

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

Annual Information Form

For the Year Ended
December 31, 2012

Dated March 28, 2013

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FORWARD-LOOKING INFORMATION

Certain statements made herein, other than statements of historical fact relating to China Gold International, represent forward-looking information. In some cases, words or phrases such as “may”, “will”, “expect”, “anticipate”, “contemplates”, “aim”, “estimate”, “intend”, “plan”, “believe”, “potential”, “continue”, “is/are likely to”, “should”, the negative of these terms and other similar expressions are used to identify forward-looking information. This forward looking information includes, among other things: China Gold International’s business strategies and capital expenditure plans; estimates of future mine operating performance; the development and expansion plans and schedules for the CSH Gold Project and the Jiama Project; acquisition plans; the regulatory environment as well as the industry outlook generally; 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 adverse change in its operations or in foreign exchange rates; the prevailing price of gold, copper and other non-ferrous metal products; the absence of lower-than-anticipated mineral recovery or other production problems; effective tax rates and other assumptions underlying China Gold International’s financial performance as stated in the Technical Reports; China Gold International’s ability to obtain regulatory approvals on a timely basis; continuing positive labour relations; the absence of any material adverse effects as a result of political instability, terrorism, natural disasters, litigation or arbitration and adverse changes in government regulation; the availability and accessibility 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 AIF that could cause actual results to differ materially from the forward-looking information actually occurs.

Forward-looking information contained herein is stated as of the date of this AIF 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. In particular, important factors that could cause actual results to differ from this forward-looking information include those described under the heading “Risk Factors” in this AIF. 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 AIF is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

PRELIMINARY NOTES

Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form (“AIF”) is current as of December 31, 2012.

Existing Documents Incorporated by Reference

Information has been incorporated by reference into this AIF from documents listed in the table below, which have been filed with securities regulatory authorities in Canada. The documents incorporated by reference are available for viewing on the SEDAR website at www.sedar.com. In addition, copies of the documents may be obtained on request without charge from the Company at Suite 1030, One Bentall Centre, Box 31, 505 Burrard Street, Vancouver, BC, V7X 1M5, telephone: (604) 609-0598.

Documents listed in the table and information provided in those documents are incorporated by reference except to the extent that their contents are modified or superseded by a statement in a subsequently filed document.

<u>Description of document</u>	<u>Date of document</u>	<u>Date of Filing</u>
Audited financial statements for the years ended December 31, 2012 and 2011, together with the accompanying Auditor’s Report dated March 25, 2013.	March 25, 2013	March 25, 2013
Management’s Discussion and Analysis for the year ended December 31, 2012.	March 25, 2013	March 25, 2013
Annual Report for the year ended December 31, 2012	March 25, 2013	March 25, 2013
Information Circular for 2012 Extraordinary Meeting.	February 14, 2012	February 20, 2012
Information Circular for 2012 Annual General Meeting.	April 18, 2012	April 25, 2012
Information Circular for 2012 Extraordinary Meeting.	November 20, 2012	November 26, 2012
CSH Technical Report	October 21, 2012	December 10, 2012
Jiama Technical Report	November 12, 2012	November 20, 2012

Scientific and Technical Information

Unless otherwise indicated, scientific or technical information in this AIF relating to mineral reserves or mineral resources is based on the Technical Report listed above.

Currency and Exchange Rates

In this AIF, unless otherwise specified, all references to “dollars” and to “\$” are to United States dollars, references to “Cdn.\$” are to Canadian dollars and references to RMB are to the Chinese Yuan Renminbi.

The Bank of Canada noon buying rates for the purchase of one United States dollar using Canadian dollars were as follows for the indicated periods:

	Year Ended December 31		
	2012	2011	2010
End of period	0.9949	1.0170	0.9946
High for the period	1.0418	1.0604	1.0778
Low for the period	0.9710	0.9449	0.9946
Average for the period	0.9996	0.9891	1.0299

The Bank of Canada noon buying rate on March 21, 2013 for the purchase of one United States dollar using Canadian dollars was Cdn.\$1.0241 (one Canadian dollar on that date equalled U.S.\$0.9765).

The Bank of Canada noon buying rate on March 25, 2013 for the purchase of one RMB using Canadian dollars was RMB0.1648 (one Canadian dollar on that date equalled RMB6.0680).

Defined Terms and Abbreviations

Throughout this AIF, there are terms that are defined in the document and used only in the relevant section in which they are defined. There are also a number of defined terms and abbreviations that are used consistently throughout the document as follows:

“**ABC Term Loan**” means the term loan of RMB290 million received by IMPM from the Agricultural Bank of China on September 14, 2009;

“**ABC Fixed Asset Loan**” means the replacement terms for the ABC Term Loan of RMB290 million whereunder IMPM mortgaged its ore extraction rights as collateral for the outstanding balance of funds previously advanced under the ABC Term Loan received by IMPM from the Agricultural Bank of China on May 30, 2011;

“**Bank of China Credit Facility**” means the loan facility of RMB750 million received by Huatailong from a syndicate of banks led by the Bank of China on June 4, 2010. This agreement was incorporated into the Company’s consolidated financial operations following the acquisition of Skyland;

“**Bank of China Credit Facility Supplementary Agreement**” means the supplementary agreement to the Bank of China Credit Facility dated May 27, 2011 whereunder Huatailong pledged a portion of its fixed assets and mining rights for the Jiama Project as collateral for the funds of RMB750 million previously advanced under the Bank of China Credit Facility. The China Development Bank replaced the Postal Savings Bank of China who withdrew from the syndicate;

“**Bank of China Loan**” means the loan of RMB700 million received by Huatailong from the Bank of China Limited on March 16, 2009. This agreement was incorporated into the Company’s consolidated financial operations following the acquisition of Skyland;

“**Bank of China Loan Supplementary Agreement**” means the supplementary agreement to the Bank of China Loan dated May 30, 2011 whereunder Huatailong pledged a portion of the fixed assets and mining rights for the Jiama Project as collateral for the funds of RMB700 million previously advanced under the Bank of China Loan;

“**BCBCA**” means *Business Corporations Act* (British Columbia);

“**BDASIA**” means Behre Dolbear Asia Inc., the author of the Technical Reports;

“**Brigade 217**” means Brigade 217 of the Northwest Geological Bureau of China, China Gold International’s CJV partner in the CSH Gold Project;

“**CGG Non-Compete**” means an undertaking granted by China Gold International to China National Gold in which it undertakes not to compete with China National Gold and its Controlled Entities in respect of gold and non ferrous mineral prospects in PRC;

“**China**”, “**PRC**” or “**State**” means the People’s Republic of China;

“**China Gold International**” or the “**Company**” means China Gold International Resources Corp. Ltd.;

“**China Gold HK**” means China National Gold Group Hong Kong Limited, a wholly owned subsidiary of China National Gold;

“**China National Gold**” means China National Gold Group Corporation;

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum;

“**CJV**” means “Co-operative Joint Venture”, a form of foreign investment enterprise established under the laws of China;

“**CNG Bridge Credit Facility**” means the temporary credit facility of RMB210 million received by IMPM from China National Gold in June 2009;

“**CNG Term Loan Facility**” means the loan facility of \$40 million received by China Gold International from China Gold HK in December 2009;

“**CNG Non-Compete**” means the undertaking granted by China National Gold in which China National Gold agrees to not compete with China Gold International, nor allow its Controlled Entities to compete with China Gold International in the International Mining Business;

“**CNRC**” means China National Railway Corporation;

“**Common Shares**” means common shares in the capital of China Gold International;

“**Controlled Entities**” means any entity in which China National Gold holds an interest as a controlling shareholder, excluding as the context requires China Gold International and its subsidiaries;

“**CSH Gold Project**” means Chang Shan Hao gold project located in Inner Mongolia, China;

“**CSH Technical Report**” means the technical report regarding the CSH Gold Project entitled “Technical Report Expansion Feasibility Study for the Chang Shan Hao (CSH) Gold Project Inner Mongolia, People’s Republic of China” dated October 21, 2012;

“**Dadiangou Gold Project**” means the Dadiangou project formerly held by of China Gold International located in Gansu Province, China;

“**DDH**” means diamond drill holes;

“**Global Offering**” means the equity offering completed by the Company on December 1, 2010 pursuant to which the Company issued 53,660,000 Common Shares at a price of \$5.76 per Common Share, for gross proceeds of approximately \$309 million;

“**Global Offering Prospectus**” means the Global Offering prospectus of the Company dated November 17, 2010 prepared in connection with the Global Offering and filed on SEDAR on the same date;

“**g**” means gram;

“**g/t**” means grams per tonne;

“**HKSE**” means The Stock Exchange of Hong Kong Limited;

“**Hong Kong Listing Rules**” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“**Huatailong**” means Tibet Huatailong Mining Development Co., Ltd., a limited liability company incorporated in the PRC;

“**IFRS**” means International Financial Reporting Standards;

“**IMPM**” means Inner Mongolia Pacific Mining Co. Ltd.;

“**International Mining Business**” means gold or other non-ferrous mining operations or assets located outside of China;

“**Jia Ertong**” means Tibet Jia Ertong Mining Development Co., Ltd., a limited liability company incorporated in the PRC;

“**Jiama Framework Agreement**” means a development framework agreement entered into between the Company and China National Gold dated November 6, 2012 pursuant to which China National Gold would provide mining development services to the Company at the Jiama Mine in order to implement the Phase II development plan for the Jiama Mine as set out in the prefeasibility study report produced by Minarco-MineConsult;

“**Jiama Project**” means the Jiama polymetallic mineral property located in Tibet, China;

“**Jiama Technical Report**” means the technical report regarding the Jiama Project entitled “Pre-Feasibility Study Technical Report on the Jiama Copper-Polymetallic Project, Metrokongka County, Tibet Autonomous Region, The People’s Republic of China dated November 12, 2012;

“**kg**” means kilogram;

“**km**” means kilometres;

“**km²**” means square kilometres;

“**kV**” means kilovolt;

“**m²**” means square metres;

“**m³**” means cubic metres;

“**m**” means metres;

“**mm**” means millimetres;

“**NINETC**” means the Nuclear Industry Northwest Economic and Technology Company;

“**NI 43-101**” means National Instrument 43-101 of the Canadian Securities Administrators;

“**NI 52-110**” means National Instrument 52-110 of the Canadian Securities Administrators;

“**oz**” means ounce;

“**Pacific PGM**” means Pacific PGM (Barbados) Inc., a company incorporated in Barbados with limited liability;

“**Pacific PGM BVI**” means Pacific PGM Inc., a limited liability company incorporated under the laws of the British Virgin Islands;

“**PRC**”, “**China**” or “**State**” means the People’s Republic of China;

“**Rapid**” means Rapid Result Investments Limited;

“**ROM**” means run-of-mine;

“**Skyland**” means Skyland Mining Limited;

“**Skyland Acquisition**” means the acquisition by the Company of Skyland Mining Limited on December 1, 2010, pursuant to which the Company became the owner of the Jiama Project;

“**Skyland Group**” means Skyland and its subsidiaries;

“**Skyland Purchase Agreement**” means the Share Purchase Agreement dated August 30, 2010 among the Company, China Gold HK and Rapid;

“**State Council**” means the chief administrative authority of the PRC;

“**t**” means tonnes;

“**tpd**” means tonnes per day;

“**Technical Reports**” means the CSH Technical Report and the Jiama Technical Report;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriting Agreements**” means, collectively, the Underwriting Agreement dated November 16, 2010 relating to the Hong Kong public offering under the Global Offering among, inter alia, the Company, Citigroup Global Markets Asia Inc. and BOC International Asia Limited and the International Underwriting Agreement relating to the international portion of the Global Offering dated November 23, 2010 among, inter alia, the same parties; and

“**VAT**” means value added tax.

CORPORATE STRUCTURE

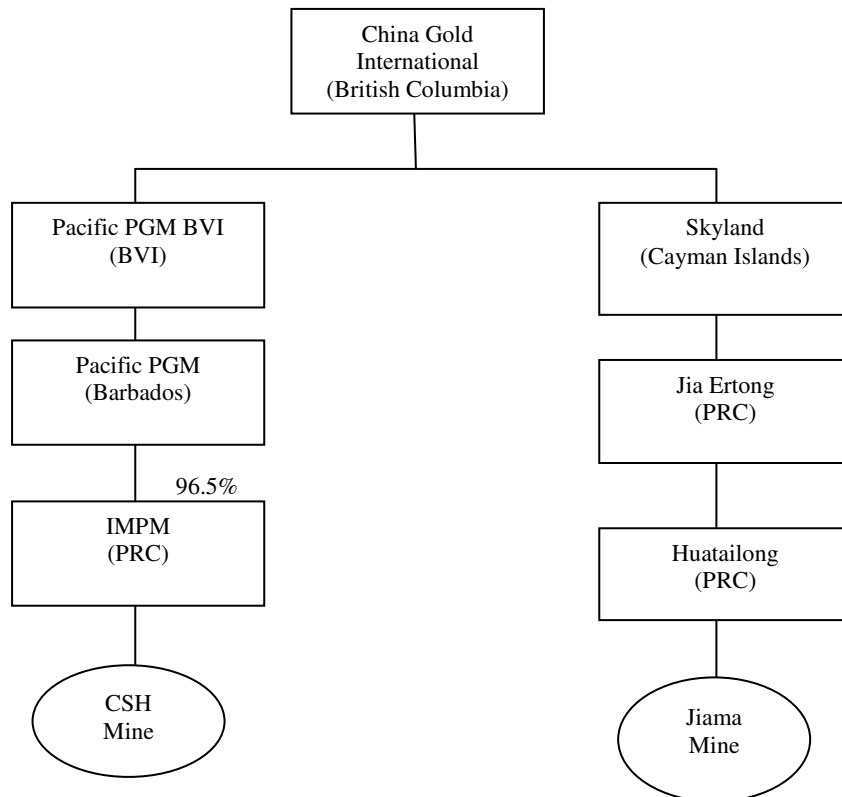
Name and Incorporation

China Gold International was incorporated on May 31, 2000 pursuant to the *Company Act* (British Columbia) under the name Pacific Minerals Inc. The Company changed its name to Jinshan Gold Mines Inc. on March 9, 2004. In April 2004, the Company transitioned to the BCBCA. On July 9, 2010 the Company changed its name to China Gold International Resources Corp. Ltd., and on October 14, 2010 the Company amended its Notice of Articles to remove its class of preferred shares.

China Gold International's corporate head office and registered and records office is located at Suite 1030, One Bentall Centre, 505 Burrard Street, Box 31, Vancouver, British Columbia, Canada, V7X 1M5.

Intercorporate Relationships

The corporate structure of China Gold International, its material subsidiaries, the percentage ownership that China Gold International holds in such subsidiaries (if it is not wholly-owned) and the jurisdiction of incorporation of such corporations is set out in the following chart:



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

China Gold International conducts business in one operating segment consisting of the acquisition, exploration and production of mineral properties. China Gold International's main properties are the CSH Gold Project, which is located in Inner Mongolia, PRC and the Jiama Project, which is located in the Tibet Autonomous Region of the PRC.

China National Gold, a Chinese state-owned enterprise, indirectly owns an approximate 39% interest in China Gold International through its subsidiary, China Gold HK.

Three Year History

2010

In March 2010, the Company announced an updated resource and reserve estimate on the CSH Gold Project. Proven and probable reserves as of December 31, 2009 were reported at approximately 138 million tonnes of ore with an average grade of 0.67 g/t gold, representing approximately 3.0 million ounces of contained gold. Measured and indicated resources, using 0.3 g/t gold cut-off grade, stand at 243 million tonnes averaging 0.64 g/t gold, amounting to approximately 4.99 million ounces of gold (inclusive of reserves) in the deposit after two and half years mining, as well as nominal inferred resources.

In March 2010, the crusher at the CSH Gold Project commenced operation at its full nameplate capacity of approximately 30,000 tpd.

In April 2010, the Company's wholly owned subsidiary, Gansu Pacific Mining Co. Ltd., and its joint venture partner, NINETC, agreed to sell the Company's Dadiangou Gold Project to Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of Shanxi Taibai Gold Mining Co. Ltd., for a purchase price of approximately Cdn.\$13.1 million, of which the Company is entitled to 53%, or approximately Cdn.\$7 million. Completion of the transaction remained subject to regulatory approvals.

In July 2010, the Company changed its name from Jinshan Gold Mines Inc. to China Gold International Resources Corp. Ltd.

On August 30, 2010, the Company entered into the Skyland Purchase Agreement, pursuant to which it agreed to purchase all of the issued and outstanding shares of Skyland from China Gold HK and Rapid and assume shareholder loans made by each of China Gold HK and Rapid in the aggregate amount of approximately \$42.3 million, in exchange for consideration of \$742.3 million. The Company agreed to settle the acquisition price through the issuance of approximately 170.3 million Common Shares (the "**Consideration Shares**") at a deemed price of \$4.36 per share. A total of 86,828,670 Consideration Shares were issuable to China Gold HK in exchange for its 51% interest in Skyland while 83,423,624 Consideration Shares were issuable in exchange for Rapid's 49% interest. The principal asset acquired by the Company through its acquisition of Skyland was the Jiama Project. See "Description of the Business – The Jiama Project" for more details.

A special meeting of shareholders occurred on October 14, 2010 at which the Company's disinterested shareholders approved the Skyland Acquisition. This was followed by the commencement of the Global Offering and HKSE listing application in November 2010.

In November 2010 the Company entered into the Underwriting Agreements, filed the Global Offering Prospectus and concurrently commenced the Global Offering and applied to list the Common Shares on HKSE.

On December 1, 2010, the Company completed the Global Offering, issuing 53,660,000 Common Shares at a price of \$5.76 per Common Share, for gross proceeds of approximately \$309 million. The Skyland Acquisition closed concurrently with the closing of the Global Offering and HKSE Listing, and the Company issued the Consideration Shares to China Gold HK and Rapid.

Non-Compete Covenants

As part of the Skyland Acquisition and the Global Offering, the Company also contemplated undertaking a re-direction of its future business focus. In particular, the transactions were intended to act as a catalyst for the Company to become the flagship overseas platform of China National Gold. China National Gold granted to the Company the CNG Non-Compete, a non-compete undertaking in which the Company is entitled to pursue any and all opportunities sourced by China National Gold and its Controlled Entities in the International Mining Business. Meanwhile, the Company agreed to deliver the CGG Non-Compete, an undertaking by China Gold International not to acquire further gold and non-ferrous mineral properties in the PRC without first receiving the express written consent of China National Gold, subject to limited exceptions.

2011

In February 2011 the Company underwent changes to its management and Mr. Derrick Zhang was appointed as interim Chief Financial Officer following the resignation of Mr. George Law as Chief Financial Officer. Mr. Derrick Zhang assumed the position of Chief Financial Officer in August 2011.

In March 2011 the Company was added to the S&P/TSX Composite Index.

Throughout 2011 the Company conducted a drill program at the Jiama Project to drill 71 holes over 37,000 meters.

Throughout 2011 the Company conducted a drill program at the CSH Gold Project to drill 108 holes totalling over 59,000 meters. A full evaluation of the potential for additional gold mineralization down depth and in the surrounding permit area is in progress at the CSH Gold Project. The Company expects to complete a feasibility study for the expansion of the operation and reserve estimate for the CSH Gold Project in 2012.

In May 2011 the Agricultural Bank of China released China National Gold from its obligations as guarantor on the ABC Term Loan. The ABC Term Loan was replaced by the ABC Fixed Asset Loan and mortgage whereunder IMPM mortgaged its ore extraction rights as collateral for the ABC Fixed Asset Loan. The ABC Fixed Asset Loan established terms of repayment for the outstanding balance of funds previously advanced under the ABC Term Loan of RMB290 million (\$42,000,000). The ABC Fixed Asset Loan had an outstanding principal balance of RMB280 million at May 30, 2011 and bears interest at a floating interest rate 5% below the benchmark interest rate posted by the People's Bank of China, with repayment due in accordance with the following instalments: RMB10 million was previously repaid on September 9, 2010; RMB30 million was previously repaid on June 9, 2011; RMB20 million was previously repaid on September 9, 2011; RMB20 million was previously repaid on June 9, 2012; RMB30 million was previously repaid on September 9, 2012; RMB30 million was previously repaid on December 9, 2012; RMB20 million was previously repaid on March 9, 2013; RMB20 million is repayable on June 9, 2013; RMB30 million is repayable on September 9, 2013; RMB30 million is repayable on December 9,

2013; RMB20 million is repayable on March 9, 2014 and the remaining balance of RMB30 million is repayable on September 9, 2014.

In May 2011 the Bank of China Limited released China National Gold from its obligations as guarantor on the Bank of China Loan. Huatailong entered into the Bank of China Loan Supplementary Agreement whereunder Huatailong pledged a portion of its fixed assets and mining rights for Jiama Project as collateral for the funds of RMB700 million previously advanced under the Bank of China Loan. The interest rate and repayment plan for the Bank of China Loan was unchanged and the Bank of China Loan bears interest at a rate of 3.96% per annum subject to yearly change according to the benchmark interest rate posted by the People's Bank of China, with repayment due in accordance with the following instalments: RMB200 million was previously repaid on December 28, 2011, RMB200 million was previously repaid on December 28, 2012, and RMB150 million and RMB150 million is repayable on December 28, 2013 and December 28, 2014, respectively.

In May 2011 a syndicate of banks led by the Bank of China released China National Gold from its obligations as guarantor on the Bank of China Credit Facility. Huatailong entered into the Bank of China Credit Facility Supplementary Agreement whereunder Huatailong pledged a portion of its fixed assets and mining rights for the Jiama Project as collateral for the funds of RMB750 million previously advanced under the Bank of China Credit Facility. The interest rate and repayment plan were unchanged and the Bank of China Credit Facility bears interest at the benchmark interest rate posted by the People's Bank of China, with repayment due in accordance with the following instalments: RMB100 million, RMB150 million, RMB200 million and RMB300 million are repayable on the first, second, third and fourth anniversary, respectively if the facility is drawn down in full. An additional RMB20 million may be drawn down to increase the facility to RMB770 million. As at December 31, 2012, the full amount of RMB750 million had been drawn down.

