



2016 INTERIM REPORT



中國黃金國際資源有限公司
China Gold International Resources Corp. Ltd.

(Incorporated in British Columbia, Canada with limited liability)
HK Stock Exchange Stock Code: 2099
Toronto Stock Exchange Stock Code: CGG

MANAGEMENT'S DISCUSSION AND ANALYSIS

*Management's Discussion and Analysis of Financial Condition and Results of Operations for the six month ended June 30, 2016
(Stated in U.S. dollars, except as otherwise noted)*

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of August 12, 2016. It should be read in conjunction with the condensed consolidated interim financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as "China Gold International", the "Company", "we" or "our" as the context may require) for the six months ended June 30, 2016 and the six months ended June 30, 2015, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to the Company's plans, objectives, expectations and intentions, which are based on the Company's current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in the Company's Annual Information Form ("Annual Information Form" or "AIF") dated March 30, 2016 on SEDAR at www.sedar.com. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled "Forward-Looking Statements" and "Risk Factors" and to discussions elsewhere within this MD&A. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD-LOOKING STATEMENTS

Certain statements made herein, other than statements of historical fact relating to the Company, represent forward-looking information. In some cases, this forward-looking information can be identified by words or phrases such as "may", "will", "expect", "anticipate", "contemplates", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should" or the negative of these terms, or other similar expressions intended to identify forward-looking information. This forward-looking information includes, among other things; China Gold International's production estimates, business strategies and capital expenditure plans; the development and expansion plans and schedules for the CSH Gold Mine and the Jiama Mine; China Gold International's financial condition; the regulatory environment as well as the general industry outlook; general economic trends in China; and statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, and other statements that are not historical facts.

By their nature, forward-looking information involves numerous assumptions, both general and specific, which may cause the actual results, performance or achievements of China Gold International and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of the key assumptions include, among others, the absence of any material change in China Gold International's operations or in foreign exchange rates, the prevailing price of gold, copper and other non-ferrous metal products; the absence of lower-than-anticipated mineral recovery or other production problems; effective income and other tax rates and other assumptions underlying China Gold International's financial performance as stated in the Company's technical reports for its CSH Gold Mine and Jiama Mine; China Gold International's ability to obtain regulatory confirmations and approvals on a timely basis; continuing positive labor relations; the absence of any material adverse effects as a result of political instability, terrorism, natural disasters, litigation or arbitration and adverse changes in government regulation; the availability and accessibility of financing to China Gold International; and the performance by counterparties of the terms and conditions of all contracts to which China Gold International and its subsidiaries are a party. The forward-looking information is also based on the assumption that none of the risk factors identified in this MD&A or in the AIF that could cause actual results to differ materially from the forward-looking information actually occurs.

Forward-looking information contained herein as of the date of this MD&A is based on the opinions, estimates and assumptions of management. There are a number of important risks, uncertainties and other factors that could cause actual actions, events or results to differ materially from those described as forward-looking information. China Gold International disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates, opinions or assumptions, future events or results, or otherwise except to the extent required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking information in this MD&A is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

THE COMPANY

Overview

China Gold International is a gold and base metal mining company based in Vancouver, Canada. The Company's main business involves the operation, acquisition, development and exploration of gold and base metal properties.

The Company's principal mining operations are the Chang Shan Hao Gold Mine ("CSH Mine" or "CSH"), located in Inner Mongolia, China and the Jiama Copper-Gold Polymetallic Mine ("Jiama Mine" or "Jiama"), located in Tibet, China. China Gold International holds a 96.5% interest in the CSH Mine, while its Chinese joint venture ("CJV") partner holds the remaining 3.5% interest. The CSH Mine commenced commercial production on July 1, 2008. The Company owns a 100% interest in the Jiama Mine, which hosts a large scale copper-gold polymetallic deposit containing copper, gold, molybdenum, silver, lead and zinc metals. The Jiama Mine commenced commercial production in September 2010.

China Gold International's common shares are listed on the Toronto Stock Exchange ("TSX") and The Stock Exchange of Hong Kong Limited ("HKSE") under the symbol CGG and the stock code 2099, respectively. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR at sedar.com as well as Hong Kong Exchange News at hkexnews.hk.

Performance Highlights

Three months ended June 30, 2016

- Revenue decreased by 16% to US\$69.9 million from US\$83.6 million for the same period in 2015.
- Mine operating earnings decreased by 42% to US\$11.7 million from US\$20.3 million.
- Net profit/loss after income taxes decreased to net loss of US\$7.4 million from net profit of US\$10.6 million for the same period in 2015, primarily due to foreign exchange loss of US\$6.0 million during the current period.
- Gold production from the CSH Mine decreased by 2% to 48,867 ounces from 49,783 ounces for the same period in 2015.
- Copper production from the Jiama Mine increased by 2% from 4,923 tonnes (approximately 10.85 million pounds) in 2015 compared to 5,014 tonnes (approximately 11.05 million pounds) for the same period in 2016.

Six months ended June 30, 2016

- Revenue decreased by 16% to US\$135.5 million from US\$161.0 million for the same period in 2015;
- Net profit/loss after income taxes decreased to net loss of US\$10.9 million from net profit of US\$16.8 million for the same period in 2015, primarily due to foreign exchange loss of US\$4.8 million in addition to US\$3.8 million value impairment of Available-for-sale securities during the current six month period.
- Gold production from the CSH Mine decreased by 6% to 85,570 ounces from 90,817 ounces for the same period in 2015.
- Copper production from the Jiama Mine increased by 1% to 9,120 tonnes (approximately 20.1 million pounds) from 9,012 tonnes (approximately 19.9 million pounds) for the same period in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outlook

- Projected gold production of 235,000 ounces in 2016.
- Projected copper production of approximately 38.6 million pounds in 2016.
- The Jiama Mine's processing plant Phase II expansion is being executed in two stages. Stage I has been completed and is currently eliminating defects. The commissioning (Start-Up) is scheduled for December 1, 2016. The throughput capacity will be 28,000 tpd, up from the previous capacity of 6,000 tpd after completing the commissioning process. Construction of Stage II of the project is under way and is expected to be completed in the second half of 2016. The total processing capacity will increase to 50,000 tpd upon completion of the two-stage expansion program.
- The Company will continue to leverage the technical and operating experience of the Company's controlling shareholder, China National Gold Group Corporation ("CNG"), to improve operations at its mines. In addition, the Company continues to focus its efforts on increasing production while minimizing costs at both mines.
- To fulfill its growth strategy, the Company is continuously working with CNG and other interested parties to identify potential international mining acquisition opportunities, namely projects outside of China, which either are in production or can be readily and quickly brought into production with the possibility of further expansion through continued exploration.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

QUARTER ENDED	2016		2015				2014	
	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30
(US\$ in thousands except per share)								
Revenues	69,904	65,585	78,967	99,948	83,647	77,387	103,326	89,257
Cost of sales	58,162	58,039	74,798	82,752	63,336	56,217	70,763	56,687
Mine operating earnings	11,742	7,546	4,169	17,196	20,311	21,170	32,563	32,570
General and administrative expenses	5,361	5,049	6,483	5,330	5,988	6,028	7,631	5,523
Exploration and evaluation expenses	53	46	157	45	62	38	319	129
Income (loss) from operations	6,328	2,451	(2,471)	11,821	14,261	15,104	24,613	26,918
Foreign exchange (loss) gain	(5,980)	1,198	(5,624)	(8,606)	1,482	(789)	5,631	(300)
Finance costs	4,063	4,453	(868)	7,181	6,570	8,524	8,913	7,826
(Loss) profit before income tax	(8,198)	(2,986)	(13,640)	692	13,742	10,813	24,485	21,221
Income tax expense	5,531	500	4,836	5,850	3,173	4,575	8,802	4,790
Net (loss) income	(7,401)	(3,486)	(18,476)	(5,158)	10,569	6,238	15,683	16,431
Basic (loss) earnings per share (cents)	(1.95)	(0.91)	(4.69)	(1.41)	2.54	1.49	3.78	4.02
Diluted (loss) earnings per share (cents)	N/A	N/A	(4.69)	(1.41)	2.54	1.49	3.78	4.02

Selected Quarterly and Annual Production Data and Analysis

CSH Mine	Three months ended June 30,		Six months ended June 30	
	2016	2015	2016	2015
Gold sales (US\$ million)	42.64	58.37	84.28	110.48
Realized average price ⁽¹⁾ (US\$) of gold per ounce	1,198	1,130	1,172	1,155
Gold produced (ounces)	48,867	49,783	85,570	90,817
Gold sold (ounces)	35,595	51,671	71,939	95,621
Total production cost ⁽²⁾ (US\$ per ounce)	1,042	841	1,038	844
Cash production cost ⁽²⁾ (US\$ per ounce)	695	642	748	647

(1) Net of resource compensation fees that is based on revenue and paid to PRC government

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

Gold production at the CSH Mine decreased by 2% from 49,783 ounces for the three months ended June 30, 2015 to 48,867 ounces for the three months ended June 30, 2016. The decrease in gold production is attributed to lower grades of ore mined during the current period.

