CNG (Note 16)	16,052	-
Interest receivable from entrusted loan to CNG[1]	575	-
Listing expense receivable[1]	-	2,736
Other receivables[1]	1,354	1,398
Prepayments for engineering and other geology services	-	416
Total amounts due from CNG and its subsidiaries	17,981	4,550

[1] The amounts due from CNG and its subsidiaries which are included in accounts receivable are non-interest bearing, with the exception of the entrusted loan, unsecured and have no fixed terms of repayments.

	2012 US$'000	2011 US$'000
Liabilities		
Other payable to CNG	-	32
Other payable to CNG's subsidiaries	-	1,159
Total amounts due to CNG and its subsidiaries	-	1,191

The amount due to CNG and its subsidiaries which are included in other payables, are non-interest bearing, unsecured and have no fixed terms of repayments.

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

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group also conducts business with other government - related entities. The Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities which are government - related entities in its ordinary course of business. Over 86% (2011: over 79%) of the Group's bank deposits and borrowings are with government related entities.

28. RELATED PARTY TRANSACTIONS - continued

(b) Transactions/balances with other non-government related parties/entities

The Group has the following significant balances with related parties at the end of each reporting period:

	2012 US$'000	2011 US$'000
Asset		
Amount due from a non-controlling shareholder of a subsidiary (included in other receivables)	423	416
Total amount due from a related party	423	416

The amount due from the related party is non-interest bearing, unsecured and have no fixed terms of repayments.

Other than the director's emoluments disclosed in Note 10(a), the Group has the following compensation to other key management personnel during the years:

	2012 US$'000	2011 US$'000
Salaries and other benefits	553	411
Post employment benefits	5	7
	558	418

29. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors of the Company. The chief operating decision-maker has identified two operating segments as follows:

(i) The mine-produced gold segment - the production of gold bullion through the Group's integrated processes, i.e., mining, metallurgical processing, production and selling of gold doré bars to external clients.

(ii) The mine-produced copper segment - the production of copper concentrate and other by-products through the Group's integrated separation, i.e., mining, metallurgical processing, production and selling copper concentrate and other by-products to external clients.

29. SEGMENT INFORMATION - continued

Information regarding the above segments is reported below.

(a) Segment revenues and results

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

2012

	Mine-produced gold US$'000	Mine-produced copper US$'000	Segment total and consolidated US$'000
REVENUE - EXTERNAL	223,775	108,612	332,387
SEGMENT PROFIT	94,882	30,047	124,929
General and administrative expenses			(25,049)
Exploration and evaluation expenditure			(390)
Foreign exchange gain, net			171
Interest and other income			12,565
Finance costs			(12,549)
Profit before income tax			99,677

2011

	Mine-produced gold US$'000	Mine-produced copper US$'000	Segment total and consolidated US$'000
REVENUE - EXTERNAL	214,480	96,832	311,312
SEGMENT PROFIT	95,080	25,681	120,761
General and administrative expenses			(17,369)
Exploration and evaluation expenditure			(467)
Gain on disposal of a mining project			6,932
Foreign exchange gain, net			2,355
Interest and other income			6,324
Finance costs			(14,053)
Profit before income tax			104,483

29. SEGMENT INFORMATION - continued

(a) Segment revenues and results - continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the mine operating earnings earned by each segment representing the revenues less direct cost of sales as shown on the consolidated statements of comprehensive income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

There is no inter-segment sales for the year ended December 31, 2012 and 2011.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment:

Segment assets	2012 US$'000	2011 US$'000
Mine-produced gold	261,423	179,358
Mine-produced copper	1,334,822	1,205,136
Total segment assets	1,596,245	1,384,494
Available-for-sale investment	20,570	-
Cash and cash equivalents	181,740	354,313
Accounts receivable	127	4,437
Prepaid expenses, deposits and other receivables	361	412
Property, plant and equipment	121	119
Deferred tax assets	7,100	769
Consolidated assets	1,806,264	1,744,544

Segment liabilities	2012 US$'000	2011 US$'000
Mine-produced gold	38,212	43,675
Mine-produced copper	54,928	47,602
Total segment liabilities	93,140	91,277
Accounts payable and accrued expenses	1,667	2,215
Borrowings	212,929	227,544
Deferred lease inducement (included in deferred income)	75	110
Deferred tax liabilities	130,659	132,866
Consolidated liabilities	438,470	454,012