In May 2011 the Company provided a commitment letter to the Bank of China whereunder it is subject to restrictive covenants including (i) requirements regarding its debt and equity ratio, (ii) restrictions on its ability to dispose of its assets and (iii) conditions relating to the future borrowings of Huatailong.

In August 2011 the Company announced an updated resource estimate on the Jiama Project. Measured and indicated resources were reported at approximately 1,006 million tonnes with an average grade of 0.41% copper, 0.044 % molybdenum, 5 g/t silver, 0.10 g/t gold, 0.02% lead and 0.02% zinc amounting to approximately 4.08 million tonnes of copper. Inferred resources were reported at 170 million tonnes with an average grade of 0.51% copper, 0.048 % molybdenum, 9.48 g/t silver, 0.17 g/t gold, 0.07% lead and 0.04% zinc. The Company filed a technical report in connection with the resource estimate on October 6, 2011 and amended on March 30, 2012.

In December 2011 the Company announced that it had secured access to an additional water supply of one million cubic meters of water annually for the CSH Gold Project following construction of a 3.3 kilometer water supply line which connects the CSH Gold Project to a newly constructed government owned dam on the Muleng River. Access to the additional water supply will enable the Company to expand its operations at the CSH Gold Project in the future and the Company will excavate over 800,000 cubic meters of silt and clay from the reservoir for future leach pad construction.

2012

The Company opened a new office in Beijing on January 1, 2012.

In January 2012 the Company announced that it had secured sufficient electrical power for the Jiama Project to meet its present and future operating requirements. The Jiama Project is now connected to a 2,530 kilometer 400 kv power transmission line (the DC Qinghai-Tibet Power Grid Interconnection

Project) which connects the power grid facilities in the Tibet Autonomous Region with China's national power grid facilities in the Qinghai Province.

In January 2012 the Company's subsidiary, IMPM entered into a contract for the purchase and sale of dore with the Company's principal shareholder, China National Gold, for the purchase by China National Gold of gold dore bars produced at the CSH gold mine from time to time until December 31, 2014 (the "**2012 Contract for the Purchase and Sale of Dore**"). The 2012 Contract for the Purchase and Sale of Dore was executed based on substantially the same terms and conditions as the contract for the purchase and sale of dore between IMPM and China National Gold dated October 24, 2008 which had expired on December 31, 2011. The Board of Directors established aggregate annual caps of RMB1,782 million, RMB1,980 million and RMB3,168 million, for the three years ending December 31, 2012, 2013 and 2014, respectively in respect of sales to China National Gold under the 2012 Contract for Purchase and Sale of Dore (the "**Annual Monetary Caps**") as required by the Hong Kong Listing Rules. The Company called an extraordinary general meeting of its shareholders to approve the 2012 Contract for Purchase and Sale of Dore and the Annual Monetary Caps which transactions were subject to approval of the independent shareholders of the Company as non-exempt continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

In February 2012 the Company's wholly owned subsidiary, Gansu Pacific Mining Co. Ltd., and its joint venture partner, NINETC, completed the sale of the Dadiangou Gold Project to Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of Shanxi Taibai Gold Mining Co. Ltd. The permits for the Dadiangou Gold Project were transferred in October 2011 upon the receipt of Chinese regulatory approval and final proceeds of US\$7 million were released from escrow and received by the Company in February 2012.

An extraordinary general meeting of shareholders occurred on March 16, 2012 at which the Company's independent shareholders approved the transactions contemplated under the 2012 Contract for Purchase and Sale of Dore.

In June 2012 the Company announced that it had confirmed to subscribe for a total of 70,545,000 shares of China Nonferrous Mining Corporation Limited ("CNMC") (HKSE: 1258) for an aggregate price of HK\$155,199,000 in CNMC's initial global offering and listing on HKSE. CNMC is a copper producer based in Zambia focusing on mining, ore processing, leaching, smelting and sale of copper. It is incorporated in Hong Kong with limited liability.

In October 2012 the Company announced the results of an updated NI 43-101 compliant, Independent Pre-Feasibility Study for the Phase II Expansion of its Jiama Project. The Company plans to expand the Project from its current processing capacity of 6,000 to 40,000 tpd of ore through the expansion of current open-pit operations and the development of new open-pit and underground mining operations. The Phase II Expansion will include four open pits (two of them were developed during Phase I: Tongquinshan and Niumatang), one underground mine consisting of two areas: North and South), and a new floatation plant with a processing capacity of 34,000 tpd of ore. The total Jiama Project processing capacity will be increased from its current production rate of 1.8 Mt of ore per year to 12.3 Mt of ore per year, producing approximately 176 Mlb of Cu, 2.3 Kt of Mo, 35 Koz of Au, 2.7 Moz of Ag, per annum over a period of 31 years. Life of mine average head grade will be 0.77%, 0.03%, 0.22 g/t and 12 g/t for Cu, Mo, Au and Ag respectively.

In November 2012 the Company announced the results of a National Instrument 43-101 compliant Technical Report Expansion Feasibility Study for the CSH Gold Project. The Expansion Feasibility Study (EFS) supports a 60,000 tonne per day (tpd) expansion plan, under which the open pit reserves at the CSH project stand at over 213.5 million tonnes with an average grade of 0.59 g/t Au containing about 4.08 million ounces of gold.

In November 2012, IMPM entered into an engineering, procurement and construction agreement (the “**EPC Agreement**”) with China Gold Construction Co. Ltd. (“**China Gold Construction**”) whereby China Gold Construction will provide general engineering, procurement and construction services at the Company’s CSH Gold Mine in order to expand the ore processing capacity at the CSH Gold Mine.

In November 2012, IMPM entered into a construction supervision agreement (the “**Construction Supervision Agreement**”) with Changchun Gold Design Institute (the “**Changchun Institute**”) whereby the Changchun Institute would provide mining supervision services and technical support at the Company’s CSH Gold Mine.

The Company called an extraordinary general meeting of its shareholders to approve the EPC Agreement and the Construction Supervision Agreement (together the “**CSH Agreements**”) which transactions were subject to approval of the independent shareholders of the Company as non-exempt connected transactions under Chapter 14A of the Hong Kong Listing Rules.

In November 2012, Huatailong entered into the Phase II Expansion of the Section IV Roadway Contract (the “**Phase II Expansion of the Section IV Roadway Contract**”) with China Tenth Metallurgy Group Limited Corporation (“**CTMG**”) (a controlled subsidiary of China National Gold), to complete an underground roadway project of the 4450m north central section.

In November 2012, Huatailong entered into an Exploitation Contract for the North Area of the Company’s Jiama Gold Mine with CTMG for excavation/tunneling/support and maintenance for the North Area Section of the Auxiliary Ramp (“**North Section Exploitation Contract**”) of the Company’s Jiama Gold Mine.

In November 2012, Huatailong entered into a contract with CTMG to provide open pit ore mining and stripping service at Niumatang area of the Company’s Jiama Gold Mine (the “**Niumatang Open Pit Ore Mining & Stripping Service**”).

In November 2012, Huatailong entered into a contract with CTMG to provide underground mining services at 4490 Auxiliary Ramp of the Niumatang area of the Company’s Jiama Gold Mine (the “**Niumatang Auxiliary Ramp Contract**”).

In November 2012, Huatailong entered into a contract with Henan Zhongyuan Gold Machinery Factory (“**Henan Zhongyuan**”) to purchase Flotation Equipment (the “**Flotation Equipment Contract**”) for the Company’s Jiama Gold Mine.

The Company called an extraordinary general meeting of its shareholders to approve the Phase II Expansion of the Section IV Roadway Contract, the North Section Exploitation Contract, the Niumatang Open Pit Ore Mining & Stripping Service and the Niumatang Auxiliary Ramp Contract and the Flotation Equipment Contract (together with the **Jiama Framework Agreement**, the “**Jiama Agreements**”) which transactions were subject to approval of the independent shareholders of the Company as non-exempt connected transactions (and in the case of the Jiama Framework Agreement, a non-exempt continuing connected transaction) under Chapter 14A of the Hong Kong Listing Rules.

In December 2012 the Company was certified ISO 9001 (quality), ISO14001 (environmental care), and OHSAS18001 (occupational health and safety) by the United Kingdom Accreditation Service, the Joint Accreditation System of Australia and New Zealand, and China’s main recognition institution, the China National Accreditation Service for Conformity Assessment.

An extraordinary general meeting of shareholders occurred on December 20, 2012 at which the Company's independent shareholders approved the transactions contemplated under the CSH Agreements and the Jiama Framework Agreement.

2013 to date

On March 21, 2013, the Company announced the appointment of Mr. Zhanming Wu to the position of Senior Executive Vice President and Mr. Lisheng Zhang to the position of Vice President.

Trends and Outlook

The Company continues to expand the operations of its CSH Gold Project from current 30,000 tpd to 60,000 tpd in 2013 and continues to advance and expand operations at the Jiama Project from current 6,000 tpd to 40,000 tpd. The Company expects to complete an updated feasibility study and reserve estimate for phase II development of the Jiama Project in 2013.

DESCRIPTION OF THE BUSINESS

Laws and Regulations Relating to Mining in China

The following represents a summary of relevant laws of the PRC that affect the business operations of China Gold International. This summary represents a general discussion of relevant laws by the Company and does not constitute legal advice. This information is current to the year ended December 31, 2012.

Mineral Resource Laws

Under the Mineral Resources Law of the PRC, all mineral resources of the PRC are owned by the State. The Ministry of Land and Resources of the PRC is responsible for the supervision and administration of the exploration and mining of mineral resources nationwide. The geology and mineral resources departments of the Chinese Government in the respective provinces, autonomous regions and municipalities are responsible for the supervision and administration of the exploration and mining of mineral resources within their own jurisdictions. Enterprises engaged in the mining or exploration of mineral resources must obtain mining permits and exploration permits, as the case may be, which are transferable for consideration only in certain circumstances as provided under PRC laws and regulations, subject to approval by relevant administrative authorities.

According to the "Mineral Resources Law of the PRC", the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey" and the "Administrative Measures on Registration of Mineral Resources Exploitation", before exploration and mining activities relating to mineral resources can commence, the project company must first obtain exploration permits and mining permits, which generally entitle the project company to the exploration and mining rights attached to the relevant mineral project. Furthermore, if the mining activities involve gold resources, a Gold Operating Permit issued by the National Development and Reform Commission ("NDRC") must also be obtained.

Holders of exploration permits and of mining permits are subject to exploration right usage fees and mining right usage fees, respectively. Mining right usage fees are payable on an annual basis. The annual rate of mining right usage fee is RMB1,000 per km² of mining area. Exploration right usage fees are also calculated according to the size of the exploration area and are payable on an annual basis. The annual rate of exploration right usage fees for the first year to the third year of exploration is RMB100 per km² of exploration area. From the fourth year of exploration onwards, the rate increases by RMB100 per km² of exploration area per year and is subject to a maximum rate of RMB500 per km² per year. In addition, holders of mining permits are subject to mineral resource compensation fees, which are to be calculated

as a certain percentage of the sales revenue of such holders. The mineral resources compensation fee shall be paid for the first half of each year on or before July 31 of the year, and for the second half of the year on or before January 31 of the following year.

Rights and Obligations of Holders of Exploration Permits

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

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

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

- to commence and complete the exploration work within the term of the exploration permit;
- to report commencement of the exploration to the exploration registration authorities;
- to carry out the exploration work in accordance with the exploration plan and to ensure that there is no occurrence of unauthorised mining activities in the designated area;
- to carry out integrated exploration and assessment activities on the paragenetic and associated mineral resources;
- to submit an exploration report of the mineral resources to the relevant government authority for approval;
- to file with the exploration result of mineral resources for record as required;
- to act in line with the laws and regulations relating to labour safety, land rehabilitation and environment protection; and
- to take steps to eliminate potential safety hazards upon the completion of the exploration work.

Rights and Obligations of Holders of Mining Permits

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

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

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

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

Laws and Regulations Relating to the Administration of Gold

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

On October 30, 2002, the Shanghai Gold Exchange commenced operation under the supervision of the State Council. Thereafter, the PBOC ceased its gold allocation and gold purchase operations. All PRC gold producers are now required to sell their standard gold bullion through the Shanghai Gold Exchange, and prices of gold on the Shanghai Gold Exchange are determined by market demand and supply, which essentially converge with the price of gold in the international market. On February 27, 2003, the State Council cancelled the approval requirements for the production and sale of gold and gold products. As a result, although the Administrative Regulations have not been abolished, the policy of “centralised purchase and allocation of gold” as stipulated under the Administrative Regulations has been terminated in practice.

Since July 2004, the State Council reformed the administrative approval system and cleared the outstanding projects which were subject to administrative approval by its ministries and departments. However, the import and export of gold and gold products remain subject to administrative examination and approval. The authority responsible for such examination and approval is the PBOC.

Laws and Regulations Relating to Environmental Protection

The Ministry of Environment Protection is responsible for the supervision of environmental protection in, establishment and implementation of national standards for environmental quality and discharge of pollutants for, and supervision of the environmental management system of, the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The “Environmental Protection Law of the PRC”, requires entities that operate production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. The system includes the adopting of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must register with the relevant environmental protection authorities.

The Environmental Protection Law and the “Administrative Regulations on Environmental Protection for Construction Project” stipulate that prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project needs to be submitted to the relevant environmental protection authority for approval. Environmental protection facilities shall be designed, constructed and put into use concurrently with the main production facilities. The newly constructed production facilities may not be operated until the relevant authority is satisfied after inspection that accompanied environmental protection facilities are in compliance with all relevant environmental protection standards.

Under the Mineral Resources Law of the PRC, the amended “Land Administration Law of the PRC” and “Regulation on Land Rehabilitation”, exploration of mineral resources must be in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. If any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as appropriate to the local conditions. Mining enterprises shall submit a rehabilitation plan when applying for construction land or mining rights, and shall include land rehabilitation expenses in their production costs or in their gross investment in construction projects. At completion of the rehabilitation stipulated in the plan, the rehabilitation shall pass an acceptance examination conducted by the relevant government authority. If the rehabilitation is not completed or does not comply with the relevant examination requirements, the mining enterprise must pay a fee for land rehabilitation.

Upon closure of a mine, a report in relation to land rehabilitation and environmental protection must be submitted for approval. Enterprises which fail to perform or satisfy the requirements on land rehabilitation may be penalised by the relevant land administration authority.

The Ministry of Environmental Protection shall formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. These local governments may formulate local standards which are more stringent than the national ones for items already specified in the national standards. Pursuant to the requirements under the amended “Law on Prevention of Water Pollution of the PRC”, the amended “Law

on Prevention of Air Pollution of the PRC”, and “Administrative Regulations on Levy and Utilisation of Sewage Charge”, enterprises which discharge water or air pollutants must pay discharge fees pursuant to the types and volumes of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which shall review and verify the types and volumes of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees will be issued to the relevant enterprises. In addition, enterprises which discharge sulphur dioxide at a level exceeding the prescribed standards are required to install “desulphurising devices” or adopt other “desulphurising” measures to control the emission of sulphur dioxide.

Under the amended “Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC”, entities and individuals collecting, storing, transporting, utilising or disposing of solid waste must take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures to prevent such solid waste from polluting the environment.

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

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

Laws and Regulations Relating to Production Safety

The PRC government has formulated a relatively comprehensive set of laws and regulations on production safety, including the “Law on Production Safety of the PRC”, the “Law on Mine Safety of the PRC”, as well as “Regulations on the Implementation of the Law on Mine Safety of the PRC”, which pertain to the mining, processing and smelting operation of the mining industry. The State Administration of Work Safety is responsible for the overall supervision and management of the production safety nationwide while the departments in charge of production safety at the county level or above are responsible for the overall supervision and management of the production safety within their own jurisdictions.

The State implements a licensing system for production safety of mining enterprises. No mining enterprise may engage in production activities without holding a valid production safety certificate. Enterprises which fail to fulfil the production safety conditions are not allowed to carry out any production activity. Mining enterprises which have obtained the production safety certificate may not lower their production safety standards, and are subject to the supervision and inspection by the licensing authorities from time to time. If the licensing authorities are of the opinion that the mining enterprises do not fulfil the production safety requirements, the production safety certificate may be withheld or revoked.

The State has also formulated a set of national standards on production safety for the mining industry. In general, the mine design must comply with the production safety requirements and industry practice.

A mining enterprise must establish a management body or a designated safety management team to be responsible for production safety matters. Education and training on production safety must be provided to workers to ensure that they fully understand the regulations on and the procedures required for

production safety, and are able to master the necessary skills for operation safety for their own positions. Those who do not receive this education and training are not permitted to work at the mine.

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

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

Laws and Regulations Relating to Taxation

The State encourages the development of the gold industry by implementing preferential treatment on taxation. Gold production enterprises engaged in the sales of standard gold and gold sand (containing gold content), are exempted from VAT. Transactions made by gold trading enterprises and intermediaries, which are members of the Shanghai Gold Exchange, on the Shanghai Gold Exchange without physical settlement are exempted from VAT, and transactions with physical settlement are subject to VAT levying and immediate refund.

Enterprises engaged in the mining of mineral resources must pay resources tax in accordance with relevant regulations of the State. For nonferrous metal ores, the amount of resources compensation levy payable is computed by multiplying the volume of mineral products for sale or their own use with the applicable rate of the resource tax ranging from RMB0.4 to RMB30 per tonne of mineral products. The Ministry of Finance and the State Administration of Taxation reserves the right to adjust the rate of the resource tax from time to time by promulgating rules. The resources tax is levied according to the grade of mines and the applicable amount of tax per tonne of ore produced as provided in the schedules attached to such rules. The resource tax rates applicable to gold ore range from RMB1.5 per tonne to RMB7.0 per tonne.

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

Laws and Regulations relating to Foreign Investment in Gold

The “Catalogue for Guidance of Foreign Investment” promulgated by the NDRC and the Chinese Ministry of Commerce (“**MOFCOM**”), provides that the mining or operation of certain types of minerals are classified as restricted or prohibited categories for foreign investment. For example, the exploration and mining of precious metals (gold, silver and platinum) is regulated as a restricted industry. Any project in a restricted industry must be:

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

Laws and Regulations relating to Foreign Investment in Molybdenum

The exploration and mining of molybdenum falls within the prohibited category for foreign investment. However, according to the “Measures for the Administration of Foreign-Invested Mineral Exploration Enterprises”, where a mineral prohibited from being explored or mined by foreign invested enterprises is proved to exist as an associated mineral in the relevant mines, and the foreign invested enterprises have to explore and mine it together with the main mineral, the foreign invested enterprises may legitimately continue to mine it after obtaining the approval of the Ministry of Land and Resources of the PRC and MOFCOM and after amending the relevant mining or exploration permits to include the prohibited type of mineral on such permits.

Laws and Regulations Relating to CJVs

A CJV is a form of foreign investment permitted in the PRC. A CJV may be a Chinese legal person with limited liability or, alternatively, a non-legal person entity. To establish a CJV, the Chinese and foreign parties must submit documents such as the CJV agreement and the articles of association to the Ministry of Commerce of the PRC or the department and local government authorized by the State Council (the “**Approval Authority**”) for examination and approval. The Approval Authority must, within 45 days upon accepting the application, decide whether or not to grant the approval. Within 30 days upon receipt of the approval certificate issued by the Approval Authority, the parties must apply to the competent administration for industry and commerce for registration to obtain the business licence of the CJV. The issuance date of the business licence is the establishment date of the CJV. The investments in a CJV are not necessarily calculated in monetary units. The CJV agreement may require one party to contribute certain specified “cooperative conditions”. The earnings are not necessarily distributed pro rata in accordance with the registered capital paid by each of the parties. In addition, the options for sharing risks and losses, management and post-termination assets may also be determined by the parties.

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

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

According to the relevant PRC rules, a transfer of an equity interest in the CJV shall comply with PRC laws and regulations, and be approved by approval departments and submitted for alteration registration

with registration departments. A transfer without approval from the relevant approval departments is invalid.

Laws and Regulations Relating to Geological Environment Protection

Pursuant to the “Provisions on the Protection of the Geologic Environment of Mines” (a) the land and resources administrative departments shall be responsible for the protection of the geologic environment of mines; (b) a mining right applicant shall make a plan on the protection, treatment and restoration of the geologic environment of a mine, and report it to the competent land and resources administrative department when applying for a mining permit, or when applying to expand the exploitation scale or change the scope of mining area or exploitation manner; and (c) a mining right holder shall, pursuant to the relevant provisions of the state, pay a security deposit for the treatment and restoration of the geologic environment of a mine, and in the event of any change to the scope of mining area, the type of minerals or the exploitation manner, the mining right holder shall pay the security deposit according to the adjusted standards; and (d) a mining right holder shall, pursuant to the relevant provisions of the state, pay a security deposit for the control and restoration of the geologic environment of a mine, the amount of which shall not be less than the expenses necessary for the treatment and restoration of the geologic environment of the mine.

Pursuant to the Inner Mongolia Autonomous Region Regulations on the Management of Security Deposits for Ecological Restoration in Mines, and the Inner Mongolia Autonomous Region Implementation Plan for Ecological Restoration in Mines, a holder of mining rights shall prepare a plan on the environmental protection and comprehensive management for the relevant mine, execute a letter of responsibilities for the geological restoration for the relevant mine with the municipal land and resources administration authority on the basis of the plan, and pay a security deposit therefor. The security deposit may be paid in a lump sum or in instalments if the term of the mining permit held by such holder is four years or more. It is emphasized that a plan of environmental protection and comprehensive management, a letter of responsibilities for geological restoration, and a certificate of the payment of security deposit for the relevant mine are the requisite documents for the registration of mining rights and for completing the procedures of annual inspection and renewal of the mining permit. If a mining enterprise fails to pay a security deposit or prepare a plan of environmental protection and comprehensive management for the relevant mine as required, the competent authority will not proceed with the procedures of annual inspection, renewal, alteration and mortgage registration in respect of the enterprise's mining permit. If the enterprise fails to make control according to the approved plan, the competent authority shall order the enterprise to carry out geological restoration within a prescribed time limit; if the enterprise fails to do so within the prescribed time limit, the competent authority may suspend the enterprise's mining permit or order it to stop production. However, a mining right holder who already prepared a special plan of environmental protection and comprehensive management, made a special provision of funds and implemented a restoration project for the relevant mine before August 1, 2008 may apply for exemption from paying any security deposit after evaluation by the competent municipal land and resources administration authority and approval by the autonomous region's provincial land and resources administration authority on the condition that the special plan and the restoration project meet the aims and requirements for ecological restoration in mines.

