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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

中國黃金國際資源有限公司

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

(Hong Kong Stock code: 2099)

(Toronto Stock code: CGG)

2011 THIRD QUARTERLY FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	NOTES	Three months ended September 30, 2011 US$	Three months ended September 30, 2010 US$	Nine months ended September 30, 2011 US$	Nine months ended September 30, 2010 US$
Revenues	18	89,407,448	46,631,430	216,805,573	84,311,336
Cost of sales		(53,016,719)	(23,179,415)	(129,122,721)	(41,817,849)
Mine operating earnings		36,390,729	23,452,015	87,682,852	42,493,487
Expenses					
General and administrative	4	3,590,012	1,396,422	11,779,984	3,512,715
Exploration and evaluation expenditure		160,406	68,727	294,409	162,204
		3,750,418	1,465,149	12,074,393	3,674,919
Income from operations		32,640,311	21,986,866	75,608,459	38,818,568
Other income (expense)					
Foreign exchange gain (loss)		325,802	(631,287)	752,958	(884,593)
Interest and other income		1,416,181	13,653	3,565,874	15,538
Gain on disposal of subsidiaries		-	-	-	20,000
Listing expenses		-	(514,299)	-	(2,058,857)
Finance costs	5	(3,862,427)	(1,449,810)	(9,255,457)	(3,677,977)
Fair value change on warrant liabilities		-	-	-	(7,155,807)
		(2,120,444)	(2,581,743)	(4,936,625)	(13,741,696)
Income before income tax		30,519,867	19,405,123	70,671,834	25,076,872
Income tax expense	6	(6,689,417)	(5,580,524)	(15,922,613)	(10,467,536)
Net income for the period		23,830,450	13,824,599	54,749,221	14,609,336
Other comprehensive income for the period					
Exchange difference arising on translation		2,633,353	-	3,115,949	-
Total comprehensive income for the period		26,463,803	13,824,599	57,865,170	14,609,336
Profit for the period attributable to					
Non-controlling interests		904,214	581,480	1,742,482	905,182
Owners of the Company		22,926,236	13,243,119	53,006,739	13,704,154
		23,830,450	13,824,599	54,749,221	14,609,336
Total comprehensive income for the period attributable to					
Non-controlling interests		904,214	581,480	1,747,062	905,182
Owners of the Company		25,559,589	13,243,119	56,118,108	13,704,154
		26,463,803	13,824,599	57,865,170	14,609,336
Basic earnings per share	7	5.79 cents	7.71 cents	13.38 cents	8.05 cents
Diluted earnings per share	7	5.79 cents	7.69 cents	13.37 cents	8.03 cents
Basic weighted average number of common shares outstanding		396,163,753	171,836,191	396,150,111	170,309,466
Diluted weighted average number of common shares outstanding		396,286,702	172,119,834	396,315,885	170,591,228

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2011

	NOTES	September 30, 2011 US$	December 31, 2010 US$
Current assets			
Cash and cash equivalents		303,424,034	301,608,717
Restricted cash		6,900,352	6,725,129
Accounts receivable	8	47,569,028	9,050,490
Prepaid expenses and deposits	9	7,157,153	3,418,499
Prepaid lease payments		140,988	137,808
Inventory	10	26,248,474	34,154,278
		391,440,029	355,094,921
Assets classified as held for sale	11	51,253	54,696
		391,491,282	355,149,617
Non-current assets			
Prepaid expense and deposits	9	3,996,020	2,395,882
Prepaid lease payments		6,763,657	6,634,081
Amount due from a non-controlling shareholder		411,808	419,768
Inventory	10	17,204,848	17,838,819
Property, plant and equipment	11	346,090,834	297,901,855
Intangible assets	12	966,365,126	975,282,711
		1,340,832,293	1,300,473,116
Total assets		1,732,323,575	1,655,622,733
Current liabilities			
Accounts payable and accrued expenses	13	79,340,695	90,836,277
Borrowings	14	40,146,163	31,861,146
Tax liabilities		10,708,374	7,631,847
		130,195,232	130,329,270
Liabilities classified as held for sale	11	-	24,189
		130,195,232	130,353,459
Net current assets		261,296,050	224,796,158
Total assets less current liabilities		1,602,128,343	1,525,269,274

	NOTES	September 30, 2011 US$	December 31, 2010 US$
Non-current liabilities			
Deferred lease inducement		117,940	143,213
Borrowings	14	203,913,210	180,785,118
Deferred tax liabilities		133,925,400	138,310,971
Deferred income		766,455	712,610
Environmental rehabilitation	15	1,869,057	1,887,923
		340,592,062	321,839,835
Total liabilities		470,787,294	452,193,294
Owners' equity			
Share capital	16	1,228,183,687	1,228,098,150
Equity reserves		14,669,114	11,397,030
Retained profits (deficits)		13,760,239	(39,246,500)
		1,256,613,040	1,200,248,680
Non-controlling interests		4,923,241	3,180,759
Total owners' equity		1,261,536,281	1,203,429,439
Total liabilities and owners' equity		1,732,323,575	1,655,622,733

The condensed consolidated financial statements on pages 2 to 34 were approved and authorized for issue by the Board of Directors on November 14, 2011 and are signed on its behalf by:

(Signed by) Xin Song
Xin Song
Director

(Signed by) Xiangdong Jiang
Xiangdong Jiang
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	Number of shares	Share capital US$	Equity reserve US$	Exchange reserve US$	Retained profits (deficits) US$	Subtotal US$	Non-controlling interests US$	Total owners' equity US$
At January 1, 2010 (audited)	167,629,459	99,186,918	3,125,447	-	(65,473,203)	36,839,162	1,272,212	38,111,374
Profit and total comprehensive income for the period	-	-	-	-	13,704,154	13,704,154	905,182	14,609,336
Shares issued for:								
Exercise of warrants	4,060,000	21,008,571	-	-	-	21,008,571	-	21,008,571
Exercise of stock options (note a)	330,000	819,750	(298,361)	-	-	521,389	-	521,389
Stock-based compensation (note a)	-	-	121,973	-	-	121,973	-	121,973
At September 30, 2010 (unaudited)	172,019,459	121,015,239	2,949,059	-	(51,769,049)	72,195,249	2,177,394	74,372,643
At January 1, 2011 (audited)	396,126,753	1,228,098,150	11,159,786	237,244	(39,246,500)	1,200,248,680	3,180,759	1,203,429,439
Profit for the period	-	-	-	-	53,006,739	53,006,739	1,742,482	54,749,221
Exchange difference arising on translation	-	-	-	3,115,949	-	3,115,949	-	3,115,949
Total comprehensive income for the period	-	-	-	3,115,949	53,006,739	56,122,688	1,742,482	57,865,170
Exercise of stock options (note a)	37,000	85,537	(33,405)	-	-	52,132	-	52,132
Share based compensation (note a)	-	-	189,540	-	-	189,540	-	189,540
At September 30, 2011 (unaudited)	396,163,753	1,228,183,687	11,315,921	3,353,193	13,760,239	1,256,613,040	4,923,241	1,261,536,281

Notes:

(a) Amounts represent equity reserve arising from stock-based compensation provided to employees brought forward from prior years and the amount incurred during the period ended September 30, 2011 and the period ended September 30, 2010.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	US$	US$	US$	US$
Operating activities				
Income before income tax	30,519,867	19,405,123	70,671,834	25,076,872
Adjustments for:				
Depreciation	5,312,536	2,726,318	14,708,032	6,584,054
Amortization of intangible assets	4,789,384	-	10,884,360	-
Release of prepaid lease payment	37,416	-	117,771	-
Release of deferred income	(21,171)	-	(173,192)	-
Release of deferred lease inducement	(8,424)	-	(25,273)	-
Fair value change on warrant liabilities	-	-	-	7,155,807
Finance costs	3,862,427	1,449,810	9,255,457	3,677,977
Stock-based compensation	38,295	84,058	189,539	121,973
Foreign exchange loss	(165,057)	631,287	(22,513)	884,593
Other income	-	-	(1,900,000)	-
Gain on disposal of a subsidiary	-	-	-	(20,000)
	44,365,273	24,296,596	103,706,015	43,481,276
Operating cash flows before movements in working capital:				
Accounts receivable	(31,925,004)	(4,138,631)	(38,518,414)	(4,526,949)
Prepaid expenses and deposits	5,549,178	(1,543,605)	(3,972,424)	(2,138,352)
Inventory	4,150,994	744,838	8,539,775	(16,106,541)
Accounts payable and accrued liabilities	(895,910)	9,172,768	(13,840,688)	(1,315,338)
Cash from operations	21,244,531	28,531,966	55,914,264	19,394,096
Interest paid	(4,202,506)	(1,393,507)	(9,142,108)	(4,043,489)
Income taxes paid	(5,985,663)	(5,452,906)	(17,245,806)	(7,920,472)
Net cash flows from operating activities	11,056,362	21,685,553	29,526,350	7,430,135
Investing activities				
Deposit paid for acquisition of property, plant and equipment	(751,961)	-	(1,203,727)	-
Payment for acquisition of property, plant and equipment	(24,107,213)	(7,685,706)	(52,303,059)	(16,980,074)
Repayment from a non-controlling shareholder	-	-	25,187	-
Disposal of a subsidiary	-	-	-	20,000
Receipt of government grant	-	275,044	143,705	275,044
Restricted cash deposits received	-	-	-	10,756,703
Restricted cash deposits paid	-	(2,068,865)	-	(2,068,865)
Net cash used in investing activities	(24,859,174)	(9,479,527)	(53,337,894)	(7,997,192)
Financing activities				
Issuance of common shares	-	258,380	52,133	9,088,030
Proceeds from borrowing	-	-	41,660,760	-
Repayments of borrowings	(22,939,180)	(1,495,640)	(16,638,049)	(5,426,666)
Net cash flows (used in) from financing activities	(22,939,180)	(1,237,260)	25,074,844	3,661,364
Effect of foreign exchange rate changes on cash and cash equivalents	271,932	(200,002)	552,017	21,049
Net (decrease) increase in cash and cash equivalents	(36,470,060)	10,768,764	1,815,317	3,115,356
Cash and cash equivalents, beginning of period	339,894,094	16,331,252	301,608,717	23,984,660
Cash and cash equivalents, end of period	303,424,034	27,100,016	303,424,034	27,100,016
Cash and cash equivalents are comprised of				
Cash in bank	303,424,034	27,100,016	303,424,034	27,100,016

1. GENERAL

China Gold International Resources Corp. Ltd. (the "Company") is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange ("TSX") and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the acquisition, exploration, development and mining of mineral properties in the People's Republic of China ("PRC"). The directors of the Company consider that China National Gold Group Corporation ("CNG"), a state owned company registered in Beijing, PRC, is able to exercise significant influence over the Company.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended September 30, 2011 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2010.

In the current interim period, the Group has applied the following new and revised standard, interpretation and amendments to standards issued by the International Accounting Standard Board and IFRS Interpretations Committee ("IFRIC") which are effective for the financial year beginning January 1, 2011:

International Financial Reporting Standards ("IFRSs") (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

2. PRINCIPAL ACCOUNTING POLICIES - continued

The Group has applied IAS 24 *Related Party Disclosures* (as revised in 2009) for the first time in the current period. The application of IAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following aspect:

The Group is a government-related entity as defined in IAS 24 (as revised in 2009). IAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of IAS 24 did not contain specific exemption for government-related entities. Under IAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of IAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the government that has significantly influence over the Group and (b) other entities that are significantly influenced by the same government. Rather, in respect of these transactions and balances, IAS 24 (as revised in 2009), requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

IAS 24 (as revised in 2009) requires retrospective application. The application of IAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. However, the related party disclosures set out in note 17 to the condensed consolidated financial statements have been changed to reflect the application of IAS 24 (as revised in 2009).

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

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended December 31, 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosures of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

The directors of the Company anticipate that the application of the above new or revised standards will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING ESTIMATES

In the interim period, the management of the Group (the "Management") reassessed the assumptions used in the valuation of gold in process and the costing of production of gold doré bars, particularly the assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads (the "Estimated Recovery Rate"). Based on the reassessment, the Management revised the Estimated Recovery Rate used in its inventory model from 43% to 48.8%. The increase in Estimated Recovery Rate led to a decrease in the average production cost of gold doré bars. As a result, the balance of gold in process and gold doré bars as at September 30, 2011 increased by approximately US$6,111,000 and decreased by approximately US$1,491,000, respectively; the cost of sales decreased by approximately US$4,620,000 during nine months ended September 30, 2011.

4. GENERAL AND ADMINISTRATIVE

The general and administrative expenses of the Group are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	US$	US$	US$	US$
Administration and office	66,082	123,592	561,463	630,525
Investor relations	65,341	63,864	557,435	194,954
Professional fees	374,290	753,411	1,542,896	1,250,894
Salaries and benefits	1,862,377	343,626	5,444,883	989,921
Shareholder information, transfer agent and filing fees	53,765	27,908	213,299	129,867
Travelling	221,904	59,909	793,100	234,476
Others	946,253	24,112	2,666,908	82,078
Total general and administrative	3,590,012	1,396,422	11,779,984	3,512,715

5. FINANCE COSTS

The finance costs of the Group are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	US$	US$	US$	US$
Effective interest on borrowings	3,837,191	1,413,669	9,142,108	4,466,054
Accretion on environmental rehabilitation (Note 15)	25,236	36,141	113,349	121,408
	3,862,427	1,499,810	9,255,457	4,587,462
Less: Amount capitalized	-	-	-	(909,485)
Total finance costs	3,862,427	1,499,810	9,255,457	3,677,977

Interest has been capitalized at the rate of interest applicable to the specific borrowings financing the assets under construction, or, where financed through general borrowings. No interest has been capitalized for the nine months ended September 30, 2011 since there was no borrowing cost directly attributable to the acquisition, construction or production of qualifying assets (average interest capitalization rate on borrowing of 6.38% for the nine months ended September 30, 2010).