The cash production cost, and total production cost of gold for the three months ended June 30, 2016 both increased compared with the same period in 2015. The increase is due to higher waste rock removal costs due to higher stripping ratio during the current period and lower grade of ore.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Copper sales ⁽¹⁾ (million US\$)	16.85	18.17	32.36	36.51
Realized average price ⁽²⁾ (US\$ per pound of copper) after smelting fee discount	1.42	2.27	1.49	2.26
Copper produced (tonne)	5,014	4,923	9,120	9,012
Copper produced (pound)	11,053,590	10,853,025	20,106,840	19,868,245
Copper sold (tonne)	4,829	3,894	9,296	7,892
Copper sold (pound)	10,646,573	8,585,738	20,494,125	17,398,376
Gold produced (ounce)	7,847	6,689	12,971	12,000
Gold sold (ounce)	7,240	5,549	13,223	10,853
Silver produced (ounce)	333,379	380,343	647,896	669,168
Silver sold (ounce)	299,949	296,233	646,185	597,538
Total copper production cost ⁽³⁾ (US\$ per pound)	2.36	2.87	2.43	2.80
Total copper production cost ⁽³⁾ (US\$ per pound after by-products credits ⁽⁴⁾)	1.36	1.99	1.47	1.93
Cash copper production cost ⁽⁴⁾ (US\$ per pound)	1.94	2.32	2.02	2.27
Cash copper production cost ⁽⁴⁾ (US\$ per pound after by-products credits ⁽⁴⁾)	0.94	1.43	1.06	1.40

(1) Net of resource compensation fees that is based on revenue and paid to PRC government agency

(2) a discount factor of 27-31% is applied to the copper bench mark price to compensate the refinery costs incurred by the buyers

(3) Production costs include expenditures incurred at the mine sites for the activities related to production including mining, processing, mine site G&A and royalties etc.

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

(5) By-products credit refers to the sales of gold and silver during the corresponding period

During the three months ended June 30, 2016, the Jiama Mine produced 5,014 tonnes (approximately 11.05 million pounds) of copper, compared with the three months ended June 30, 2015 (4,923 tonnes, or 10.9 million pounds). Consistent levels of production were maintained during the comparative periods.

The Cash production cost of copper per pound decreased by 16% and total production cost of copper per pound decreased by 18% for the three months ended June 30, 2016 compared to the same period in 2015. The decreases are primarily due to a 24% increase in sales volumes of copper during the three months ended June 30, 2016. Cash production cost of copper per pound after by-products credits decreased by 34% due to higher copper grade and higher volume of by product gold sold in copper concentrate during the current period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Quarterly Data

Three months ended June 30, 2016 compared to three months ended June 30, 2015

Revenue of US\$69.9 million for the second quarter of 2016 decreased by US\$13.7 million, from US\$83.6 million for the same period in 2015.

Revenue from the CSH Mine was US\$42.6 million, a decrease of US\$15.8 million compared to US\$58.4 million for the same period in 2015 due to a 31% decrease in gold sales volume. Gold produced by the CSH Mine was 48,867 ounces (gold sold: 35,595 ounces), compared to 49,783 ounces (gold sold: 51,671 ounces) for the same period in 2015. CSH's decreased production volumes are attributed to lower grades of ore mined.

Revenue from the Jiama Mine was US\$27.3 million compared to US\$25.2 million for the same period in 2015. Total copper sold was 4,829 tonnes (10.6 million pounds) for the three months ended June 30, 2016, an increase of 24% from 3,894 tonnes (8.6 million pounds) for the same period in 2015. The increase in sales volume was offset by a considerable decrease in the realized average price of copper per pound during the second quarter of 2016.

Cost of sales of US\$58.2 million for the quarter ended June 30, 2016, a decrease of US\$5.1 million or 8% from US\$63.3 million for the same period in 2015. The overall decrease is primarily attributed to lower sales volume at CSH. Cost of sales as a percentage of revenue for the Company increased to 83% from 76% for the three months ended June 30, 2016 and 2015, respectively.

Mine operating earnings of US\$11.7 million for the three months ended June 30, 2016, a decrease of 42% or US\$8.6 million, from US\$20.3 million for the same period in 2015. Mine operating earnings as a percentage of revenue decreased from 24% to 17% for the three months ended June 30, 2015 and 2016, respectively. The decrease in mine operating earnings as a percentage of revenue can be attributed to a 37% decrease in the realized average price of copper per pound after smelting fee discount.

General and administrative expenses decreased from US\$6.0 million to US\$5.4 million for the three months ended June 30, 2015 and 2016, respectively. The 10% decrease is consistent with the Company's implementation of cost reductions programs.

Income from operations of US\$6.3 million for the quarter ended June 30, 2016, decreased by US\$8.0 million from US\$14.3 million for the same period in 2015.

Finance costs decreased to US\$4.1 million for three months ended June 30, 2016 from US\$6.6 million for the same period in 2015. The decrease in the 2016 period is mainly attributed to lower interest rates held on borrowings. During the three months ended June 30, 2016, interest payments of US\$7.1 million (2015: US\$6.9 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange (loss) gain decreased to a loss of US\$6.0 million for the three months ended June 30, 2016 from a gain of US\$1.5 million for the same period in 2015. The 2016 loss is related to the revaluation of monetary items held in Chinese RMB and Hong Kong Dollars, which was based on changes in the RMB/HKD/USD exchange rates.

Interest and other income of US\$1.8 million for the three months ended June 30, 2016 decreased from US\$4.6 million for the same period in 2015, due to a government subsidy of US\$2.7 million which was received in the 2015 comparative period.

Income tax expense of US\$5.5 million for the quarter ended June 30, 2016, increased by US\$2.3 million from US\$3.2 million for the comparative period in 2015. During the current quarter, the Company had US\$2.9 million of deferred tax expense compared to US\$0.2 million of deferred tax credit in 2015.

Net profit/loss of the Company decreased by US\$18.0 million from a profit of US\$10.6 million for the three months ended June 30, 2015 to a net loss of US\$7.4 million for the three months ended June 30, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Six months ended June 30, 2016 compared to six months ended June 30, 2015

Revenue of US\$135.5 million for the six months ended June 30, 2016 decreased by US\$25.5 million, from US\$161.0 million for the same period in 2015.

Revenue from the CSH Mine was US\$84.3 million, a decrease of US\$26.2 million compared to US\$110.5 million for the same period in 2015 due to a 25% decrease in gold sales volume. Gold produced by the CSH Mine was 85,570 ounces (gold sold: 71,939 ounces), compared to 90,817 ounces (gold sold: 95,621 ounces) for the same period in 2015. CSH's decreased production volumes are attributed to lower grades of ore mined.

Revenue from the Jiama Mine was US\$51.2 million compared to US\$50.5 million for the same period in 2015. Total copper sold was 9,296 tonnes (20.5 million pounds) for the six months ended June 30, 2016, an increase of 18% from 7,892 tonnes (17.4 million pounds) for the same period in 2015. The increase in sales volume was offset by a considerable decrease in the realized average price of copper per pound during the second quarter of 2016.

Cost of sales of US\$116.2 million for the six months ended June 30, 2016, a decrease of US\$3.4 million or 3% from US\$119.6 million for the same period in 2015. The overall decrease is primarily attributed to lower production volume at CSH. Cost of sales as a percentage of revenue for the Company increased to 86% from 74% for the six months ended June 30, 2016 and 2015, respectively.

Mine operating earnings of US\$19.3 million for the six months ended June 30, 2016, a decrease of 54% or US\$22.2 million, from US\$41.5 million for the same period in 2015. Mine operating earnings as a percentage of revenue decreased from 26% to 14% for the six months ended June 30, 2015 and 2016, respectively. The decrease in mine operating earnings as a percentage of revenue can be attributed to a 34% decrease in the realized average price of copper per pound after smelting fee discount.

General and administrative expenses decreased from US\$12.0 million to US\$10.4 million for the six months ended June 30, 2015 and 2016, respectively. The 13% decrease is consistent with the Company's implementation of cost reductions programs.

Income from operations of US\$8.8 million for the six months ended June 30, 2016, decreased by US\$20.6 million from US\$29.4 million for the same period in 2015.

Finance costs decreased to US\$8.5 million for the six months ended June 30, 2016 from US\$15.1 million for the same period in 2015. The decrease in the 2016 period is attributed to lower interest rates held on Jiama's project loans. During the six months ended June 30, 2016, interest payments of US\$12.2 million (2015: US\$12.3 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Loss on Available-for-sale investment of US\$3.8 million was recognized in relation to the equity securities investment listed in Hong Kong during the six months ended June 30, 2016, the fair market value adjustments were recognized as equity reserve in the comparative period in 2015. The loss was recorded due to a 25% decline in the share price of the security as of the December 31, 2015 share price.

Foreign exchange (loss) gain decreased to a loss of US\$4.8 million for the six months ended June 30, 2016 from a gain of US\$0.7 million for the same period in 2015. The 2016 loss is related to the revaluation of monetary items held in Chinese RMB and Hong Kong Dollars, which was based on changes in the RMB/HKD/USD exchange rates.