Risk Factors

Readers should carefully consider all of the information set out in this AIF, including the risks and uncertainties described below. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

The Company's production estimates are subject to operating risks.

China Gold International generates all of its cash flow from the production of minerals at its two operating mines, the CSH Gold Project and the Jiama Project. The Company's production estimates from these mines are based on numerous assumptions including, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics), estimated recovery rates and estimated rates and costs of production. By its nature, the business of mining and processing contains elements of significant risk and hazards which can affect these assumptions and thereby modify production. Actual production may vary from estimates for a variety of reasons, including risks and hazards set out below:

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

The Company's mining operations may also be disrupted by environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labour disputes, community protests or civil unrest, discharge of toxic chemicals, fire, explosions, and other delays. China Gold International's mines are also subject to equipment failures and technical risks in that the Company's infrastructure may not perform as designed. For example, the mine production at the CSH Gold Project is expected to depend mostly on the crushing production and heap leach gold recovery rate. Since a single large crushing system is used at the CSH Gold Project, equipment breakdown at the crushing facility could cause delays in the crushing production. Meanwhile, the Jiama Project experienced a loss of electricity supply at its site in December 2010 and January 2011 that temporarily disrupted production. The power grid facilities in the Tibet Autonomous Region are now connected with China's national power grid facilities in the Qinghai Province and the Jiama Project has secured sufficient electrical power for its present and future operations.

Such occurrences could result in damage to mineral properties, interruptions in production, increased production costs, monetary losses, injury or death to persons, damage to the Company's property or the property of others, monetary losses and legal liabilities. The Company's failure to achieve its production estimates could have a material and adverse effect on the Company's future cash flow, results of operations and financial condition.

The Company's mine expansion plans are subject to development risks

The Company is currently expanding its Jiama Project from its initial processing capacity of 6,000 tpd to 40,000 tpd through the expansion of current open pit operations and the development of new open pit and underground mining operations. There are numerous risks in the development of mining properties, including failure to obtain the necessary regulatory approvals or sufficient funding, construction difficulties, technical difficulties, and manpower or other resource constraints. Any delay in completion of the schedule for mine and processing facility construction and expansion will delay realization of anticipated revenues from the Jiama Project. As a consequence of any delay in completing the Company's capital expenditure projects, cost overruns, changes in market circumstances or other factors, the Company may not derive the expected economic benefits from capital expansion at the Jiama Project, and the Company's business and results of operations may be materially and adversely affected. In addition, there can be no assurances that the Company will be successful in finalizing a mine plan that maximizes the economic benefits of the expanded Jiama Project. Finally, new mining operations frequently experience unexpected problems during the initial development phase. Delays often can occur in the commencement of production. Estimates of production from properties not yet in production are subject to numerous risks of variance from actual estimates.

The Company is currently expanding its CSH Project to increase throughput from 30,000 tpd to 60,000 tpd. Although expansion construction and development is proceeding well, there can be no assurances that the expansion will be completed on schedule by the end of 2013. There are also risks associated with the timeliness of shipments of crushers being imported into China. In addition, especially given the remote location of the CSH Project there may be a shortage of labourers and technical personnel to install all of the required equipment, in particular the crushers and the leach pad liner material. Once operational, it may take longer than anticipated to ramp up the 60,000 tpd design capacity for the CSH Project, and technical issues relating to mine planning, mill operation and recoveries may be encountered through the ramp up process.

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

Cost effective operations of the Company's mines depend, among other things, on the adequate and timely supply of electricity, water and auxiliary materials. Major auxiliary materials used in the Company's production include forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, rubber products and fuel. The Company sources its auxiliary materials from domestic suppliers and its equipment from suppliers in the PRC and other countries. If the Company's supply of auxiliary materials, equipment or spare parts are interrupted or their prices increase, or the Company's existing suppliers cease to supply the Company on acceptable terms, the Company's business, financial condition and results of operations could be materially and adversely affected.

Electricity and water are the main utilities used in the Company's exploration and mining. Because the Company's mines are situated in remote locations in China, the Company faces a relatively higher risk of an interruption or shortage in the Company's electricity supply, which could materially and adversely affect the Company's production and production safety by disrupting operations such as water pumping and ventilation. For example, according to the Jiama Technical Report, the Jiama Project may experience power shortage until the central power grid of Tibet is connected to China's national power grid and shortage in electricity supply for mine and processing production during the winter dry season may affect the ability of the Jiama Project in meeting production targets. Such a power outage occurred in late December 2010, impeding production for several weeks. As of January 2012, the power grid facilities in the Tibet Autonomous Region were connected with China's national power grid facilities in the Qinghai Province and the Jiama Project has secured sufficient electrical power for its present and future

operations. Any increase in the prices of electricity or water could also materially and adversely affect the Company's financial condition and results of operations.

China Gold International is inexperienced in the acquisition and development of mining assets outside of China and the Company may not be able to acquire and operate any gold or other non-ferrous mines outside of China in the future.

The Company has a mandate from China National Gold to focus on international mineral opportunities; however, all of the Company's current mining assets are located in China. The Company is relatively inexperienced in identifying, acquiring and integrating assets outside of China, and has no experience in developing assets outside of China. As a result, the Company's future efforts to acquire and develop mining assets outside of China may not be successful and the Company may not be able to acquire and operate any gold or other non-ferrous mines outside of China in the future, which in turn may materially and adversely affect the Company's growth prospects and results of operations.

The Company is subject to commodity price risks.

Substantially all of the Company's revenues and cash flows from operating activities are derived from the sale of gold, copper and other metals. Historically, the market prices for gold, copper and other metals have fluctuated widely and experienced periods of significant decline. Prices are influenced by numerous factors and events which are beyond the Company's control such as world demand and supply, forward selling activities, costs of production by other producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates as well as general global economic conditions and political trends. The Company does not engage in any hedging activities. If market prices for these metals should fall due to these or other factors and events, China Gold International's business, results of operations and the price of the Common Shares could be materially and adversely affected.

The Company's business may be affected by conflicts of interest with its controlling shareholder or a breakdown in its relationship with its controlling shareholder.

China National Gold holds approximately 39% of the Company's outstanding Common Shares. The Company also has a deep connection to China National Gold through cross-management, shared directors, the CNG Non-Compete and the CGG Non-Compete. There is a risk that China National Gold may, in the future, exercise its influence over the Company as a controlling shareholder in a manner inconsistent with the best interests of the Company's other shareholders. If that occurs, the Company may lose some of its competitive advantages and the Company's business and results of operations may be materially and adversely affected.

Reserve and resource estimates are based on assumptions which may prove to be inaccurate.

The figures for mineral reserves and mineral resources contained in this Annual Information Form are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves could be mined or processed profitably. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance

that gold, silver or copper recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in gold, copper and other metal prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

China Gold International's failure to obtain and maintain required government approvals, permits and licenses for the Company's exploration and mining activities or renewals thereof could materially and adversely affect the Company's business and results of operations.

Under relevant PRC laws, the Company is required to obtain certain government approvals, permits and licenses for each of the Company's mines, among which exploration permits, mining permits, production safety permits and gold operating permits are crucial to the Company's business operations. The Company's mining permit for the CSH Gold Project will expire in August 2013, the mining permit for the Tongqianshan area of the Jiama Project will expire in July 2013, and the mining permit for the Niumatang area of the Jiama Project will expire in July 2015. Under the PRC laws and regulations, if there are residual reserves in a property when the mining permit in respect of such property expires, the holder of the expiring mining permit will be entitled to apply for an extension for an additional term. The Company believes that there will be no material substantive obstacle in renewing such permits. Nevertheless, there can be no assurance as to whether the current relevant PRC laws and regulations, as well as the current mining industry policy, will remain unchanged at the time of the extension application of such permits, nor can there be any assurance that the competent authorities will not use their discretion to deny or delay the renewal or the extension of relevant mining permits due to factors outside the Company's control. Therefore, there can be no assurance that the Company will successfully renew its mining permits on favourable terms, or at all, once such permits expire.

Any failure to obtain or any delay in obtaining or retaining any required governmental approvals, permits or licenses could subject the Company to a variety of administrative penalties or other government actions and adversely impact the Company's business operations. The relevant state and provincial authorities in China do not allow exploration permit renewal applications to be submitted earlier than 30 days before the permit expiration date and a delay of 2 to 3 months for permit application processing times is not uncommon. The relevant state and provincial authorities in China do not issue formal documentation to guarantee permit renewal while processing renewal applications. If any administrative penalties and other government actions are imposed on or taken against the Company due to the Company's failure to obtain, or delay in obtaining or retaining, any required governmental approvals, permits or licenses, the Company's business, financial condition and results of operations could be materially and adversely affected.

The Company may not pass the annual verification of the mining rights to the CSH Gold Project and the Jiama Project.

China Gold International's mining rights for the CSH Gold Project and Jiama Project are subject to annual verification by the Department of Land and Resources of Inner Mongolia and Tibet, respectively. In the annual verification, the relevant authorities will consider whether the Company's mining activities in the past year have been in compliance with the relevant laws and regulations. If the Company fails to meet the relevant requirements or materially breach any laws or regulations, it may not pass the verification, in which case the Company may be penalized according to the relevant laws and regulations, or given a deadline to rectify the deficiencies, or, in serious cases, have its mining rights revoked. While

the Company has passed the annual verifications in the past, there can be no assurance that the Company will be able to pass the annual verification in the future. Should its mining rights be suspended or revoked or the Company fail to pass the annual verification, the Company's business and results of operations will be materially and adversely affected.

The Company's future acquisitions may prove to be difficult to integrate and manage or may not be successful.

China Gold International intends to continue to acquire high-quality mineral projects as part of its strategy, but the Company may not identify suitable acquisition opportunities. Even if the Company does identify suitable opportunities, it may not be able to complete those transactions on terms commercially acceptable to the Company or at all. The inability to identify suitable acquisition targets or the inability to complete such transactions could materially and adversely affect the Company's competitiveness and growth prospects. In the event the Company successfully completes an acquisition, the Company could face difficulties in integrating the acquisition with the Company's operations or fail to achieve the strategic purpose of such an acquisition. Such difficulties or failures could disrupt the Company's ongoing business, distract the Company's management and employees, and increase the Company's expenses, any of which could materially and adversely affect the Company's business and results of operations.

The Company owns the CSH Gold Project through a CJV company, which is established pursuant to a CJV agreement. Therefore, the Company is subject to risks relating to operations through CJV companies.

China Gold International has entered into a CJV agreement in relation to the CSH Gold Project. Although under the existing CJV agreement, the Company is entitled to appoint a majority of the directors of the CJV company and appoint the general manager of the CJV company (who is responsible for the day-to-day operation and management of the CJV company and implementing resolutions of the board), certain members of the management and board of directors of the CJV company are nominated by Brigade 217, the Company's CJV partner. Under the CJV law and the CJV agreement, certain decisions require unanimous consent of the directors present at a meeting of the board, such as: (i) amendment to the articles of association of the CJV company, (ii) increase or reduction of the registered capital of the CJV company; (iii) dissolution of the CJV company; (iv) mortgage of the assets of the CJV company; or (v) merger or division of the CJV company or a change in its form of organization; and to the extent unanimous consent cannot be obtained, there is a risk that the Company will not be able to effect these matters despite the Company's desire to do so.

In addition, the Company's CJV agreement with the Company's CJV partner involves a number of risks, including: (i) disputes with the Company's CJV partner as to the performance or scope of each party's obligations under the CJV agreement, (ii) financial difficulties encountered by a CJV partner affecting its ability to perform its obligations under the CJV agreement or other contracts with the Company, and (iii) conflicts between the policies or objectives adopted by the Company's CJV partner and those adopted by the Company. If a dispute or disagreement arises between the Company's CJV partner and the Company, it could be time-consuming, costly and distracting for the Company to resolve such dispute or any legal proceedings that develop from the dispute or disagreement. Furthermore, if China Gold International receives an adverse decision in any such legal proceeding, the Company may be required to pay compensation or damages to the Company's CJV partner. As a result, the Company's business and results of operations could be materially and adversely affected.

The Company may not be able to obtain further financing to fund the expansion and development of its business.

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

China Gold International's indebtedness and the conditions and restrictive covenants imposed on the Company by its financing agreements could materially and adversely affect the Company's business and results of operations.

The Company holds debt facilities related to the capital development of its mines and may, in the future, incur significant debt to fund its acquisition and expansion plans. The Company's ability to meet regularly scheduled interest and principal payments on its indebtedness will depend on the Company's future operating performance and cash flow, which in turn will depend on prevailing economic and political conditions and other factors, many of which may be beyond the Company's control. Furthermore, a high level of indebtedness will expose the Company to interest rate risks which could substantially affect the Company's ability to generate cash or make a profit.

In addition, the Company's financing agreements include various conditions and covenants that require China Gold International to obtain lenders' consents prior to carrying out certain activities and entering into certain transactions, such as incurring additional debt, creating additional charges on Company assets, and providing additional guarantees or disposing of certain assets. In connection with the Company's borrowings and other financing arrangements, the Company has agreed to comply with various financial and other covenants. For example, under the Bank of China Credit Facility, Huatailong is subject to a variety of conditions and restrictive covenants, including, among other things: (i) requirements regarding its debt and equity ratio, its internal cash resources and the progress of and the investment of its internal cash resources on certain of its mining construction and production facility upgrading projects; and (ii) restrictions on its ability to create encumbrances on or dispose of its assets, provide guarantees and distribute dividends.

As a result of the restrictive covenants or other terms of any existing or new loan or other financing agreements, the Company's ability to pay dividends or other distributions on the Common Shares may be limited. In addition, the Company may also be significantly restricted in its ability to raise additional capital through bank borrowings and debt and equity issuances or to engage in some transactions that China Gold International expects to be of benefit to the Company. The inability to meet these conditions and covenants or obtain lenders' consent to carry out restricted activities could materially and adversely affect the business and results of operations of China Gold International.

China Gold International relies on third-party contractors to conduct a substantial portion of the Company's exploration, mine construction and mining activities.

The Company outsources all of its mining and exploration engineering work (such as drilling) and most of the Company's mine construction work to third-party contractors. The Company maintains supervision over these contractors and amends the outsourcing agreements from time to time to better address cost and quality controls. However, notwithstanding these efforts, the Company's contractors may take actions contrary to the Company's instructions or requests, or be unable or unwilling to fulfill their obligations. In such event, the Company may have disputes with its contractors, which could lead to additional expense, distractions and potentially loss of production time and additional costs, any of which could materially and adversely affect the Company's business and results of operations.

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

China Gold International faces certain risks relating to the real properties that the Company owns, uses or leases.

China Gold International could potentially be subject to challenges, lawsuits or other actions taken against the Company with respect to the properties owned, used or leased with which the Company or relevant lessors do not hold valid title certificates. If any of the properties the Company owns or leases were successfully challenged, the Company may be forced to relocate the affected operations. If the Company fails to find suitable replacement sites on terms acceptable to the Company for a significant number of the affected operations, or if the Company is subject to any material liability resulting from third parties' challenges to the Company's ownership, usage or lease of properties with which the Company or its lessors do not hold valid titles, the Company's business, financial condition and results of operations could be materially and adversely affected.

The Company's operations are governed by extensive and increasingly stringent environmental and other laws and regulations.

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

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

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

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

In an effort to address mine closure and other geological environment issues, a mining company is required to submit rehabilitation undertakings and pay rehabilitation deposits to the relevant government authorities under applicable PRC laws and regulations. China Gold International has submitted the rehabilitation undertakings and paid the instalments of rehabilitation deposits that have become due with respect to the CSH Gold Project and the Jiama Project, however, in the event of non-compliance of applicable rehabilitation undertakings or a default in paying required rehabilitation deposits in the future, the Company could be subject to a variety of penalties and other administrative actions, including inability to proceed with certain administrative procedures relating to mining permits (including annual inspection, renewal, alteration and mortgage registration), suspension of mining permits or ceasing of operations.

Dividends payable by China Gold International's PRC subsidiaries to the Company, dividends payable by the Company to its shareholders and gains on the sale of Common Shares may become subject to withholding taxes under PRC tax laws.

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

Limitations on the ability of China Gold International's PRC subsidiaries or CJVs to pay dividends to the Company could have a material adverse effect on the Company's ability to conduct business.

Relevant PRC laws, rules and regulations permit payments of dividends by each of the Company's PRC subsidiaries only out of the subsidiaries' retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, rules and regulations, each of the entities incorporated in the PRC is required to set aside a portion of its net income each year to fund certain reserves and to make up for previously accumulated losses before it can distribute dividends to its shareholders. These reserves, together with the registered equity of these entities, are not distributable as cash dividends. As a result of these PRC laws, rules and regulations, the Company's PRC subsidiaries are restricted in their ability to distribute dividends to their shareholders. Limitations on the ability of its PRC subsidiaries to pay dividends to the Company could negatively impact the Common Share price. The Company has never paid a dividend on its Common Shares. The Company has significant financial requirements and intends to retain future earnings for reinvestment in the Company's business and, therefore, has no current intention to pay dividends on its Common Shares in the foreseeable future.

The Company's risk management and internal control systems may not be adequate or effective.

China Gold International's directors together with the Company's senior management are responsible for overseeing the Group's internal control policies and procedures. The Company has established risk management and internal control systems consisting of relevant organizational framework policies, procedures and risk management methods that the Company believes are appropriate for China Gold International's business operations.

China Gold International believes that the Company has a proper internal control and risk management system in place. However, due to the inherent limitations in the design and implementation of these systems, there is a risk that these systems will not be sufficiently effective in identifying and preventing a deficiency in internal controls. In addition, as some of the risk management and internal control policies and procedures are relatively new, the Company may need to establish and implement additional policies and procedures to further improve the Company's systems from time to time. Since the Company's risk management and internal controls depend on implementation by Company employees, there is a risk that such implementation will involve human errors or mistakes. If the Company fails to implement its policies and procedures in a timely manner, or fails to identify risks that affect the Company's business, the Company's business, results of operations and financial condition could be materially and adversely affected.

The Company may not be able to retain or secure key qualified personnel, key senior management or other personnel for its operations.

Recruiting and retaining qualified personnel is critical to the Company's success. China Gold International depends on certain key qualified personnel, key senior management and other employees. As the Company's business grows, the Company may recruit additional management and other personnel. There is no assurance that the key qualified personnel that the Company recruits in the future will continue to provide services to the Company or will honour the agreed terms and conditions of their employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for the Company's future operations and development could have a material adverse effect on the Company's business and results of operations.

China Gold International may not be adequately insured against losses and liabilities arising from the Company's operations.

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

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

China Gold International cannot provide assurance that the Company will be able to maintain its current insurance coverage at economically reasonable premiums (or at all) in the future, or that any coverage that the Company obtains will be adequate and available to cover the extent of any claims against the Company. In the event that the Company suffers a significant liability for which the Company is not insured or for which the Company's insurance coverage is inadequate to cover the entire liability, the Company's business and results of operation could be materially and adversely affected.

Some of the Company's directors and officers are directors and officers of other mineral resource companies. The Company cannot assure you that these directors and officers will not encounter conflicts of interests with the Company.

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

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

The Company faces increasing domestic and foreign competition.

The Company faces increasing competition from both domestic and international metal producers. The Company's major competitors are large international mining companies. The Company's competitors may have certain advantages over the Company, including greater financial, technical and raw materials resources, greater economies of scale, broader name recognition and more established relationships in certain markets. Increased competition may prevent the Company from acquiring new properties and ultimately may have a material adverse impact on its business, results of operation and growth prospects.

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

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

Although the Company seeks to comply with all new PRC laws, regulations, policies, standards and requirements applicable to the mining industry or all changes in existing laws, regulations, policies, standards and requirements, the Company may not be able to comply with them economically or at all. Furthermore, any such new PRC laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain the Company's future expansion plans and adversely affect its profitability.

PRC political, economic and social conditions and government policies could affect the Company's business.

China is, and for the foreseeable future is expected to remain, the country in which the Company concentrates most of its business activities and financial resources. Currently, all of the Company's operating assets are located in the PRC and all of the Company's revenue is derived from its operations in the PRC. The Company's results of operations and prospects are subject, to a significant degree, to economic, political and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of governmental involvement, the level of development, the growth rate and government control of foreign exchange. The PRC is an emerging market jurisdiction and the Company's business may face unique risks associated with its operations in an emerging market jurisdiction. These risks include risks related to political factors such as government instability and changing governmental policy that may affect legal rights such as property ownership, legal and regulatory framework given that emerging market jurisdictions may have less developed legal or regulatory systems, the movement and conversion of currency out of the foreign jurisdiction which could hinder the repatriation of profits to investors and legal title to assets.

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

In addition, there are several levels of government with influence over the Company's mineral exploration, development and production activities. A loss of support for one or more of the Company's mines by a government authority at any level could result in substantial disruption in the Company's

ability to continue operations. Such a loss of support could occur on a national level, including, for example, a change in government policy. It may also occur at a provincial or local level. As a result, the Company's ability to conduct operations could be hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

The Company may be unable to enforce its legal rights in certain circumstances.

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

The Company is subject to Foreign exchange risk.