29. SEGMENT INFORMATION - continued

(c) Other segment information

	2012				
	Mine-produced gold US$'000	Mine-produced copper US$'000	Segment total US$'000	Unallocated US$'000	Total US$'000
Amount included in the measure of segment profit or loss or segment assets					
Additions of property, plant and equipment	71,792	101,349	173,141	-	173,141
Depreciation of property, plant and equipment	(13,365)	(11,555)	(24,920)	-	(24,920)
Amortization of mining rights	-	(14,252)	(14,252)	-	(14,252)
Release of prepaid lease payment	-	(168)	(168)	-	(168)
Gain on disposal of property, plant and equipment	6	-	6	-	6

	2011				
	Mine-produced gold US$'000	Mine-produced copper US$'000	Segment total US$'000	Unallocated US$'000	Total US$'000
Amount included in the measure of segment profit or loss or segment assets					
Additions of property, plant and equipment	23,224	47,971	71,195	-	71,195
Depreciation of property, plant and equipment	(12,545)	(9,308)	(21,853)	-	(21,853)
Amortization of mining rights	-	(15,710)	(15,710)	-	(15,710)
Release of prepaid lease payment	-	(163)	(163)	-	(163)
Gain (loss) on disposal of property, plant and equipment	25	(308)	(283)	-	(283)

(d) Geographical information

The Group operated in two geographical areas, Canada and the PRC. The Group's corporate division located in Canada only earns revenue that is considered incidental to the activities of the Group and therefore does not meet the definition of an operating segment as defined in IFRS 8 *Operating Segments*. During the year ended December 31, 2012 and 2011, the Group's revenue was generated from gold sales and copper multi products to customers in the PRC.

(e) Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	2012 US$'000	2011 US$'000
Revenue from customers attributable to gold doré bars sales		
- CNG	220,142	205,105

The Group sells approximately 98.4% and 95.6% of its gold to one creditworthy customer, CNG who is also the Group's substantial shareholder for the years ended December 31, 2012 and 2011, respectively.

30. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing activities

The Group incurred the following non-cash financing activities:

	2012 US$'000	2011 US$'000
Transfer of share option reserve upon exercise of options	206	33

31. CAPITAL RISK MANAGEMENT

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

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

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

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

32. FINANCIAL INSTRUMENTS

	Financial instrument classification	2012 US$'000	2011 US$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	181,740	354,313
Entrusted loan receivable	Loans and receivables	16,052	-
Accounts receivable	Loans and receivables	3,380	5,845
Amount due from a non-controlling shareholder (included in other receivables)	Loans and receivables	423	416
Available-for-sale investment	Available-for-sale	20,570	-
Financial liabilities			
Accounts payable and accrued expenses*	Other financial liabilities	52,028	50,829
Long-term loans	Other financial liabilities	92,540	115,997
Syndicated loan	Other financial liabilities	120,389	111,547

* Excluded advances from customers, other tax payables and accruals.

32. FINANCIAL INSTRUMENTS - continued

The fair values of the Group's cash and cash equivalents, entrusted loan receivable, accounts receivable, accounts payable and current portion of long-term loan and syndicated loan approximate their carrying values due to their short-term nature.

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

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. Certain subsidiaries of the Company operate in the PRC and Canada with functional currency of US$. A significant change in the currency exchange rates between RMB relative to US$ could have a significant effect on the Group's results of operations, financial position or cash flows. The Group has not hedged its exposure to currency fluctuations.

RMB monetary assets and liabilities

	2012	2011
	US$'000	US$'000
Cash and cash equivalents	97,121	192,234
Entrusted loan receivable	16,052	-
Accounts receivable	480	190
Accounts payable and accrued expenses	(19,246)	(18,146)
Borrowings	(24,078)	(36,547)
	70,329	137,731

Sensitivity analysis

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2011: 5%) appreciation/depreciation of the RMB against the US$ would result in an increase/decrease in the Group's profit for the year of approximately US$2,637,000 for the year ended December 31, 2012 and a decrease/increase in the Group's profit for the year of approximately US$5,165,000 for the year ended December 31, 2011.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate bank balances, entrusted loan receivable (note 16) and variable-rate bank borrowings (see note 24 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The following analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant. A 25 basis point (2011: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates an increase in profit for the year of the Group for the year ended December 31, 2012 and 2011 because the interest rate increases. For a decrease in the interest rate, there would be an equal and opposite impact on the Group's profit or loss.