6. INCOME TAX EXPENSE

The Company and its subsidiaries in Canada are subject to Canadian federal and provincial tax which is calculated at 26.5% of the estimated assessable profit for the three and nine months ended September 30, 2011 (28.5% for the three and nine months ended September 30, 2010). The Company and its subsidiaries in Canada had no assessable profit for the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010: nil).

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC.

For the three and nine months ended September 30, 2011, the Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 25% (25% for the three and nine months ended September 30, 2010) except for 墨竹工卡縣甲瑪工貿有限公司 ("Jiama Industry and Trade") established in the westward development area of PRC which is subject to preferential tax rate of 15% of taxable income until year 2020. Income tax expense for the three and nine months ended September 30, 2011 represents PRC Enterprise Income Tax of US$10,533,886 and US$20,308,194 (US$5,650,889 and US$8,351,455 for the three and nine months ended September 30, 2010), respectively and deferred tax credits of US$3,844,469 and US$4,385,581, respectively (deferred tax credit of US$70,365 and deferred tax expense of US$2,116,081, respectively for the three and nine months ended September 30, 2010).

7. EARNINGS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Income attributable to owners of the Company for the purposes of basic and diluted earnings per share (US$)	22,926,236	13,243,119	53,006,739	13,704,154
Weighted average number of shares, basic	396,163,753	171,836,191	396,150,111	170,309,466
Dilutive securities - Options	122,949	283,643	165,774	281,762
Weighted average number of shares, diluted	396,286,702	172,119,834	396,315,885	170,591,228
Basic earnings per share	5.79 cents	7.71 cents	13.38 cents	8.05 cents
Diluted earnings per share	5.79 cents	7.69 cents	13.37 cents	8.03 cents

8. ACCOUNTS RECEIVABLE

The Group's accounts receivable arise from the following main sources: trade receivables, amounts due from shareholders, value added tax ("VAT") receivables and goods and services tax ("GST") receivables due from various government and taxation authorities. These are broken down as follows:

	September 30, 2011	December 31, 2010
	US$	US$
Trade receivables	40,530,884	744,193
Less: allowance for doubtful debts	(43,343)	(41,590)
	40,487,541	702,603
VAT receivables	-	2,085,831
GST receivables	15,245	72,427
Amounts due from shareholders	5,364,416	5,364,416
Other receivables	1,701,826	825,213
Total accounts receivable	47,569,028	9,050,490

8. ACCOUNTS RECEIVABLE - continued

The Group's other receivables mostly represents employees' cash and travel advances as at September 30, 2011 and December 31, 2010. The other receivables are unsecured, interest free and repayable upon written notice from the Group.

At September 30, 2011, US$32,975,248 trade receivable is from the gold doŕe sale to CNG (December 31, 2010: Nil) (note 17(a)). The Group allows an average credit period of 90 days and 180 days to its trade customers for gold doŕe sales and copper sales, respectively.

Below is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period:

	September 30, 2011 US$	December 31, 2010 US$
Less than 30 days	23,109,893	103,988
31 to 90 days	10,734,591	169,870
91 to 180 days	164,108	184,275
Over 180 days	6,478,949	244,470
	40,487,541	702,603

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$6,478,949 and US$244,470 at September 30, 2011 and December 31, 2010, respectively, which are past due over six months for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience.

Movement in the allowance for doubtful debts:

	US$
At January 1, 2010	-
Addition	41,590
At December 31, 2010	41,590
Exchange realignment	1,753
At September 30, 2011	43,343

Management considers that the Group's accounts receivable that are neither past due nor impaired have good credit quality at the end of each reporting period with reference to past settlement history.

At September 30, 2011, the GST receivable was outstanding less than 3 months. The Group anticipates full recovery of these amounts and, therefore, no impairment has been recorded against these receivables.

The Group holds no collateral for any receivable amounts outstanding as at September 30, 2011 and December 31, 2010.

9. PREPAID EXPENSES AND DEPOSITS

	September 30, 2011 US$	December 31, 2010 US$
Deposits for mine supplies and services (note a)	4,639,793	2,006,484
Deposits for spare parts	2,022,415	881,343
Deposits for environmental protection (note b)	1,694,873	1,640,902
Deposits paid for acquisition of property, plant and equipment (note c)	1,203,727	-
Prepayment for the land use rights (note d)	786,794	754,979
Prepayment for insurance premium	215,618	331,621
Rent deposits	23,429	19,272
Others	566,524	179,780
Total prepaid expenses and deposits	11,153,173	5,814,381
Less: Amounts that are utilized within one year shown under current assets	(7,157,153)	(3,418,499)
Amounts that are utilized for more than one year shown under non-current assets	3,996,020	2,395,882

Notes:

a. The amount represents deposits paid to third party vendors for purchasing of raw materials and inventory consumable. Included in the deposit, US$310,626 are expected to be utilized after one year and therefore shown as a non-current asset.

b. The amount represents deposits paid to the PRC local land administration bureau for undertaking the restoration of land to its present condition when the lease term is expired that are expected to be utilized after one year and therefore shown as a non-current asset.

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

d. The amount represents advances to the PRC local land administration bureau for acquisition of land use rights in Tibet, the PRC. The Group is still negotiating the terms with the PRC local land administration bureau as of the date of issue of the condensed consolidated financial statements. The amount is shown as non-current asset.

10. INVENTORY

	September 30, 2011 US$	December 31, 2010 US$
Gold in process	24,578,354	34,391,977
Gold doré bars	9,589,074	9,044,958
Consumables	3,865,759	3,616,043
Copper concentrates	2,009,959	2,608,811
Spare parts	3,410,176	2,331,308
Total inventory	43,453,322	51,993,097
Less: Amounts expected to be recovered after 12 months (note) (shown under non-current assets)	(17,204,848)	(17,838,819)
Amounts shown under current assets	26,248,474	34,154,278

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

Inventory totaling US$53,016,719 and US$129,122,721 for the three and nine months ended September 30, 2011 (US$23,179,415 and US$41,817,849 for the three and nine months ended September 30, 2010) was recognized in cost of sales.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$	Crusher US$	Furniture and office equipment US$	Machinery and equipment US$	Motor vehicles US$	Leasehold improvements US$	Mineral assets US$	Construction in progress ("CIP") US$	Total US$
COST									
At December 31, 2010	91,471,061	72,479,482	1,297,351	72,848,681	4,632,598	100,458	28,653,611	46,444,727	317,927,969
At September 30, 2011	103,341,040	72,479,482	1,432,828	75,460,583	5,064,296	100,458	78,730,154	44,216,139	380,824,980
ACCUMULATED DEPRECIATION									
At December 31, 2010	(1,257,922)	(4,343,825)	(647,233)	(7,802,705)	(726,124)	(22,831)	(5,225,474)	-	(20,026,114)
At September 30, 2011	(3,529,269)	(8,478,906)	(803,506)	(13,341,981)	(1,199,002)	(36,530)	(7,344,952)	-	(34,734,146)
CARRYING VALUE									
At December 31, 2010	90,213,139	68,135,657	650,118	65,045,976	3,906,474	77,627	23,428,137	46,444,727	297,901,855
At September 30, 2011	99,811,771	64,000,576	629,322	62,118,602	3,865,294	63,928	71,385,202	44,216,139	346,090,834

11. PROPERTY, PLANT AND EQUIPMENT - continued

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

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

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

During the three and nine months ended September 30, 2011, US$5,312,536 and US$14,708,032 (US$2,726,318 and US$6,584,054 for the three and nine months ended September 30, 2010) depreciation expense has been charged for the property, plant and equipment.

Mineral Assets

(a) CSH Gold Mine

The CSH Gold Mine consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. It is centrally positioned within the east-west-trending Tian Shan Gold Belt. The site is approximately 650 kilometers ("km") northwest of Beijing. The carrying value of the CSH Gold Mine in relation to mineral assets is US$35,706,681 as at September 30, 2011 (December 31, 2010: US$22,658,972).

11. PROPERTY, PLANT AND EQUIPMENT - continued

Mineral assets - continued

(b) Jiama Mine

Jiama Mine, a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet, in which the Group holds 100% interest through its wholly-owned subsidiary, Skyland. The Group acquired Skyland on December 1, 2010. Jiama Mine holds two licensed area of approximately 76.9 km^2 and 66.4 km^2, respectively. The carrying value of the Jiama Mine in relation to mineral assets is US$35,678,521 as at September 30, 2011 (December 31, 2010: US$769,165).

(c) Dadiangou Gold Project

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

The Group has decided to sell its interest in Gansu Pacific Mining Company Limited ("Gansu Pacific") in 2009 and in December 2009, the Group entered into a letter of intent with a potential purchaser which is a subsidiary of Zhongjin Gold Corporation Limited, a company listed in Shanghai Stock Exchange, in relation to the disposal of its entire interest in Gansu Pacific. Zhongjin Gold Corporation Limited is a subsidiary of CNG. The consideration will be determined after the completion of due diligence procedures. As a result, the Group has recorded the assets and liabilities of Gansu Pacific as assets classified as held for sale and liabilities classified as held for sale since December 31, 2009.

On April 28, 2010, the Group and Nuclear Industry Northwest Economic Technology Company, the non-controlling shareholder of Gansu Pacific, have entered into an agreement to sell the Dadiangou Gold Project owned by Gansu Pacific to Gansu Zhongjin Gold Mining Co. Ltd. (the Purchaser), a subsidiary of Zhongjin Gold Corporation Limited. The sale of Dadiangou Gold Project is considered as a related party transaction. The consideration is RMB88 million (approximately US$13.1 million), of which the Group will be entitled to 53%, or RMB46.6 million (approximately US$6,900,352). The transaction has not yet been completed as of the date of issue of the condensed consolidated financial statements.

At September 30, 2011, the Group had received consideration from the Purchaser of RMB46.6 million, and such amounts cannot be used until the completion of the disposal transaction. Hence, the amount of approximately US$6,900,352 has been included as restricted cash at September 30, 2011 (December 31, 2010: US$6,725,129).

11. PROPERTY, PLANT AND EQUIPMENT - continued

Mineral property interests - continued

(c) Dadiangou Gold Project - continued

Assets classified as held for sale and liabilities classified as held for sale are broken down as follows:

Assets classified as held for sale

	September 30, 2011 US$	December 31, 2010 US$
Cash	1,541	2,289
Accounts receivable	1,580	1,704
Property, plant and equipment	48,132	50,703
	51,253	54,696

Liabilities classified as held for sale

	September 30, 2011 US$	December 31, 2010 US$
Accounts payable	-	24,189

12. INTANGIBLE ASSETS

	Mining rights US$
COST	
At January 1, 2010	-
Acquired on acquisition of subsidiaries (Note)	976,092,004
Exchange realignment	374,486
At December 31, 2010	976,466,490
Exchange realignment	1,977,025
At September 30, 2011	978,443,515
ACCUMULATED AMORTIZATION	
At January 1, 2010	-
Additions	(1,182,643)
Exchange realignment	(1,136)
At December 31, 2010	(1,183,779)
Additions	(10,884,360)
Exchange realignment	(10,250)
At September 30, 2011	(12,078,389)
CARRYING VALUE	
At December 31, 2010	975,282,711
At September 30, 2011	966,365,126

12. INTANGIBLE ASSETS - continued

Note:

In relation to the purchase price adjustment provision included in the share purchase agreement dated August 30, 2010 entered into among China National Gold Group Hong Kong Limited, Rapid Results Investments Ltd. (collectively referred to the "Vendors") and the Company as disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2010, the Company and the Vendors have reached agreement in respect of the calculation of the purchase price adjustment during the nine months ended September 30, 2011 and no adjustment is required to make on the number of consideration shares issued upon the closing due of the acquisition.

The number of consideration shares and the fair value of purchase consideration for the acquisition of Skyland Group, and the fair value of intangible assets acquired (and related tax effect) as disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2010 are then determined to be finalized without making any adjustments hereafter.

Mining rights represent mining rights in Jiama Mine acquired through acquisition of Skyland Group. The mining rights will expire in 2013 and in the opinion of the directors of the Company, the Group will be able to renew the mining rights with the relevant government authority continuously at insignificant cost.

Amortization on mining rights acquired is provided to write off the cost of the mining rights using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines when the production level intended by Management has been reached.

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accounts payables and accrued expenses comprise the following:

	September 30, 2011 US$	December 31, 2010 US$
Accounts payable	50,054,171	49,913,680
Advances from customers	3,784,738	13,779,971
Consideration received from sale of Dadiangou Gold Project (Notes 11 & 17(a))	6,900,352	6,725,129
Payroll and benefit payables	2,778,996	3,185,045
Mining costs accruals	2,519,351	1,496,947
Other accruals	5,786,779	8,593,975
Other tax payable	6,299,813	3,592,975
Other payables	1,216,495	3,548,555
	79,340,695	90,836,277

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES - continued

The following is an aged analysis of the accounts payable:

	September 30, 2011 US$	December 31, 2010 US$
Less than 30 days	6,735,206	16,212,997
31 to 90 days	10,428,745	11,991,558
91 to 180 days	19,797,124	13,875,510
Over 180 days	13,093,096	7,833,615
Total accounts payable	50,054,171	49,913,680

Included within the Group's accounts payable and accrued expenses are construction costs payable of US$25,538,835 as at September 30, 2011 (December 31, 2010: US$30,012,657).