The majority of the Company's operating costs are denominated in RMB, but the Company's consolidated financial results are published in U.S. dollars. Therefore, if the RMB appreciates against the U.S. dollar, it could adversely affect the Company's consolidated financial results. Moreover, to the extent that the Company needs to convert the proceeds from its future financing into the RMB for the Company's operations, appreciation of the RMB against the relevant foreign currencies could have an adverse effect on the RMB amount the Company would receive from the conversion.

CSH Gold Project

The following is the summary of the CSH Technical Report on the CSH Gold Project. The CSH Technical Report is available for review under the Company's profile on the SEDAR database at www.sedar.com. The entire CSH Technical Report is incorporated by reference into this AIF. The following summary is derived from the CSH Technical Report and is qualified by reference to the CSH Technical Report in its entirety. Readers are encouraged to review the Technical Report.

Property Description

The CSH Gold Project covers an area of 35.93 kilometers in the Inner Mongolia Autonomous Region of northern China, and is covered by a single Exploration Permit (No. 0100000220028). Formerly known as the 217 property, the Exploration Permit is centered at latitude 41° 40' North, longitude 109° 14' East. The present permit issued to the Ningxia Pacific Minerals Co. Ltd. in Yinchuan, was valid until 3 August 2008 and was renewed by payment of bi-annual rental fees thereafter.

The Ministry of Land and Resources of China in Beijing issued a Mining Permit (No. 1000000610103) to Ningxia Pacific Mineral Co. Ltd, in August 2006. The permit is valid until August 2013 and can be renewed thereafter.

Jinshan Gold Mines Inc., now China Gold International completed a 20,000 t/d gold recovery facility, heap leaching, carbon-in-column (CIC) gold absorption, carbon stripping, carbon regeneration and acid washing, bullion refining, and reagent systems along with the necessary ancillaries such as plant site electrical systems, water system, shops, camp facilities and access roads. A 30,000 t/d crushing facility was commissioned in September 2009 and has been in operations since that time.

A fully licensed joint venture company - Ningxia Pacific Mining Co. Ltd., now Inner Mongolia Pacific Mining Co. Ltd was formed with Brigade 217 and all property work is being carried out through this entity.

Geological Setting and Mineralization

The CSH217 Gold Project is located within the North China Gold Belt extending along the northern margin of the North China Craton. Miller et al. (1998), Wang and Mo (1995), and Sengör et al. (1993) have described the tectonic setting and evolution of the North China Craton.

Proterozoic carbonaceous metasedimentary rocks host the CSH217 gold mineralization in the south limb of the CSH syncline. The syncline is one of the most prominent structural features in a major east-west trending fold belt that is characterized by complex fold interference patterns. Caledonian and Hercynian age composite granitoid batholiths occur to the north and south of the property. The host rocks to the gold mineralization on the CSH217 property are mainly carbonaceous phyllite, schist, and slate within the lower members of the Bilute Formation.

The gold mineralization is composed of thin (1 to 10 mm) sulphide and quartz-sulphide seams/veinlets, stringers, and boudinaged lenses, which are concordant with the bedding and foliation and trend along the shear zone. Much quartz vein material has been logged in the drill holes associated with the higher-grade gold sections. The higher-grade gold zones are parallel or sub-parallel the regional metamorphic foliation texture. In most cross-sections connecting of the higher-grade intervals shows relatively consistent dip angles of the mineralization zones ranging from 82-85° in the Northeast Zone, and 87-89° and dipping opposite in the Southwest Zone.

Petrographic work indicates that gold is associated mostly with arsenopyrite and pyrrhotite (approximately 22% of total mass) or free (approximately 77% of total mass). Gold has also been observed as free flecks up to 2 mm in size directly associated with the sulphides in both the stringers and in the quartz “vein” material. Trace amounts of gold have been seen as inclusions within some arsenopyrite crystals. The pyrrhotite is nickeliferous and frequently shows strong pentlandite flame structures within the individual crystals.

Deposit Type

The CSH217 deposit is a large bulk tonnage low-grade style of gold mineralization hosted within a ductile-brittle shear zone in Proterozoic sediments. Earlier property work and recent drilling data suggest that the gold mineralization was emplaced along the major southwesterly trending ductile-brittle shear zone. The ductile-brittle shear zone, which crosscuts the original bedding structure at about 10°, controlled the mineralization.

The shear zone is parallel to the foliation of the regional metamorphism, which is also parallel to the synclinal fold axis and deformation style typical of many greenstone and slate-belt terranes. Folding continued beyond the point of rupture, with the strain taken up in the developing shear zone. The quartz-sulphide veinlets are boudinaged within the foliation and were clearly deposited early in the deformational history and are perhaps related to basin dewatering during regional folding, typical of “Slate Belt” gold districts.

Exploration

In 2002, Jinshan (previously Pacific Minerals) completed geophysical surveys along the length of the known mineralization (magnetics and TEM). A total of 2,997 meters in 23 diamond drill holes was completed, with most of this drilling concentrated on the Northeast Zone. Wide, low grade intervals were delineated and supported the potential for a low grade, bulk tonnage gold deposit. These results justified a further campaign in 2003.

In 2007, Jinshan drilled a total of 11,432 meters at the CSH property, including 3073 meters in Southwest Zone, 8147 meters in Northeast Zone, and two short prospecting holes drilled further west along the mineralization trend. In 2007, the 14 holes were drilled in the Southwest Zone, 5 holes as in-fills, to bring drilled sections in the east part of the zone to 50 meter spacing, and the rest as step-out holes in the west end. The in-fill holes further confirmed the continuity of the gold mineralization.

The main purposes of drilling in 2008 was to in-fill gaps in the mineralization model in both the Northeast and Southwest zones, to upgrade Inferred Resources to Indicated status, and to delineate gold mineralization at depths below the previous exploration efforts.

In total, 4972.88 meters were drilled in 23 holes, 1639.29 meters were drilled in Southwest Zone and 2583.89 meters in Northeast Zone. Three prospect holes, totaling 749.70 meters were drilled in the western extension of the Southwest Zone.

Little drilling was done during 2009 and 2010, with only three additional drill holes completed. The most significant drilling campaign to date at the CSH Mine was completed by the end of October, 2011, comprising of 108 holes for a total over 59,000 metres.

Drilling

Details about the drill holes completed in 2007 and 2008 have been described in the prior Technical Reports mentioned elsewhere. Recovery has been good at CSH, and is not considered an issue. All drill

holes were surveyed down-the-hole using a Sperry-Sun type single-shot survey instrument providing a photographic record of the hole angle and direction at 50 meter intervals. The magnetic effect of the pyrrhotite content of the mineralization on the borehole directional survey is not considered significant, as generally less than 1 percent pyrrhotite observed in the mineralization intercepts, and the incremental surveys down the hole are consistent. The collar locations were surveyed using a laser total station and tied to survey control points established with differential GPS, coordinates are recorded using the Beijing 54 coordinate system. All the core was logged by geologists and sampled at the site.

Sample Preparation, Analysis and Security

All samples were analyzed by fire assay with AA finish by Tianjin Lab, SGS China, from crushed minus 10 mesh samples prepared by Baogang Laboratory in Baotou, Inner Mongolia. The entire drill core was logged and then split in half by saw with one half then being submitted for assay and the balance being retained on site for reference. The cut half-cores are stored in a secure warehouse in the XinHuRe (CSH 217) base camp.

Sampling is mostly 2.0 meters long unless obvious geological breaks dictated otherwise (maximum 3.90 meters, minimum 0.30 meter). The HQ series cores (63.5 millimeters) provide adequate sample weights for this type of deposits. The average weight of a half core sample for a 2 meter interval is 7.0 kilograms.

Two laboratories were chosen to perform the assays: SGSs Tianjin Laboratory and ALS Chemex Guangzhou laboratory, both in the People's Republic of China. The Tianjin laboratory has been the main laboratory for CSH samples for no less than 8 years.

Gold content was determined using the standard 30-gram fire assay followed by Atomic Absorption techniques. About 10% of the samples that were assayed above 0.2 ppm Au were checked by a third lab, the ITS Shanghai Lab.

As part of the data quality assurance and quality control procedures (QA/QC), several sample preparation and assaying checks were implemented for the 2011 drilling program. This was in addition to the QA/QC programs from various campaigns that have been previously reported on. The 2011 QA/QC consisted of 489 blanks; 454 pulp duplicate samples; and 426 samples of reference material of 16 different known grades.

Data Verification

The CSH Technical Report authors have verified the gold mineralization by observing the mineralized drill cores and exposures in the open pits, ores loaded on the leach pads, and gold doré bars produced by the CSH Mine.

It is the opinion of the CSH Technical Report authors that the data used in the preparation of the Technical Report is adequate and meets the standards required by CIM Guidelines and NI 43-101.

Mineral Resources

The database used to estimate the resources of the NE and SW zones consists of a total of 298 inclined surface drill holes, covering both zones, and including its latest extensions to the SW and somewhat to the NE. There are 111 new holes added since the last resource update, 108 of those drilled in the 2011 campaign, for a total of almost 61,000 additional meters. The holes dip between about 75° to 45° with most holes to the south and the southeast and six holes to the northwest. The drill holes have been surveyed on the Beijing 54/Yellow Sea 58 system using a total station tied to control points previously established with differential GPS system.

The overall integrity of the database is deemed excellent. The 2011 drill holes have been checked for internal consistency, looking for obvious errors in the assay, geologic, down-the-hole surveys, and collar locations data.

All drill holes have been surveyed down-the-hole using an Eastman-Kodak single shot camera, made in Germany. The camera has a magnetic angle unit that measures azimuth and dip. The value is recorded inside the camera, and the measured values can be read after the film is developed. The stated measuring accuracy is 0.1 degrees, and reading accuracy is 0.5 degrees, which is adequate for resource estimation.

The topography surface used in this resource model update was a survey completed in the summer of 2005, as well as an additional patch to the SW of the ore zones, to cover the latest extension of the model. Additional lateral topography was derived from an IKONOS satellite image, with nominal spatial resolution of 2m horizontal, and the DEM accuracy is ± 1 m, geo-referenced to the Yellow Sea 58 datum, on Beijing 54 map projection.

The current topographic surface was surveyed with Total Station, representing the “as-mined” surface as of December 31st, 2011. The resources reported later in this Section correspond to material below the pit surface, and all comparisons with current production are done above the end of December 2011 topographic surface.

The same 0.20 g/t Au grade envelope used in previous modeling efforts was updated. The grade threshold is a reasonable footwall and hanging wall contact for the gold mineralization. The resource model assumes that there is no mineralization of interest outside the 0.20 g/t envelope. The envelope was refined by China Gold’s geologist and checked.

Mineralized material is defined by samples that are greater or equal than 0.20 g/t gold grade over a minimum 6m-horizontal width (thickness of the steep dipping zones), considered a minimum mining width to selectively remove waste.

The mineralized intervals on sections show good continuity, both section to section and down dip. It demonstrates that the dip of the mineralization is steeply south-southeast at almost 90°.

In 2011, an additional 64 samples were obtained and sent to testing. There are no changes introduced or additional density samples considered for this 2012 resource model. These new 64 samples are all in the non-weathered zone, and average 2.79, which is the same average density used previously. The average for the 81 weathered samples is 2.72.

Two-meter long composites were obtained from the original assay data, and coded using the modeled geology as inside or outside the 0.20 g/t envelope. All resulting composites less than 1 m were discarded from the database.

The impact of high grades has been shown to be limited. An analysis was performed on the cumulative probability curve and a quantity of metal graph by gold cutoff grades. Similar to prior models, for the NE zone, it was decided to restrict the influence of gold composite grades higher than 7.0 g/t at the time of resource estimation. In the case of the SW zone, the limit was set at 6.5 g/t.

The updated variography confirms the main conclusions and observations obtained from prior exercises. The anisotropies and ellipses of continuity for each variogram were checked against known geology and its expected behaviour. As previously, along-strike and down dip (70° or steeper to the North) continuities are the two main directions in each zone.

The block size chosen was 12.5 x 12.5 x 6 m, but uses percentages of block within the envelope to more accurately reflect the geometry of the 0.20 g/t envelope. Grade was estimated on the 12.5 x 12.5 x 6 m parent blocks, although the block may have as little as 1% of its volume within the envelope. This percentage defines the proportion of the block within the envelope, which is taken into consideration when tabulating resources and for mine planning.

An Indicator-modified ordinary kriging method was used to estimate gold grades for the CSH deposit. The grade was estimated into blocks defined within the 0.20 g/t envelope by choosing data according to the grade cut-off. The composites used to estimate within the 0.20 g/t envelope were chosen from within the envelope only.

Three estimation passes were used to estimate the resource model. Each pass is done using varying degrees of conditions before any given block can be estimated. Data selection was done using anisotropic octant searches it helps to avoid over-influence of individual drill holes in areas with redundant information.

The strategy of the ordinary kriging plans was similar to that used in prior models, although some of the specific searches and search anisotropies defined were slightly modified based on the updated correlogram models.

No resources were considered outside the 0.20 g/t envelope. The final gold grade then is the estimated grade of each block above 0.20 g/t gold weighted by the proportion of the material above 0.20 g/t, which is in effect a dilution factor.

The resources were classified using the CIM guidelines and definitions (CIM Standards on Mineral Resources and Reserves Definitions and Guidelines, November 27, 2010). The classification is based on the estimation kriging passes which are based on the amount of information used to estimate the grade for each block. Additionally, the categories were smoothed manually to avoid isolated islands and the “spotted dog” effect. In this smoothing process, the data quality and geologic continuity have again been considered. Additional restrictions were applied mostly restricting the measured, indicated, and inferred categories to specific depths.

The resource estimate was completed by Mr. Mario E. Rossi, Qualified Person according to the definition set out in NI 43-101 by reason of education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience. Also, Mr. Rossi is independent of China Gold International applying all of the tests in section 1.5 of NI 43-101. The resources have been classified using the CIM definitions (CIM Standards on Mineral Resources and Reserves Definitions and Guidelines, December 2005).

Table 1.1 shows the overall estimated gold resources for the CSH 217 project¹. The resources are reported below the topography corresponding to December 31st, 2011.

The estimated grades of the resources include some geologic dilution, but no operational or mining dilution or ore loss. The model can only be considered fully diluted (save for mining dilution) if the assumed SMU is actually achieved at the time of mining. Given the degree of selectivity assumed in this resource model, an effective grade control system is required to achieve such degree of selectivity and grades.

¹ All Figures in the Resource Tables presented in the CSH Technical Report may show apparent inconsistencies due to rounding errors.

The resources are reported within a “resource pit”, which was developed using a U.S. \$1,800/oz Au price and a 60% recovery. This resource pit represents what it is reasonable to expect may be recoverable in the near future from CSH.

There are no known environmental, permitting, legal, title, taxation, socio-economic, marketing, and political or other relevant issues that may materially affect the resource estimates. Other relevant factors that may materially affect the resources, including mining, metallurgical, and infrastructure are well understood according to the assumptions presented in this Report.

Comparisons with blast hole data indicate that the resource model is performing well. As expected, the resource model is generally predicting more tonnage and lesser grade for low cutoffs, due to the smoothing effect of the kriging estimator. This is seen as allowance for operational dilution and ore loss.

Table 1-1 Resource Summary

All CSH Resources by category below pit surface to December 31 st , 2011, within Resource Pit, 2012 Resource Model.									
Cutoff (g/t)	Measured		Indicated		Measured+Indicated			Inferred	
	MTonnes	Au Grade (g/t)	MTonnes	Au Grade (g/t)	MTonnes	Au Grade (g/t)	Million Ounces Au	MTonnes	Au Grade (g/t)
0.25	95.3	0.61	192.7	0.55	288.0	0.57	5.26	155.7	0.46
0.28	90.4	0.63	172.2	0.58	262.6	0.60	5.05	132.8	0.49
0.30	86.9	0.65	160.2	0.60	247.1	0.62	4.91	118.9	0.52
0.35	78.2	0.68	134.5	0.65	212.8	0.66	4.55	91.5	0.57
0.40	69.9	0.72	113.8	0.71	183.7	0.71	4.20	71.1	0.63
0.45	61.7	0.76	97.0	0.75	158.7	0.76	3.86	56.1	0.69
0.50	53.9	0.80	83.0	0.80	136.9	0.80	3.52	44.8	0.74
0.55	47.2	0.84	71.2	0.85	118.4	0.84	3.21	36.1	0.80
0.60	40.7	0.88	61.0	0.89	101.7	0.89	2.90	29.1	0.85
0.65	34.8	0.93	52.2	0.94	87.0	0.93	2.61	23.5	0.90
0.70	29.5	0.97	44.1	0.99	73.6	0.98	2.32	19.1	0.95
0.75	24.9	1.02	37.3	1.03	62.3	1.03	2.06	15.7	1.00

*Gold Price assumptions (in USD\$) used to calculate the cut off grade for the "Resource Pit" is: Au=\$1800/oz;

*Gold recovery used to calculate the cut off grade for the "Resource Pit" is: 60%;

Mining and Reserves

China Gold International is now planning to expand the crushing facilities at CSH from 30,000 t/d to 60,000 t/d capacity. An expansion plan has been prepared by the Changchun Gold Design Institute (CGDI). In support of this study a new mine development plan has been completed using the current resource model and an increased gold price of U.S. \$1380/ounce of gold. Pit optimization and design was undertaken by CGDI using Micromine software. The pit limits and reserves were validated by Nilsson Mine Services Ltd. (NMS). Mining is carried out by the contractor China Railway 19th Bureau.

Mineable reserves reported using the 2011 year end topographic surface and a cutoff grade of 0.28 g/t have increased to 213.5 million tonnes with an average diluted grade of 0.59 g/t Au. The strip ratio is 3.31 with a total of 707.4 million tonnes of waste mined. Total material moved from the pit will be 920.9 million tonnes. Mineral reserves are summarized in

Table 1-2.

Table 1-2 Reserves

Class	bcm x 1000	t x 1000	In situ Au g/t	Diluted Au g/t	Contained Gold ounces x 1000
Proven	32,020.0	89,090.0	0.64	0.62	1,767.3
Probable	44,639.0	124,428.0	0.60	0.58	2,315.3
Total	76,659.0	213,518.0	0.61	0.59	4,082.6

Leach Pad & Ponds

Ore will continue to be placed on the existing heap leach pad for another 2 years after which all remaining ore will be placed on a second heap leach pad which will be located to the east of the existing pad. The second heap leach pile will cover an area of 133 ha, reach an elevation of 116 m and have a capacity of 75 million m³. The remaining ore is estimated at 106 million m³. Once the second pad has reached its final height, the plan is to merge the two pads by placing the balance of ore in the valley between the two pads. The valley capacity is estimated at 40 million m³.

The existing pregnant solution pond, downstream of heap leach pad, has a capacity of 20,000 m³. The expansion project will require a second 56,000 m³ pregnant solution pond.

Downstream of the existing pregnant solution pond, there are 2 existing event ponds with a total capacity of 80,000 m³. A third 120,000 m³ event pond is currently under construction with completion expected by mid 2012, for a total event pond capacity of 200,000 m³. The event ponds have double HDPE liners as well as a 30 cm clay liner. The three event ponds will provide 62 hours of retention time. The expansion project will build an additional 180,000 m³ event pond downstream of the second pregnant solution pond.

Metallurgy and Mineral Processing

Heap leach operations for China Gold International's CSH project were commissioned in April 2007 with the first gold poured in July 2007. Initially the heap leach targeted run-of-mine oxide ore and the ore had been classified in to oxide ore and sulphide ore regimes. The initial approach to defining the ore was that if there was oxide present in the ore it was considered suitable for the ROM leach. In 2008 there was a significant decline in gold recovery noted and it was determined that the partially oxidized ore (transition ore) leach properties were very similar to the sulphide ores. A metallurgical program was completed at this time with the recommendation for the addition of a 3 stage crushing plant to generate -9mm ore to feed the leach pads. The crushing plant commissioning began in the 4th quarter 2009 with the plant fully operational in April 2010.

Brigade 217 China National Nuclear Corporation began exploration activities at the CSH site in 1995. Three test heaps of run-of-mine ore were constructed and leached for 32 days. Gold extraction averaged approximately 65 percent. In 2001 Brigade 217 expanded the test program to include agitation leach and column tests. During this same time period International Metallurgical and Environmental Inc. (IME) completed a test program that included mineralogical examination, gravity concentration and bottle roll cyanidation studies. In 2003 SGS Lakefield initiated a program on drill samples that included Bond Work Index determination, gravity concentration, cyanidation and a leaching test to determine potential gold losses due to preg-robbing. In 2003 and 2004, SGS completed additional tests on oxide and sulphide composite samples. In 2004 Jinshan Gold Mines conducted two pilot heap leach tests each containing approximately 50,000 tonnes of oxide. One sample was run-of-mine and the second was crushed through

125mm. In 2005 and 2006 oxide and sulphide column leach studies were conducted at the Baogang Technical Institute in Baotou, Inner Mongolia supervised by METCON Research.

The column test results reported in July 2005 completed at Lakefield and at Yinchuan indicated improved recovery experienced by crushing the ore prior to leaching.

In February 2006 KD Engineering submitted a review of the metallurgical testwork that included the analysis of test columns that contained a sulphide composite having a size distribution of 80% passing 6mm. The trend analysis indicated that the gold extraction would average about 72.6%. On the same composite the trend analysis of test column data indicated an extraction of 60% at P80=25mm and 47% at P80=75mm.

KD Engineering concluded that the results of the various column test programs indicated that the gold extractions from the oxide and sulphide ores were dependent on whether the ore was crushed prior to placement on the leach pads. The estimated extractions provided by KD are:

- ROM oxide 80%
- Tertiary crushed oxide 85%
- ROM sulphide 40%
- Tertiary crushed sulphide 70%

In 2009 Metcon issued a report for “On-site Open Cycle Column leach Tests” for the recent test program that was supervised by Joseph Keane. In this program samples from the Northeast (NE) and Southwest (SW) ore zones were tested. Samples were crushed to P80=9mm and P80=6mm.