Interest and other income of US\$3.5 million for the six months ended June 30, 2016 decreased from US\$9.6 million for the same period in 2015, due to a government subsidy of US\$2.7 million received in the 2015 comparative period.

Income tax expense of US\$6.0 million for the first half of 2016, decreased by US\$1.7 million from US\$7.7 million for the comparative period in 2015, primarily due to decreased profits from both mine sites. During the current period, the Company had US\$0.7 million of deferred tax expense compared to US\$1.5 million of deferred tax expense in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net profit/loss of the Company decreased by US\$27.7 million from a profit of US\$16.8 million for the six months ended June 30, 2015 to a net loss of US\$10.9 million for the six months ended June 30, 2016.

NON-IFRS MEASURES

The following table provides certain unit cost information on a cost of production per tonne of ore processed (non-IFRS) basis for the CSH Mine and the Jiama Mine for the three months and six ended June 30, 2016 and 2015:

CSH Mine	Three months ended June 30,		Six months ended June 30,	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Cost of mining per tonne of ore	1.14	1.47	1.20	1.43
Cost of mining waste per tonne of ore	2.49	3.45	2.67	2.55
Other mining costs per tonne of ore	0.21	0.30	0.24	0.30
Total mining costs per tonne of ore	3.84	5.22	4.11	4.28
Cost of reagents per tonne of ore	0.48	0.77	0.66	0.76
Other processing costs per tonne of ore	0.58	0.88	0.72	1.00
Total processing cost per tonne of ore	1.06	1.65	1.38	1.76

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Cost of mining per tonne of ore	10.96	15.02	10.90	13.78
Cost of mining waste per tonne of ore ¹	–	–	–	–
Other mining costs per tonne of ore	4.88	5.10	4.10	4.98
Total mining costs per tonne of ore	15.84	20.12	15.00	18.76
Processing costs per tonne of ore	10.69	10.19	10.52	9.58

¹ Mining activities were conducted in the underground mine during the period and no waste rock removal costs incurred

The cash cost of production is a measure that is not in accordance with IFRS.

The Company has included cash production cost per ounce gold data to supplement its consolidated financial statements, which are presented in accordance with IFRS. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance, operating results or financial condition prepared in accordance with IFRS. The Company has included cash production cost per ounce data because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flow. The measure is not necessarily indicative of operating results, cash flow from operations, or financial condition as determined under IFRS. Cash production costs are determined in accordance with the Gold Institute's Production Cost Standard.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

CSH Mine (Gold)	Three months ended June 30,				Six months ended June 30,			
	2016		2015		2016		2015	
	US\$		US\$		US\$		US\$	
	US\$	Per ounce	US\$	Per ounce	US\$	Per ounce	US\$	Per ounce
Total production costs	37,082,934	1,042	43,454,546	841	74,675,405	1,038	80,737,923	844
Adjustments	(12,353,409)	(347)	(10,299,545)	(199)	(20,849,174)	(290)	(18,874,667)	(197)
Total cash production costs	24,729,525	695	33,155,001	642	53,826,230	748	61,863,256	647

Jiama Mine (Copper with by-products credits)	Three months ended June 30,				Six months ended June 30,			
	2016		2015		2016		2015	
	US\$		US\$		US\$		US\$	
	US\$	Per Pound	US\$	Per pound	US\$	Per Pound	US\$	Per pound
Total production costs	25,133,015	2.36	24,670,152	2.87	49,704,454	2.43	48,657,500	2.80
Adjustments	(4,437,141)	(0.42)	(4,766,992)	(0.56)	(8,400,406)	(0.41)	(9,206,637)	(0.53)
Total cash production costs	20,695,874	1.94	19,903,160	2.23	41,304,048	2.02	39,450,863	2.27
By-products credits	(10,675,017)	(1.00)	(7,583,514)	(0.88)	(19,532,529)	(0.95)	(15,099,769)	(0.87)
Total cash production costs after by-products credits	10,020,857	0.94	12,319,646	1.43	21,771,519	1.06	24,351,094	1.40

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

MINERAL PROPERTIES

The CSH Mine

The CSH Mine is located in Inner Mongolia Autonomous Region of China (Inner Mongolia). The property hosts two low-grade, near surface gold deposits, along with other mineralized prospects. The main deposit is called the Northeast Zone (the "Northeast Zone"), while the second, smaller deposit is called the Southwest Zone (the "Southwest Zone").

The CSH Mine is owned and operated by Inner Mongolia Pacific Mining Co. Limited, a Chinese Joint Venture in which China Gold International holds a 96.5% interest and Ningxia Nuclear Industry Geological Exploration Institution (formerly known as Brigade 217) holds the remaining 3.5%.

The CSH mine has two open-pit mining operations and has a mining and processing capacity of 60,000 tpd. The capital expenditure incurred in the CSH Mine for the six months ended June 30, 2016 was US\$3.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The major new contracts entered into during the six months ended June 30, 2016:

Item No.	Contact Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Liquid Sodium Cyanide Purchase contract	Inner Mongolia Chengxin Yongan Chemical Co., Ltd.	Unit price contract Estimated amount: 14	2016.5.11-2017.6.11	5/11/2016
2	Mixed Explosive Purchase contract	Bayannuur Sheng An Chemical Co., Ltd.	Unit price contract Estimated amount: 12.5	2016.1.1-2016.12.30	1/1/2016

Production Update

CSH Mine	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Ore mined and placed on pad (tonnes)	6,799,644	6,210,489	11,010,419	10,946,169
Average ore grade (g/t)	0.51	0.56	0.50	0.55
Recoverable gold (ounces)	67,515	67,134	105,832	113,588
Ending ore inventory (ounces)	198,568	185,225	198,568	185,225
Waste rock mined (tonnes)	24,933,295	26,796,853	44,157,522	43,707,876

For the three months ended June 30, 2016, the total amount of ore put on the leach pad was 6.8 million tonnes, with total contained gold of 67,515 ounces. The accumulative project-to-date gold recovery rate has decreased from approximately 52.2% at the end of March 2016 to 51.52% at the end of June 2016 due to lower grades of ore mined.

Exploration

The Company continues to conduct surface reconnaissance and exploration for expansion opportunities around the CSH Mine. Ten drilling holes have been planned for 2015 and 2016 in this area. To date, four drilling holes have been completed, one drilling hole is going to be completed, and cumulated 5,497 meters were drilled. There are currently three cores under processing in accordance to the schedule.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2015 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Measured	38.12	0.65	24.69	0.79
Indicated	145.34	0.60	87.30	2.81
M+I	183.46	0.61	111.99	3.60

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2015 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	37.28	0.65	24.33	0.78
Probable	102.06	0.61	63.30	2.04
Total	139.34	0.63	87.63	2.82

The Jiama Mine

The Company acquired the Jiama Mine on December 1, 2010. Jiama is a large copper-gold polymetallic deposit containing copper, gold, silver, molybdenum, and other metals located in the Gandise metallogenic belt in Tibet Autonomous Region of China.

The Jiama Mine has both underground mining and open-pit mining operations. Phase I of the Jiama Mine commenced mining operations in the latter half of 2010 and reached its design capacity of 6,000 tpd in early 2011.

Phase II Expansion

The Jiama Expansion Program

The Company retained Mining One Pty Ltd, an engineering firm, in conjunction with independent consulting engineers and management to conduct a feasibility study on the Jiama Mine expansion program. On December 20, 2013, Mining One Pty Ltd. produced an NI 43-101 Technical report – Phase II Expansion Project (“Jiama Technical Report”) based on the “Feasibility Study for the Phase II Expansion Project” as prepared by the Changchun Gold Design Institute. The Jiama Technical Report was filed on sedar.com and hkexnews.hk on February 4, 2014. The Jiama Technical Report proposes to expand the Jiama Mine from its initial mining and processing capacity of 6,000 tpd to 50,000 tpd of ore. The expansion program includes the development of four open pit mines and one underground mine, and construction of a new flotation plant with a processing capacity of 44,000 tpd. The annual mill processing capacity will be increased from the current 1.8 million tonnes of ore per year to 16.5 million tonnes of ore per year, producing approximately 67,000 tonnes (148 million pounds) of copper, 2,400 tonnes (5.3 million pounds) of molybdenum, 42,000 ounces of gold, 2.8 million ounces of silver, 10,400 tonnes of lead and 4,000 tonnes of zinc annually over a 35 year mine life. The project has after-tax Net Present Value (NPV) of US\$1.3 billion at a discount rate of 9% at metal price assumptions of US\$2.90/lb copper, US\$15.5/lb molybdenum, US\$1,300/oz gold, and US\$20/oz silver. The project has after-tax Internal Rate of Return (IRR) of 24% and payback period of 6.7 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The processing plant expansion program is implemented in two stages, adding 22,000 tpd mineral processing capacity in each stage. Stage one of the processing plant is currently eliminating defects and is scheduled for commissioning (start-up) on December 1, 2016. Stage two of the expansion has been started and construction is expected to be completed in the second half of 2016, along with the completion of the underground development system. Two open pits are ready to provide ore feed.