14. BORROWINGS

	Effective interest rate 2011 %	Effective interest rate 2010 %	Maturity	September 30, 2011 US$	December 31, 2010 US$
Current					
Current portion of long-term loan - Agricultural Bank of China ("ABC")	6.56	5.18	September 9, 2012	8,674,385	1,517,197
Current portion of long-term loan - Bank of China ("BOC")	4.62	3.96	December 28, 2011	31,471,778	30,343,949
				40,146,163	31,861,146
Non-current					
Long-term loan - ABC	6.56	5.18	September 9, 2012 to September 9, 2014	26,097,666	40,964,331
Long-term loan - BOC	4.62	3.96	December 28, 2012 to December 28, 2014	78,679,444	75,353,123
Syndicated loan	4.82	3.96	June 4, 2013 to June 4, 2016	99,136,100	64,467,664
				203,913,210	180,785,118
				244,059,373	212,646,264

14. BORROWINGS - continued

(a) ABC Loan

On September 14, 2009, the Group's subsidiary, Inner Mongolia Pacific Mining Co., Ltd. ("IMP"), secured a five-year RMB290,000,000 (US$42,299,950) long-term loan ("Term Loan") from the Agricultural Bank of China ("ABC"). The purpose of the Term Loan is to satisfy the outstanding funding requirements for the capital expansion loan provided by CNG in June 2009. The loan carries interest at floating rate based on the People's Bank of China base rate (the interest rate at date of inception of loan agreement was 5.18% per annum and adjusted to 6.56% per annum at September 30, 2011). The Term Loan principal is repayable through instalments of RMB20,000,000 due in June 2012 and further instalments of RMB30,000,000 each due in September 2012 and December 2012, RMB20,000,000, RMB20,000,000, RMB30,000,000 and RMB30,000,000 will be repayable for each of the quarters ended December 31, 2013, respectively. The remaining outstanding balance of the Term Loan is scheduled to be repaid in full in 2014.

(b) BOC Loan

The loan was acquired through acquisition of Skyland. Skyland raised the loan from BOC in December 2009 and the loan carries interest at floating rate based on the People's Bank of China base rate (the interest rate at date of inception of loan agreement was 3.96% per annum and adjusted to 4.62% per annum at September 30, 2011) and is repayable in four annual installments starting from December 28, 2011. RMB200,000,000, RMB200,000,000, RMB150,000,000 and RMB150,000,000 will be repayable on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014, respectively.

(c) Syndicated Loan

Skyland entered into a syndicated loan facility agreement with various banks on June 4, 2010 which is available for Skyland to draw down up to June 4, 2013. As at September 30, 2011, Skyland has drawn down the full amount of loan of RMB630,000,000 (equivalent to approximately US$99,136,000) (December 31, 2010: RMB426,950,000 equivalent to US$64,468,000). The loan carries interest at floating rate based on the People's Bank of China base rate (the interest rate at date of inception of loan agreement was 3.96% per annum and adjusted to 4.82% per annum at September 30, 2011). RMB100,000,000, RMB150,000,000, RMB200,000,000 and RMB180,000,000 will be repayable in June 2013, June 2014, June 2015 and June 2016, respectively.

14. BORROWINGS - continued

The contractual maturity dates of the loans are as follows:

	September 30, 2011 US$	December 31, 2010 US$
Within one year	40,146,163	31,861,146
More than two years, but not exceeding five years	203,913,210	180,785,118
	244,059,373	212,646,264
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(40,146,163)	(31,861,146)
	203,913,210	180,785,118

All the loans were supported by guarantees from CNG at December 31, 2010 and the guarantees have been released during the nine months ended September 30, 2011. The Group then pledged certain assets to secure the loans and the carrying values of the pledged assets are as follows:

	September 30, 2011 US$
Property, plant and equipment	180,808,727
Intangible assets	966,365,126
	1,147,173,853

15. ENVIRONMENTAL REHABILITATION

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total US$9,636,000 (December 31, 2010: US$9,905,000), discounted at 10.1% (December 31, 2010: 9.8%) per annum at September 30, 2011. The settlement of the obligations will occur through to 2030. No assets have been legally restricted for the purposes of settling the environmental rehabilitation.

The following is an analysis of the environmental rehabilitation:

	January 1 to September 30, 2011 US$	January 1 to December 31, 2010 US$
Balance, beginning of period/year	1,887,923	1,599,120
Additions to site reclamation and additions resulted from changes in discount rate during the year	-	55,528
Reductions resulted from change in discount rate during the period	(162,341)	-
Accretion incurred in the current period/year	113,349	164,096
Foreign exchange difference	30,126	69,179
Balance, end of period/year	1,869,057	1,887,923

16. SHARE CAPITAL, OPTIONS AND WARRANTS

(a) Common shares

Authorized - Unlimited common shares without par value

Issued and outstanding - 396,163,753 (December 31, 2010: 396,126,753) common shares at September 30, 2011.

(b) Stock options

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

The stock options have a life of up to six years from the grant date. The exercise price of option at the grant date is the weighted average price of the common shares for the five days on which the Company's shares were traded immediately preceding the date of approval by the Board of Directors. The Compensation and Benefits Committee makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

16. SHARE CAPITAL, OPTIONS AND WARRANTS - continued

(b) Stock options - continued

The Group is authorized to issue options to a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan. At September 30, 2011 and December 31, 2010, there were 38,921,375 and 38,832,675 options available for future grants.

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

	January 1, 2011 to September 30, 2011		January 1, 2010 to December 31, 2010	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance, beginning of period/year	780,000	3.71	1,547,000	2.04
Options granted	-	N/A	400,000	5.12
Options exercised	(37,000)	1.45	(525,000)	1.76
Options forfeited	(48,000)	2.25	(642,000)	2.16
Balance, end of period/year	695,000	3.93	780,000	3.71

Due to forfeitures of stock options by employees before the vesting date, the Group re-estimated the number of options that will ultimately vest in the future and recognized a compensation cost of US$38,296 and US$189,540, for the three and nine months end September 30, 2011 (US$84,058 and US$121,973 expenses for the three and nine months ended September 30, 2010). No stock options were granted during the nine months ended September 30, 2011 (400,000 stock options were granted for the nine months ended September 30, 2010).

The following table summarizes information about stock options outstanding and exercisable at September 30, 2011.

	Options outstanding			Options exercisable	
Expiring in	Number outstanding at September 30, 2011	Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at September 30, 2011	Weighted average exercise price CAD
2013	295,000	1.81	2.20	199,000	2.20
2015	400,000	3.67	5.30	160,000	4.78
	695,000		3.98	359,000	3.35

16. SHARE CAPITAL, OPTIONS AND WARRANTS - continued

(b) Stock options - continued

The following table summarizes information about stock options outstanding and exercisable at December 31, 2010:

	Options outstanding			Options exercisable	
Expiring in	Number outstanding at December 31, 2010	Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at December 31, 2010	Weighted average exercise price CAD
2011	25,000	0.50	1.05	25,000	1.05
2013	355,000	2.56	2.20	111,500	2.20
2015	400,000	4.42	5.21	80,000	4.35
	780,000		3.71	216,500	2.16

(c) Warrants

The following is a summary of number of warrants outstanding:

	January 1, 2011 to September 30, 2011	January 1, 2010 to December 31, 2010
Balance, beginning of period/year	-	4,060,000
Exercised	-	(4,060,000)
Balance, end of period/year	-	-

The following is a summary of warrants amounts outstanding:

	January 1, 2011 to September 30, 2011 US$	January 1, 2010 to December 31, 2010 US$
Balance, beginning of period/year	-	5,286,123
Exercised	-	(12,441,930)
Fair value change on warrant liabilities	-	7,155,807
Balance, end of period/year	-	-

16. SHARE CAPITAL, OPTIONS AND WARRANTS - continued

(c) Warrants - continued

Warrants issued with Canadian dollar exercise prices

As a result of having exercise prices denominated in other than the Company's functional currency, being the US$, these warrants meet the definition of derivatives and are therefore classified as held for trading and recorded as derivative liabilities measured at fair value. The fair values of the warrants were determined using the Black-Scholes option pricing model at the end of each reporting period. Upon exercise into common shares, the fair values of warrants included in derivative liabilities were reclassified to equity.

No warrants were outstanding at September 30, 2011 and December 31, 2010.

17. RELATED PARTY TRANSACTIONS

The Company is significantly influenced by CNG, a state owned company registered in Beijing, PRC, which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("government-related entity").

Name and relationship with related parties during the period/year is as follows:

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

	September 30, 2011 %	December 31, 2010 %
CNG	39.3	39.0

(a) Related party transactions/balances with CNG and its subsidiaries

Other than those transactions disclosed in Notes 11(c) and 14, the Group had the following transactions with CNG:

	Three months ended September 30,		Nine months ended September 30,	
	2011 US$	2010 US$	2011 US$	2010 US$
Gold doré sales	60,745,351	45,460,925	137,593,217	79,966,718
Silver sales (netted in cost of sales)	-	-	-	401,759
Interest expense	-	831,736	-	2,316,466

The Group's gold doré and silver sales were sold to CNG at market price under relevant agreement. Interest expense was paid to CNG for a borrowing which was fully repaid in 2010.

The Group did not have any transactions with other related parties.

17. RELATED PARTY TRANSACTIONS - continued

(a) Related party transactions/balances with CNG and its subsidiaries - continued

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

	September 30, 2011 US$	December 31, 2010 US$
Assets *(included in accounts receivable)*		
Trade receivables from gold doré sales (Note 8)	32,975,248	-
Listing expense receivable	2,735,852	2,735,852
Restricted cash received from CNG's subsidiary from sales of Dadiangou Gold Project (Note 11(c))	6,900,352	6,725,129
Other receivable	-	53,135
Total amounts due from CNG and its subsidiaries	42,611,452	9,514,116

The amounts due from CNG and its subsidiaries are non-interest bearing, unsecured and have no fixed terms of repayments except for the trade receivables arose from sale of gold doŕe bars to CNG with an average credit period of 90 days.

	September 30, 2011 US$	December 31, 2010 US$
Liabilities *(included in accounts payable and accrued expenses)*		
Other payable to CNG	31,472	30,199
Consideration received from sales of Dadiangou Gold Project	6,900,352	6,725,129
Other payables to CNG's subsidiaries	105,900	117,569
Total amounts due to CNG and its subsidiaries	7,037,724	6,872,897

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group also conducts business with other related parties.

17. RELATED PARTY TRANSACTIONS - continued

(b) Related party balances with other related parties

Material balances with other related parties are as follows:

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

	September 30, 2011 US$	December 31, 2010 US$
Assets		
Listing expense receivable from Rapid Result Investment Ltd., the shareholder of the Company with significant influence	2,628,564	2,628,564
Amount due from a non-controlling shareholder with significant influence over a subsidiary	411,808	419,768
Total amounts due from related parties	3,040,372	3,048,332

The amounts due from the related parties are non-interest bearing, unsecured and have no fixed terms of repayments.

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

	Three months ended September 30,		Nine months ended September 30,	
	2011 US$	2010 US$	2011 US$	2010 US$
Salaries and other benefits	169,713	165,568	526,652	443,607
Post employment benefits	1,316	1,684	10,441	5,840
	171,029	167,252	537,093	449,447

18. SEGMENT INFORMATION

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

The chief operating decision-maker ("CODM") which is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors of the Company.

Following to completion of acquisition of the Skyland Group in December 2010, the CODM regularly reviews the following operations, the operating segments of the Group under IFRS 8:

(i) The mine-produced gold segment - the production of gold bullion through the Group's integrated processes, i.e., mining, extraction, production and selling of gold ore to external clients through it subsidiary, Inner Mongolia Pacific Mining Co. Ltd.

(ii) The mine-produced copper segment - the production of copper multi products and other by-products.

Information regarding the above segments is reported below.

(a) Segment revenues and results

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

For the nine months ended September 30, 2011

	Mine-produced gold US$	Mine-produced copper US$	Segment total and consolidated US$
REVENUE - EXTERNAL	145,470,909	71,334,664	216,805,573
SEGMENT PROFIT	65,151,585	22,531,267	87,682,852
General and administrative			(11,779,984)
Exploration and evaluation expenditure			(294,409)
Foreign exchange gain			752,958
Interest and other income			3,565,874
Finance costs			(9,255,457)
Profit before income tax			70,671,834

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents gross profit of each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment after the acquisition of the Skyland Group.

For the nine months ended September 30, 2010, the Group had one operating segment of mine-produced gold and the relevant information was set out in the condensed consolidated statement of comprehensive income.

18. SEGMENT INFORMATION - continued

(b) Segment assets and liabilities

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

Segment assets	September 30, 2011 US$	December 31, 2010 US$
Mine-produced gold	209,126,488	174,669,469
Mine-produced copper	1,205,535,800	1,164,270,352
Total segment assets	1,414,662,288	1,338,939,821
Assets classified as held-for-sale	51,253	54,696
Cash and cash equivalents	303,424,034	301,608,717
Restricted cash	6,900,352	6,725,129
Other receivables	6,968,657	7,737,500
Prepaid expenses and deposits	177,133	354,089
Property, plant and equipment	139,858	202,781
Consolidated assets	1,732,323,575	1,655,622,733

Segment liabilities	September 30, 2011 US$	December 31, 2010 US$
Mine-produced gold	37,081,819	33,832,667
Mine-produced copper	47,687,044	52,949,165
Total segment liabilities	84,768,863	86,781,832
Liabilities classified as held-for-sale	-	24,189
Other payables and accrued expenses	7,915,718	14,286,825
Borrowings	244,059,373	212,646,264
Deferred lease inducement	117,940	143,213
Deferred tax liabilities	133,925,400	138,310,971
Consolidated liabilities	470,787,294	452,193,294

18. SEGMENT INFORMATION - continued

(c) Other segment information

	Nine months ended September 30, 2011				
	Mine-produced gold US$	Mine-produced copper US$	Segment total US$	Unallocated US$	Total US$
Amount included in the measure of segment profit or loss or segment assets					
Additions of property, plant and equipment	17,870,637	35,933,439	53,804,076	-	53,804,076
Depreciation of property, plant and equipment	9,179,511	5,467,894	14,647,405	60,627	14,708,032
Amortization of intangible assets	-	10,884,360	10,884,360	-	10,884,360
Release of prepaid lease payment	-	117,771	117,771	-	117,771
Gain on disposal of property, plant and equipment	(1,732)	-	(1,732)	-	(1,732)

For the nine months ended September 30, 2010, the Group had one operating segment and relevant information was set out in the condensed consolidated statement of cash flows.