32. FINANCIAL INSTRUMENTS - continued

(b) Interest rate risk - continued

Sensitivity analysis - continued

For bank balances, the analysis below reflects the sensitivity that the interest rate may increase by 25 basis points/ decrease by 25 basis points (2011: increase by 25 basis points/ decrease by 25 basis points) or limit to 0 %.

	2012 US$'000	2011 US$'000
25 basis points (2011: 25 basis points) higher	(28)	138
25 basis points (2011: 25 basis points) lower	28	(138)

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

(c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sells approximately 98.4% (2011: 95.6%) of its gold to one creditworthy customer, CNG, who is also the Group's substantial shareholder for the years ended December 31, 2012 and 2011 and exposes the Group to concentration of credit risk. The failure of this customer to make required payments could have a negative impact on the Group's results. The Group manages this risk by demanding upfront payment from this customer.

The Group's cash and short-term bank deposits are held in large PRC and Canadian banks. These investments mature at various dates within three months.

The Group had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in the PRC or Canada for the years ended December 31, 2012 and 2011.

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

32. FINANCIAL INSTRUMENTS - continued

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 31.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities (see Note 34 for other commitments). The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to satisfy the liabilities.

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

	Weighted average interest rate %	Within 1 year US$'000	1 - 2 years US$'000	2 - 5 years US$'000	Total undiscounted cash flow US$'000	Carrying amount US$'000
2012						
Accounts payable and accrued expenses	-	52,028	-	-	52,028	52,028
Floating-rate borrowings:						
ABC loan (Note 24(a))	6.28	17,184	8,283	-	25,467	24,078
BOC loan (Note 24(b))	5.00	26,589	25,370	-	51,959	48,156
Syndicated loan (Note 24(c))	4,82	21,553	28,603	84,629	134,785	120,389
CCB loan (Note 24(d))	4.17	16,739	4,388	-	21,127	20,306
		134,093	66,644	84,629	285,366	264,957

	Weighted average interest rate %	Within 1 year US$'000	1 - 2 years US$'000	2 - 5 years US$'000	Total undiscounted cash flow US$'000	Carrying amount US$'000
2011						
Accounts payable and accrued expenses	-	50,829	-	-	50,829	50,829
Floating-rate borrowings:						
ABC loan (Note 24(a))	6.56	14,937	17,098	8,219	40,254	36,547
BOC loan (Note 24(b))	4.62	35,544	26,100	25,000	86,644	79,450
Syndicated loan (Note 24(c))	4.82	5,466	20,962	103,524	129,952	111,547
		106,776	64,160	136,743	307,679	278,373

(e) Fair value

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognized in the consolidated statement of financial position

Subsequent to initial recognition at fair value, the available-for-sale investment is measured from quoted prices (unadjusted) in active market (Level 1 fair value measurements). There was no transfer between Level 1 and 2 in the current year and prior years.

33. CONTINGENT LIABILITIES

During the year ended December 31, 2012, the Company received a notice from China International Economic and Trade Arbitration Commission (the "Commission") alleging that the Company breached the agreement with one of its construction suppliers. The Company filed a countersuit against the construction supplier to the Commission for the unsatisfactory result of the construction and the destruction of certain plant, property and equipment. As a result, the Commission assigned a third party expert for evaluation of the validity of the claims made by both parties. As of the date of the report, the evaluation is still in progress, and therefore, the management considers the arbitration to be in a preliminary stage and the potential loss cannot be measured reliably.

34. COMMITMENTS AND CONTINGENCIES

Operating leases commitments

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 US$'000	2011 US$'000
Within one year	1,908	1,415
In the second to fifth year inclusive	864	977
Over five years	742	1,055
	3,514	3,447

Operating lease payments represent rentals payable by the Group for its premises. Leases are negotiated for a term of one to five years.