Capital expenditures incurred at the Jiama Mine for the six months ended June 30, 2016 was US\$67.3 million.

The major new contracts entered into during the six months ended June 30, 2016:

Item No.	Contact Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Jiama Copper Polymetallic Mine Hornfel Open-pit Mining and Stripping Project Contract	Color Twelve Metallurgical Construction Co.,Ltd.	17.2	2015.12.1-2018.11.30	2/14/2016
2	Jiama Mine 4-12 Shaft UG Mining Project (2000t/d) Contract	Jiangxi Weile Construction Group Co., Ltd.	48.3	2016.3.1-2019.2.28	3/1/2016
3	Jiama Mine 4490 Ramp Underground Mining (1500t/d) Contract	In color twelve Metallurgical Construction Co., Ltd.	28.9	2016.3.1-2019.2.28	3/1/2016
4	Jiama Mine Copper Mt. Underground Mining (1000t/d) Contract	The Second Engineering Co., Ltd of China Railway 17 Bureau Group Corporation	21	2016.3.1-2019.2.28	3/1/2016
5	Jiama Mine 4-12 Shaft UG Mining Project (4000t/d) and Shaft Repairment Project Contract	Zhejiang Huaye Mine Group Co.,Ltd.	68.5	2016.3.1-2019.2.28	3/1/2016
6	Jiama Copper Polymetallic Mine Filling System Equipment & pipelines Purchase and Installment Project Contract	Feiyi Co., Ltd.Zhongtai Construction Group Co., Ltd.	7.2	2016.4.26-2016.10.31	4/25/2016
7	Jiama Copper Polymetallic Mine Phase II UG Stope Mining (Section III) Project Contract	Zhejiang Huaye Mine Group Co.,Ltd.	194	2016.3.1-2026.2.28	4/25/2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production Update

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Ore mined (tonnes)	626,449	659,394	1,032,514	1,125,741
Waste mined (tonnes)	–	–	–	–
Average copper ore grade (%)	0.91	0.83	0.83	0.82
Copper recovery rate (%)	92	92	90	92
Average gold ore grade (g/t)	0.58	0.48	0.48	0.45
Gold recovery rate (%)	69	67	70	67
Average silver ore grade (g/t)	27.46	25	24.50	23.51
Silver recovery rate (%)	68	67	68	67

Exploration

The Company plans peripheral prospecting and mineral exploration work in 2016, and have completed the design of 15 drilling holes with 8,632 meters depth; 90 meters of underground exploration drifts; Geophysical prospecting studies covering 24.76 kilometers. The fieldwork exploration is expected to be finished by December 2016.

Mineral Resources Estimate

An NI 43-101 compliant mineral resource estimate was independently completed by Mining One Pty Ltd. in November 2013, based on information collected up to November 12, 2012.

Mining One Pty Ltd. noted that gold and silver mineralization within the ore body had a significantly higher spatial variability than the other elements, and as a result, classified the Au and Ag resource presented in Table 2 separately. This classification takes into account the proposed large scale mining techniques where Au and Ag will only be credits to the overall products from the operations. Mining One Pty Ltd has assumed that Au and Ag will not be assigned a single cut-off grade for a selected mining block and will be mined in conjunction with the other elements.

Jiama Project – Cu, Mo, Pb, Zn, Au, and Ag Mineral Resources under NI 43-101

Reported at a 0.3% Cu Equivalent Cut off grade*, as of December 31, 2015

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu	Mo	Pb	Zn	Au	Ag
								Metal (kt)	Metal (kt)	Metal (kt)	Metal (kt)	Moz	Moz
Measured	96.80	0.40	0.04	0.04	0.02	0.10	6.53	385.50	34.80	43.10	23.20	0.27	17.86
Indicated	1,385.00	0.41	0.03	0.05	0.03	0.11	6.11	5,715.50	468.00	751.00	471.00	4.99	272.35
M+I	1,481.80	0.41	0.03	0.05	0.03	0.11	6.14	6,101.00	502.80	794.10	494.20	5.26	290.21
Inferred	406.10	0.31	0.03	0.08	0.04	0.10	5.13	1,247.00	123.00	311.00	175.00	1.32	66.93

Note: Figures reported are rounded which may result in small tabulation errors.

The Copper Equivalent basis for the reporting of resources has been compiled on the following basis:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral Reserves Estimate

A Mineral Reserve estimate, dated November 20, 2013, has been independently verified by Mining One Pty Ltd. in accordance with the CIM Definitions Standards under NI 43-101.

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2015

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu	Mo	Pb	Zn Metal (kt)	Au	Ag
								Metal (kt)	Metal (kt)	Metal (kt)		Moz	Moz
Proven	21.52	0.62	0.04	0.05	0.03	0.24	9.41	132	10	11	8	0.150	6.530
Probable	415.07	0.61	0.03	0.13	0.08	0.19	11.50	2,541	133	551	319	2.490	153.495
P+P	436.59	0.61	0.03	0.13	0.07	0.19	11.46	2,673	143	562	326	2.640	160.025

Notes:

- All Mineral Reserves have been estimated in accordance with the JORC code and have been reconciled to CIM standards as prescribed by the NI 43-101.
- Mineral Reserves were estimated using the following mining and economic factors:

Open Pits:

 - 5% dilution factor and 95% recovery were applied to the mining method;
 - overall slope angles of 43 degrees;
 - a copper price of US\$2.9/lbs;
 - an overall processing recovery of 88-90% for copper

Underground:

 - 10% dilution added to all Sub-Level Open Stopping;
 - Stope recovery is 87% for Sub-Level Open Stopping;
 - An overall processing recovery of 88-90% for copper.
- The cut-off grade for Mineral Reserves has been estimated at copper equivalent grades of 0.3% Cu (NSR) for the open pits and 0.45% Cu (NSR) for the underground mine.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in a capital intensive industry. The Company's liquidity requirements arise principally from the need for financing the expansion of its mining and processing operations, exploration activities and acquisition of exploration and mining rights. The Company's principal sources of funds have been proceeds from borrowing from commercial banks in China, equity financings, and cash generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

At June 30, 2016, the Company had an accumulated surplus of US\$175 million, working capital of US\$31.6 million and borrowings of US\$992.3 million. The Company's cash balance at June 30, 2016 was US\$99.9 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US\$505.9 million of 3.5% unsecured bonds maturing on July 17, 2017 and US\$99.5 million of short term debt facilities with interest rates ranging from 2.75% to 6.00% per annum arranged through various banks in China. In addition, on November 3, 2015, the Company entered into a Loan Facility agreement with a syndicate of banks, led by Bank of China. The lenders agreed to lend to the aggregate principle amount of RMB3.98 billion, approximately US\$613 million with the interest rate of 2.83% per annum currently. The People's Bank of China Lhasa Center Branch's interest rate serves as a benchmark for the interest on the drawdowns. The bank's interest rate is then discounted by 7 basis points (or 0.07%) to calculate the interest on the drawdowns. The proceeds from the Loan Facility are to be used for the development of the Jiama Mine. As of June 30, 2016 the Company has drawdown RMB2.18 billion, approximately US\$309.1 million. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future.

Given the challenging market conditions in the global mining industry, the Company continues to rigorously test its assets for impairment as part of its financial reporting processes. To date, the testing procedures carried out by the Company support the carrying values of the Company's assets, and no impairment has been required. However, management of the Company, together with its auditors, continues to evaluate and test key assumptions on estimates and management judgments in order to determine the fair value less cost of disposal of the CSH Mine and the Jiama Mine.

CASH FLOWS

The following table sets out selected cash flow data from the Company's condensed consolidated interim cash flow statements for the periods ended June 30, 2016 and June 30, 2015.

	Three Months ended June 30,		Six months ended June 30,	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Net cash from (used in) operating activities	23,312	(15,257)	29,298	(14,616)
Net cash used in investing activities	(54,416)	(67,327)	(91,004)	(155,381)
Net cash from (used in) financing activities	15,601	(255,484)	49,939	(276,482)
Net decrease in cash and cash equivalents	(15,503)	(338,068)	(11,767)	(446,479)
Effect of foreign exchange rate changes on cash and cash equivalents	(787)	(14)	(708)	54
Cash and cash equivalents, beginning of period	116,214	457,235	112,399	565,578
Cash and cash equivalents, end of period	99,924	119,153	99,924	119,153

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating cash flow

For the three months ended June 30, 2016, the net cash inflow from operating activities was US\$23.3 million which is primarily attributable to (i) depreciation and depletion of US\$22.0 million, (ii) increase in accounts payable of US\$20.3 million, and (iii) decrease in accounts receivable of US\$7.9 million, offset by (i) increase in inventory of US\$25.4 million, and (ii) interest paid of US\$10.4 million.

For the six months ended June 30, 2016, the net cash inflow from operating activities was US\$29.3 million which is primarily attributable to (i) depreciation and depletion of US\$38.3 million, (ii) increase of accounts payable of US\$23.2 million (iii) finance cost of US\$8.5 million, and (iv) decrease in accounts receivable of US\$7.5 million, offset by (i) increase in inventory of US\$32.9 million and (ii) interest paid of US\$19.2 million.