(d) Geographical information

The Group operated in two geographical areas, Canada and the PRC. The Group's corporate division located in Canada only earns revenues that are considered incidental to the activities of the Group and therefore does not meet the definition of an operating segment as defined in IFRS 8, *Operating Segments*. During the three and nine months ended September 30, 2011, the Group's revenue was generated from gold sales and copper multi products (three and nine months ended September 30, 2010: gold sales) to customers in the PRC.

(e) Information about major customers

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

	Nine months ended September 30,	
	2011 US$	2010 US$
Revenue from customers attributable to gold sales - CNG	137,593,217	79,966,718

The Group sells approximately 94.6% of its gold to one creditworthy customer, CNG who is also the Group's substantial shareholder for the nine months ended September 30, 2011 (94.8% for the nine months ended September 30, 2010), respectively. The sales to CNG do not constitute economic dependence for the Group as there are other customers in the PRC to whom gold can be sold.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing activities

The Group has the following non-cash financing activities:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	US$	US$	US$	US$
Value of warrants transferred to share capital upon exercise	-	-	-	12,441,930
Transfer of share option reserve upon exercise of options	-	179,508	33,405	298,361

20. CAPITAL RISK MANAGEMENT

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

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

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

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

21. FINANCIAL INSTRUMENTS

The following table does not include financial assets and financial liabilities classified as held for sale as at December 31, 2010 and September 30, 2011.

	Financial instrument classification	September 30, 2011 US$	December 31, 2010 US$
Financial assets			
Cash and cash equivalents	Loans and receivables	303,424,034	301,608,717
Restricted cash	Loans and receivables	6,900,352	6,725,129
Accounts receivable	Loans and receivables	47,553,783	9,050,490
Amount due from a non-controlling shareholder	Loans and receivables	411,808	419,768
Financial liabilities			
Accounts payable and accrued expenses*	Other financial liabilities	58,171,018	60,187,364
Long-term loans	Other financial liabilities	144,923,273	148,178,600
Syndicated loan	Other financial liabilities	99,136,100	64,467,664

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

The fair values of the Group's cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their carrying values due to their short-term nature.

The fair value of the long-term loan approximate their carrying amounts as they are interest bearing at market rates.

The Group's financial instruments are exposed to certain financial risks including market risk (currency risk and interest rate risk), credit risk and liquidity risk. The following disclosure does not include the effect of financial assets and liabilities classified as held for sale as at September 30, 2011 and December 31, 2010 as the amounts involved and the risk exposure are considered insignificant.

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. Certain subsidiaries of the Company operate in the PRC and Canada and their functional currency is US$. The currency risk is considered to be insignificant.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate bank balances and restricted cash and interest-bearing borrowings.

21. FINANCIAL INSTRUMENTS - continued

(c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sells approximately 94.6% (nine months ended September 30, 2010: 94.8%) of its gold to one creditworthy customer, CNG, who is also the Group's substantial shareholder for the nine months ended September 30, 2011 and exposes the Group to concentration of credit risk. The failure of this customer to make required payments could have a negative impact on the Group's results. The Group manages this risk by demanding upfront payment from this customer. The Group's cash and short-term bank deposits are held in large Chinese and Canadian banks. These investments mature at various dates within 3 months. The Group does not have any asset backed commercial paper in its short-term bank deposits. The Group's accounts receivable consists of GST refund due from the Federal Government of Canada and VAT recoverable from the PRC tax authority, all of which are not outstanding for more than 180 days.

The Group had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in the PRC or Canada as at December 31, 2010 and September 30, 2011.

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

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 20.

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The amount included below for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Interest rate	Within 1 year	1 - 2 years	2 - 5 years	Total undiscounted cash flow	Carrying amount
	%	US$	US$	US$	US$	US$
At September 30, 2011						
Accounts payable and accrued expenses	-	58,171,018	-	-	58,171,018	58,171,018
ABC loan	6.56	10,078,681	16,969,645	12,889,418	39,937,744	34,772,051
BOC loan	4.62	35,567,200	34,016,271	48,979,724	118,563,195	110,151,222
Syndicated loan	4.82	4,209,098	20,274,488	90,937,505	115,421,091	99,136,100
		108,025,997	71,260,404	152,806,647	332,093,048	302,230,391

21. FINANCIAL INSTRUMENTS - continued

(d) Liquidity risk - continued

	Interest rate	Within 1 year	1 - 2 years	2 - 5 years	Total undiscounted cash flow	Carrying amount
	%	US$	US$	US$	US$	US$
At December 31, 2010						
Accounts payable and accrued expenses	-	60,187,364	-	-	60,187,364	60,187,364
ABC loan	5.18	3,904,278	11,354,609	33,612,883	48,871,770	42,481,528
BOC loan	3.96	34,384,767	33,188,880	47,989,491	115,563,138	105,697,072
Syndicated loan	3.96	2,552,920	2,552,920	70,033,622	75,139,462	64,467,664
		101,029,329	47,096,409	151,635,996	299,761,734	272,833,628

22. COMMITMENTS AND CONTINGENCIES

Operating leases commitments

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

	September 30, 2011	December 31, 2010
	US$	US$
Within one year	224,547	230,476
Between two to five years	535,730	679,583
Over five years	710,901	740,485
	1,471,178	1,650,544

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

Capital commitments

	September 30, 2011	December 31, 2010
	US$	US$
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for	45,101,980	38,552,671

Other commitments and contingencies existed at September 30, 2011 and December 31, 2010

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

The Group is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Group does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Group.

(Stated in U.S. Dollars, except as otherwise noted)

		Three months ended September 30		Nine months ended September 30,	
		2011	2010	**2011**	2010
Gold production - CSH	(ounces)	**36,985**	39,520	**92,244**	75,707
Gold production - Jiama	(ounces)	**2,406**	N/A	**5,051**	N/A
Total gold production	(ounces)	**39,391**	39,520	**97,294**	75,707
Total copper concentrate production - Jiama	(tonnes)	**2,636**	N/A	**6,816**	N/A
	(pounds)	**5,811,928**	N/A	**15,027,308**	N/A
Total silver production - Jiama	(ounces)	**186,957**	N/A	**520,483**	N/A

	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
	(US$ except per share)			
Net income	**23.8 Million**	13.8 Million	**54.8 Million**	14.6 Million
Basic income per share (cents)	**5.79**	7.71	**13.38**	8.05
Net cash flows from (used in) operations	**11.1 Million**	21.7 Million	**29.6 Million**	7.4 Million
Property, plant and equipment capital expenditures	**24.1 Million ****	7.7 Million	**52.3Million**	17.0 Million

	Balance, September 30, 2011 US$	Balance, September 30, 2010 US$
Cash and cash equivalents	**303.4 Million**	27.1 Million
Working capital *	**261.3 Million**	21.1 Million

*Working capital consists of current assets less current liabilities

**Includes deposits paid for the acquisition of property, plant and equipment of US$1.2 million in the first quarter of 2011, which results in net expenditures of US$24.1 million for the acquisition of property, plant and equipment for the three months ended September 30, 2011.

Outlook

- For 2011, the Company has a budgeted annual production of 125,000 ounces of gold from the CSH Mine. At the end of the third quarter, the CSH Mine has produced 92,244 ounces of gold.

- For 2011, the Company has budgeted to process of 1.5 million tonnes of ore from the Jiama Mine. At the end of the third quarter, the Jiama Mine has processed 1,163,009 tonnes of ore.

- At the CSH Mine, a 64,000 metre (110 holes) drilling program, is close to completion. A fully evaluation on the mine's potential for gold mineralization is in progress, both down depth and surrounding the mining permit area. This program is designed to continue the success of the initial 4,187 metre (eight holes) diamond drilling program carried out in 2010, which was designed to test for the surface trenching intercepts adjacent to the open pit. (Refer to section " Mineral Properties – Exploration" for actual results to date). The 2010 drilling program intercepted mineralization at depth beneath the open pit for six holes, and discovered anomalous gold values in the other two holes,

- At the Jiama Mine, the Company is now conducting a feasibility study and reserve analysis with a view to increasing the scale of the Phase II Jiama Mine operations. This process is expected to culminate in an updated feasibility study, which is anticipated for completion in the last quarter of 2011.

- An aggressive three year exploration program has also been planned for the Jiama Mine to delineate the scale of a potential gold deposit, expand and upgrade the resources, and investigate the porphyry copper-molybdenum mineralization both down depth and along the strike. The program plan consists of 31,200 metres of drilling with a total of 56 diamond drilling holes in three phases, with a budget of US$5.6 million.

- The Company will continue to leverage upon the technical and operating experiences of the Company's controlling shareholder, China National Gold Group ("CNG"), to improve operations at the CSH Gold Mine and the Jiama Mine. In addition, the Company continues to focus its efforts on increasing and optimizing production while minimizing costs.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining opportunities, namely projects outside of China, that can be readily and quickly brought into production with the possibility for further expansion through exploration.

SIGNIFICANT ACCOUNTING ESTIMATES

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 3 of the condensed interim consolidated financial statements.

CHANGE IN ACCOUNTING POLICIES

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the condensed interim consolidated financial statements.

FORWARD LOOKING STATEMENTS

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

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

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

HISTORICAL FINANCIAL INFORMATION

The condensed interim consolidated financial statements of the Company include the condensed interim consolidated financial statements of China Gold International and its subsidiaries (including operating subsidiaries, namely, the Chang Shan Hao Chinese Joint Venture ("CSH CJV") and the newly acquired Jiama Mine). The assets and liabilities of the Dadiangou CJV have been segregated and are presented as assets held for sale. The Company's financial statements are presented in U.S. dollars.

Principal Income Statement Components

Revenue is derived from the principal product produced at the CSH Mine, which is gold doré bars and the principal product at the Jiama Mine, which is copper concentrate with gold and silver credit.

The sales price of gold doré bars is primarily determined by spot gold prices in the market, with reference to prices on the Shanghai Gold Exchange. The sales price of copper concentrate is based on a sales contract which is primarily based on spot copper prices in the market, with reference to prices on the Shanghai Metal Exchange. The sales price for copper concentrate is then reduced by approximately 10% to 14% to cover the shipping and smelting cost of the contained copper value in the copper concentrate. Sales prices for gold doré bars and for copper concentrate historically correlate with international gold and copper prices, respectively.

The following table sets forth the monthly weighted average sales price (exempted from Value Added Tax "VAT" at 17%) for gold produced by the CSH Mine during 2010 and 2011:

US$ weighted average sales price per ounce of gold: (US$ per ounce)			
January 2010	1,090.6	October 2010	1,297.9
February 2010	1,115.9	November 2010	1,343.2
March 2010	1,108.4	December 2010	1,248.1
April 2010	1,097.9	January 2011	1,335.6
May 2010	1,178.6	February 2011	1,426.9
June 2010	1,215.5	March 2011	1,431.9
July 2010	1,156.9	April 2011	1,431.2
August 2010	1,224.3	May 2011	1,524.2
September 2010	1,277.0	June 2011	1,537.8
		July 2011	1,575.4
		August 2011	1,858.9
		September 2011	1,645.3

The following table sets forth the monthly weighted average sales price (including VAT at 17%) for copper concentrate produced by the Jiama Mine during 2010 and 2011 (no sales were made in the months where Nil appears):

US$ weighted average sales price per tonne of copper:	
December 2010	Nil
January 2011	Nil
February 2011	9,989.2
March 2011	9,794.8
April 2011	9,843.5
May 2011	8,932.8
June 2011	9,058.8

(Stated in U.S. Dollars, except as otherwise noted)

July 2011	9,562.6
August 2011	9,062.6
September 2011	8,328.4

Historically, the market prices for these metals have fluctuated significantly. Market prices may be influenced by numerous factors beyond the Company's control such as world demand and supply, selling and purchase activities by central banks and other macro-economic factors such as expectations regarding inflation rates, interest rates, currency exchange rates, as well as general global economic conditions and political trends. We do not currently employ any financial instruments to hedge market fluctuations. Fluctuations in market prices will lead to fluctuations in our financial results.

Our production volume is primarily determined by ore grade, mining and processing capacity and metal recovery rates. Production volume at the CSH Mine is also adversely affected by the drop in temperature during the winter months as the leaching of gold slows. The average monthly commercial production volume at the CSH Mine for the three months ended September 30, 2011 was approximately 12,328 ounces compared to 13,173 ounces for the same three months in 2010. The average monthly commercial production volume for the nine months ended September 30, 2011 and 2010 was approximately 10,249 ounces and 8,412 ounces, respectively.

Production at the Jiama Mine commenced in September 2010. From May to September 2011, the mine was processing 6,000 tonnes of ore per day (tpd). The acquisition of the Jiama Mine was completed on December 1, 2010. The Company has been ramping up the production of copper concentrate month over month since the beginning of 2011. Revenue generated by the Jiama Mine is expected to represent a substantial portion of the Company's total revenue in future periods.

Cost of sales primarily includes mining costs (primarily fees paid to third-party contractors for the provision of mine construction work and mining services), ore processing costs (primarily costs of raw materials used in the production process such as chemicals and drip metres, labor and utilities costs), other mine operating costs (primarily administrative and management staff salaries, benefits and office expenses), taxes, depreciation and depletion. Historically, mining costs have been the largest component of the costs of production. Increases in depreciation and depletion expense due to additional capital expenditures will also increase the cost of sales.