The average gold extraction for the NE ore zone was 77.8%. For the SW ore zone the average gold extraction was 73.5%. The lower extractions for the SW ore zone may be attributed to the lower feed grades and range of grades tested for the zone.

Consistent with earlier testing the results of this testwork also indicated that there could be the potential to improve extraction at the finer target crusher size P80=6mm. For the NE Zone the average test extractions for these same samples was about 6.3% higher. For the SW Zone the increase was about 2.6%.

The data for the NE and SW on-site column tests was analysed together and generated the recovery relationship. Using the results from this test program the Au extraction model for the P80=9mm tests have been determined to be:

$$\text{Au Extraction} = 26.345 \times (\text{Au Feed Grade, g/t}) + 57.603$$

To extrapolate the data from the on-site column tests to the heap leach it was recommended that a 5% adjustment be included to the recovery model. The adjustment provides allowance for a number of operating variables including the influence of external temperature on leaching rate and the number of lifts in the heap leach pad.

The adjusted extraction model recommended for prediction of the gold extraction is:

$$\text{Au Extraction} = 26.345 \times (\text{Au Feed Grade, g/t}) + 52.603$$

KD Engineering proposed the accumulated extraction model presented in

Table 1-3 based on the estimated extractions for the various ore feeds.

Table 1-3 Accumulated Extraction

Ore Type	Accumulated Extraction, %				
	year	1	2	3	4
Run-of-mine oxide	65.6	74.7	78.0	79.0	80.0
Run-of-mine sulphide	25.6	34.7	38.0	39.0	40.0
Crushed oxide	70.6	79.7	83.0	84.0	85.0
Crushed Sulphide	55.6	64.7	68.0	69.0	70.0

The proposed accumulated extractions have been used to complete an analysis of the operating data since heap leach operations at CSH commenced. From the operating reports the metallurgical review assumes that oxide ore was placed on the pad from April 2007 through January 2008. In February 2008 the ore supply changed to transition ore that responded similar to sulphide ore and this initiated the evaluation of 3-stage crushing. The commissioning of the 3-stage crushing circuit was completed in April 2010.

Since heap leach operations began based an estimated 30,120 kg of Au have been placed on the heap leach. This estimate has been based on the monthly feed tons delivered to the heap and monthly grade. Based on the pregnant solution flows to the carbon columns the theoretical (monthly) gold recovery is estimated at 14,550 kg, 49.4% of gold delivered to the heaps. Using the staged model in

Table 1-3 the estimated extraction from the start of leaching through April 2012 is 14,450kg of gold. From the gold poured records the cumulative gold production through April 2012 for the CSH mine is 14,110kg.

Based on the comparison of the estimated extraction to the recorded poured gold the models proposed by KD Engineering appear to represent the operating performance for the heap leach.

For the purpose of estimating the gold extraction for future production from the sulphide ore it is recommended that the model generated from the on-site column tests be used capping the Au extraction rate at 75% (predicted extraction at 0.85g/t).

$$\text{Au Extraction} = 26.345 \times (\text{Au Feed Grade, g/t}) + 52.603$$

Capital Cost Estimate

In April 2010 CSH successfully completed the installation of a crushing plant and the modifications to the gold recovery circuit to process the sulphide ore which added an additional 10,000 t/d capacity for a total of 30,000 t/d. The modifications to the original solution facility for the expansion included the installation of new pregnant and barren solution pumps to handle the incremental flow. Due the incremental increase in capacity the expansion also included a new set of carbon columns followed by new carbon wash and stripping facilities for the loaded carbon and an associated pressurized electrowinning cell to complete the independent circuit.

To continue operations for the long term a new heap leach pad is required. Simultaneously there is a planned expansion to increase the plant capacity from 30,000 t/d to 60,000 t/d. The plan for the expansion is to duplicate the existing crushing circuit with minor modifications to improve plant safety, equipment availability and operating efficiency. Solution handling facilities will be expanded, as required and the gold recovery circuit will include 4 parallel trains of carbon columns each followed by acid wash, stripping and electrowinning.

The capital cost was compiled by the Changchun Gold Design Institute from equipment quotes, current market knowledge, historical data from the initial crushing and screening installation and experience. Although there is a high degree of detail supporting the capital cost estimate, the level of supporting design work is considered preliminary. Factors were applied to the equipment quotes of 8% for transportation, between 8% to 12% for mechanical equipment and 40% for electrical installation, including cable and 2% for spare parts.

Earthworks, concrete and building were estimated using unit rates from similar recent projects in the region.

A summary of the Expansion Capital Costs is shown in Table 1-4.

Table 1-4 Capital Cost Summary

Item	million RMB	million RMB	million USD	%
Mining		12.9	2.0	1.23
Mineral Processing		675.3	107.00	64.51
Crushing System	486.56			
Heap Leaching	73.07			
Gold Recovery	115.62			
Utilities		110.8	17.6	10.58

Accommodation & Rec. Facilities		14.5	2.3	1.38
Other Costs		155.8	24.7	14.90
Subtotal		969.3	153.6	92.60
Contingency – 8% of subtotal		77.5	12.3	7.40
Total		1,046.8	165.9	100.00

Other Costs include allowances for land acquisition, resettlement, engineering fees, construction management, government submittals, Environmental Impact Assessment, test work, training, tools and environmental fees.

The Expansion Project is planned for completion by August 1, 2013 which is an ambitious schedule and requires the Project to be executed on a significant number of multiple work fronts.

The capital cost estimate for the planned expansion process facilities has increased about 6% from the Phase 1 installation completed in early 2010 which is not significant. However, with the low level of engineering detail and the magnitude of potential change, the capital cost estimate with an 8% contingency is understated. The capital cost estimate should be considered as a Class 4 estimate, as determined by the Association of American Cost Engineers (AACE) Process Industry Matrix. An AACE Class 4 estimate typically has a contingency between 10% to 25% and an accuracy of between --15%-30% on the low side and +20%-50% on the high side.

For the purposes of the NI 43-101 review the 8% contingency has been increased to 20% (193.9M RMB; \$30.7M U.S.) for a revised capital cost of 1.163 Billion RMB (\$184.3 Million U.S.).

The Capital Cost for the Expansion Phase Project will be self funded.

The following table shows an estimate of annual capital spending during the life of mine. This estimate includes the Expansion Phase capital in addition to sustaining capital items, including mine closure costs.

Table 1-5 Life of Mine Capital

Period		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Capital	\$ x million	\$18.4	\$165.9	\$0.0	\$4.8	\$10.5	\$0.0	\$0.0	\$6.2	\$0.0	\$0.0	\$0.0

Period		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Capital	\$ x million	\$0.0	\$1.8	\$1.8	\$1.8	\$1.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$212.9

Operating Cost Estimate

The operating costs estimates are based on the existing operations. The operating plan for the Expansion Phase will be the same as the existing operation, with mining and stockpiling on the heap leach pad undertaken by the contractor China Railway 19th Bureau, on a per cubic meter basis with an adjustment for haulage over 2.5 km. With the Expansion Phase process facilities, essentially operating as a standalone plant, coupled with the contract mining and heap leach stockpiling on a per cubic meter basis, there is virtually no reduction in operating costs on a per tonne basis due to doubling the output.

Operating costs are based on the existing operation and contract agreements. The current mining contact will expire at the end of 2014, at which time there will be a cost of fuel adjustment. There is an agreement in principle to pay the government a water usage fee for the new fresh water reservoir

construction. The fee has not yet been determined but is expected to be 0.4 RMB per cubic meter of water.

The predicted annual onsite operating costs by major category per tonne processed excluding royalties, taxes and other fees are shown in Table 1-6.

Table 1-6 Operating Costs

Item	RMB/tonne ore	U.S. \$/tonne ore
Mining Ore	¥ 9.60	\$ 1.52
Mining Waste	¥ 32.78	\$ 5.19
Processing	¥ 15.16	\$ 2.40
General Administration	¥ 4.52	\$ 0.72
Total	¥ 62.06	\$ 9.83

Economic Analysis

The CSH mine is currently operating at 30,000 t/d crushing and heap leaching gold ore. An updated resource model has been used by China Gold International and CGDI to develop a mine plan and cost estimates for an expanded operation to 60,000 t/d by the end of 2013.

The economic analysis of the project prepared by the authors of this report is based on the life of mine cashflows starting January 2012 for proven and probable reserves that are included in the expansion plan.

CSH Expansion Project is expected to generate additional value by accelerating metal production and shortening the mine life from 16 years to 11 years.

Project cashflows are based upon the mine expansion plan and gold production schedule shown in Figure 1-1.

Figure 1-1 Expansion Phase Production Schedule



The cashflow has been calculated using U.S. \$1600/ounce in 2012 and 2013, then U.S. \$1585/ounce in 2014, U.S. \$1440/ounce in 2015 and U.S. \$1380/ounce of gold for the remainder of the mine life. A refining charge of U.S. \$4.68/ounce has been applied based upon the current sales contract terms. The actual terms of the contract states that gold dore will be sold at the average price of the Au9995 gold ingot at Shanghai Gold Exchange on Notification Date, less RMB0.95/gram. Exchange rate used for all cost estimates in the study has been 6.3115 RMB/U.S. \$. A summary of the expected project cashflow is shown in Table 1-7.

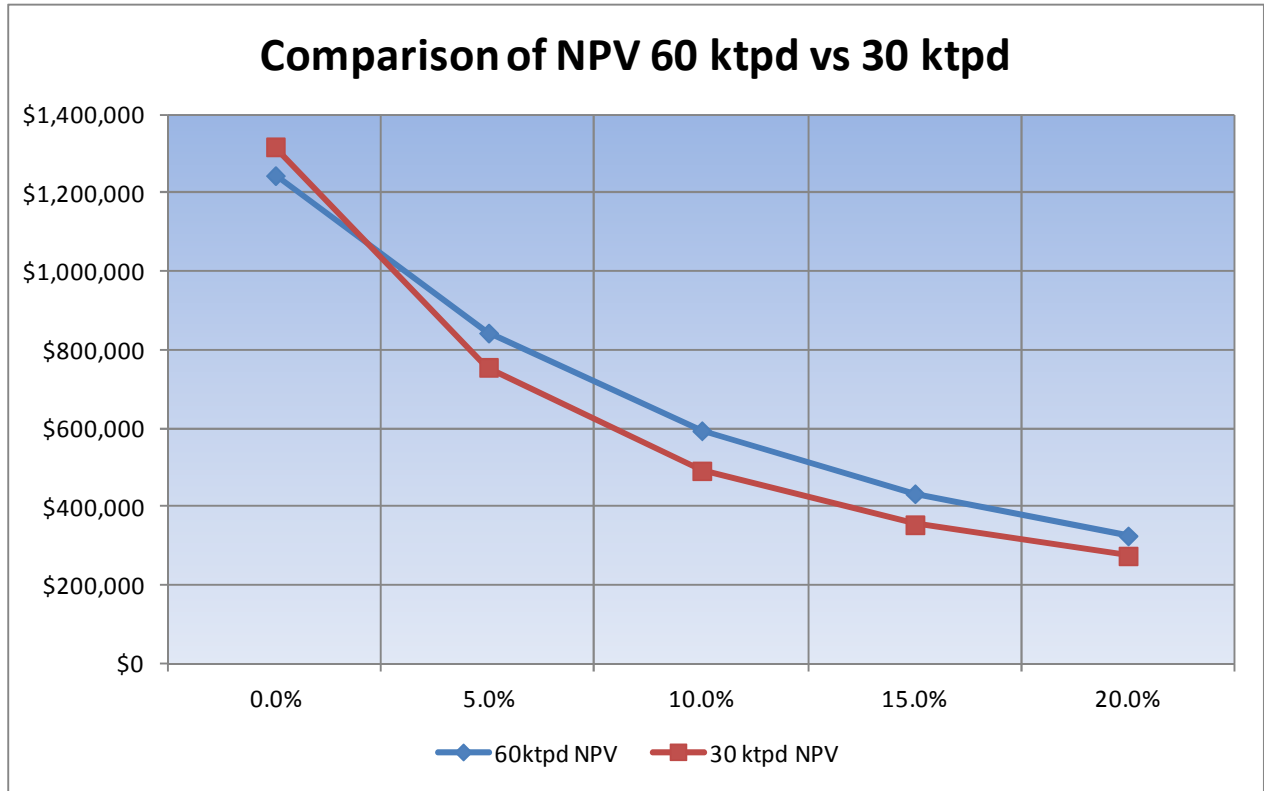
Table 1-7 Project Cashflow Summary

Period		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cashflow	\$ x million	\$54.0	(\$89.3)	\$154.0	\$94.0	\$70.1	\$102.3	\$108.8	\$126.9	\$120.6	\$152.1	\$196.7

Period		2023	2024	2025	2026	Total
Cashflow	\$ x million	\$122.3	\$32.0	\$7.8	\$0.2	\$1,253.8

The net present value of the cashflows from operations is U.S. \$642.3 million when calculated with a 9% discount rate. The incremental net present value of the project is U.S. \$92.5 million. The internal rate of return of the incremental cashflows is 30.5%. A comparison of the cumulative cashflow is shown in Figure 1-2.

Figure 1-2 Comparison of Net Present Value After Expansion

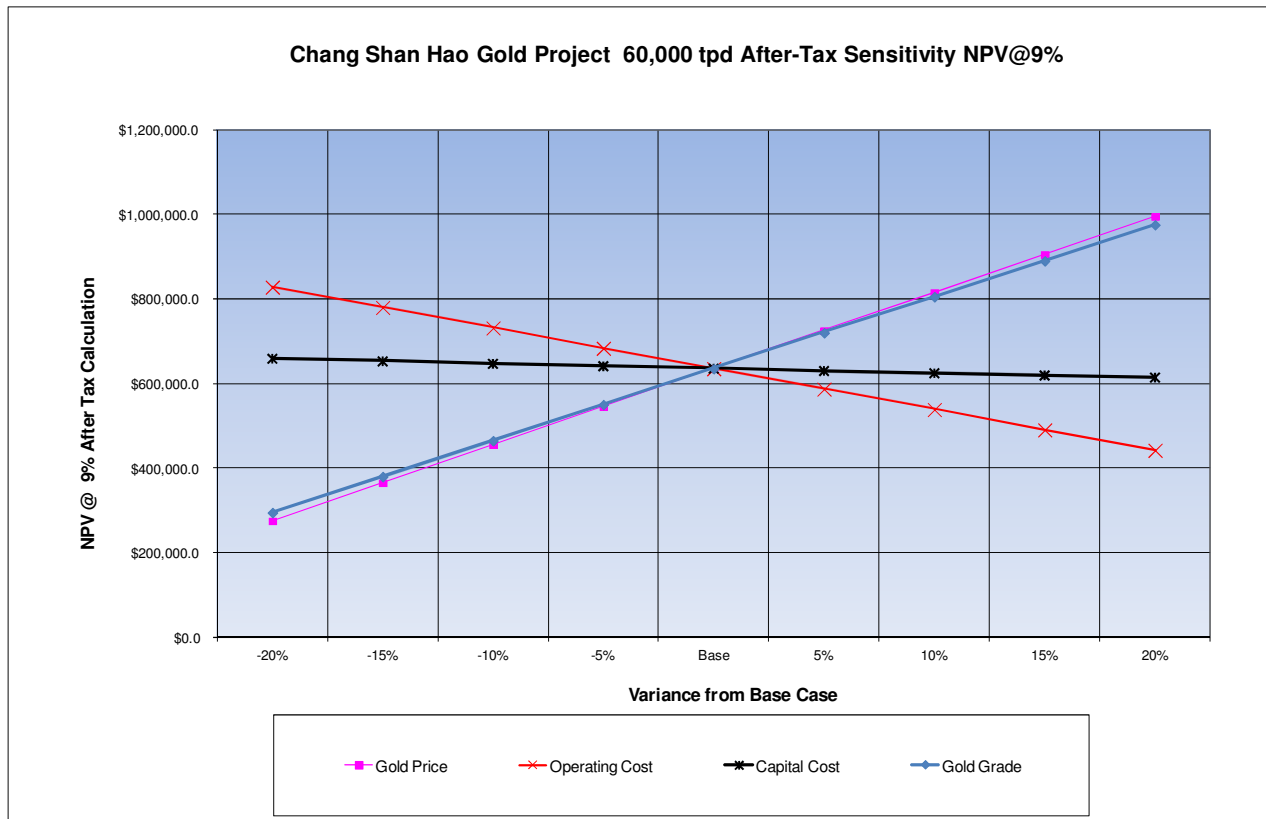


A compensation fee has been applied at a rate of 1.8% of the sales revenue.

A resource tax of 3.00 yuan/t of ore has been applied.

Income taxes have been applied at a rate of 25.0%. The depreciation carried forward from the earlier investments total \$98.2 million. The allocation of the Project capital for the purposes of depreciation was 15.9% for the Crusher Building, 18.0% for other Permanent Buildings and Structures, 29.2% for Intangible Assets, 1.3% for Electronic Equipment and 35.6% for Machinery. Depreciation rates that have been applied are Crusher Building 14%, Other Buildings 10%, Intangibles - 10%, Electronics - 20% and Machinery - 10%.

Life of Mine NPV sensitivity analysis has been conducted on the financial model at the 100% project level for variations in metal price, project capital and operating expenses. The relative effects on CSH project NPV based on the project cash flows for these scenarios are indicated in Figure 1-3.

Figure 1-3 Sensitivity Analysis

Conclusions and Recommendations

The 2011 drilling campaign added significant tonnages above cutoff at a slightly lower grade, partly due to the confirmation of grades and upgrade in resource classification down-dip and laterally. The CSH deposit in the SW area is now well delineated, and still significant potential exists for down-dip extensions to the mineralization. Mineralization at depth in the NE has been confirmed, with increases in both tonnages and confidence.

The SW zone has been interpreted as three main segments, with the easternmost striking further to the East (into the so-called central zone), while the 0.20 g/t envelopes defining the other two segments are wider. The extension of the SW zone towards the West has resulted in additional tonnage at about the same grade, included mostly in the indicated category, and for an extension of about 250 m laterally.

It is important to note that the estimated grades assume that the mine can operate a small Selective Mining Unit (SMU), that is, relatively little dilution is incorporated into the model. As such, the operation needs to run smoothly and tightly to achieve the predicted resource grades and avoid unplanned dilution.

The selectivity and dilution assumptions made in this resource model require that a diligent and efficient grade control process be implemented at the time of mining to achieve the predicted grades and tonnages.

Comparisons with blast hole data indicate that the resource model is performing well. As expected, the resource model is generally predicting more tonnage and lesser grade for low cutoffs, due to the smoothing effect of the kriging estimator. This is seen as allowance for operational dilution and ore loss.

It is important to China Gold International that mine operations validate the grade control (blast hole) information, adding to the QA/QC effort, as well as checking the quality of the ore/waste selection prediction. The resource model cannot be modified to account for this additional grade and less tonnages until the blast hole data and grade control model data are fully validated.

The Changchun Gold Design Institute (CGDI) developed mine plans and CSH developed the production schedules using the resource model described in the Section 14. The mineral reserves forming a part of this plan have been validated by NMS. The mineral reserves reported are based upon the smoothed pit designs and measured and indicated resources using a gold price of U.S. \$1380/ounce. Proven and Probable reserves reported by NMS using the designs of the CGDI have been summarized. These vary slightly from those scheduled in the mine plan. The differences are not considered significant as they represent less than 1% variance and may be due to differences in software applications.

The production schedule developed for the Feasibility Study was based upon a September 2013 completion date for the crushing plant. Ore production in 2013 assumes the equivalent of 112 days of full production at 60,000 t/d to year end. There may be some schedule risk in the mine plan in terms of ore production if the construction schedule is extended.

The Feasibility Expansion Study has demonstrated that additional value is added to the CSH Project when plant capacity is expanded. This additional value is created by moving production forward and reducing the mine life.

The following are the main resource related recommendations suggested for China Gold International to implement:

- China Gold International should implement a reconciliation system that would allow keeping track of planned and unplanned dilution observed in the pits; these include as accurate as possible measurements of volumes and tonnages extracted from the mine, as well as improved grade estimation from grade control data. The resource model grades assume that the mine can operate a small Selective Mining Unit (SMU), which requires significant operational control and careful follow up to diagnose if too much dilution is being sent to the plant.
- A more proactive and reactive QA/QC program should contribute to more confidence in the database and the resource model overall. Significant effort should be placed in responding within the QA/QC program and while drilling is on-going to correct any issues detected. The QA/QC data from the laboratory should be processed and reacted to more dynamically.
- A conditional simulation study should be completed to validate the SMU assumption, and to allow for a full assessment of recoverable resources.
- The grade control process should also be geared towards achieving as little dilution and ore loss as possible, as well as maximizing in-pit resource (ounces) recovery. A loss function-based, using conditional simulations, is probably the better grade control method for the mine.
- Comparisons with blast hole data should continue, and be part of the overall reconciliation process. Not only for material accounting purposes, but also to evaluate the performance of the resource model.

- It is important to China Gold International to validate the grade control (blast hole) information, adding to the QA/QC effort, as well as checking the quality of the ore/waste selection prediction. The resource model cannot be modified to account for this additional grade and less tonnages until the blast hole data and grade control model data are fully validated.

Once detailed engineering is 60 to 70% complete, a capital cost control estimate should be prepared which is based on designed quantities for all the major commodities, purchase order values, transportation costs, installation costs based on confirmed unit rates, indirect costs and a contingency evaluation to confirm the capital cost to a high degree of accuracy, in the order of plus-minus 10-15%.

It is recommended that detailed execution plan be developed for a transition from 30,000 t/d to 60,000 t/d and development of the next heap leach pad.

The following recommendations are offered for the mine development plan.

- Increase ramp width to 30 m for 220 t class trucks
- Move ramp to south side of Southwest Pit
- Reduce wall slopes in Southwest Pit
- Future resource modelling should be based upon a 12 m bench height if operations are modified from the current 6 m bench height.