Investing cash flow

For the three months ended June 30, 2016, the net cash outflow from investing activities was US\$54.4 million, which is primarily attributable to payment for the acquisition of property, plant and equipment of US\$56.4 million, and placement of restricted bank balances of US\$4.4 million, partially offset by receipt of a government grant of US\$3.3 million and release of restricted bank balances of US\$3.0 million.

For the six months ended June 30, 2016, the net cash outflow from investing activities was US\$91.0 million, which is primarily attributable to payment for the acquisition of property, plant and equipment of US\$93.8 million, and placement of restricted bank balances of US\$9.4 million, partially offset by release of restricted bank balances of US\$9.2 million and receipt of government grant of US\$3.3 million.

Financing cash flow

For the three months ended June 30, 2016, the net cash inflow from financing activities was US\$15.6 million, which is primarily attributable to proceeds from borrowings of US\$20.2 million, partially offset by repayments of borrowings of US\$4.3 million.

For the six months ended June 30, 2016, the net cash inflow from financing activities was US\$49.9 million, which is primarily attributable to proceeds from borrowings of US\$144.0 million, partially offset by repayments of borrowings of US\$94.0 million.

Expenditures Incurred

For the six months ended June 30, 2016, the Company incurred mining costs of US\$45.7 million, processing costs of US\$20 million, transportation costs of US\$2.3 million and resource compensation fee, which was paid to the PRC government, of US\$2.4 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at June 30, 2016, the Company's total debt was US\$992.3 million and the total equity was US\$1,428 million. The Company's gearing ratio was 0.69 therefore as at June 30, 2016 and 0.85 as at June 30, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Restrictive covenants

The Company is subject to various customary conditions and covenants under the terms of its financing agreements.

Under a Loan Facility agreement entered on November 3, 2015 between the Company and a syndicated of banks, led by Bank of China pursuant to which the banks agreed to lend to Tibet Huatailong, the Company's subsidiary, the aggregate principle amount of RMB3.98 billion (approximately US\$613 million), the debt to assets ratio of Huatailong should be less than 75% during the term of the agreement.

COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include principal payments on the Company's bank loans and syndicated loan facility, material future aggregate minimum operating lease payments required under operating leases and capital commitments in respect of the future acquisition of property, plant and equipment and construction for both the CSH Mine and the Jiama Mine.

The Company has leased certain properties in China and Canada, which are all under operating lease arrangements and are negotiated for terms of between one and seventeen years. The Company is required to pay a fixed rental amount under the terms of these leases.

The Company's capital commitments relate primarily to the payments for purchase of equipment and machinery for both mines and payments to third-party contractors for the provision of mining and exploration engineering work and mine construction work for both mines. The Company has entered into contracts that prescribe such capital commitments; however, liabilities relating to them have not yet been incurred. Therefore, capital commitments are not included in the Company's consolidated financial statements.

There were no significant changes in capital commitments and operating lease commitments between December 31, 2015 and June 30, 2016. The following table outlines principal payments on bank loans for the periods indicated:

	Total	Within One year	Within Two to five years	Over 5 years
	US\$'000	US\$'000	US\$'000	US\$'000
Principal repayment of bank loans	486,352	99,544	137,984	248,824
Repayment of bonds	505,910	17,302	488,608	–
Total	992,262	116,846	626,592	248,824

In addition to the table set forth above, the Company has entered into service agreements with third-party contractors such as China Railway and China Metallurgical for the provision of mining and exploration engineering work and mine construction work for the CSH Mine. The fees for such work each year varies depending on the amount of work performed. The Company has similar agreements with third party contractors for the Jiama Mine.

On July 19, 2016, The Company received the final arbitration award in connection with an arbitration proceeding with one of its construction suppliers for the CSH Mine before the China International Economic and Trade Arbitration Commission. The arbitration related to the unsatisfactory performance by the contractor under the contract. From the commencement of the arbitration the Company has accrued construction cost payables in its financial statements. The final arbitration ruling was received in the Company's favour for an amount that was less than the accrued amount in the financial statements.

RELATED PARTY TRANSACTIONS

CNG owned 39.3% of the outstanding common shares of the Company as at June 30, 2016 and June 30, 2015.

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

On October 24, 2008, the Company's subsidiary, Inner Mongolia Pacific entered into a non-exclusive contract for the purchase and sale of doré with CNG (the "2008 Contract") pursuant to which Inner Mongolia Pacific occasionally sold gold doré bars to CNG through to December 31, 2011. The pricing was based on the daily average price of gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. On January 27, 2012, the 2008 Contract was renewed for another three years ending December 31, 2014 and subsequently on June 30, 2014 for the period of January 1, 2015 to December 31, 2017.

Revenue from sales of gold doré bars to CNG of US\$84.3 million for the six months ended June 30, 2016 decreased from US\$110.5 million for the six months ended June 30, 2015.

On May 29, 2015, the Company entered into a revised continuing connected transaction and major transaction amending the Product and Service Framework Agreement with CNG. According to the amendments, CNG purchases the copper concentrates produced at the Jiama Mine. The quantity of copper concentrates, pricing terms and payment terms be established from time to time by the parties with reference to the pricing principles for connected transactions set out under the Product and Service Framework Agreement. For the six months ended June 30, 2016, revenue from sales of copper concentrate and other products to CNG was US\$25.6 million, compared to nil for the same period in 2015.

On May 24, 2016, the Company entered into a Loan Framework Agreement with CNG. Under the agreement the Company and/or any of its subsidiaries have agreed to make available to CNG and/or any of its subsidiaries, revolving loan(s) in an aggregate principle amount of up to US\$200 million whereby any repaid principle amounts will refresh the facility amount available for drawdown. The Loan(s) will carry a fixed interest of 3.9% per annum, calculated on the principle amount from the drawdown date, with a maturity date of July 31, 2017.

For the six months ended June 30, 2016, construction services of US\$62.9 million were provided to the Company by subsidiaries of CNG (US\$44.0 million for the six months ended June 30, 2015).

In addition to the two aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business, including a Financial Services Agreement entered on May 29, 2015 among Inner Mongolia Pacific, Huatailong and China Gold Finance.

PROPOSED TRANSACTIONS

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Group did not have any material acquisition and disposal of subsidiaries and associated companies in the three months ended June 30, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CRITICAL ACCOUNTING ESTIMATES

In the process of applying the Company's accounting policies, the Directors of the Company have identified accounting judgments and key sources of estimation uncertainty that have a significant effect on the amounts recognized in the audited annual consolidated financial statements.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2015.

CHANGE IN ACCOUNTING POLICIES

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the audited annual consolidated financial statements as at December 31, 2015.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds a number of financial instruments, the most significant of which are available-for-sale investments, accounts receivable, accounts payable, cash and loans. The financial instruments are recorded at either fair values or amortized amount on the balance sheet.

The Company did not have any financial derivatives or outstanding hedging contracts as at June 30, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2016, the Company had not entered into any off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

The Company has not paid any dividends since incorporation and does not currently have a fixed dividend policy. The Board of Directors will determine any future dividend policy on the basis of, among others things, the results of operations, cash flows and financial conditions, operating and capital requirements, the rules promulgated by the regulators affecting dividends in both Canada and Hong Kong and at both the TSX and HKSE, any restrictive covenants of existing borrowings, and the amount of distributable profits and other relevant factors.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTSTANDING SHARES

As of June 30, 2016 the Company had 396,413,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the Company's DC&P and ICFR as of June 30, 2016 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of June 30, 2016, and provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework of 2013 to evaluate the Company's ICFR as of June 30, 2016 and have concluded that these controls and procedures were effective as of June 30, 2016 and provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the six months ended June 30, 2016, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUALIFIED PERSON

Disclosure of a scientific or technical nature in this section of the MD&A in respect of updates at the CSH Gold Project was prepared by or under the supervision of Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

Disclosure of a scientific or technical nature in this MD&A in respect of the Jiama Mine for the Mineral Resources, Mineral Reserves and Phase II Expansion was prepared by or under the supervision of Mr. Bin Guo and Anthony R Cameron, both qualified person for the purposes of NI 43-101; all remaining information in regards to the Jiama project contained in this MD&A was prepared by or under the supervision of Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

ADDITIONAL INFORMATION

Additional information as required by the Hong Kong Stock Exchange in the half-year interim report and not shown elsewhere in this report is as follows:

A1. Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2016.