Depreciation and depletion primarily consist of (i) depreciation of property, plant and equipment; and (ii) depletion of exploration expenditures incurred on sites within an existing mine or in areas within the boundary of a known mineral deposit which contain proven and probable reserves, provided that such exploration costs are economically recoverable and commercial production has already commenced at such sites. For the accounting treatment of exploration expenditure incurred at other stages, see "Exploration and evaluation expenditures" below.

General and administrative expenses primarily consists of administrative and management staff salaries, benefits and travel expenses of administrative and management staff of our head office in Canada and the mine sites, office expenses, investor relations expenses, professional fees, and other miscellaneous expenses relating to the general administration of the Company.

Exploration and evaluation expenditures primarily consist of fees paid to third-party contractors for exploration activities such as drilling on sites other than operating mines and on areas outside the boundary of a known mineral deposit which contains proved and probable reserves and preparing drilling reports, fees paid to obtain exploration permits, and in-house exploration staff costs.

Exploration and evaluation expenditures are charged to the consolidated statement of comprehensive income in the period incurred until it is determined that a mineral property has economically recoverable reserves. For the criteria used when assessing economic recoverability, see Note 3 in our annual audited consolidated financial statements for the year ended December 31, 2010. Following the establishment of economic recoverability, exploration and evaluation expenditures are capitalized and are included in the carrying amount of mineral assets under property, plant and equipment.

Foreign exchange gain (loss) primarily consists of foreign exchange differences arising from the translation of the balances of RMB-denominated term loans and the syndicated loan facility into U.S. dollars, and the translation of the RMB-denominated financial statements of the foreign subsidiaries into U.S. dollars.

With the exception of the newly acquired subsidiaries in the Skyland Group, our reporting currency and the functional currency of our operations is the U.S. dollar. Transactions in currencies other than the U.S. dollar are initially recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the U.S. dollar are translated at the exchange rate at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a currency other than the U.S. dollar are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a currency other than the U.S. dollar are translated using exchange rates at the dates when fair values are determined. All gains and losses realized on translation of these foreign currency transactions are included in our consolidated statements of comprehensive income.

Interest income primarily consists of interest earned on bank deposits.

Finance costs consist of interest on our borrowings recognized using the effective interest method and accretion of environmental rehabilitation liabilities, net of capitalized interest. Interest is capitalized if the borrowings underlying the interest expenses are for the construction or development of qualifying assets.

We expect our working capital and capital expenditures will continue to be partially funded with bank loans. Accordingly, we expect finance costs will continue to affect our results of operations. Fluctuations in interest rates in the future will affect our finance costs, which in turn will affect our results of operations.

Fair value change on warrant liabilities represents the change, between reporting periods, in the estimated fair value of warrants that were granted and outstanding as of the end of the previous reporting period. The fair value of warrants is determined using the Black-Scholes option pricing model and requires the input of various subjective assumptions such as the expected volatility of our share price and expected per share dividends. All of the outstanding warrants were exercised by the end of the second quarter of 2010, and thus no fair value changes were recognized in 2011.

Income taxes for the Company are provided at the combined Canadian federal and provincial income tax rates of 26.5% and 28.5% for the nine months ended September 30, 2011 and 2010, respectively. The Company and its subsidiaries are incorporated in Canada, however, they have had no taxable profits since incorporation. During the same periods, our CSH Chinese Joint Venture was subject to the PRC enterprise income tax at a rate of 25% for the nine months ended September 30, 2011 and 2010. Our newly acquired subsidiaries, Tibet Huatailong Mining Development Co., Ltd and Jiama Industry and Trade, established in the western area of the PRC, are subject to a preferential enterprise income tax of 15% due to their location in Tibet, China.

For the nine months ended September 30, 2011 and 2010, we recognized total income tax expenses of US$ 15.9 million and US$10.5 million, respectively. The total income tax expense for the nine months ended September 30, 2011 represents a deferred tax credit of US$4.4 million and current income tax expense of US$20.3 million. A deferred tax expense of US$2.1million and current income tax expense of US$ 8.4million represent the total income tax expense for the nine months ended September 30, 2010.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

QUARTER ENDED	2011			2010				2009
(US$ in thousands except per share)	**30-Sep**	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenues ($ in thousands)	**89,407**	92,938	35,423	48,886	46,631	27,181	10,499	34,009
Cost of sales	**53,017**	52,519	23,587	26,824	23,179	13,330	5,308	23,580
Mine operating earnings	**36,391**	40,419	11,837	22,063	23,452	13,850	5,191	10,429
General and administrative expenses	**3,590**	5,217	3,937	1,828	1,396	1,171	946	537
Exploration and evaluation expenses	**160**	70	64	559	69	70	23	907
Income from operations	**32,640**	35,132	7,836	19,675	21,987	12,610	4,222	8,985
Foreign exchange loss (gain)	**(326)**	(397)	(34)	595	631	872	(618)	447
Finance costs	**3,862**	2,882	2,511	2,164	1,450	1,489	740	2,376
Listing expenses	**-**	-	0	43	514	1,194	351	1,222
Profit (loss) before income tax	**30,520**	34,713	5,444	16,923	19,405	8,205	(2,533)	736
Income tax expense	**6,689**	7,293	1,941	4,392	5,581	3,235	1,652	4,193
Net income (loss)	**23,830**	27,420	3,503	12,530	13,825	4,970	(4,185)	(3,457)
Basic earnings (loss) per share (US$)	**0.06**	0.07	0.01	0.06	0.08	0.03	(0.03)	(0.02)
Diluted earnings (loss) per share (US$)	**0.06**	0.07	0.01	0.06	0.08	0.03	(0.03)	(0.02)

Selected Quarterly Production Data

	CSH Mine	**Jiama Mine**	**CSH Mine and Jiama Mine**	**CSH Mine**	**Jiama Mine**	**CSH Mine and Jiama Mine**	CSH Mine	
	Three months ended September 30, 2011			**Nine months ended September 30, 2011**			Three months ended September 30, 2010	Nine months ended September 30, 2010
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	US$	US$
Revenue	**63,471,613**	**25,935,835**	**89,407,448**	**145,470,909**	**71,334,664**	**216,805,573**	46,631,430	84,311,336
Cost of sales	**35,145,382**	**17,871,337**	**53,016,719**	**80,319,324**	**48,803,397**	**129,122,721**	23,179,415	41,817,849
Mine operating earnings	**28,326,231**	**8,064,498**	**36,390,729**	**65,151,585**	**22,531,267**	**87,682,852**	23,452,015	42,493,487
Gold produced (ounces)	**36,985**		**36,985**	**92,244**		**92,244**	39,520	75,707
Gold sold (ounces)	**38,146**		**38,146**	**94,336**		**94,336**	37,976	70,675
Copper produced (tonnes)		**2,636**	**2,636**		**6,816**	**6,816**		
Copper produced (pounds)	-	**5,811,928**	**5,811,928**	-	**15,027,308**	**15,027,308**		
Copper sold (tonnes)		**2,471**	**2,471**		**6,856**	**6,856**		
Copper sold (pounds)	-	**5,448,385**	**5,448,385**	-	**15,115,138**	**15,115,138**		
Total cost of gold sold per ounce	**921**		**921**	**851**		**851**	610	592
Total cost of copper sold per tonne		**7,231**	**7,231**		**7,118**	**7,118**		
Total cost of copper sold per pound	-	**3.28**	**3.28**		**3.23**	**3.23**		
Total cost of copper equivalent per tonne	-	**5,080**	**5,080**	-	**5,135**	**5,135**	-	-
Total cost of copper equivalent per pound	-	**2.30**	**2.30**		**2.33**	**2.33**		
Cash cost* per ounce of gold	**836**		**836**	**752**		**752**	539	499
Cash cost* per tonne of copper	-	**4,280**	**4,280**		**4,565**	**4,565**		

(Stated in U.S. Dollars, except as otherwise noted)

Cash cost* per pound of copper		**1.94**	**1.94**		**2.07**	**2.07**		
Cash cost* per tonne of copper equivalent	-	**3,007**	**3,007**		**3,293**	**3,293**		
Cash cost* per pound of copper equivalent		**1.36**	**1.36**		**1.49**	**1.49**		

* Non-IFRS measure

Review of Quarterly Data

Three Month Comparative

Three months ended September 30, 2011 compared to three months ended September 30, 2010

Revenue increased by 92%, or US$42.8 million, from US$46.6 million for the three months ended September 30, 2010, to US$89.4 million for the three months ended September 30, 2011. The additional revenue from the newly acquired Jiama Mine accounted for 60.5%, or US$25.9 million, of the increase. The balance relating to revenue from the CSH Mine was due to an increase in the volume of gold sold as well as a US$465 increase in the weighted average price of gold over the prior year's third quarter. For the three months ended September 30, 2011, the CSH Mine produced a total of 36,985 ounces of gold and sold 38,146 ounces of gold at a weighted average price of US$1,693 per ounce. For the three months ended September 30, 2010, the CSH Mine produced a total of 39,520 ounces of gold and sold 37,976 ounces of gold at a weighted average price of US$1,228 per ounce.

Cost of sales increased by 129% or US$29.8 million, from US$23.2 million for the three months ended September 30, 2010 to US$53.0 million, for the three months ended September 30, 2011. Jiama's cost of sales accounted for 60%, or US$17.9 million, of the increase. Cost of sales as a percentage of revenue was higher for the Company at 59% due to the addition of Jiama's cost of sales as a percentage of total revenue of 20%. Cost of sales as a percentage of total revenue for the CSH Mine was 39% for the three months ended September 30, 2011 compared to 49.7% for the three months ended September 30, 2010.

Mine operating earnings for the Company increased by 55%, or US$12.9 million, from US$23.5 million for the three months ended September 30, 2010 to US$36.4 million for the three months ended September 30, 2011. Mine operating earnings as a percentage of revenue decreased to 41% for the three months ended September 30, 2011 compared to 50.3% for the three months ended September 30, 2010. The decrease was mainly due to the addition of Jiama and the lower average ore grade at the CSH Mine.

General and administrative expenses increased by 157%, or US$2.2 million, from US$1.4 million for the three months ended September 30, 2010 to US$3.6 million for the three months ended September 30, 2011. The increase was primarily attributable to the addition of Jiama's expenses, totaling US$2.6 million, of which US$1.5 million related to salaries and benefits. General and administrative expenses decreased by 30.8% from US$5.2 million to US$3.6 million from the second to the third quarter of 2011.

Exploration and evaluation expenditures increased by 132%, or US$91,000, from US$69,000 for the three months ended September 30, 2010 to US$160,000 for the three months ended September 30, 2011. Quarter over quarter, there was an increase of 129%, or US$90,000, from the second quarter compared to the third quarter of 2011. (The capitalized exploration expenditures for the CSH Mine and the Jiama Mine can be found in the section titled "Mineral Properties.")

Income from operations for the third quarter of 2011 increased by 48%, or US$10.6 million, from US$22.0 million for the three months ended September 30, 2010 to US$32.6 million for the three months ended September 30, 2011. A significant portion of the increase was due to the addition of Jiama, which contributed US$5.5 million for the three month period. The increase was also due to higher production rates at both mines, resulting in an overall increase of US$12.9 million in mine operating earnings. Income from operations for the third quarter of 2011 decreased by US$2.5 million from US$35.1 million in the three months ended June 30, 2011.

Listing expenses decreased by 100% from US$514,000 for the three months ended September 30, 2010 to US$ nil for the three months ended September 30, 2011. This decrease was due to completion of the listing on the HKSE in December 2010.

Finance costs increased by 166%, or US$2.4 million from US$1.4 million for the three months ended September 30, 2010 to US$3.8 million for the three months ended September 30, 2011, primarily attributed to the addition of Jiama's finance costs of US$2.2 million. There was no capitalized interest for the three months ended September 30, 2011. Finance costs increased by US$0.9 million from the US$2.9 million which was incurred in the three months ended June 30, 2011.

As all the issued and outstanding stock-purchase warrants were exercised by the end of May 2010, there is no expense relating to the change in the fair value of stock-purchase warrants in 2011. The change in fair value of stock-purchase warrants in the comparative period was nil.

Foreign exchange gain increased by 152%, or US$957,000 from a loss of US$631,000 for the three months ended September 30, 2010 to a gain of US$326,000 for the three months ended September 30, 2011. The current period's gain is related to the conversion of the foreign subsidiaries books of account denominated from Chinese RMB to US dollar. The Company had a foreign exchange gain of US$397,000 for the three months ended June 30, 2011.

Interest and other income increased from US$14,000 for the three months ended September 30, 2010 to US$1.4 million for the three months ended September 30, 2011. This increase was primarily due to Jiama's addition of (i) bank interest of US$230,000 and (ii) a government grant received for US$771,000. This compares to interest and other income of US$2.1 million for the three months ended June 30, 2011. A gain on modification of borrowing of US$1.9 million was recognized for modifications made on the CSH loan due to the Agricultural Bank of China during the second quarter of 2011.

Income tax expense increased by 20%, or US$1.1 million, from US$5.6 million for the three months ended September 30, 2010 to US$6.7 million for the same period in 2011. The increase was due to higher mine operating earnings resulting in an increase in taxable income. This compares to income tax expense of US$7.3 million for the three months ended June 30, 2011.

Net income attributable to owners of the Company increased by US$9.7 million from a net income of US$13.2 million for the three months ended September 30, 2010 to US$22.9 million for the three months ended September 30, 2011. The improvement in net income is also a result of higher production rates, increased sales, and overall increase in income from operations. This compares to net income attributable to owners of the Company of US$26.9 million for the three months ended June 30, 2011.