Jiama Project

The following is the executive summary of the Jiama Technical Report on the Jiama Project. The Jiama Technical Report is available for review under the Company's profile on the SEDAR database at www.sedar.com. The entire Jiama Technical Report is incorporated by reference into this AIF. The following executive summary is derived from the Jiama Technical Report and is qualified by reference to the Technical Report in its entirety. Readers are encouraged to review the Technical Report.

Introduction

Runge Asia Limited ("RAL"), trading as Minarco-MineConsult ("MMC"), was requested by China Gold International to complete a Pre-Feasibility Study Technical Report ("PFS" or the "Report") for the Phase II expansion of the Jiama Copper-Gold Project ("Project" or "Relevant Asset") in the Tibet Autonomous Region, People's Republic of China ("PRC"). The PFS meets the requirements of the Canadian National Instrument 43-101 ("NI 43-101") of the Canadian Securities Administrators.

China Gold is a Canadian mining company whose shares are dual listed on the Toronto Stock Exchange and Hong Kong Stock exchange. At the time of listing 39.95% of shares were publically held with the remainder of the shares held by Rapid Result (BVI) - (21.07%) and China National Gold Hong Kong - (38.95%) which is 100% owned by China National Gold (PRC). The Project is currently owned and operated by Tibet Huatailong Mining Development Company Limited ("Huatailong"), which is wholly owned by China Gold through a number of subsidiary companies.

Scope and Terms of Reference

The Jiama Technical Report includes a Mineral Resource and a Mineral Reserve estimate as defined in the NI 43-101 standards of disclosure for the Project. The level of accuracy of the overall PFS based on the various inputs which constitute the report is considered to be in the order of +/- 25%. Whilst areas of the PFS are at a much higher level of confidence MMC has assumed the lowest confidence when determining the overall PFS's accuracy level.

MMC's technical team ("the Team") consisted of Principal geologists, senior mining engineers, and process engineers. Mr Jeremy Clark (Geologist), Mr Tony Cameron (Mining Engineer), Mr Hongbo Liu (Mining Engineer) and Mr Jim Jiang (Processing Engineer) undertook a site visit to the Project for a period of 3 days beginning on the 29th of April 2012 to familiarise themselves with site conditions. During the site visits, MMC had open discussions with the Company personnel on technical aspects relating to the Project. MMC found the personnel to be cooperative and open in facilitating MMC's work.

In addition to work undertaken to generate an independent estimate of Mineral Resource and Mineral Reserves, the Jiama Technical Report relies largely on information provided by the Company, either directly from the site and other offices, or from reports by other organisations whose work is the property of the Company and MMC has found no reasons not to rely on this information. The data relied upon for the Mineral Resource estimate completed by MMC and contained in the Jiama Technical Report, have been compiled primarily by the Company and reviewed by MMC and MMC has found no reason not to rely on this information. The Report specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements/contracts that the Company may have entered into.

MMC does not warrant the completeness or accuracy of information provided by the Company, which has been used in the preparation of the Jiama Technical Report.

In MMC's opinion, the information provided by the Company was reasonable and nothing discovered during the preparation of the Jama Technical Report suggested that there was any significant error or misrepresentation in respect of that information and hence MMC has found no reason not to rely on this information.

MMC has independently assessed the Relevant Asset by reviewing historical technical reports, drill hole databases, original sampling data, sampling methodology, engineering studies, future resource development plans, development potential, potential mining issues and metallurgical test work. All of this data supports the Mineral Resource and Mineral Reserve estimates. All opinions, findings and conclusions expressed in the Report are those of MMC and its specialist advisors.

Statement of Mineral Resources

MMC independently estimated the Mineral Resources contained within the Project, based on the data collected by the Company as at April, 2012. The Mineral Resource estimate and underlying data complies the guidelines provided in the NI 43-101, Standards of Disclosure for Mineral Projects, dated June 30, 2011. Therefore MMC believes it is suitable for public reporting and meets the reporting standards of Chapter 18 of the HKEx listing rules. The Mineral Resources estimates were completed by Mr. Jeremy Clark of MMC and are reported at a 0.3% Copper equivalent grade ("Cu-eq"), as referred to in **Section 14.11 of the Jama Technical Report**. The results of the resource estimate for the Project are tabulated in **Table 1-1** for Cu, Mo, Pb and Zn.

During the review of the data MMC noted that whilst the mineralisation occurs all within a single mineralised body, Au and Ag mineralisation within the orebody had a significantly higher spatial variability than the other elements. As a result MMC has classified the Au and Ag resource presented in **Table 1-2** 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. MMC has assumed that Au and Ag will not be used as a single cut-off grade for a selected mining block and will be mined in conjunction with the other elements.

The Mineral Resources are summarized in **Table 1-1** and **Table 1-2**. The Mineral Resources presented in **Table 1-2** for Au and Ag are inclusive and not in addition to the Mineral Resources in **Table 1-1** and occur within the same mineralised body.

Table 1-1 Jiama Copper-Polymetallic Project - Cu, Mo, Pb and Zn Mineral Resources reported at a 0.3 % Cu-eq* Cut Off Grade as at 28th April 2012

Rock Type	Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Cu Metal Kt	Mo Metal	Pb Metal	Zn Metal Kt
Skarn	Measured	35.6	0.71	0.048	0.11	0.07	252	17	38	25
	Indicated	293.2	0.73	0.043	0.07	0.06	2,135	127	201	163
	M+I	328.8	0.73	0.044	0.07	0.06	2,388	144	239	187
	Inferred	174	0.6	0.045	0.16	0.08	1,036	79	286	146
Hornfel	Measured	38.4	0.28	0.035	0.04	0.01	107	14	14	5
	Indicated	626.1	0.31	0.031	0.01	0.01	1,952	196	66	64
	M+I	664.5	0.31	0.032	0.01	0.01	2,059	210	80	69
	Inferred	219	0.29	0.034	0.03	0.01	633	74	72	32
Porphy	Measured	2.1	0.22	0.056	0.01	0.01	5	1	0	0
	Indicated	57.7	0.33	0.043	0.01	0.01	188	25	4	6
	M+I	59.8	0.32	0.043	0.01	0.01	193	26	4	6
	Inferred	2.9	0.23	0.099	0.02	0.04	7	3	0	1
Total	Measured	76	0.48	0.042	0.07	0.04	364	32	52	30
	Indicated	977.1	0.44	0.036	0.03	0.02	4,275	348	271	232
	M+I	1,053.1	0.44	0.036	0.03	0.02	4,640	380	323	262
	Inferred	395.9	0.42	0.039	0.09	0.05	1,676	156	359	179

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

Table 1-2 Jiama Copper-Polymetallic Project – Au and Ag Mineral Resources reported at a 0.3% Cu-eq* Cut Off Grade (>0.02 Au g/t) as at 28th April 2012.

Rock Type	Class	Quantity	Au g/t	Ag g/t	Au M Oz	Ag M Oz
Skarn	Indicated	256.5	0.31	17.01	2.537	140.290
	Inferred	117.0	0.39	16.50	1.472	62.077
Hornfels	Indicated	178.6	0.06	2.52	0.337	14.486
	Inferred	68.9	0.08	5.06	0.186	11.195
Porphyry	Indicated	15.7	0.24	8.22	0.121	4.145
	Inferred	0.4	0.11	10.79	0.001	0.128
Total	Indicated	450.8	0.21	10.97	2.995	158.921
	Inferred	186.2	0.28	12.26	1.659	73.400

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

Statement of Mineral Reserves

A Mineral Reserve estimate has been independently estimated as at 28th April 2012 by MMC in accordance with the recommended guidelines of the NI 43-101 code. **Table 1-3** presents the Mineral Reserve estimate for the Project reported at a 0.35% Cu-eq cut-off grade for the Ore extracted via open cut methods and 0.5 to 0.65% Cu-eq cut-off grade for the Ore extracted via underground methods. Details on the Cu-eq calculations used in the Mineral Reserves are outlined in **Section 15.4 of the Jiama Technical Report**. The Measured and Indicated Mineral Resources reported in the Statement of Mineral Resources were modified to produce the Mineral Reserve estimate. The Mineral Resources are inclusive of, and not additional to the Mineral Reserve.

Table 1-3 Jiama Copper-Polymetallic Project Statement of NI 43-101 Mineral Reserve Estimate as at 28th April 2012

Type	kt	Grade						Metals					
		Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu kt	Mo kt	Au t	Ag t	Pb Kt	Zn kt
Tongqianshan													
Proved	-	-	-	-	-	-	-	-	-	-	-	-	-
Probable	2,632	0.57	0.014	0.15	8.05	-	-	15.0	0.37	0.39	21.2	-	-
Subtotal	2,632	0.57	0.014	0.15	8.05	-	-	15.0	0.37	0.39	21.2	-	-
Waste	7,770	-	-	-	-	-	-	-	-	-	-	-	-
Strip Ratio*	2.95	-	-	-	-	-	-	-	-	-	-	-	-
Niumatang													
Proved	-	-	-	-	-	-	-	-	-	-	-	-	-
Probable	15,328	1.24	0.044	0.57	25.77	-	-	189.5	6.74	8.78	394.9	-	-
Subtotal	15,328	1.24	0.044	0.57	25.77	-	-	189.5	6.74	8.78	394.9	-	-
Waste	141,919	-	-	-	-	-	-	-	-	-	-	-	-
Strip Ratio*	9.26	-	-	-	-	-	-	-	-	-	-	-	-
South Pit													
Proved	-	-	-	-	-	-	-	-	-	-	-	-	-
Probable	38,231	0.93	0.021	0.22	20.90	-	-	354.0	8.03	8.53	799.0	-	-
Subtotal	38,231	0.93	0.021	0.22	20.90	-	-	354.0	8.03	8.53	799.0	-	-
Waste	233,346	-	-	-	-	-	-	-	-	-	-	-	-
Strip Ratio*	6.10	-	-	-	-	-	-	-	-	-	-	-	-
Jiaoyan													
Proved	-	-	-	-	-	-	-	-	-	-	-	-	-
Probable	146,017	0.42	0.016	0.03	1.11	-	-	611.8	23.36	4.53	161.6	-	-
Subtotal	146,017	0.42	0.016	0.03	1.11	-	-	611.8	23.36	4.53	161.6	-	-
Waste	224,620	-	-	-	-	-	-	-	-	-	-	-	-
Strip Ratio*	1.54	-	-	-	-	-	-	-	-	-	-	-	-
Underground (north)													
Proved	16,241	1.14	0.073	0.38	21.69	0.108	0.058	185.6	11.90	6.15	352.3	17.5	9.5
Probable	113,158	1.10	0.049	0.42	20.61	0.039	0.033	1,241.9	55.30	47.60	2,332.1	44.5	37.0
Subtotal	129,399	1.10	0.052	0.42	20.74	0.048	0.036	1,427.5	67.20	53.75	2,684.4	62.0	46.5
Waste	n/a	-	-	-	-	-	-	-	-	-	-	-	-
Strip Ratio*	n/a	-	-	-	-	-	-	-	-	-	-	-	-
Underground (south)													
Proved	8,673	0.63	0.014	0.29	0.38	0.116	10.855	54.8	1.26	2.48	3.3	10.1	941.5
Probable	23,190	0.67	0.016	0.09	10.82	0.094	0.125	155.1	3.76	2.05	251.0	21.8	28.9
Subtotal	31,864	0.66	0.016	0.14	7.98	0.100	3.046	209.9	5.02	4.53	254.3	31.9	970.4
Waste	n/a	-	-	-	-	-	-	-	-	-	-	-	-
Strip Ratio*	n/a	-	-	-	-	-	-	-	-	-	-	-	-
Total Reserves													
Proved	24,914	0.96	0.053	0.35	14.27	0.111	3.817	240.4	13.15	8.63	355.6	27.6	950.9
Probable	338,556	0.76	0.029	0.21	11.70	0.020	0.019	2,567.3	97.57	71.88	3,959.8	66.4	65.9
Total	363,470	0.77	0.030	0.22	11.87	0.026	0.280	2,807.7	110.72	80.50	4,315.4	94.0	1,016.9

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

*Strip ratio units are waste tonne: ore tonne

Project Summary

- The Jiama Project is located in Metrorkongka County, Tibet Autonomous Region, ehe PRC, approximately 68 linear km east-northeast of Lhasa, the capital city of Tibet and 3,600 km south west of Beijing. The Jiama Project can be accessed via highway G318 at a distance of 60 km from Lhasa, followed by an 8 km paved road, which connects the site offices, accommodation and Jiama Project area with the highway. Lhasa has daily international and domestic flights to a variety of destinations in addition to an operating rail network which connects Tibet to other provinces in China.
- The Jiama Project was first discovered in the early 1950's with artisanal scale lead mining occurring within the area. Surface sampling and mapping was conducted over the area between

1951-1990 with modern exploration, inclusive of drilling completed between 1991 and 1999 by the No. 6 Geological Brigade. This work resulted in the issue of 4 mining licences to individual companies which produced ore at a small scale through both open cut and underground methods until April 2007. In April 2007 in accordance with an agreement between the Tibet government and China National Gold Group Corporation, the 4 mining licences, as well as the exploration licences in the surrounding areas, were consolidated into the reorganized Huatailong in late 2007, with China Gold Group HK as the primary shareholder. Production has been ongoing since re-commencement of mining in 2010 at a rate of 1.8 Mtpa ROM ore via two open cut pits, namely Tongqianshan and Niumatang.

- Huatailong completed four phases of exploration work between 2008 and 2011. In addition to the 145 surface diamond drill holes for a total of 47,443 m completed in 2008, Huatailong established survey control points using differential GPS instruments, based on the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system. A topographic survey on a 1:2,000 scale (2 m contours) over a total area of 13.8 sq.km was conducted by total stations, and the survey results were tied to the established survey control points. In 2009 a further 47 surface diamond drill holes for a total of 18,746 m were completed. These drill holes were generally infill drill holes, however additional step out drilling was complete to expand the defined resources. In 2010, Huatailong completed 99 surface drill holes for a total of 49,613 m. These holes included both infill drilling and extension holes along strike and down dip. Following a review of these holes Huatailong completed an additional 22 infill drill holes in 2011 within the proposed pit locations to enable detailed mine planning to be undertaken. These 22 surface diamond holes resulted in a total of 10,720 m being drilled and were the basis for updating of the Mineral Resources in 2012 and the Jiama Technical Report. MMC is aware further drilling is currently planned over the proposed South Pit which is aimed at upgrading the resource classification within the pit area.
- Stratigraphy outcropping in the Jiama Project area is dominated by clastic-carbonate rocks, including Upper-Jurassic Duodigou Formation limestones and marbles, Lower-Cretaceous Linbuzong Formation sandstones and slates, and Quaternary colluviums and alluviums, Mafic, intermediate to felsic dikes can be observed outcropping within the Project area and within drill holes, but no large intrusive bodies have yet been identified. It is suggested that a large granitic intrusive body exists at depth in the area and it has provided the intense heat source for the metamorphism and also the mineralizing solutions for the copper polymetallic mineralisation. Emplacement of the granitic intrusion would have resulted in metamorphism into marbles of a large portion of the Duodigou limestones, and the metamorphism into hornfels of Linbuzong clastic rocks.
- Three types of copper-polymetallic mineralisation are observed within the Jiama Project, these include Skarn, Hornfels and Porphyry hosted mineralisation. All three styles of mineralisation are structurally controlled with polymetallic mineral concentrations occurring along shear/structure zones. The mineralisation is offset by thrust and detachment faults and is associated with anticlines and synclines. Cu Mineralisation is mainly associated with the sulphide minerals chalcopyrite, bornite and chalcocite, which occur hosted by small sulphide veins, as disseminated sulphide crystals or massive sulphide zones. Molybdenum occurs as medium to coarse grained disseminated molybdenite predominantly within the porphyry and hornfels.
- MMC reviewed documentation for the sampling procedures, preparation, analysis, and security during their site visits in April 2012. From the review of the literature and documentation on the Jiama Project, MMC finds acceptable results from analytical work completed by previous operators who collected their samples according to standards and accepted practices at the time of the campaigns. Data has been reviewed by MMC by visiting a number of sampled locations in the field and evaluating the reported results against the mineralised rock observed in the field.

- The Company plans to operate four open cut mines, namely Tongqianshan, Niumatang, Jiaoyan and South Pit, and one underground mine, which is split into a north and south area. Phase I saw the development of the Tongqianshan and Niumatang open cut pits which have been in operation since 2010 and currently produce a combined rate of 1.8 Mtpa ROM ore. Under the Phase II expansion an additional 2 pits Jiaoyan and South Pit will be developed along with the underground mine. Until 2015 only open cut mining will be employed, however after 2015 a combination of open cut and underground mining methods will be used.
- The mine life is estimated to be 31 years based on the Mineral Reserve. The Jiama Project at full production has a planned average mining production rate of 13.6 Mtpa ROM ore from 2016 to 2039. During the final years of the mine life, production will be ramped down. Although during 2016 and 2019 production is planned exceed 13.6 Mtpa, MMC considers this achievable based on proposed equipment and processing plant capacity.
- Over the life of the mine open cut mining methods will extract 202.2 Mt of ROM ore while the underground mining methods will extract 161.3 Mt of ROM ore. Life of mine average ROM ore annual production rate from 2012 is planned to be 6 Mtpa and 6.3 Mtpa from open cut and underground respectively. During the earlier years of the mine life, mining will focus on skarn ore, however as the mining progresses more hornfels and porphyry hosted ore will be targeted. The metals that are to be extracted by the Jiama Project are copper, molybdenum, gold, silver, lead and zinc. Copper is the primary economic metal.
- Contractors will be used to undertake all mining activities. Open cut mining will use conventional truck and excavator methods to mine the ore, while the underground methods consist of variations of open stoping and sublevel caving.
- Various ore pass systems underground will be used to transport crushed ore from the open pits and underground, via conveyor belt systems, to the ROM stockpiles on surface for use as feed material for the processing plants. The underground mine will be accessed via vertical shafts and a decline ramp for trackless equipment. While the open pit is still in operation a stoping method that employs a cemented fill will be utilised to maintain the stability of the open pit walls and floor. Upon completion of the open pit operations the sublevel caving (“SLC”) mining method will be used to mine the material contained in the crown pillar, which is located under the floor of the open pit.
- Although only preliminary geotechnical studies have been completed to date on the Jiama Project, observations during the site visit indicate no geotechnical issues have occurred since the re-commencement of mining in 2010. Although geological logging and geological modeling completed indicates that no significant changes occur at depth in regards to structural complexity and potential stability of the rocks, MMC has used conservative geotechnical parameters in the mining studies. MMC believes there will be no material change to the proposed life of mine plan for the Jiama Project with additional data, however further studies are recommended to be undertaken to confirm the parameters used. Any refinement of the parameters such as pit slope angles and underground stope sizes will enable mine optimization to be undertaken of both the short and long term plans of the Jiama Project. No significant hydrological issues have been identified for the planned open cut or underground operations.
- MMC notes that the mining licence does not cover the entire proposed mining areas, however these areas are covered by an exploration licence. Additionally, based on mine planning studies completed to date, there appears that the proposed dumping areas are insufficient to accommodate all planned life of mine waste material. MMC is however aware that there is sufficient suitable

land within the Jiama Project area so as to allow the Company to secure sufficient dumping space through the application of a land usage permit, as required by local regulations.

- The current mineral processing plants developed during Phase I includes the operating Huatailong 1.8 Mtpa processing plant (capacity of 6,000 tpd of Cu-Mo-Pb-Zn ores) and a pilot processing plant (capacity of 600 tpd of Cu-Pb-Zn ores). The Huatailong processing plant started operation in 2010, while the pilot plant has been in existence at the site for many years since modification from an old processing plant. The existing Huatailong processing facility was designed for recovery of Cu, Pb, Zn, Au and Ag by bulk flotation, followed by Cu-Pb-Zn flotation circuit and Cu-Mo separation flotation circuit, finally producing separate Cu, Pb, Zn and Mo concentrates. The current operation, however, only treats the Cu-Mo ore which due to the Mo content only produces a Cu concentrate with Au and Ag credits. Mo separation is not economic at this time and therefore Mo is not separated or credited.
- As part of its Phase II expansion plans the Company proposes that a new Huatailong processing plant be constructed to treat the copper-molybdenum sulphide ores from Project. It is forecast that it will have an overall rate of 40 ktpd ROM (i.e. 12 Mtpa ROM of Cu-Mo ores) and commence production in 2014. Once commissioned for operation, the overall processing capacity for the Jiama Project will be 13.8 Mtpa for Cu-Mo ores.
- The forecast life-of-mine capital costs for the Jiama Project are 705.1 MUS\$D, which includes 221.3 MUS\$D for processing and 456.0 MUS\$D for mine capital. The capital costs for Phase II have been estimated by the Changsha Institute and were presented in its October 2011 draft Chinese Feasibility Study report for the Jiama Project. MMC has reviewed these cost estimates and considers them to be reasonable for the Jiama Project. The mining capital costs are estimated to have an accuracy of $\pm 25\%$. Greater variations in the estimated capital costs may occur if there are changes to the proposed mine plan.
- The life of mine operating costs for the Jiama Project have been estimated by the Changsha Institute and were presented in its October 2011 draft Chinese Feasibility Study report for the Jiama Project. The estimated costs are detailed in *Table 1-4*. MMC has reviewed these cost estimates and considers them to be reasonable for the Jiama Project.
- The life of mine average operating cash costs are USD 1.83/lb Cu or USD 1.62/lb Cu Equivalent taking into account the credits from other metals.