A2. Substantial Shareholders

Save as disclosed below, as of June 30, 2016, the Company's directors were not aware of any other person (other than a director or chief executive of the Company who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO"):

Name	Nature of interest	Number of Shares held	Approximate percentage of outstanding shares
China National Gold Group Corporation ⁽¹⁾	Indirect	155,794,830 ^{(1) and (2)}	39.3%
China National Gold Group Hong Kong Limited	Registered Owner	155,794,830 ^{(1) and (2)}	39.3%

Note:

1. China National Gold Group Corporation directly and wholly owns the entire issued share capital of China National Gold Group Hong Kong Limited. Therefore, the interest attributable to China National Gold Group Corporation represents its indirect interest in the Company's shares through its equity interest in China National Gold Group Hong Kong Limited.
2. Information relating to registered and indirect ownership of the Company's shares are provided by China National Gold Group Corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A3. Directors' and Chief Executives' Interests in Shares and Stock Options

As of June 30, 2016, the interests of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer, were as follows:

SHARES

Name	Position	Company	Number of shares held	Nature of interest	Approximate percentage of interest in the Company
Ian He	Director	China Gold International Resources Corp. Ltd.	150,000	Personal	0.0378%
Xiangdong Jiang	Director and Vice President of Production	China Gold International Resources Corp. Ltd.	38,800	Personal	0.0098%

Other than as disclosed above, none of the directors, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as of June 30, 2015.

A4. Stock Option Plan

The Company adopted an incentive stock option plan with approval from its shareholders and pursuant to the policies of the Toronto Stock Exchange dated May 9, 2007. All options expired on June 1, 2015 and the 2007 Stock Option Plan has ceased to be in effect.

A5. Emolument Policy

The Company's executive emolument policy and compensation program is administered by the Compensation and Benefits Committee which consists solely of independent directors. The Compensation and Benefits Committee reviews levels of cash compensation as needed and at least annually, and makes recommendations to the Board to adjust cash compensation in light of merit, qualifications and competence. The Compensation and Benefits Committee also reviews the corporate goals and objectives relevant to the compensation of the senior executive officers as needed and at least annually and based on recommendations from the Chief Executive Officer and other members of the management team. The Compensation and Benefits Committee makes its determinations as to overall compensation levels on the basis of both available third party data regarding comparable compensation at similar size companies as well as their own industry experience and the Company's hiring and retention needs. Decisions relating to executive compensation are reported by the Compensation and Benefits Committee to the Board for approval.

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

As of June 30, 2016 the Company had 1,685 employees working at various locations. The emolument policy for the Company's employees is determined on a department by department basis with the Chief Executive Officer determining the emoluments for employees and managers based on merit, qualifications and the Company's hiring and retention needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A6. Compliance with Corporate Governance Code

The Company has, throughout the six months ended June 30, 2016, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listings standards, in particular, the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing Securities of The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

A7. Compliance with Model Code on Directors' Securities Transactions

The Company has adopted policies regarding directors' securities transactions in its Corporate Disclosure, Confidentiality and Securities Trading Policy that has terms which are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules.

After specific enquiry with all members of the Board, the Board confirms that all of the directors of the Company have complied with the required policies in the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the six months ended June 30, 2016.

A8. Interim Dividend

The Board did not recommend the payment of interim dividends in respect of the six months ended June 30, 2016.

A9. Audit Committee

Pursuant to the requirements under the Hong Kong Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all the existing Independent Non-executive Directors, namely Ian He (chairman of the Audit Committee), Yunfei Chen, Gregory Hall and John King Burns. The Audit Committee has reviewed and discussed with the Company's auditors the unaudited interim results of the Group for the six months ended June 30, 2016.

August 12, 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended June 30, 2016

	NOTES	Three months ended June 30,		Six months ended June 30,	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Revenues	15	69,904	83,647	135,489	161,034
Cost of sales		(58,162)	(63,336)	(116,201)	(119,553)
Mine operating earnings		11,742	20,311	19,288	41,481
Expenses					
General and administrative expenses	3	(5,361)	(5,988)	(10,410)	(12,016)
Exploration and evaluation expenditure		(53)	(62)	(99)	(100)
		(5,414)	(6,050)	(10,509)	(12,116)
Income from operations		6,328	14,261	8,779	29,365
Other (expenses) income					
Foreign exchange (loss) gain, net		(5,980)	1,482	(4,782)	693
Interest and other income		1,845	4,569	3,494	9,591
Finance costs	4	(4,063)	(6,570)	(8,516)	(15,094)
Impairment loss on available-for-sale investment		–	–	(3,831)	–
		(8,198)	(519)	(13,635)	(4,810)
(Loss) profit before income tax		(1,870)	13,742	(4,856)	24,555
Income tax expense	5	(5,531)	(3,173)	(6,031)	(7,748)
(Loss) profit for the period		(7,401)	10,569	(10,887)	16,807
Other comprehensive (expense) income for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation		(6,127)	(823)	(5,360)	244
Fair value (loss) gain on available-for-sale investment		(2,822)	1,552	(6,653)	368
Reclassification adjustment upon impairment of Available-for-sale investment		–	–	3,831	–
Total comprehensive (expense) income for the period		(16,350)	11,298	(19,069)	17,419

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended June 30, 2016

	NOTES	Three months ended June 30,		Six months ended June 30,	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Profit (loss) for the period attributable to					
Non-controlling interests		310	484	425	817
Owners of the Company		(7,711)	10,085	(11,312)	15,990
		<u>(7,401)</u>	<u>10,569</u>	<u>(10,887)</u>	<u>16,807</u>
Total comprehensive (expense) income					
for the period attributable to					
Non-controlling interests		307	422	421	659
Owners of the Company		(16,657)	10,876	(19,490)	16,760
		<u>(16,350)</u>	<u>11,298</u>	<u>(19,069)</u>	<u>17,419</u>
(Loss) earnings per share					
– Basic (US)	6	<u>(1.95) cents</u>	<u>2.54 cents</u>	<u>(2.85) cents</u>	<u>4.03 cents</u>
– Diluted (US)	6	<u>N/A</u>	<u>2.54 cents</u>	<u>N/A</u>	<u>4.03 cents</u>
Weighted average number of common shares					
– Basic and diluted	6	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2016

	NOTES	June 30, 2016 US\$'000	December 31, 2015 US\$'000 (audited)
Current assets			
Cash and cash equivalents		99,924	112,399
Restricted bank balance		9,425	9,242
Trade and other receivables	7	27,960	35,801
Prepaid expenses and deposits		5,806	8,446
Prepaid lease payments		222	225
Inventories	8	223,595	190,876
		<u>366,932</u>	<u>356,989</u>
Non-current assets			
Prepaid expense and deposits		11,416	11,974
Prepaid lease payments		7,383	7,620
Deferred tax assets		863	1,728
Available-for-sale investments	16	10,748	17,447
Property, plant and equipment	9	1,493,657	1,454,319
Mining rights		927,246	930,516
		<u>2,451,313</u>	<u>2,423,604</u>
Total assets		<u>2,818,245</u>	<u>2,780,593</u>
Current liabilities			
Accounts and other payables and accrued expenses	10	182,707	166,004
Borrowings	11	116,846	189,009
Entrusted loan payable	12	30,160	–
Tax liabilities		5,601	7,802
		<u>335,314</u>	<u>362,815</u>
Net current assets (liabilities)		<u>31,618</u>	<u>(5,826)</u>
Total assets less current liabilities		<u>2,482,931</u>	<u>2,417,778</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2016

	NOTES	June 30, 2016 US\$'000	December 31, 2015 US\$'000 (audited)
Non-current liabilities			
Borrowings	11	875,416	763,422
Deferred tax liabilities		125,270	125,414
Deferred income		4,774	1,798
Entrusted loan payable	12	–	30,800
Environmental rehabilitation		49,558	49,090
		<u>1,055,018</u>	<u>970,524</u>
Total liabilities		<u>1,390,332</u>	<u>1,333,339</u>
Owners' equity			
Share capital	13	1,229,061	1,229,061
Reserves		10,671	18,849
Retained profits		175,005	186,317
		<u>1,414,737</u>	<u>1,434,227</u>
Non-controlling interests		<u>13,176</u>	<u>13,027</u>
Total owners' equity		<u>1,427,913</u>	<u>1,447,254</u>
Total liabilities and owners' equity		<u>2,818,245</u>	<u>2,780,593</u>

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on August 12, 2016 and are signed on its behalf by:

(Signed by) Xin Song

Xin Song
Director

(Signed by) Bing Liu

Bing Liu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended June 30, 2016

	Number of shares	Share capital US\$'000	Equity reserve US\$'000 (note a)	Investment revaluation reserve US\$'000	Exchange reserve US\$'000	Statutory reserve US\$'000 (note b)	Retained profits US\$'000	Subtotal US\$'000	Non- controlling interests US\$'000	Total owners' equity US\$'000
At January 1, 2015 (audited)	396,413,753	1,229,061	11,179	(722)	7,615	11,355	194,505	1,452,993	12,165	1,465,158
Profit for the period	-	-	-	-	-	-	15,990	15,990	817	16,807
Fair value gain on available-for-sale investment	-	-	-	368	-	-	-	368	-	368
Exchange difference arising on translation	-	-	-	-	402	-	-	402	(158)	244
Total comprehensive income for the period	-	-	-	368	402	-	15,990	16,760	659	17,419
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(301)	(301)
At June 30, 2015 (unaudited)	396,413,753	1,229,061	11,179	(354)	8,017	11,355	210,495	1,469,753	12,523	1,482,276
At January 1, 2016 (audited)	396,413,753	1,229,061	11,179	-	(3,685)	11,355	186,317	1,434,227	13,027	1,447,254
(Loss) profit for the period	-	-	-	-	-	-	(11,312)	(11,312)	425	(10,887)
Fair value loss on available-for-sale investment	-	-	-	(6,653)	-	-	-	(6,653)	-	(6,653)
Reclassified adjustment upon impairment of available-for-sale investment	-	-	-	3,831	-	-	-	3,831	-	3,831
Exchange difference arising on translation	-	-	-	-	(5,356)	-	-	(5,356)	(4)	(5,360)
Total comprehensive (expense) income for the period	-	-	-	(2,822)	(5,356)	-	(11,312)	(19,490)	421	(19,069)
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(272)	(272)
At June 30, 2016 (unaudited)	396,413,753	1,229,061	11,179	(2,822)	(9,041)	11,355	175,005	1,414,737	13,176	1,427,913