Nine Month Comparative

Nine months ended September 30, 2011 compared to nine months ended September 30, 2010

Revenue increased by 157%, or US$132.5 million, from US$84.3 million for the nine months ended September 30, 2010, to US$216.8 million for the nine months ended September 30, 2011. The additional revenue from the newly acquired Jiama Mine accounted for 53.8%, or US$71.3 million, of the increase. The balance also relates to revenue from the CSH Mine due to an increase in the volume of gold sold as well as a US$337 increase in the weighted average price of gold over the prior year's first three quarters. For the nine months ended September 30, 2011, the CSH Mine produced a total of 92,244 ounces of gold and sold 94,336 ounces of gold at a weighted average price of US$1,530 per ounce. For the nine months ended September 30, 2010, the CSH Mine produced a total of 75,707 ounces of gold and sold 70,675 ounces of gold at a weighted average price of US$1,193 per ounce.

Cost of sales increased by 209% or US$87.3 million, from US$41.8 million for the nine months ended September 30, 2010 to US$129.1 million for the nine months ended September 30, 2011. Jiama's cost of sales accounted for 55.9%, or US$48.8 million, of the increase. Cost of sales as a percentage of revenue was higher for the Company at 59.5% due to the addition of Jiama's cost of sales as a percentage of total revenue of 23%. Cost of sales as a percentage of total revenue for the CSH Mine was 37% for the nine months ended September 30, 2011 compared to 49.6% for the nine months ended September 30, 2010.

Mine operating earnings for the Company increased by 106%, or US$45.2 million, from US$42.5 million for the nine months ended September 30, 2010 to US$87.7 million for the nine months ended September 30, 2011. Mine operating earnings as a percentage of revenue decreased to 40.4% for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 at 50.4%. The decrease was mainly due to the addition of Jiama and lower average ore grade at the CSH Mine.

General and administrative expenses increased by 235%, or US$8.3 million, from US$3.5 million for the nine months ended September 30, 2010 to US$11.8 million for the nine months ended September 30, 2011. The increase is primarily attributable to the addition of Jiama's general and administrative expenses totaling US$7.3 million of which significant costs were salaries and benefits of US$4.2 million. Professional fees, investor relations and costs contributed to an increase of approximately US$0.7 million, due to the Company's dual listing and addition of the Skyland Group.

Exploration and evaluation expenditures increased by 81.5% or US$132,000 to US$294,000 for the nine months ended September 30, 2011 compared to US$162,000 for the nine months ended September 30, 2010. The increase is due to the new exploration programs underway at both of the CSH and Jiama Mines during 2011. (The capitalized exploration expenditures for the CSH Mine and the Jiama Mine can be found in the section titled "Mineral Properties.")

Income from operations increased by 95%, or US$36.8 million, from US$38.8 million for the nine months ended September 30, 2010 to US$75.6 million for the nine months ended September 30, 2011. The addition of Jiama contributed US$15.2 million for the nine months ended September 30, 2011. The overall increase is attributable to higher production rates for both the CSH and Jiama mines.

Listing expenses decreased by 100.0% from US$2.1 million for the nine months ended September 30, 2010 to US$ nil for the nine months ended September 30, 2011. This decrease is due to completion of the listing on the HKSE in December 2010.

Finance costs increased by 152%, or US$5.6 million from US$3.7 million for the nine months ended September 30, 2010 to US$9.3 million for the nine months ended September 30, 2011, primarily attributable to the addition of Jiama's finance costs of US$6.2 million. There was no capitalized interest for the nine months ended September 30, 2011.

As all the issued and outstanding stock-purchase warrants were exercised by the end of May 2010, there is no expense relating to the change in the fair value of stock-purchase warrants in 2011. The change in fair value of stock-purchase warrants in the comparative period was US$7.2 million.

Foreign exchange gain increased by US$1.6 million from a loss of US$885,000 for the nine months ended September 30, 2010 to a gain of US$753,000 for the nine months ended September 30, 2011. The gain in 2011 is due to the foreign subsidiaries conversion of functional currency, denominated in RMB to US dollars.

Interest and other income increased from approximately US$15,500 for the nine months ended September 30, 2010 to approximately US$3.6 million for the nine months ended September 30, 2011. This increase was primarily due to (i) a government grant of US$771,000 received by Jiama (ii) Jiama's bank interest income of US$309,000 and (iii) US$315,000 of interest income on term deposits. During the second quarter of 2011, modifications were made to the CSH loan due to the Agricultural Bank of China, which resulted in the recognition of a gain on modification of borrowing of US$1.9 million.

Income tax expense increased by 52%, or US$5.5 million, from US$10.5 million for the nine months ended September 30, 2010 to US$15.9 million for the nine months ended September 30, 2011, due to an increase in taxable income during the period. Income tax expense for the CSH Mine totaled US$14.4 million, and US$1.5 million was realized for the Jiama Mine, for the nine months ended September 30, 2011.

Net income attributable to owners of the Company increased by US$39.3 million from US$13.7 million for the nine months ended September 30, 2010 to income of US$53.0 million for the nine months ended September 30, 2011.

(Stated in U.S. Dollars, except as otherwise noted)

NON-IFRS MEASURES

The following table provides certain unit cost information on a cash cost of production per ounce (non-IFRS) basis for the CSH Gold Mine for the three and nine months ended September 30, 2011 and 2010:

	CSH Mine			
	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
Cost of mining per tonne of ore	**2.20**	1.25	**1.63**	1.21
Cost of mining waste per tonne of ore	**2.11**	1.89	**2.02**	1.38
Other mining costs per tonne of ore	**0.38**	0.33	**0.37**	0.34
Total mining costs per tonne of ore	**4.69**	3.47	**4.02**	2.93
Cost of reagents per tonne of ore	**0.95**	1.19	**0.94**	0.82
Other processing costs per tonne of ore	**0.81**	0.70	**0.89**	0.47
Total processing cost per tonne of ore	**1.76**	1.89	**1.83**	1.29

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

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

	CSH Mine (Gold)								Jiama Mine (Copper)					
	Three months ended September 30,				Nine months ended September 30,				Three months ended			Nine months ended		
	2011		2010		**2011**		2010		September 30, 2011			September 30, 2011		
	US$	**US$ per ounce**	US$	US$ per ounce	**US$**	**US$ per ounce**	US$	US$ per ounce	**US$**	**US$ per tonne**	**US$ per pound**	**US$**	**US$ per tonne**	**US$ per pound**
Cost of sales	**35,145,382**	**921**	23,179,415	610	**80,319,324**	**851**	41,817,849	592	**17,871,337**	**7,231**	**3.28**	**48,803,397**	**7,118**	**3.23**
Adjustments	**(3,268,811)**	**(86)**	(2,703,157)	(71)	**(9,338,083)**	**(99)**	(6,519,391)	(92)	**(7,294,606)**	**(2,952)**	**(1.34)**	**(17,508,053)**	**(2,554)**	**(1.16)**
Total cash costs	**31,876,571**	**835**	20,476,258	539	**70,981,241**	**752**	35,298,458	500	**10,576,731**	**4,279**	**1.94**	31,295,344	4,564	2.07

The adjustments above include depreciation and depletion, amortization of intangible assets, the release of prepaid lease payments and selling expenses included in cost of sales. The total cash costs per gold ounce above differ from the unit cash costs disclosed in the Behre Dolbear Independent Technical Report ("ITR") for the CSH Mine for two reasons. First, the Behre Dolbear ITR is prepared on a cash basis while the calculation above is prepared on an accrual basis. This means that the cost of sales above includes an allocation of costs incurred over time while the Behre Dolbear ITR does not. Second, the Behre Dolbear ITR is prepared based on units produced while the calculations above are based on units sold.

(Stated in U.S. Dollars, except as otherwise noted)

MINERAL PROPERTIES

The CSH Mine

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

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

The following table shows the exploration expenditures expensed and capitalized during the three and nine months ended September 30, 2011 and 2010:

	CSH Mine			
	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
Exploration expensed	113,113	60,623	**189,599**	709,119
Exploration capitalized	3,791,443	-	**5,125,675**	-
	3,904,556	60,623	**5,315,274**	709,119

Mineral Resources and Ore Reserves

An updated mine plan for the CSH Mine was developed and reported as at June 30, 2010 in the Behre Dolbear ITR dated November 17, 2010. This plan was prepared based on heap leaching with a crushing plant throughput rate of 30,000 tpd which was achieved as planned, by March 31, 2010. The detailed technical information can be found in the technical report filed at www.sedar.com and www.hkexnews.hk.

Details of the new resources update based on the Behre Dolbear ITR dated June 30, 2010 after depletion in the balance of 2010 are summarized in the following table:

Resource Estimates for the CSH Mine at December 31, 2010										
Cutoff (g/t)	**Measured**		**Indicated**		**Measured+Indicated**			**Inferred**		
	Million Tonnes	**Au Grade (g/t)**	**Million Tonnes**	**Au Grade (g/t)**	**Million Tonnes**	**Au Grade (g/t)**	**Au Million Ounces**	**Million Tonnes**	**Au Grade (g/t)**	**Au Million Ounces**
0.30	**96.7**	**0.68**	**133.6**	**0.61**	**230.3**	**0.64**	**4.736**	**0.52**	**0.43**	**0.007**
0.40	78.8	0.75	101.7	0.69	180.5	0.72	4.176	0.24	0.54	0.004
0.50	61.7	0.84	74.7	0.78	136.5	0.81	3.542	0.12	0.62	0.002

The reserves, accounting for mine depletion in 2010, are summarized in the table below:

CSH Gold Mine Total Reserves at December 31, 2010						
Classification		**Cutoff Au (g/t)**	**Ore (M tonnes)**	**Grade Au (g/t)**	**Contained Au (Kg)**	**Contained Au (Million oz)**
Proven	>+	0.3	74.6	0.70	52,227	1.679
Probable	>=	0.3	51.2	0.65	33,264	1.069
Total	**>=**	**0.30**	**125.9**	**0.68**	**85,491**	**2.749**

Production Update

According to the most recent column leach test completed by Metcon Research of KD Engineering, gold recovery greatly improves when ore is crushed. Higher gold grades also result in better gold recovery rates. As of March 2010, mine production has consisted almost entirely of crushed ore and the crusher facility has consistently operated at its design capacity of 30,000 tpd.

	CSH Mine			
	Three months ended September 30,		Nine months ended September 30,	
	2011 US$	2010 US$	**2011 US$**	2010 US$
Ore mined and placed on pad (tonnes)	**3,327,235**	3,140,660	**8,825,285**	10,160,367
Average grade of ore (grams per tonne)	**0.46**	0.75	**0.52**	0.68
Recoverable gold at 49% recovery rate (ounces)	**24,134**	27,390	**72,817**	86,349
Ending ore inventory (ounces)	**36,707**	72,179	**36,707**	72,179
Waste rock mined (tonnes)	**9,035,050**	4,380,180	**21,789,321**	12,689,670

For the nine months ended September 30, 2011, the total amount of ore put on the leach pad was 8,825,285 tonnes, with total contained gold of 4,621,558 grams (148,586 oz). The gold recovery rate has increased from approximately 43% to 49% based on our technical team's analysis and estimation. The Company continues to carefully monitor the behavior of gold inventory in the process.

Exploration

Exploration and drilling continued at the CSH Mine during the 2010 field season within the company's 25 square kilometre licensed area immediately adjoining the mining permit and mineralization at depths below the current mining permit. Priorities for exploration were given to trenching and drilling on several gold anomalies along the prospective stratigraphic units which were defined by grid rock sampling during the previous field seasons, with deeper drill holes planned to explore for higher grades down dip.

The Company commenced a major drilling campaign at its CSH Mine in Inner Mongolia, China on May 20, 2011. The focus of the drill program is to delineate more resources at depth with the expectation to further expand the current mining capacity. The total budget for the drill program is approximately 50 million RMB (about US$7.7 million). The drill program consists of approximately 64,000 metres of diamond drilling in over 110 drill holes. As of the end of September 2011, 41 drill rigs were turning at the site and approximately 50,800 metres of drilling was completed. The drilling program is expected to be completed during the fourth quarter of 2011.

(Stated in U.S. Dollars, except as otherwise noted)

The Jiama Mine

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

The deposit is presently being mined as a combined open-pit and underground mining operation. The development includes two open pits, being the smaller Tongqianshan pit and the larger Niumatang Pit, as well as an underground operation that is accessed through two shafts having an initial 355 metre depth and that is planned to extend to a final depth of 600 metres. The first phase of development, which primarily involved the development of open-pit infrastructure at the Tongqianshan pit, ore processing facilities, an underground ore transportation system, and a 6,000 tpd mineral processing plant, is now complete. The Jiama Mine commenced mining operations in the latter half of 2010 with production reaching the planned 6,000 tpd as planned for Phase I. For Phase II development, which was originally planned for a 12,000 tpd mining operation, the Company has retained an engineering firm to conduct a conceptual mine study with a view to building a larger scale mining operation using additional drilling results.

The following table shows the exploration expenditures expensed and capitalized during the three and nine months ended September 30, 2011:

	Jiama Gold Mine	
	Three months ended September 30, 2011	**Nine months ended September 30, 2011**
	US$	
Exploration expensed	**11**	**1,212**
Exploration capitalized	**1,938,815**	**5,260,296**
	1,938,826	**5,261,508**

Mineral Resources and Ore Reserves

In October 2011, Behre Dolbear completed a technical review and, as part of its engagement, produced a National Instrument 43-101 compliant technical report ("the Jiama Technical Report") on the Jiama Mine as at June 30, 2011 dated October 6, 2011. Set forth below are the mineral resource and reserve estimates for the Jiama Mine. Further information can be found in the technical report filed at www.sedar.com and www.hkexnews.hk.

The 2010 drill program was completed at the Jiama project in December 2010 with 76 holes drilled totaling 45,537 meters. The 2010 drill program defined and upgraded a significant amount of Jiama's inferred resources to measured and indicated resources. Total measured and indicated resources increased by 443% from 185.1 million tonnes averaging 0.74 percent copper and containing 1.38 million tonnes of copper to 1,006.0 million tonnes averaging 0.41 percent copper and containing 4.08 million tonnes of copper.