Table 1-4 Jiama Copper-Polymetallic Project – Life of Mine Operating Costs (USD/ t processed)

Cost Centre	USD/t waste	USD/t processed	USD/lb Cu Equivalent
Overburden Removal	2.09	6.30	
Open Cut Ore Mining		2.10	
Underground Mining		15.09	
Support		1.22	
Processing		10.89 (Cu/Mo) / 8.85(Cu/Pb/Zn)	
Administration & Other Overheads		4.28	
Total Mine Operating Costs/t processed		39.87 / 37.83	
Metal Selling and Transport		2.21	
Average royalty per ROM tonne		2.38	
VAT		3.65	
Total Project Operating Costs/t processed		48.10 / 46.06	1.58 / 2.26

- Average annual net cash flow of USD 120 M over the life of mine for a total undiscounted cumulative net cash flow of approximately USD 3,634 M.
- NPV (post-tax) analysis has been completed at 7%, 9% and 11% discount rates. The base case reserve economic model results were estimated at a discount rate of 9%. The cumulative discounted cash flow at 9% is equal to USD1,240 M with an internal rate of return (IRR) of 55%. The Jiama Project has negative cash flows in the first 4 years, which is due to the large initial capital expenditure required to upgrade of processing plant, mining, engineering and other facilities. However, the NPV becomes positive in 2016 and increases in value thereafter. After 25 years cash flows are discounted heavily and there is no great value being added to the NPV. Sunken capital of USD 270k from the original Phase I project development is not included in this NPV analysis but depreciation flowing through from this capital has been allocated for in the NPV Analysis. The pre-tax cumulative discounted cash flow at 9% is equal to USD1,471 M with an internal rate of return (IRR) of 62%.
- Economic model sensitivity analysis was completed on (Cu, Mo, Ag, Au and Pb) metal prices as well as capital cost estimates and operating cost estimates. The results indicate that the Project is sensitive to variations in metal price, operating costs, grades, recoveries and capital costs, in that order. As copper is the majority revenue source for the Jiama Project, the Jiama Project is most sensitive to the copper price.

Recommendations

The recommendations are based on observations made by MMC during the completion of the Jiama Technical Report and review of the associated documentation. The key recommendations for the Jiama Project are outlined below, and are detailed (including the associated costs in Section 26 of the Jiama Technical Report).

- While the current mining operations are within licenced areas, the Company must obtain an expanded mining licence, both in terms of area and production rate, to ensure all proposed open cut and underground operations are within a mining licence boundary and adhere to licenced production throughput limits. The areas under consideration are currently covered by a valid exploration licence and under Chinese mining regulation there is a well-defined and regulated process by which an exploration licence is converted to a mining licence, with the Company having commenced this process already. The conversion process includes the requirement for the Company to complete a Chinese Feasibility Study before applying for conversion to a mining licence. Additionally, it is MMC's understanding that under local regulations if the Company funds the bulk of the exploration costs, it will receive exclusive rights to convert the exploration licence to a mining licence upon completion of the Chinese Feasibility Study. Due to the above reasons, MMC believes that there is reasonable expectation that this conversion will happen in a timely fashion so as not to impact the Company's plans.
- Complete infill drilling of the South Pit Inferred Resource area to upgrade the resource classification to Indicated. This is likely to facilitate the decreased waste mining of the south pit and allow for further optimisation of the mining schedule.
- Upon completion of current infill drilling underway by the company an update of the resource model should be undertaken to reflect the revised understanding on controls on mineralisation allowing for a further upgrade in resource classification.
- Incorporation of the grade control blast hole data into the resource model is likely to lead to an improved understanding of the short range grade variability of the deposit and associated

minerals. MMC recommends that automatic splitting and sampling attachments be added to the current blast hole drill rig fleet to improve sampling quality, and that QAQC practices in line with international standards be introduced to the assaying so as to allow this dataset to be included in future resource estimates.

- Complete sterilisation drilling at the proposed location for Jiaoyan dump to ensure that potentially valuable mineralisation is not present in this area.
- Additional detailed mine planning studies are required to:
 - Confirm, optimize and improve pit designs, scheduling and equipment selection for South Pit and Jiaoyan (this will require further geotechnical work but this work has potential to improve project economics);
 - Confirm final design parameters for South Pit and Jiaoyan, particularly those relating to the overall pit slope angle of 43°, which are considered conservative;
 - Confirm final design parameters used for the underground mine (this will require further geotechnical work);
 - Update the underground design to reflect the direct access of the south underground from the bottom of the South Pit open cut; and
 - Confirm initial conclusions that open-cuts and underground can operate efficiently and safely in tandem.
- Upon completion of further detailed mine planning and processing studies, updates to the schedules as well as operating and capital cost forecasts should be undertaken to assess their impact on the Jiama Project value.
- Complete further metallurgical testing of both skarn and hornfels ores to improve the molybdenum and precious metal recoveries especially in lower grade ore. Additional Skarn samples should be collected from the deeper portions of the orebody especially in the underground to confirm recoveries. Testing of the hornfels ore, which are mostly located in the Jiaoyan pit area, will be focused on further refining the Cu-Mo separation.
- Due to molybdenum feed grade variability in the various ores especially above 0.02% Mo, further metallurgical studies are recommended to better optimize the recovery of Mo. Additionally further Cu-Mo separation flotation tests are needed to determine the suitability of reagent and Mo cut-off grades for processing lower grade Mo ores.
- Perform regular metallurgical testwork to optimise process performance, the nature of plant operation and the potential for operational and process improvements.
- Future testwork needs to establish the recoveries and concentrate grades of all metals as a function of feed grade, ore type and mineralogy. MMC understands that the company has established a copper recovery-feed grade relationship for the skarn ore type based on available testing data and historical operational data, however this needs to be undertaken for copper for the other ore types and for molybdenum for all ore types.
- Additional marketing studies are recommended to better understand the metal price forecasts. This will reduce the Project risk and improve revenue predictability.

Opportunities and Risks

The key opportunities for the Jiama Project include:

- Excellent opportunity to expand the current Mineral Reserves at the Jiama Project through completion of infill drilling presently being undertaken in the South Pit area. It is likely that this drilling will result in an upgrade of the inferred resource inside South Pit to at least Indicated status. Reserving of this material is also likely to increase the ore tonnage within the planned pit outline in turn increasing the mine life and reducing the strip ratio further especially in the earlier years of production as most of the inferred resources are located in the upper portions of the planned pit. This is likely to have a positive impact on the South Pit economics.
- Further optimisation of the scheduling for the open cut and underground resources is likely to lead to an increase in NPV through smoothing out of the overall project strip ratio and production profile. Improvement in the sequencing of material and optimizing waste and ore movement will allow for costs to be managed and for higher grade material to be brought forward therefore increasing the value of the deposit. This can be achieved by attaining a greater level of detail by running numerous options on the sequencing and scheduling of the pits as well as the sequence between the timing of when various pits come into production putting focus on high grade pits first to increase the value of the deposit through the time value of money.
- There is an opportunity to decrease underground development access costs through direct access of the underground from the bottom of the South Pit open cut. Detailed design work is required in the next phase of study to quantify this saving.
- There is potential to increase Mo recoveries at a lower cut-off grade as well as lower processing costs through further metallurgical testing focusing on optimising the flowsheet and use of alternative reagents. Pilot plant scale testing should be conducted to assess this opportunity.
- Further infill drilling in the underground portions of the deposit is likely to lead to an increased understanding on the mineralisation controls within the deposit, especially controls on the high grade shoot. Further domaining of these shoots will lead to improved underground scheduling and is likely to improve the overall project economics.
- Targeted exploration drilling from underground in the latter years is likely to increase the skarn portion of the resource at depth to the north east. MMC notes that based on available data the grade and alteration intensity decreases with increasing depth.

The key risks to the Jiama Project include:

- The current mining lease does not cover the total proposed mining areas or the proposed production rates. The proposed mining areas under consideration are currently covered by a valid exploration licence and under Chinese mining regulation there is a well-defined and regulated process by which an exploration licence is converted to a mining licence with the Company having commenced this process already. Additionally, it is MMC's understanding that as the Company has funded the bulk of the exploration work, they will receive exclusive rights to convert the exploration licence to a mining licence upon completion of the Feasibility Study. Hence MMC believes that there is reasonable expectation that this conversion will happen in a timely fashion so as not to impact the Company's plans.
- Further geotechnical studies should be undertaken to better understand the rock mechanics related to the Jiaoyan Pit, South Pit and the underground mine, as to date only qualitative descriptions

regarding the stress distribution characteristics of rock mass in the rock mechanics and general estimations regarding the ground surface caving have been able to be completed to date. Implementation of ongoing geotechnical monitoring for the open cuts and underground mine when in operation will be crucial to optimising pit and ground control designs.

- Jiaoyan pit poses a great risk to the overall project Net Present Value. Jiaoyan is a low grade hornfels Cu-Mo ore body which at current modifying factors is considered of marginal value. Jiaoyan only contains low grade in-situ copper grades whereby a further decrease in copper prices will see this pit cause serious detriment to the overall open cut viability. To mitigate this risk a detailed mine plan will need to be created as well as delaying the introduction of this pit in relation to the overall timing within the project to maximize high grade deposits first to increase the overall deposit value. Further metallurgical studies focused on increasing recovery of copper and/or molybdenum from the hornfels ore type which dominates Jiaoyan is also likely to improve the pits overall economics.
- Factors that affect the processing extraction efficiency include the following:
 - The ore mineralogy, particularly mineral type, size and association;
 - The ore type;
 - The feed grade;
 - Any oxidation of the ore;
 - Plant availability / continuity or operation.
 - Operational issues such as:
 - Experience of operators;
 - Control systems e.g. level control in flotation cells
 - Grind size not being achieved

MMC operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industries. The Jiama Technical Report was prepared on behalf of MMC by technical specialists, details of whose qualifications and experience are set out in *Annexure A* to the Jiama Technical Report.

MMC has been paid, and has agreed to be paid, professional fees for its preparation of the Jiama Technical Report. However, none of MMC staff or sub-consultants who contributed to the Technical Report has any interest in:

- the Company, securities of the Company or companies associated with the Company; or
- the Relevant Asset; or
- the outcome of the release.

Drafts of the Jiama Technical Report were provided to the Company, for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the Jiama Technical Report. The Jiama Technical Report is mainly based on information provided by China Gold, either directly from the Project site and other associated offices or from reports by other organisations whose

work is the property of the Company. The Jiama Technical Report is based on information made available to MMC up to July 31, 2012.

Human Resources

At December 31, 2012, China Gold International had 1,276 employees working at various locations.

DESCRIPTION OF CAPITAL STRUCTURE

China Gold International's authorized capital consists of an unlimited number of Common Shares without par value. As of March 25, 2013, China Gold International had 396,358,753 Common Shares issued and outstanding. All of the issued Common Shares are fully paid and are not subject to any future call or assessment. All of the issued Common Shares rank equally as to voting rights, participation and distribution of China Gold International's assets upon liquidation, dissolution or winding-up and the entitlement to dividends. Holders of Common Shares are entitled to receive notice of, attend and vote at all meetings of shareholders of China Gold International. Each Common Share carries one vote at such meetings. Holders of Common Shares are entitled to dividends if and when declared by the directors and, upon liquidation, to receive such portion of the assets of China Gold International as may be distributable to such holders.

DIVIDENDS

China Gold International has not, since its incorporation, paid any dividends on any of its Common Shares. China Gold International has no present intention to pay dividends, but China Gold International's Board of Directors will determine any future dividend policy on the basis of earnings, financial requirements and other relevant factors. See also "General Development of Business – Risk Factors".

MARKET FOR SECURITIES

The Common Shares of China Gold International are traded in Canada on the TSX under the symbol CGG and HKSE under the stock code 2099. The closing price of China Gold International's Common Shares on the TSX on March 21, 2013 was Cdn.\$3.87 and on the HKSE on March 21, 2013 was HK\$28.25.

The following sets forth the high and low market prices and the volume of the Common Shares traded on the TSX on a monthly basis during the periods indicated (stated in Canadian dollars):

	High	Low	Volume
January 2012	3.50	2.66	3,009,602
February 2012	4.73	3.09	4,027,563
March 2012	5.13	3.26	15,278,392
April 2012	5.04	4.18	5,087,374
May 2012	4.73	2.95	8,388,903
June 2012	3.88	3.11	5,261,091
July 2012	3.31	2.30	2,708,054
August 2012	3.75	2.36	4,249,062
September 2012	4.65	3.40	14,420,802
October 2012	4.48	3.81	2,784,823
November 2012	4.28	3.77	3,024,756
December 2012	3.96	3.31	5,680,923
January 2013	3.85	3.36	3,313,845
February 2013	3.52	3.10	2,595,640

DIRECTORS AND OFFICERS

The name, province or state and country of residence and position with the Company of each director and executive officer of the Company, and the principal business or occupation in which each director or executive officer has been engaged during the immediately preceding five years, effective on the date of this AIF, is as follows:

Name, Province and Country of Residence and Position with Company⁽¹⁾	Present and Principal Occupation during the last five years	Date of Appointment as Director
Zhaoxue Sun Director, Chairman Beijing, China	President of China National Gold (October 2006 to present)	May 12, 2008
Xin Song Director, Chief Executive Officer Beijing, China	Chief Executive Officer of the Company (October 2009 to present); Vice President of China National Gold in charge of resources development and international operations (July 2003 to present)	October 9, 2009
Bing Liu Director Beijing, China	Vice President and Chief Financial Officer of China National Gold (November 1999 to present)	May 12, 2008
Zhanming Wu Senior Executive Vice President, Director Beijing, China	Head of the Overseas Operation Department of China National Gold (September 2007 to present); Director of Strategic Investment of Digital China Financial Service Holdings Limited (IT product distributor and IT services provider) (January 2006 to August 2007)	May 12, 2008
Ian He Director BC, Canada ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	President of Tri-River Ventures Inc. (July 2007 to present); President of Spur Ventures Inc. (phosphate mining and fertilizer production in China) (August 1995 to June 2006)	May 31, 2000

Name, Province and Country of Residence and Position with Company ⁽¹⁾	Present and Principal Occupation during the last five years	Date of Appointment as Director
Yunfei Chen ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Director Hong Kong	Independent Advisor (August 2007 to present); Managing Director of Deutsche Bank Hong Kong (Corporate and Investment Bank) (July 2001 to August 2007)	May 12, 2008
Gregory Hall ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Director Western Australia, Australia	Independent Geological Consultant (August 2006 to present); Chief Geologist of Placer Dome Group (gold exploration and mining company) (2000 to July 2006)	October 9, 2009
John King Burns ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Director Pennsylvania, USA	Director of several public and private mineral and energy companies (1998 to present)	October 27, 2009
X.D. Jiang Vice President of Production Director BC, Canada	Vice President of Production of the Company (March 2009 to present); Vice President of Production and Technology of the Company (September 2008 to March 2009); Vice President of Business Development of the Company (May 2004 to September 2008); General Manager of IMPM (August 2007 to present); China Project Manager of the Company (July 2002 to May 2004)	June 17, 2010
Derrick Zhang Chief Financial Officer BC, Canada	Chief Financial Officer of the Company (August 2011 to present); Interim Chief Financial Officer of the Company (February 2011 to August 2011); Controller of the Company (January 2010 to February 2011); Financial and Accounting Supervisor for E-One Moli Energy (Canada) Ltd. (May 2008 to December 2009); Financial Analyst for Teleflex (Canada) Ltd. (November 2007 to April 2008); Cost Accountant for E-One Moli Energy (Canada) Ltd. (September 2006 to November 2007)	N/A
Jerry Xie Executive Vice President & Corporate Secretary BC, Canada	Executive Vice President and Corporate Secretary of the Company (March 2010 to present); Executive Vice President and Secretary to the Board of the Company (October 2009 to March 2010); Vice President and Secretary to the Board of the Company (March 2009 to October 2009); Manager of Piping Engineering Department of Asset Service Group in heavy oil units of WorleyParsons Calgary (resource and energy engineering support company) (February 2006 to March 2009)	N/A
Songlin Zhang Vice President & Chief Engineer Washington, USA	Appointed Vice President (June 16, 2012) and Chief Engineer of the Company (February 2012 to present); Technical Director for White Tiger Gold (December 2010 to February 2012); Independent Consultant (October 2001 to December 2010)	N/A

Notes:

- (1) The information as to country of residence and principal occupation has been furnished by the respective directors and officers individually.
- (2) Denotes member of the Audit Committee.
- (3) Denotes member of the Compensation and Benefits Committee.
- (4) Denotes member of the Nominating and Corporate Governance Committee.
- (5) Denotes member of the Health, Safety and Environmental Committee.

Each director's term of office expires at the next annual general meeting of China Gold International.

Shareholdings of Directors and Senior Officers

As at March 25, 2013, the directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 173,500 Common Shares of China Gold International representing approximately 0.04% of the outstanding Common Shares of China Gold International.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director, officer or promoter of China Gold International has, within the last ten years: (i) been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied China Gold International access to any statutory exemption for a period of more than 30 consecutive days; (ii) was subject to an order that was issued after the director, executive officer or promoter ceased to be a director, executive officer or promoter in the relevant company which resulted from an event that occurred while that person was acting in that capacity that denied the relevant company access to any statutory exemption for a period of more than 30 consecutive days; (iii) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person; or (iv) been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

No director, officer or promoter of China Gold International, or a shareholder holding sufficient securities of China Gold International to affect materially the control of China Gold International, or a personal holding company of any such persons, has, within the 10 years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

Directors and officers of China Gold International may, from time to time, be involved with the business and operations of other mining companies, in which case a conflict may arise. See "Description of the Business – Risk Factors" for more details.

Audit Committee Information

Information Concerning the Audit Committee of the Company, as required by NI 52-110, is provided in Schedule B to this Annual Information Form.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

China Gold International is unaware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of (i) any director or executive officer of China Gold International, (ii) a person or company that is, as of the date hereof, the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of China Gold International's outstanding securities, and (iii) any associate or affiliate of any person or company referred to in either (i) or (ii) above, in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or would materially affect China Gold International or any of its subsidiaries other than the following:

1. the interest of China National Gold in the sale of the Dadiangou Gold Project to Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of Shanxi Taibai Gold Mining Co. Ltd., which transaction was completed on February 10, 2012. See “General Development of the Business – Three Year History.”
2. the CGG Non-Compete and the CNG Non-Compete. See “General Development of the Business – Three Year History – 2010”.
3. the interest of China National Gold in the release of guarantees provided by it under the ABC Term Loan, the Bank of China Loan and the Bank of China Credit Facility. See “General Development of the Business – Three Year History – 2011.”
4. the interest of China National Gold in the 2012 Contract for the Purchase and Sale of Dore. See “General Development of the Business – Three Year History – 2012.”
5. the interest of China National Gold in the EPC Agreement entered into by IMPM with China Gold Construction. See “General Development of the Business – Three Year History – 2012”.
6. the interest of China National Gold in the Jiama Framework Agreement. See “General Development of the Business – Three Year History – 2012”.

In addition China National Gold provides support to mining and exploration operations at the CSH Gold Project and the Jiama Project from time to time. The Company has entered into additional non-material contracts with China National Gold and affiliates of China National Gold in connection with the ongoing expansions of the CSH Gold Project and the Jiama Project. See “General Development of the Business – Three Year History – 2012”.

TRANSFER AGENT AND REGISTRAR

The Company’s principal transfer agent and share registrar is CIBC Mellon Trust Company of Suite 1600, 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X1 and the Company’s transfer agent and share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

MATERIAL CONTRACTS

Reference is made to the material contracts that China Gold International has filed with the Canadian securities regulatory authorities on the SEDAR website at www.sedar.com.

Below are the particulars of each contract, other than those entered into in the ordinary course of business, that is material to China Gold International and was entered into between January 2012 and the date of this AIF or was entered into before that date but is still in effect. No disclosure is made regarding any contract that was entered into prior to January 1, 2002.

1. CJV between Brigade 217 and Pacific Gold Mining Inc. dated April 5, 2002 to establish IMPM as a CJV. This is the joint venture agreement that relates to the CSH Gold Project and grants to China Gold International a 96.5% interest in the CJV.
2. CNG Non-Compete and the CGG Non-Compete. See “General Development of the Business – Three Year History – 2010.”

3. ABC Fixed Asset Loan dated May 30, 2011. See “General Development of the Business – Three Year History – 2011.”
4. Bank of China Loan. A loan of RMB700 million received by Huatailong from the Bank of China Limited on March 16, 2009 for the purpose of developing the Jiama Project. This agreement was incorporated into the Company’s consolidated financial operations following the acquisition of Skyland. See “General Development of the Business – Three Year History – 2011.”
5. Bank of China Loan Supplementary Agreement dated May 30, 2011. See “General Development of the Business – Three Year History – 2011.”
6. Bank of China Credit Facility. A credit facility of RMB750 million received by Huatailong from a syndicate of banks led by the Bank of China on June 4, 2010. This agreement was incorporated into the Company’s consolidated financial operations following the acquisition of Skyland. See “General Development of the Business – Three Year History – 2011.”
7. Bank of China Credit Facility Supplementary Agreement dated May 27, 2011. See “General Development of the Business – Three Year History – 2011.”
8. 2012 Contract for the Purchase and Sale of Dore dated January 27, 2012. See “Description of the Business – CSH Gold Project – Significant Contracts.”
9. EPC Agreement in connection with the expansion of the CSH Gold Project. See “General Development of the Business – Three Year History – 2012”.
10. Jiama Framework Agreement in connection with the expansion of the Jiama Project. See” General Development of the Business – Three Year History – 2012”.

INTERESTS OF EXPERTS

Names of Experts

The following persons, firms and companies are named as having prepared or certified a report, valuation statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or relating to, its most recently completed financial year and whose profession or business gives authority to the report, valuation statement or opinion made by the person, firm or company:

Name	Description
Deloitte Touche Tohmatsu	Independent Auditor, Auditors’ Report dated March 25, 2013 for the year ended December 31, 2012.
Jeremy Clark (MAIG) Anthony Cameron (FAUSIMM) Dr. Andrew Newell (MAusIMM (CP))	Authors of the “Pre-Feasibility Study Technical Report on the Jiama Copper-Polymetalic Project Metrokongka County, Tibet Autonomous Region, The People’s Republic of China” dated November 12, 2012.
John Nilsson, P. Eng Mario Rossi, MSc. Min. Eng. Ken Major, P.Eng William McKenzie, P.Eng	Authors of the “Technical Report Expansion Feasibility Study for the Chang Shan Hao (CSH) Gold Project Inner Mongolia, People’s Republic of China” dated October 21, 2012.