Notes:

- (a) Amounts represent equity reserve arising from share based compensation provided to employees under the stock option plan of the Company and deemed contribution from shareholders in previous years. All options expired on June 1, 2015 and the 2007 stock option plan has ceased to be in effect.
- (b) 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 PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount equal to a minimum of 10% of their profits after taxation each year to a statutory reserve until the reserve reaches 50% of the registered capital of the respective subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended June 30, 2016

	Three months ended June 30,		Six months ended June 30,	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Net cash from (used in) operating activities	23,312	(15,257)	29,298	(14,616)
Investing Activities				
Payment for acquisition of property, plant and equipment	(56,409)	(53,307)	(93,837)	(140,708)
Deposit paid for acquisition of property, plant and equipment	–	–	(321)	(653)
Loan to a related company	–	(14,020)	–	(14,020)
Receipt of government grant	3,337	–	3,337	–
Placement of restricted bank balance	(4,395)	–	(9,425)	–
Release of restricted bank balance	3,051	–	9,242	–
Net cash used in investing activities	(54,416)	(67,327)	(91,004)	(155,381)
Financing Activities				
Proceeds from borrowings	20,211	–	144,277	158,070
Dividends paid to a non-controlling shareholder	(272)	–	(272)	(301)
Repayment of borrowings	(4,338)	(255,484)	(94,066)	(434,251)
Net cash from (used in) financing activities	15,601	(255,484)	49,939	(276,482)
Net decrease in cash and cash equivalents	(15,503)	(338,068)	(11,767)	(446,479)
Effect of foreign exchange rate changes on cash and cash equivalents	(787)	(14)	(708)	54
Cash and cash equivalents, beginning of period	116,214	457,235	112,399	565,578
Cash and cash equivalents, end of period	99,924	119,153	99,924	119,153
Cash and cash equivalents are comprised of				
Cash and saving deposits in banks	99,924	119,153	99,924	119,153

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

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. The Group consider 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 660, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with International Accounting Standard 34 (“IAS 34”), *Interim Financial Reporting*.

The condensed consolidated financial statements are presented in United States Dollars (“US\$”), which is the functional currency of the Company

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2015.

In the current interim period, the Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) which are mandatorily effective for the current interim period:

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

3. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Administration and office	1,779	2,228	3,452	4,299
Depreciation of property, plant and equipment	732	633	1,430	1,307
Professional fees	480	562	1,124	929
Salaries and benefits	2,005	2,364	3,899	5,057
Others	365	201	505	424
Total general and administrative expenses	<u>5,361</u>	<u>5,988</u>	<u>10,410</u>	<u>12,016</u>

4. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Effective interests on borrowings	10,434	12,855	19,247	26,108
Accretion on environmental rehabilitation	753	659	1,508	1,315
	<u>11,187</u>	<u>13,514</u>	<u>20,755</u>	<u>27,423</u>
Less: Amount capitalised to property, plant and equipment	<u>(7,124)</u>	<u>(6,944)</u>	<u>(12,239)</u>	<u>(12,329)</u>
Total finance costs	<u>4,063</u>	<u>6,570</u>	<u>8,516</u>	<u>15,094</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

5. INCOME TAX EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
PRC Enterprise Income Tax	2,588	3,360	5,389	6,260
Deferred tax expense (credit)	2,943	(187)	642	1,488
Total income tax expense	<u>5,531</u>	<u>3,173</u>	<u>6,031</u>	<u>7,748</u>

6. (LOSS) EARNINGS PER SHARE

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted EPS (US\$'000)	<u>(7,711)</u>	<u>10,085</u>	<u>(11,312)</u>	<u>15,990</u>
Weighted average number of shares, basic and diluted	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>
Basic (Loss) EPS (US)	<u>(1.95) cents</u>	<u>2.54 cents</u>	<u>(2.85) cents</u>	<u>4.03 cents</u>
Diluted (Loss) EPS (US)	<u>N/A</u>	<u>2.54 cents</u>	<u>N/A</u>	<u>4.03 cents</u>

The Group has no potential dilutive instruments issued during the three and six months ended June 30, 2016.

The computation of diluted EPS for the three and six months ended June 30, 2015 does not assume the exercise of the Company's stock options because the exercise price of these options was higher than the average market price for shares for the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

7. TRADE AND OTHER RECEIVABLES

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Trade receivables	7,684	11,189
Less: allowance for doubtful debts	(188)	(398)
	<u>7,496</u>	<u>10,791</u>
Amounts due from related companies (note 14(a)) ⁽¹⁾	344	2,407
Loan to a related company (note 14(a))	14,019	14,021
Loan to a non-controlling shareholder (note 14(b))	1,237	1,263
Other receivables ⁽²⁾	4,864	7,319
	<u>27,960</u>	<u>35,801</u>
Total trade and other receivables		

Note:

- (1) The outstanding balances represent service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the period/year ended June 30, 2016 and December 31, 2015. The amounts are unsecured, interest free and repayable on demand.
- (2) Included in the balance as at June 30, 2016 is an amount of approximately US\$3.0 million (December 31, 2015: US\$6.3 million) value-added tax recoverable which is expected to be recovered within twelve months after the end of the reporting period.

The Group allows an average credit period of 90 days to 180 days to its trade customers for gold doré bars sales and copper sales, respectively.

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

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Less than 30 days	3,112	5,834
31 to 90 days	1,758	4,532
91 to 180 days	2,626	75
Over 180 days	—	350
	<u>7,496</u>	<u>10,791</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

8. INVENTORIES

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Gold in process	184,778	160,843
Gold doré bars	14,944	9,565
Consumables	6,800	5,966
Copper	3,387	4,597
Spare parts	13,686	9,905
	<hr/>	<hr/>
Total inventories	223,595	190,876

Inventory totalling US\$57 million and US\$114 million for the three and six months ended June 30, 2016 (three and six months ended June 30, 2015: US\$62 million and US\$117 million) was recognised in cost of sales.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2016, the Group incurred approximately US\$71.0 million on construction in progress (six months ended June 30, 2015: approximately US\$111.6 million) and approximately US\$28.1 million on mineral assets (six months ended June 30, 2015: approximately US\$33.9 million).

Depreciation of property, plant and equipment was US\$19.7 million and US\$38.3 million (for the three and six months ended June 30, 2015: US\$18.6 million and US\$34.8 million, respectively) for the three and six months ended June 30, 2016, respectively. The depreciation amounts were partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Accounts payable	52,576	51,815
Bills payable	37,701	36,960
Construction cost payables (Note)	56,913	61,005
Advances from customers	48	49
Mining cost accrual	20,662	6,466
Payroll and benefit payables	4,707	4,271
Other accruals	1,802	1,844
Other tax payable	3,606	1,061
Other payables	4,692	2,533
	<hr/>	<hr/>
Total accounts and other payables and accrued expenses	182,707	166,004

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES (Cont'd)

Note: Included in construction costs payables, US\$5,469,000 (December 31, 2015: US\$5,759,000) was related to an arbitration with a construction supplier, details are set out in the annual report for the year ended December 31, 2015. Subsequent to the period ended June 30, 2016, the arbitration was finalised and no provision is required for the period ended June 30, 2016.

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

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Less than 30 days	45,303	41,975
31 to 90 days	1,921	1,783
91 to 180 days	1,327	1,195
Over 180 days	4,025	6,862
Total accounts payable	<u>52,576</u>	<u>51,815</u>

The credit period for bills payable is 180 days from the issue date. The following is an aging analysis of bills payable, presented based on issue date at the end of the reporting period:

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Less than 30 days	12,065	–
31 to 60 days	6,032	12,320
Over 180 days	19,604	24,640
Total bills payable	<u>37,701</u>	<u>36,960</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

11. BORROWINGS

The borrowings are repayable as follows:

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Carrying amount repayable within one year and repayable on demand	116,846	189,009
Carrying amount repayable within one to two years	520,276	487,766
Carrying amount repayable within two to five years	106,316	126,278
Carrying amount repayable over five years	248,824	149,378
	<u>992,262</u>	<u>952,431</u>
Less: Amounts due within one year (shown under current liabilities)	(116,846)	(189,009)
	<u>875,416</u>	<u>763,422</u>
Amounts shown under non-current liabilities		
Analysed as:		
Secured	328,749	215,597
Unsecured	663,513	736,834
	<u>992,262</u>	<u>952,431</u>

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

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Mining rights	<u>927,246</u>	<u>930,516</u>

Borrowings carry interest at effective interest rates ranging from 2.75% to 6.0% (December 31, 2015: 2.75% to 6.0%) per annum.

12. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three-year entrusted loan agreement with China National Gold Corporation ("CNG"), a substantial shareholder (note 14) and China Construction Bank ("CCB") in which CNG provided a loan of RMB200 million (equivalent to approximately US\$32,221,000 based on the spot rate at the withdrawal date) to the Group through CCB as the entrusted bank. The entrusted loan is unsecured and carries interest at fixed rate of 3% per annum. The principal amount is to be repaid on January 17, 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

13. SHARE CAPITAL AND OPTIONS

(a) Common shares

Authorised – Unlimited common shares without par value

Issued and outstanding – 396,413,753 (December 31, 2015: 396,413,753) common shares at June 30, 2016.

(b) Stock options

The Group had 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 price approved by the board of directors. A portion of the stock options vested immediately on the grant date and the balance vested over a period of up to five years from the grant date.

The stock options had a life of up to six years from grant date. The exercise price is the weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the board of directors of the Company. All options expired on June 1, 2015.

The following is a summary of option transactions under the Company's stock option plan:

	January 1, 2016 to June 30, 2016		January 1, 2015 to December 31, 2015	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance, beginning of period	–	–	400,000	5.56
Options expired	–	–	(400,000)	5.56
Balance, end of period	–	–	–	–

No stock options were granted during the six months ended June 30, 2016 and the year ended December 31, 2015.

14. 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 period/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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

14. RELATED PARTY TRANSACTIONS (Cont'd)

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

	June 30, 2016 %	December 31, 2015 %
CNG	<u>39.3</u>	<u>39.3</u>

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

(i) *Transactions/balances with CNG and its subsidiaries*

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

	Three months ended June 30,		Six months ended June 30,	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Gold doré sales by the Group	<u>42,638</u>	<u>58,367</u>	<u>84,281</u>	<u>110,477</u>
Copper and other product sales by the Group	<u>13,397</u>	<u>–</u>	<u>25,624</u>	<u>–</u>
Provision of transportation by the Group	<u>245</u>	<u>137</u>	<u>508</u>	<u>1,207</u>
Construction service provided to the Group	<u>13,152</u>	<u>11,651</u>	<u>62,876</u>	<u>44,060</u>
Office lease to the Group	<u>287</u>	<u>309</u>	<u>574</u>	<u>594</u>
Loan advanced by the Group	<u>–</u>	<u>14,020</u>	<u>–</u>	<u>14,020</u>
Loans provided to the Group	<u>–</u>	<u>–</u>	<u>24,763</u>	<u>–</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

14. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions/balances with Government-related entities in the PRC (Cont'd)

(i) Transactions/balances with CNG and its subsidiaries (Cont'd)

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

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Assets		
Amount due from related companies (note 7)	344	2,407
Trade receivables from a CNG subsidiary	5,593	–
Deposits	27	912
Loan receivable from a CNG subsidiary (note 7)	14,019	14,021
Cash and cash equivalents held by a CNG subsidiary	12,692	14,956
	<u>32,675</u>	<u>32,296</u>
Total amounts due from CNG and its subsidiaries		

Loan receivable from a CNG subsidiary carries a fixed interest rate of 5% per annum and is unsecured and was originally repayable in April 2016. On April 12, 2016, the loan was extended to April 2017. The remaining amounts due from CNG and its subsidiaries which are included in trade and other receivables is non-interest bearing, unsecured and repayable on demand.

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Liabilities		
Entrusted loan payable (note 12)	30,160	30,800
Customer advance paid by a CNG subsidiary	35	35
Construction cost payables to CNG's subsidiaries	9,698	15,564
Loans payable to a CNG subsidiary	45,241	21,560
	<u>85,134</u>	<u>67,959</u>
Total amounts due to CNG's subsidiaries		

The loans payable to a CNG subsidiary, which is included in borrowings, carry fixed interest rates at the range from 4.13% to 4.37% per annum and are unsecured and repayable within one year. With the exception of the entrusted loan payable to CNG and loans payable to a CNG subsidiary, the amounts due to CNG and its subsidiaries which are included in other payables and construction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

14. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions/balances with Government-related entities in the PRC (Cont'd)

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

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group has also entered into transactions of bank deposits, borrowings and other general banking facilities with other government-related entities in its ordinary course of business.

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

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

	June 30, 2016 US\$'000	December 31, 2015 US\$'000
Assets		
Amount due from a non-controlling shareholder of a subsidiary (included in prepaid expenses)	369	384
Loan receivable from a non-controlling shareholder (note 7)	1,237	1,263
Total amount due from non-government related parties/entities	<u>1,606</u>	<u>1,647</u>

Loans receivables from a non-controlling shareholder carry a floating rate, currently set at 4.35% per annum based on the benchmark interest rate of the People's Bank of China, and are unsecured and repayable on demand. The amount due from other related party is non-interest bearing, unsecured and repayable on demand.

The Group has the following compensation to key management personnel during the period:

	Three months ended June 30,		Six months ended June 30,	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Salaries and other benefits	197	224	388	408
Post-employment benefits	—	7	6	13
	<u>197</u>	<u>231</u>	<u>394</u>	<u>421</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

15. SEGMENT INFORMATION

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

The 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 processes, i.e., mining, metallurgical processing, production and selling copper concentrate and other by-products to external clients.

(a) Segment revenues and results

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

For the six months ended June 30, 2016

	Mine- produced gold US\$'000	Mine- produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenues – External	84,281	51,208	135,489	–	135,489
Cost of sales	(74,676)	(41,525)	(116,201)	–	(116,201)
Mining operating earnings	9,605	9,683	19,288	–	19,288
Income (loss) from operations	9,508	2,862	12,370	(3,591)	8,779
Foreign exchange gain (loss), net	2,884	(7,578)	(4,694)	(88)	(4,782)
Interest and other (expense) income	(1,628)	215	(1,413)	4,907	3,494
Finance costs	(2,100)	(2,453)	(4,553)	(3,963)	(8,516)
Impairment loss on Available-for-sale investment	–	–	–	(3,831)	(3,831)
Profit (loss) before income tax	8,664	(6,954)	1,710	(6,566)	(4,856)

Note: Exchange loss for the period is mainly from the translation of US\$ dominated bonds into RMB for the Jiama Mine development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

15. SEGMENT INFORMATION (Cont'd)

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

For the six months ended June 30, 2015

	Mine- Produced gold US\$'000	Mine- Produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenues – External	110,477	50,557	161,034	–	161,034
Cost of sales	(80,738)	(38,815)	(119,553)	–	(119,553)
Mining operating earnings	29,739	11,742	41,481	–	41,481
Income (loss) from operations	29,639	3,281	32,920	(3,555)	29,365
Foreign exchange (loss) gain, net	(630)	1,328	698	(5)	693
Interest and other (expense) income	(893)	2,827	1,934	7,657	9,591
Finance costs	(2,925)	(2,630)	(5,555)	(9,539)	(15,094)
Profit (loss) before income tax	25,191	4,806	29,997	(5,442)	24,555

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) before income tax attributable to respective segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for the six months ended June 30, 2016 and 2015.

(b) Segment assets and liabilities

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

	Mine- Produced gold US\$'000	Mine- Produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
As of June 30, 2016					
Total assets	684,197	2,036,619	2,720,816	97,429	2,818,245
Total liabilities	210,476	679,611	890,087	500,245	1,390,332
As of December 31, 2015					
Total assets	655,103	2,023,092	2,678,195	102,398	2,780,593
Total liabilities	186,426	648,070	834,496	498,843	1,333,339

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six Months Ended June 30, 2016

16. FINANCIAL INSTRUMENTS

As at June 30, 2016 and December 31, 2015, the Group's available-for-sale investments include investment in equity securities listed in Hong Kong and investment in an unlisted company established in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on The Stock Exchange is measured based on the quoted price (unadjusted) in active market (Level 1 fair value measurement). As at June 30, 2016, US\$8,637,000 (December 31, 2015: US\$15,291,000) investment in equity securities is measured at fair value on a recurring basis. The Group's investment in listed equity securities represent investment in a company engaged in mining, processing and trading of nonferrous metals in the PRC. For the six months ended June 30, 2016, the fair value decrease of US\$2,822,000 and US\$3,831,000 were recognized in other comprehensive income and as impairment loss, respectively.

As at June 30, 2016, US\$2,111,000 (December 31, 2015: US\$2,156,000) investment in an unlisted company incorporated in the PRC is measured at cost since the investment in unlisted equity instrument does not have a quoted market price and the fair value cannot be measured reliably.

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended December 31, 2015. The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the condensed financial statements approximate their fair values. There was no transfer between Level 1 and 2 in the current and prior periods.

17. EVENT AFTER THE REPORTING PERIOD

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



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