(Stated in U.S. Dollars, except as otherwise noted)

The resources for the Jiama project as of June 2011 are summarized in tables 1.1 and 1.2.

TABLE 1.1
BEHRE DOLBEAR'S JORC MEASURED AND INDICATED MINERAL RESOURCES ESTIMATES FOR THE JIAMA PROJECT AS OF JUNE 2011
(CUT OFF GRADE FOR THE RESOURCE ESTIMATE IS 0.3% COPPER OR 0.03% MOLYBDENUM OR 1% LEAD OR 1% ZINC)

Model	Category	Tonnes (kt)	Average grade					
			Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
Shallow Skarn	Measured	60,579	0.82	0.057	0.33	15.47	0.04	0.03
	Indicated	210,722	0.75	0.061	0.29	14.07	0.03	0.02
	Meas+Ind	271,301	0.77	0.060	0.30	14.38	0.03	0.03
Steep Skarn	Measured	4,012	0.76	0.031	0.27	17.59	0.31	0.18
	Indicated	18,971	0.76	0.032	0.26	17.62	0.30	0.17
	Meas+Ind	22,983	0.76	0.032	0.26	17.61	0.30	0.17
Hornfels	Measured	0	0.00	0.000	0.00	0.00	0.00	0.00
	Indicated	655,089	0.27	0.037	0.03	1.04	0.01	0.01
	Meas+Ind	655,089	0.27	0.037	0.03	1.04	0.01	0.01
Porphyry	Measured	0	0.00	0.000	0.00	0.00	0.00	0.00
	Indicated	56,596	0.11	0.056	0.01	0.74	0.01	0.01
	Meas+Ind	56,596	0.11	0.056	0.01	0.74	0.01	0.01
All Models	**Total**	**1,005,969**	**0.41**	**0.044**	**0.10**	**5.00**	**0.02**	**0.02**

TABLE 1.2
BEHRE DOLBEAR'S JORC INFERRED MINERAL RESOURCE ESTIMATES FOR THE JIAMA PROJECT AS OF JUNE 2011
(CUT OFF GRADE FOR THE RESOURCE ESTIMATE IS 0.3% COPPER OR 0.03% MOLYBDENUM OR 1% LEAD OR 1% ZINC)

Model	Category	Tonnes (kt)	Average grade					
			Cu (%)	Mo (%)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
Shallow Skarn	Inferred	94,325	0.61	0.056	0.23	11.66	0.02	0.02
Steep Skarn	Inferred	26,012	0.71	0.026	0.21	17.88	0.35	0.15
Hornfels	Inferred	39,460	0.23	0.039	0.03	1.02	0.01	0.01
Porphyry	Inferred	10,356	0.13	0.058	0.01	0.74	0.01	0.01
All Models	**Total**	**170,153**	**0.51**	**0.048**	**0.17**	**9.48**	**0.07**	**0.04**

(Stated in U.S. Dollars, except as otherwise noted)

Mineral Reserves

The reserves for the Jiama project will be updated following completion of the ongoing feasibility study to support a major mine expansion at the Jiama project.

The following table shows the reserves remaining as of the end of 2010:

Ore Reserve Estimates for the Jiama Mine as of December 31, 2010

Type	Kt	Grade						Contained Metals					
		Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu Kt	Mo Kt	Au t	Ag t	Pb Kt	Zn Kt
Proved	53,444	0.83	0.038	0.32	16.3	0.06	0.04	441.4	29.95	17.0	872	29.6	21.4
Probable	51,837	0.85	0.040	0.29	16.5	0.11	0.05	438.7	20.90	15.11	857	52.6	26.8
Total	105,281	0.84	0.039	0.31	16.4	0.08	0.05	879.1	40.85	32.11	1729	82.2	48.2

Commissioning and Production during the Commissioning Process

The Jiama Mine went into commissioning for commercial production in September 2010 and by December 2010 the mine reached its designed capacity of 6,000 tpd. The mine is presently producing its principal product of copper concentrate with gold and silver credits. Commercial production was effected by interruptions or shortages in the supply of electricity from the beginning of the year until January 23, 2011. However, as outlined in the Jiama Technical Report, due to the remote location of the Jiama Mine and the limited capacity of the central power grid of Tibet, power shortages in the dry winter months were anticipated. The completion of the connection between Tibet's central power grid to China's national power grid is expected by the end of 2012. We would expect no further power outages afterwards.

Results of Exploration Program

An aggressive three year exploration program has been approved by the Company for the Jiama Mine to further define the extent of the mineralized system supporting the known deposit. The new exploration program consists of 31,200 metres of drilling with a total of 56 diamond drilling holes done in three phases with a budget of US$5.6 million (37.35 million RMB). It will focus on four targets in the 3 kilometre long three-in-one complex system consisting of the Hornfels, Skarn, and Porphyry mineralized bodies. The first target is the 100x100 metre and 200x100 metre spacing in-fill drilling in the center part of the Skarn type mineralized body. The purpose is to upgrade the current inferred and indicated resources to the indicated and measured category. The second target is further drilling work surrounding the existing standalone quartz-diorite porphyrite gold mineralized body and gold rich Skarn type mineralized body which has been confirmed by the drilling program in 2010. The purpose is to define a reasonably sized gold or gold rich deposit. The third target is to define the Skarn type mineralized body boundary by drilling holes along the North-East strike extension of the major Skarn mineralized body. The fourth target is to drill a 2000-3000 metre deep hole to explore the depth of the porphyry mineralized body in the center of the mineralized zone. Along with the drilling program, a magnetotelluric geophysical survey may be conducted to define the extent of the deep porphyry system. The drilling program began in April 2011 and is scheduled for completion by the end of 2011. Initial results from the drilling program are expected in the first quarter of 2012. As of September 30, 2011, 13 drill rigs were turning at the Jiama Mine. Approximately 26,000 metres of drilling was completed as of September 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

We operate in a capital intensive industry. Our liquidity requirements arise principally from the need for working capital to finance development of our mining and processing operations, exploration activities and acquisition of exploration and mining rights. Our principal sources of funds have been proceeds from the issuance of promissory notes, borrowing from commercial banks in China and China National Gold, equity financings, and cash generated from operations. Our liquidity will primarily depend on our ability to generate cash flow from operations and to obtain external financing to meet our debt obligations as they become due, as well as our future operating and capital expenditure requirements.

(Stated in U.S. Dollars, except as otherwise noted)

At September 30, 2011, the Company had an accumulated surplus of US$13.7 million and working capital of US$261.3 million. China Gold International's cash balance at September 30, 2011 was US$303.4 million.

For the CSH Mine, the third principal installment of RMB20 million (approximately US$3.1 million) on the Company's RMB290 million (approximately US$44.8 million) term loan from the Agricultural Bank of China ("ABC") was paid in September 2011, and the fourth and fifth principal installments of RMB20 million (approximately US$3.1 million) and RMB30 million (approximately US$4.6million), respectively, are due in June 2012 and September 2012. Interest payments of approximately US$200,000 are paid monthly on the ABC loan and will continue to be paid in 2012. For the Jiama Mine, the first repayment of the loan for RMB200 million (approximately US$31.4 million) from the Bank of China ("BOC") is due on December 28, 2011. Interest payments of approximately US$424,000 are paid monthly on the BOC loan prior the first repayment on December 28, 2011 and the interest of approximately US$ 302,000 will continue to be paid monthly in 2012. During the three months ended March 31, 2011, an additional RMB203.0 million was drawn down from the syndicated loan facility. In June 2011, a new bank replaced a bank of the syndicated loan facility and lent the Jiama Mine RMB203 million to repay the principals of the syndicated loan, of which RMB63 million was repaid in June 2011 and RMB140 million was repaid in July 2011, bringing the total loan to RMB630.0 million (approximately US$99.1 million) as at September 30, 2011. The first payment of RMB100 million on the syndicated loan facility ("SLF") balance with various banks is due in June 2013. Interest payments of approximately US$327,000 are paid monthly on the SLF and will continue to be paid next year in 2012.

Management believes that its forecasted operating cash flows from the CSH Mine are sufficient to cover the next twelve months of the CSH Mine operations factoring in its planned capital expenditures and current debt repayments. Revenue and related expenses should increase as production increases. Forecasted operating cash flows from the Jiama Mine should be sufficient to cover the next twelve months of operations. Some of the proceeds from the Hong Kong IPO will be used to fund the capital expenditures being planned for Phase II of Jiama as well as other business expenses. The Company may seek further financing to fund the balance of capital expenditures being planned for Phase II of Jiama's expansion.

Cash flows

The following table sets out selected cash flow data from our consolidated cash flow statements for the three and nine months ended September 30, 2011 and 2010:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
Net cash flows from (used in) operating activities	11,056,362	21,685,553	29,526,350	7,430,135
Net cash flows (used in) investing activities	(24,859,174)	(9,479,527)	(53,337,894)	(7,997,192)
Net cash flows (used in) from financing activities	(22,939,180)	(1,237,260)	25,074,844	3,661,364
Effect of foreign exchange rate changes on cash and cash equivalents	271,932	(200,002)	552,017	21,049
Net (decrease) increase in cash and cash equivalents	(36,470,060)	10,768,764	1,815,317	3,115,356
Cash and cash equivalents, beginning of period	339,894,094	16,331,252	301,608,717	23,984,660
Cash and cash equivalents, end of period	303,424,034	27,100,016	303,424,034	27,100,016

For the three and nine months ended September 30, 2011 and 2010

Operating cash flow

For the three months ended September 30, 2011, net cash used in operating activities was US$11.0 million, which is primarily attributable to (i) a decrease in prepaid expense and deposits of US$5.5 million, (ii) income taxes paid of US$6.3 million, (iii) a decrease in inventory of US$4.2 million, (iv) interest paid of US$4.2 million, and (v) an increase in accounts receivable of US$31.9 million, partially offset by (i) net income of US$30.5 million, (ii) depreciation and depletion of US$5.3 million, (iii) finance costs of US$3.9 million, (iv) amortization of intangible assets of US$4.8 million.

For the nine months ended September 30, 2011, net cash used in operating activities was US$29.6 million, which is primarily attributable to (i) a decrease in accounts payable of US$ 13.8 million, (ii) income taxes paid of US$17.2 million, (iii) a decrease in inventory of US$8.5 million, (iv) interest paid of US$9.1 million, (v) an increase in accounts receivable of US$38.5 million, and (vi) an increase in prepaid expenses and deposits of US$4.0 million, partially offset by (i) net income of US$70.7 million, (ii) depreciation and depletion of US$14.7 million, (iii) finance costs of US$9.3 million, (iv) amortization of intangible assets of US$10.9 million.

Investing cash flow

For the three months ended September 30, 2011, net cash used in investing activities was US$24.9 million, which was attributable to the acquisition of property, plant and equipment.

For the nine months ended September 30, 2011, net cash used in investing activities was US$53.4 million, which is primarily attributable to purchases of property, plant and equipment.

Financing cash flow

For the three months ended September 30, 2011, net cash outflow from financing activities was US$22.9 million, which is attributable to repayment of the syndicated loan facility for the Jiama Mine.

For the nine months ended September 30, 2011, net cash from financing activities was US$25.1 million, which is primarily attributable to proceeds from the syndicated loan facility of US$41.7 million for the Jiama Mine and payments made on the ABC and syndicated loans totaling US$16.6M by both the Jiama and CSH Mines.

SELECTED BALANCE SHEET ITEMS

Accounts receivable primarily represents trade sales, gold sales in advance of payment, value added tax receivables and goods and services tax refunds from relevant government authorities, listing expense receivables, amounts due from shareholders, and other receivables such as employee travel advances. The estimated sale price is calculated on the basis of the estimated weight of gold and silver contained in the doré bars we deliver. The final sale price is settled once the parties have finalized the weight of gold and silver contained in the doré bars in accordance with the weight and sampling procedures specified in the sale agreement.

Accounts receivable increased by US$38.5 million from US$9.1 million as of December 31, 2010 to US$47.6 million as of September 30, 2011, primarily due to the US$33 million increase in Amount due from Shareholder for gold sales, and an increase of US$6.9 million in trade receivables relating to Jiama, offset by a decrease in VAT receivables of US$2.1 million relating to Jiama.

Prepaid lease payments consist of US$6.9 million prepaid for medium term lease leasehold land located in the PRC. The prepaid lease payments are amortized over the remaining lease term of 48 years.

Prepaid expenses and deposits primarily consist of deposits for supplies and services for mining operations at the CSH and Jiama Mines, deposits for environmental protection, deposits to suppliers for purchase of spare parts, insurance premium for future periods, and rent deposits for our corporate offices.

As at September 30, 2011 and December 31, 2010, prepaid expenses and deposits were US$11.1 million and US$5.8 million, respectively. The increase of US$5.3 million was primarily due to (i) an increase in a deposit of US$2.1 million for mine supplies and services, (ii) a deposit of US$1.2 million paid for the acquisition of property, plant and equipment for the Jiama Mine (iii) an increase in prepayment of resource taxes of US$404,000, (iv) an increase of US$512,000 in refundable construction deposits for the CSH Mine , and (v) an increase in a deposit for spare parts of US$1.1 million.

Inventory consists of gold-in-process (comprised of gold contained in the ore placed on the leach pad and in-circuit material within processing operations), doré bars, copper concentrate, auxiliary materials and spare parts. Total inventory for both mines decreased by US$8.5 million from US$52.0 million as of December 31, 2010 to US$43.5 million as of September 30, 2011.

Inventory at the CSH Mine decreased by US$8.9 million from US$45.2 million as of December 31, 2010 to US$36.3 million as of September 30, 2011. The decrease in inventory can be primarily explained by an increase of US$544,000 in gold doré inventory, an increase of US$442,000 in consumables inventory and a decrease of US$9.8 million in gold-in-process inventory. Approximately 8.8 million tonnes of ore was mined and placed on the leach pad during the nine months ended September 30, 2011, slightly down from the 10.1 million tonnes in the previous nine months ended September 30, 2010.