Interests of Experts

Deloitte Touche Tohmatsu is the independent auditor of China Gold International.

To the Company's knowledge, none of the other experts named in the foregoing section had, at the time they prepared or certified such report, valuation statement or opinion, received after such time or will receive any registered or beneficial interest, directly or indirectly, in any securities or other property of the Company.

None of such experts and no director, officer or employee of such experts is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information, including information related to directors' and officers' remuneration and indebtedness, principal holders of China Gold International's securities, options to purchase securities, and interests of insiders in material transactions, is contained in China Gold International's information circular for the 2012 Annual General Meeting of Shareholders held on June 18, 2012. Such information for the current year will be included in China Gold International's information circular for its upcoming Annual General Meeting of Shareholders, which will be held on June 18, 2013. Additional financial information is provided in China Gold International's audited financial statements and MD&A for the fiscal period ended December 31, 2012. Copies of the information circulars, financial statements and MD&A can be obtained upon request from China Gold International at Suite 1030, One Bentall Centre, 505 Burrard Street, Box 31, Vancouver, British Columbia, Canada, V7X 1M5, Attention: Corporate Secretary, or on SEDAR at www.sedar.com.

SCHEDULE A - GLOSSARY AND CONVERSION FACTORS

Conversion Factors

For ease of reference, the following conversion factors are provided:

Imperial Measure =	Metric Unit	Metric Unit =	Imperial Measure
2.47 acres	1 hectare	0.4047 hectares	1 acre
3.28 feet	1 metre	0.3048 metres	1 foot
0.62 miles	1 kilometre	1.609 kilometres	1 mile
0.032 ounces (troy)	1 gram	31.1 grams	1 ounce (troy)
2.205 pounds	1 kilogram	0.454 kilograms	1 pound
1.102 tonnes (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy)/ton	1 gram/tonne	34.28 grams/tonne	1 ounce (troy)/ton

Glossary of Geological and Mining Terms

andalusite: an aluminium-silicate metamorphic mineral found in high-temperature, low pressure metamorphic terranes.

assay: the chemical analysis of an ore, mineral or concentrate to determine the amount of valuable species.

breccia: rock consisting of more or less angular fragments in a matrix of finer-grained material.

carbonaceous: containing carbon or coal, especially shale or other rock containing small particles of carbon distributed throughout the whole mass.

diabase: a fine-grained intrusive igneous rock.

diorite: intermediate coarse grained igneous rock.

footwall: the underlying side of a fault, ore body, or mine working; particularly the wall rock beneath an inclined vein or fault.

formation: a persistent body of igneous, sedimentary, or metamorphic rock, having easily recognizable boundaries that can be traced in the field without recourse to detailed paleontologic or petrologic analysis, and large enough to be represented on a geologic map as a practical or convenient unit for mapping and description.

granitoid: pertaining to or composed of granite.

hanging wall: the overlying side of an ore body, fault, or mine working, especially the wall rock above an inclined vein or fault.

igneous rock: rock that is magmatic in origin.

indicated mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable

exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

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

intercalated: said of layered material that exists or is introduced between layers of a different character; especially said of relatively thin strata of one kind of material that alternates with thicker strata of some other kind, such as beds of shale intercalated in a body of sandstone.

kriging: A weighted, moving-average interpolation method in which the set of weights assigned to samples minimizes the estimation variance, which is computed as a function of the variogram model and locations of the samples relative to each other, and to the point or block being estimated.

lamprophyre: a group of dark-coloured, porphyritic, medium grained igneous rocks usually occurring as dykes or small intrusions.

leach: to dissolve minerals or metals out of ore with chemicals.

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

meta: a prefix that, when used with the name of a sedimentary or igneous rock, indicates that the rock has been metamorphosed.

mineral reserve: the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

mineral resource (deposit): a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource (deposit) are known, estimated or interpreted from specific geological evidence and knowledge.

oxide: a compound of ore that has been subjected to weathering and alteration as a result of exposure to oxygen for a long period of time.

Pegmatite: a very coarse-grained igneous rock that has a grain size of 20 mm or more.

phyllite: a regional metamorphic rock, intermediate in grade between slate and schist. Minute crystals of sericite and chlorite impart a silky sheen to the surfaces of cleavage.

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

run-of-mine: ore in its natural state as it is removed from the mine that has not been subjected to additional size reduction.

schist: a strongly foliated crystalline rock, which readily splits into sheets or slabs as a result of the planar alignment of the constituent crystals. The constituent minerals are commonly specified (e.g. “quartz-muscovite-chlorite schist”).

shear zone: a tabular zone of rock that has been crushed and brecciated by parallel fractures due to “shearing” along a fault or zone of weakness. These can be mineralized with ore-forming solutions.

strike: the direction, or course or bearing of a vein or rock formation measured on a level surface.

strip (or stripping) ratio: the tonnage or volume of waste material that must be removed to allow the mining of one tonne of ore in an open pit.

sulfides: compounds of sulfur with other metallic elements.

tailing: material rejected from a mill after the recoverable valuable minerals have been extracted.

vein: sheet-like body of minerals formed by fracture filling or replacement of host rock.

SCHEDULE B - AUDIT COMMITTEE MATTERS

Mandate

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

1. Audit Committee Charter

I. Purpose

The primary objective of the Audit Committee (the "Committee") of China Gold International Resources Corp. Ltd. (the "Company") is to act as a liaison between the Board and the Company's independent auditors (the "Auditors") and to assist the Board in fulfilling its oversight responsibilities with respect to (a) the financial statements and other financial information provided by the Company to its shareholders, the public and others, (b) the Company's compliance with legal and regulatory requirements, (c) the qualification, independence and performance of the Auditors and (d) the Company's risk management and internal financial and accounting controls, and management information systems.

Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards ("IFRS"). These are the responsibilities of management and the Auditors.

The responsibilities of a member of the Committee are in addition to such member's duties as a member of the Board.

II. Organization

The Committee shall comprise a minimum of three non-executive directors of the Company, a majority of which must be independent non-executive directors of the Company. At least one member of the Committee, who is an independent non-executive director of the Company, shall have appropriate professional qualifications or accounting or related financial management expertise.

The Committee membership shall satisfy the laws governing the Company and the independence, financial literacy, expertise and experience requirements under applicable securities law, stock exchange and any other regulatory requirements applicable to the Company.

The members of the Committee and the Chair of the Committee shall be appointed by the Board on the recommendation of the Nominating & Corporate Governance Committee. A majority of the members of

the Committee shall constitute a quorum. A majority of the members of the Committee shall be empowered to act on behalf of the Committee. Matters decided by the Committee shall be decided by majority votes. The chair of the Committee shall have an ordinary vote.

No member of the Committee shall have been a partner of or otherwise have had a financial interest in the Auditors during the past year.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director.

The Committee may form and delegate authority to subcommittees when appropriate.

III. Meetings

The Committee shall meet as frequently as circumstances require, but not less frequently than four times per year. The Committee shall meet at least quarterly with management, the Company's financial and accounting officer(s) and the Auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

The Chair of the Committee shall be an independent chair who is not Chair of the Board. In the absence of the appointed Chair of the Committee at any meeting, the members shall elect a chair from those in attendance at the meeting. The Chair, in consultation with the other members of the Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each upcoming meeting.

The Committee will appoint a Secretary who will keep full minutes of all meetings. The Secretary may also be the Chief Financial Officer, the Company's Corporate Secretary or another person who does not need to be a member of the Committee. The Secretary for the Committee can be changed by simple notice from the Chair.

Draft and final versions of the meeting minutes should be sent to all members of the Committee within a reasonable time following such meetings.

The Chair shall ensure that the agenda for each upcoming meeting of the Committee is circulated to each member of the Committee as well as the other directors in advance of the meeting.

The Committee may invite, from time to time, such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Company's accounting and financial officer(s) and the Auditors shall attend any meeting when requested to do so by the Chair of the Committee.

IV. Authority and Responsibilities

The Board, after consideration of the recommendation of the Committee, shall nominate the Auditors for appointment by the shareholders of the Company in accordance with applicable law. The Auditors report directly to the Audit Committee. The Auditors are ultimately accountable to the Committee and the Board as representatives of the shareholders.

The Committee shall have the following responsibilities:

(a) Auditors

1. Recommend to the Board the independent auditors to be nominated for appointment or reappointment as Auditors of the Company at the Company's annual meeting and the remuneration to be paid to the Auditors for services performed during the preceding year; approve all auditing services to be provided by the Auditors; be responsible for the oversight of the work of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting; and recommend to the Board and the shareholders the termination of the appointment of the Auditors, if and when advisable.
2. When there is to be a change of the Auditor, (i) review all issues related to the change, including any notices required under applicable securities law, stock exchange or other regulatory requirements, and the planned steps for an orderly transition; and (ii) be primarily responsible for questions relating to such change.
3. Review the Auditor's audit plan and discuss the Auditor's scope, staffing, materiality, and general audit approach.
4. Review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the Auditors the nature and scope of the audit and reporting obligations prior to the commencement of the audit.
5. Review on an annual basis the performance of the Auditors, including the lead audit partner.
6. Take reasonable steps to confirm the independence of the Auditors, which include:
 - (a) Ensuring receipt from the Auditors of a formal written statement in accordance with applicable regulatory requirements delineating all relationships between the Auditors and the Company;
 - (b) Considering and discussing with the Auditors any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the Auditors;
 - (c) Developing and implementing policy on the provision of non-audit related services provided by the Auditors to the Company and approving in advance any non-audit related services provided by the Auditors to the Company, and the fees for such services, with a view to ensuring independence of the Auditors, and in accordance with applicable regulatory standards, including applicable stock exchange requirements with respect to approval of non-audit related services performed by the Auditors. For the purpose of this Part IV(a)(6)(c), "Auditors" include any entity that is under common control, ownership or management with the Auditors or any entity that a reasonable and informed third party knowing all the relevant information would reasonably conclude to be part of the Auditors, nationally or internationally); and
 - (d) As necessary, taking or recommending that the Board take appropriate action to oversee the independence of the Auditors.
7. Review and approve any disclosures required to be included in periodic reports under applicable securities laws, rules and regulations and stock exchange and other regulatory requirements with respect to non-audit services provided by the Auditors.

8. Confirm with the Auditors and receive written confirmation at least once per year as to (i) the Auditor's internal processes and quality control procedures; and (ii) disclosure of any material issues raised by the most recent internal quality control review, or per review within the preceding five years respecting independent audit carried out by the Auditors or investigations or government or professional enquiries, reviews or investigations of the Auditors within the last five years.
9. Consider the tenure of the lead audit partner on the engagement in light of applicable securities law, stock exchange or applicable regulatory requirements.
10. Review all reports required to be submitted by the Auditors to the Committee under applicable securities laws, rules and regulations and stock exchange or other regulatory requirements.
11. Receive all recommendations and explanations which the Auditors place before the Committee.
12. Ensure any provision of non-audit related services by the Auditors does not impair their independence or objectivity and develop and implement any necessary policies in that regard.

(b) Financial Statements and Financial Information

13. Review and discuss with management, the financial and accounting officer(s) and the Auditors, the Company's annual audited financial statements, including disclosures made in management's discussion and analysis, prior to filing or distribution of such statements and recommend to the Board, if appropriate, that the Company's audited financial statements be included in the Company's annual reports distributed and filed under applicable laws and regulatory requirements.
14. Review and discuss with management, the financial and accounting officer(s) and the Auditors, the Company's interim financial statements, including management's discussion and analysis, and the Auditor's review of interim financial statements, prior to filing or distribution of such statements.
15. Review any earnings press releases of the Company before the Company publicly discloses this information.
16. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information and extracted or derived from the Company's financial statements and periodically assess the adequacy of these procedures.
17. Discuss with the Auditor and review the matters required to be discussed by applicable auditing standards requirements relating to the conduct of the audit including:
 - (a) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices;
 - (b) the management letter provided by the Auditors and the Company's response to that letter;
 - (c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, or personnel and any significant disagreements with management; and

- (d) any material queries raised by the Auditors to management about accounting records, financial accounts or systems of control and management's response.
18. Ensure that the Board will provide a timely response to the issues raised in the management letter provided by the Auditors.
 19. Discuss with management and the Auditors major issues regarding accounting principles used in the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles. Review and discuss analyses prepared by management and/or the Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under IFRS.
 20. Prepare any report under applicable securities law, stock exchange or other regulatory requirements, including any reports required to be included in statutory filings, including in the Company's annual proxy statement.
- (c) Ongoing Reviews and Discussions with Management and Others**
21. Obtain and review an annual report from management relating to the accounting principles used in the preparation of the Company's financial statements, including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof.
 22. Periodically review separately with each of management, the financial and accounting officer(s) and the Auditors; (a) any significant disagreement between management and the Auditors in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each.
 23. Periodically discuss with the Auditors, without management being present, (a) their judgments about the quality and appropriateness of the Company's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Company's financial statements.
 24. Liaise with the Board and management and meet with the Auditors at least twice a year to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgments contained therein. In reviewing such reports before submission to the Board, the Committee's review shall include a review of:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with applicable stock exchange regulations and other legal requirements relating to financial reporting.

25. Consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the Auditors or management and the resulting financial statement impact. Review with the Auditors or management the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.
26. Review and discuss with management, the Auditors and the Company's independent counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including applicable changes in accounting standards or rules, or compliance with applicable laws and regulations, inquiries received from regulators or government agencies and any pending material litigation.
27. Enquire of the Company's financial and accounting officer(s) and the Auditors on any matters which should be brought to the attention of the Committee concerning accounting, financial and operating practices and controls and accounting practices of the Company and give due consideration to such matters.
28. Review the principal control risks to the business of the Company, its subsidiaries and joint ventures; and verify that effective control systems are in place to manage and mitigate these risks.
29. Review and discuss with management any earnings press releases, including the use of "pro forma" or "adjusted" non-IFRS information, as well as any financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (i.e. discussion of the types of information to be disclosed and the types of presentations made).
30. Review and discuss with management any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may need to be reflected in the financial reports or accounts of the Company, or may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses. Obtain explanations from management of all significant variances between comparative reporting periods.
31. Review and discuss with management the Company's major risk exposures and the steps management has taken to monitor, control and manage such exposures, including the Company's risk assessment and risk management guidelines and policies.

(d) Risk Management and Internal Controls

32. Act as the key representative body for overseeing the Company's relations with the Auditors.
33. Review, based upon the recommendation of the Auditors and management, the scope and plan of the work to be done by the Company's financial and accounting group and the responsibilities, budget and staffing needs of such group.
34. Discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. Such discussions should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

35. Ensure that management has designed and implemented effective systems of risk management and internal controls and, at least annually, review the effectiveness of the implementation of such systems.
 36. Approve and recommend to the Board for adoption policies and procedures on risk oversight and management to establish an effective system for identifying, assessing, monitoring and managing risk.
 37. In consultation with the Auditors and management, review the adequacy of the Company's internal control structure and procedures designed to ensure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of the Company's financial and accounting group.
 38. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
 39. Review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action.
 40. Establish a whistleblowing policy and system for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.
 41. Ensure coordination between the internal auditors and the Auditors and ensure that the internal auditor function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness.
 42. Review the internal control reports prepared by management, including management's assessment of the effectiveness of the Company's internal control structure and procedures for financial reporting and (ii) the Auditors' attestation, and report, on the assessment made by management.
 43. Consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to such findings.
 44. Review the appointment of the chief financial officer and any key financial executives involved in the financial reporting process and recommend to the Board any changes in such appointment.
- (e) **Other Responsibilities**
45. Create an agenda for the ensuing year.
 46. Review and approve related-party transactions if required under applicable securities law, stock exchange or other regulatory requirements.
 47. Review and approve (a) any change or waiver in the Company's code of ethics applicable to senior financial officers and (b) any disclosures made under applicable securities law, stock exchange or other regulatory requirements regarding such change or waiver.

48. Establish, review and approve policies for the hiring of employees, partners, former employees or former partners of the Company's Auditors.
49. Review and reassess the duties and responsibilities set out in this Charter annually and recommend to the Nominating and Corporate Governance Committee and to the Board any changes deemed appropriate by the Committee.
50. Review its own performance annually, seeking input from management and the Board.
51. Perform any other activities consistent with this Charter, the Company's constating documents and governing law, as the Committee or the Board deems necessary or appropriate.

V. Reporting

The Committee shall report regularly to the Board, including on matters set out in applicable stock exchange regulations, and shall submit the minutes of all meetings of the Committee to the Board (which minutes shall ordinarily be included in the papers for the next full board meeting after the relevant meeting of the Committee). The Committee shall also report to the Board on the proceedings and deliberations of the Committee at such times and in such manner as the Board may require. The Committee shall review with the full Board any issues that have arisen with respect to quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Auditors or the performance of the Company's financial and accounting group.

VI. Resources and Access to Information

The Committee shall be provided with sufficient resources to perform its duties.

The Committee shall have the authority to retain independent legal, accounting and other consultants to advise the Committee.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities. The Committee has direct access to anyone in the organization and may request any officer or employee of the Company or the Company's outside counsel or the Auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee with or without the presence of management. In the performance of any of its duties and responsibilities, the Committee shall have access to any and all books and records of the Company necessary for the execution of the Committee's obligations.

The Committee shall consider the extent of funding necessary for payment of compensation to the Auditors for the purpose of rendering or issuing the annual audit report and recommend such compensation to the Board for approval. The Audit Committee shall determine the funding necessary for payment of compensation to any independent legal, accounting and other consultants retained to advise the Committee.

2. Composition of the Audit Committee

China Gold International's Committee consists of Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He is the Chairman of the Committee. The Board of Directors has determined that all members of the Audit Committee are "independent" and all members are "financially literate" as defined in *National Instrument 52-110 - Audit Committees* ("NI 52-110").

3. *Relevant Education and Experience*

Ian He holds a Masters' Degree in Applied Science and a PhD in Metallurgy. Yunfei Chen was an investment banker with Deutsche Bank. Gregory Hall was a graduate of the Australian Institute of Management training in financial analysis. John King Burns holds a bachelor's degree with a major in Economics from the University of Pennsylvania and was a former Vice President and Chief Financial Officer of Drexel Burnham Lambert Commodity Group, a former Managing Director and Global Head of the Derivative Trading and Finance Group of Barclays Metals Group, Barclays Bank PLC and a former Senior Vice President and Managing Director of Frontier Risk Management. Each of the members of the Audit Committee has had several years of experience as a senior executive and a member of the board of directors of significant business enterprises in which they have assumed substantial financial and operational responsibility. In the course of these duties, each of the members of the Committee has gained expertise in analyzing and reviewing financial statements, understanding the basis upon which accounting principles are applied, the process of preparing financial statements and the nature of internal controls and procedures.

4. *Reliance on Certain Exemptions*

Other than as otherwise disclosed herein, at no time since the commencement of China Gold International's most recently completed financial year has China Gold International relied on (i) the exemption under section 2.4 (*De Minimus Non-audit Services*); (ii) the exemption in section 3.2 (*Initial Public Offerings*); (iii) the exemption in section 3.4 (*Events Outside Control of Member*); (iv) the exemption in section 3.5 (*Death, Disability or Resignation of Audit Committee Member*); or (v) any exemption, in whole or in part, granted under part 8 of NI 52-110.

5. *Reliance on Exemption in Subsection 3.3(2) or Section 3.6*

Other than as otherwise disclosed herein, at no time since the commencement of China Gold International's most recently completed financial year has China Gold International relied on the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*).

6. *Reliance on Section 3.8*

Other than as otherwise disclosed herein, at no time since the commencement of China Gold International's most recently completed financial year has China Gold International relied on the exemption in section 3.8 (*Acquisition of Financial Literacy*).

7. *Audit Committee Oversight*

At no time since the commencement of China Gold International's most recently completed financial year has a recommendation of the Committee to nominate or compensate an external auditor not been adopted by the Board.

8. *Pre-Approval Policies and Procedures*

All services to be performed by China Gold International's independent auditor must be approved in advance by the Committee or a designated member of the Committee (the "**Designated Member**").

The Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Committee or the Designated Member of all audit

and non-audit services provided by the external auditor, other than any *de minimus* non-audit services allowed by applicable law or regulation. The decision of the Designated Member to pre-approve a permitted service needs to be reported to the Committee at its regularly scheduled meetings.

Pre-approval from the Committee or the Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in scope or in final fees.

9. External Auditor Service Fees (By Category)

The auditor of China Gold International is Deloitte Touch Tohmatsu of Hong Kong. Deloitte Touch Tohmatsu were first appointed as auditor of China Gold International on April 1, 2010. Deloitte & Touche LLP of Canada served as auditor of China Gold International until April 1, 2010. The Company continues to use the services of Deloitte & Touche LLP from time to time for tax compliance advice relating to transactions and proposed transactions of the Company and its subsidiaries. The aggregate fees billed by the auditors in fiscal 2011 and fiscal 2012 are detailed below:

	2012 (US\$)	2011 (US\$)
Audit Fees ^(a)	\$699,000	\$699,000
Audit Related Fees	-	-
Non-Audit Fees ^(b)	\$59,592	\$32,414
All Other Fees	-	-
TOTAL:	\$758,592	\$731,414

Notes:

- (a) Fees for audit services consisted of fees billed relating to fiscal 2012 and fiscal 2011 in connection with the audit of China Gold International's annual financial statements, review of China Gold International's interim financial statements and other services relating to securities regulatory matters.
- (b) Fees for non-audit services consisted of fees billed relating to fiscal 2012 and fiscal 2011 in connection with tax planning and advice relating to transactions and proposed transactions of the Company and its subsidiaries and corporate tax return and income tax matters.