	2012 US$'000	2011 US$'000
Capital commitments		
Capital expenditure in respect of acquisition of property, plant and equipment in the consolidated financial statements - contracted but not provided for	171,024	58,441
Capital expenditure in respect of capital injection to an associate	4,816	-

Other commitments and contingencies existed at the end of each reporting period

In October 2006, the Group signed a ten-year service contract with a third party to provide mining services to the Group commencing in the first quarter of 2007. The value of the mining service of each year will vary and is dependent upon the amount of mining work performed.

35. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statements of comprehensive income and cost of inventory of approximately US$1,221,000 and US$723,000 for the years ended December 31, 2012 and 2011, respectively, represent contributions payable to the scheme by the Group.

36. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal subsidiaries at December 31, 2012 and 2011 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at December 31,		Principal activities
			2012	2011	
Pacific PGM Inc.	British Virgin Islands ("BVI") May 17, 2001	US$100	100%	100%	Investment holding
Pacific PGM (Barbados) Inc.	Barbados September 6, 2007	US$130,000	100%	100%	Investment holding
IMP	Ningxia, PRC April 29, 2002	US$37,500,000	96.5%	96.5%	Engaged in exploration and development of mining properties in China
Gansu Mining Company (Barbados) Ltd.	Barbados September 7, 2007	US$119,000	100%	100%	Investment holding
Gansu Pacific	Gansu, PRC September 18, 2006	RMB30, 365,345	53%	53%	Engaged in exploration and development of mining properties in China
Skyland	Cayman Islands October 6, 2004	US$233,380,700 plus RMB1,510,549,032 (2011: US$41,305,000) plus RMB182,993,000	100%	100%	Investment holding
Tibet Jia Ertong Minerals Exploration Ltd.	PRC October 31, 2003	US$273,920,000 (2011: US$178,920,000)	100%	100%	Exploration, development and mining of mineral properties and investment holding
Huatailong	PRC January 11, 2007	RMB1,760,000,000 (2011: RMB1,170,000)	100%	100%	Exploration, development and mining of mineral properties
Jiama Industry and Trade	PRC December 1, 2009	RMB5,000,000	51%	51%	Mining logistics and transport business
Skyland Mining (BVI) Limited	BVI October 26, 2010	US$1	100%	100%	Inactive

37. FINANCIAL SUMMARY OF THE COMPANY

	2012 US$'000	2011 US$'000
Current assets		
Cash and cash equivalents	44,001	155,975
Accounts receivable	78	21
Prepaid expenses, deposits and other receivables	361	412
	44,440	156,408
Non-current assets		
Property, plant and equipment	129	127
Loan receivables from subsidiaries	51,083	46,492
Available-for-sale investment	20,570	-
Investment in subsidiaries	981,988	886,988
Amounts due from subsidiaries	37,771	45,197
	1,091,541	978,804
Total assets	1,135,981	1,135,212
Current liability		
Accounts payable and accrued expenses	954	1,421
Non-current liability		
Deferred income	76	110
Total liabilities	1,030	1,531
Net current assets	43,486	154,987
Total assets less current liabilities	1,135,027	1,133,791
Owners' equity		
Share capital (Note 27)	1,228,731	1,228,184
Reserves (Note 38)	3,426	2,971
Deficits (Note 38)	(97,206)	(97,474)
Total owners' equity	1,134,951	1,133,681
Total liabilities and owners' equity	1,135,981	1,135,212

38. RESERVES AND DEFICITS OF THE COMPANY

	Reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000
At January 1, 2011	2,776	(83,821)	(81,045)
Loss and total comprehensive expense for the year	-	(13,653)	(13,653)
Exercise of stock option	(33)	-	(33)
Share-based compensation	228	-	228
At December 31, 2011 and January 1, 2012	2,971	(97,474)	(94,503)
Profit for the year		268	268
Fair value gain on available- for-sales investment	559		559
Total comprehensive income for the year	559	268	827
Exercise of stock option	(206)	-	(206)
Share-based compensation	102	-	102
At December 31, 2012	3,426	(97,206)	(93,780)

39. EVENT AFTER THE REPORTING PERIOD

The Group has no material event after the end of the reporting period.