Inventory at the Jiama Mine increased by US$347,000 from US$6.8 million as of December 31, 2010 to US$7.1 million as of September 30, 2011. The increase in inventory resulted from a decrease in consumables inventory from US$2.8 million as of December 31, 2010 to US$2.6 million as of September 30, 2011, a decrease in copper concentrate inventory from US$2.6 million to US$2.0 million over the same period, which was offset by an increase in spare parts inventory from US$1.4 million to US$2.5 million over the same period.

As of September 30, 2011 and December 31, 2010, CSH's inventory primarily consisted of gold-in-process.

Intangible assets arose from the purchase of the Jiama Mine and relate primarily to the independent valuation of the fair value of the mining rights acquired. The fair value of the mining rights is based on the estimated recoverable amount from production of the Jiama Mine. The mining rights expire in 2013 and in the opinion of the directors of the Company; the Company will be able to renew the mining rights with the relevant government authority, on an ongoing basis. The mining rights are amortized on a unit of production basis using the actual production volume over the estimated total proven and probable reserves of the mines.

Accounts payable and accrued expenses primarily consist of amounts outstanding for trade purchases relating to gold production activities (such as purchases of auxiliary materials), copper concentrate processing activities, construction activities and fees payables to third-party contractors.

Accounts payable and accrued expenses decreased by US$11.5 million from US$90.8 million as of December 31, 2010 to US$79.3 million as of September 30, 2011. The majority of the decrease relates to a US$10.0 million drop in advances from customers, a US$2.3 million decrease in trade payables, a US$1.8million decrease in accruals related to the HK Listing, offset by an increase of mining cost accruals of US$2.7 million.

Deferred income tax liabilities of US$133.9 million relate to the difference between the estimated fair value of intangible assets and property, plant and equipment, as accounted for on the acquisition of the Jiama Mine and their underlying income tax bases.

Environmental rehabilitation primarily represents reclamation and closure costs relating to our operations at the CSH Mine. We have estimated reclamation and closure costs based on our interpretation of current regulatory requirements and the recorded amount is the net present value of estimated future cash expenditures on reclamation and closure in connection with the areas estimated to be disturbed. Reclamation and closure costs were capitalized as mine development costs (under mineral assets as part of property, plant and equipment) since the commencement of pre-commercial production and depreciated over the life of the mine on a unit-of-production basis. At the same time, we began to recognize environmental rehabilitation liabilities at the commencement of pre-commercial production with the same amount of net present value of estimated future cash expenditures on reclamation and closure, and are accreting the balance of the environmental rehabilitation liabilities through to 2030. Such accretion is recorded as part of finance costs each period.

The environmental rehabilitation liability was calculated as the net present value of estimated future net cash outflows for reclamation and closure costs in a total amount of approximately US$9.6million and US$9.9 million discounted at 10.1% and 9.8% as of September 30, 2011 and December 31, 2010, respectively. The accretion incurred in connection with the environment rehabilitation represented interest expense calculated based on the foregoing discount rates and therefore it is recorded as part of finance costs. Our environmental rehabilitation liabilities remained consistent with US$1.9 million as of December 31, 2010 and US$1.9 million as of September 30, 2011.

We had net current assets of US$261.3 million and US$224.8 million as of September 30, 2011 and December 31, 2010, respectively.

RELATED PARTY TRANSACTIONS

Revenue from sales of doré bars to CNG increased from US$80.0 million for the nine months ended September 30, 2010 to US$137.6 million for the nine months ended September 30, 2011. Silver sales to CNG decreased by US$402,000 to nil for the same period as silver was sold to a third party rather than to CNG during 2011. The doré bars were sold to CNG at market prices under the relevant agreements.

The Company incurred no interest expense to CNG for the nine months ended September 30, 2011 compared with approximately US$2.3 million in the same nine months ended September 30, 2010, as the loan to CNG was repaid in December 2010.

On December 1, 2010, the Company acquired Skyland Mining Limited, the owner of the Jiama Mine, from China National Gold Group Hong Kong Limited ("CNGHK") and a third party, Rapid Result. The Company issued an aggregate of 170,252,294 common shares, of which 86,828,670 common shares were issued to CNGHK to complete the acquisition. The terms of the transaction were settled by a special committee of independent directors with the support of a valuation and fairness opinion by Haywood Securities Inc., an independent securities firm. The Skyland Purchase Agreement included a post-closing adjustment mechanism based on the net working capital of Skyland as at November 30, 2010 which could adjust the total consideration paid. An independent international auditing firm was consulted to produce a report on the working capital adjustment and calculation. The working capital adjustment was reviewed by the Company, the Company's auditors and the Skyland vendors who all agreed with the report's findings. The report calculated a working capital adjustment of US$2.66 million. As the amount was determined to be immaterial in relation to the size of the transaction and factoring in other reasons, the Company and the Vendors proposed to waive the application of the working capital adjustment and a Board resolution was approved to that effect. A written legal opinion was obtained from the Company's lawyers confirming the waiver of the working capital adjustment, which was delivered according to the Purchase Agreement.

As a result of the acquisition of Skyland, the Company assumed an existing bank loan facility, due to the Bank of China, and a syndicate loan facility, due to various banks, both of which were guaranteed by CNG. However, as a condition of the Company's initial public offering and listing on the HKSE, CNG was released of its obligatory guarantee as of June 1, 2011. CNG's guarantees on the bank loan facility and syndicate loan facility were replaced by a direct security interest over the mining rights and assets of the Jiama Mine. CNG was also released as a guarantor of the CSH CJV loan due to the Agricultural Bank of China, which was replaced by a direct security interest over the mining rights of the CSH Mine.

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 for a purchase price of US$13.1 million, of which the Company is entitled to 53%, or approximately US$7 million. In November 2010, the Dadiangou exploration right transaction application between Gansu Zhongjin Gold Mining Co. Ltd and NINETC was approved by the Gansu Provincial Government. The transaction procedure was completed in October 2011 and the Company is expected to receive its portion of the cash proceeds once Gansu Pacific Mining Co. Ltd, is properly dealt with.

(Stated in U.S. Dollars, except as otherwise noted)

Assets include the following amounts due from related parties:

	September 30, 2011 $US	December 31, 2010 $US
Assets		
Restricted cash received from CNG's subsidiary from sales of Dadiangou Gold Project	**6,900,352**	6,725,129
Amount due from shareholders:		
Listing expense receivable from CNGHK, CNG's subsidiary	**2,735,852**	2,735,852
Listing expense receivable from Rapid Result	**2,628,564**	2,628,564
	5,364,416	5,364,416
Trade receivable from CNG	**32,975,248**	53,135
Amount due from a non-controlling shareholder	**411,808**	419,768
Total related party assets	**45,651,824**	12,562,448

The increase in restricted cash received on the disposal of the Dadiangou Gold Project is due to interest income as well as a change in the underlying exchange rate. Listing expenses receivable from CNG and Rapid Result are included in accounts receivable in the condensed interim consolidated statement of financial position. Trade receivables from CNG relates to gold sales. The reduction in amount due from a non-controlling shareholder is due to a receipt of payment.

Liabilities include the following amounts due to related parties:

	September 30, 2011 $US	December 31, 2010 $US
Liabilities		
Other payable to CNG's subsidiary for deposit from sales of Dadiangou Gold Project	**6,900,352**	6,725,129
Account payable to CNG	**31,472**	30,199
Accounts payable to CNG's subsidiaries	**105,900**	117,569
Total related party liabilities	**7,037,724**	6,872,897

The increase in other payable related to the deposit on the Dadiangou Gold Project is due to interest income and exchange rate changes.

Key management compensation (other than directors):

	Three months ended September 30,		Nine months ended September 30	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
Salary cost				
Salaries and other benefits	**169,713**	165,568	**526,652**	443,607
Post employment benefits	**1,316**	1,684	**10,441**	5,840
	171,029	167,252	**537,093**	449,447

The salaries and benefits above are a summary of amounts paid to management.

INDEBTEDNESS

Our borrowings are denominated in RMB, U.S. dollars and Canadian dollars. As of September 30, 2011 and 2010, we had the following outstanding borrowings:

	Effective interest rate	Maturity	**September 30, 2011**	December 31, 2010
	%		**$**	$
Current				
Current portion of long-term loan - Agricultural Bank of China ("ABC")	6.56	September 9, 2012	8,674,385	1,517,197
Current portion of long-term loan Bank of China ("BOC")	4.62	December 28, 2011	31,471,778	30,343,949
			40,146,163	31,861,146
Non-current				
Long-term loan - ABC	6.56	September 9, 2012 to September 9, 2014	**26,097,666**	40,964,331
Long-term loan - BOC	4.62	December 28, 2012 to December 28, 2014	**78,679,444**	75,353,123
Syndicated loan	4.82	June 4, 2013 to June 4, 2016	**99,136,100**	64,467,664
			203,913,210	180,785,118

Our indebtedness comprised the following:

(i) Loan from the Agricultural Bank of China

In September 2009, the CSH CJV received an unsecured bank loan in the principal amount of RMB290 million (US$42.3 million) from the Agricultural Bank of China. The loan is repayable within five years from the date of the first draw-down. The annual interest rate for the term loan is currently 6.56% with monthly interest payments of approximately US$200,000. The loan is repayable through installments of RMB10 million repaid on September 9, 2010; RMB30 million repaid on June 9, 2011; RMB20 million repaid on September 9, 2011; RMB20 million due on June 9, 2012; RMB30 million due on September 9, 2012; RMB30 million due on December 9, 2012; RMB20 million due on March 9, 2013; RMB20 million due on June 9, 2013; RMB30million due on September 9, 2013; RMB30 million due on December 9, 2013; RMB20 million due on March 9, 2014; and RMB30 million due on September 9, 2014 when the remaining outstanding balance is to be repaid in full.

(ii) Loan from the Bank of China

A bank loan facility from the Bank of China was acquired with the purchase of Skyland and the Jiama Mine. The bank loan of RMB700 million (US$108.2 million) carries interest at a floating rate based on the People's Bank of China base rate (the interest rate at date of inception of the loan agreement and at the end of reporting period is 4.62% per annum) with monthly installments of approximately US$416,000. The loan is repayable in four annual installments starting from December 28, 2011. RMB200 million (approximately US$30.5 million), RMB200 million (approximately US$30.5 million), RMB150 million (approximately US$22.9 million) and RMB150 million (approximately US$22.9 million) will be repayable on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014 respectively.

(iii) Syndicated loan facility

A syndicated loan facility agreement with various banks was acquired with the purchase of Skyland and the Jiama Mine. The syndicated loans carry interest at a floating rate based on the People's Bank of China base rate (the interest rate at the date of inception of the loan agreement and at the end of the reporting period was 4.82% per annum) with monthly installments of approximately US$327,000. The loan facility is repayable in four annual installments starting from 2013. RMB100 million (approximately US$15.3 million), RMB150 million (approximately US$22.9 million), RMB200 million (approximately US$30.9 million), and RMB180 million (approximately US$27.8 million) will be repayable on June 2013, June 2014, June 2015, and June 2016 respectively. The full amount of the facility drawn down as of September 30, 2011 is RMB770 million (approximately US$119.0 million), of which RMB140 million was repaid in July 2011.

Restrictive covenants

We are subject to various customary conditions and covenants under the terms of our financing agreements.

Under the loan agreement between the CSH CJV and the Agricultural Bank of China, the CSH CJV is prohibited from distributing dividends before repaying amounts due under the loan agreement in the same fiscal year. In addition, the CSH CJV is required to obtain the lender's consent prior to carrying out certain activities or entering into certain transactions such as a reduction of registered capital, disposal of assets, mergers and acquisitions and provision of guaranty or creating charges over its material assets in favor of third-parties.

Under the loan agreements between Jiama and the Bank of China and between Jiama and the various banks providing the syndicated loan facility, Jiama is prohibited from distributing dividends before offsetting accumulated losses of the prior accounting year, repaying the principal, interest, and other expenses due under the loan agreement in the current fiscal year, and repaying the principal, interest and other expenses due under the loan agreement in the next fiscal year. In addition, Jiama is required to obtain the lender's written approval prior to reducing registered capital, processing one or more transactions or a series of transactions in the form of a sale, lease, transfer or other way leading to the disposal of assets that together total over RMB5.0 million, entering into any merger or acquisition, providing a guarantee or creating charges over its material assets in favor of third parties.

As of June 1, 2011, the lenders (ABC, BOC, and a syndicate of banks comprised of the BOC, China Development Bank, and ABC) for the Group's RMB1.74 billion (US$254.51million) loan facilities agreed to release CNG, the Company's controlling shareholder, from its guarantees on the ABC, BOC, and syndicated loans. The guarantees have been replaced by a direct security interest over relevant mining rights at the CSH Mine and relevant mining rights and assets at the Jiama Mine in favour of the lenders.

COMMITMENTS AND CONTINGENCIES

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

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

Our capital commitments relate primarily to payments for purchase of equipment and machinery for both mines and payments to third-party contractors for provision of mining and exploration engineering work and mine construction work for both mines. We have entered into contracts that prescribe such capital commitments, however, liabilities relating to them have not yet been incurred. Therefore, capital commitments have not been included in our condensed interim consolidated financial statements.

The following table outlines payments for commitments for the years indicated:

(Stated in U.S. Dollars, except as otherwise noted)

Payment Due by Year

	Total	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
	US$	US$	US$	US$	US$	US$	US$
Principal repayment on ABC term loan	**34,772,050**	908,721	10,566,339	15,531,327	7,765,663		
Principal repayment on BOC loan (RMB700,000,000)	**110,151,222**	31,471,778	31,471,778	23,603,833	23,603,833		
Principal repayment on Syndicated loan (RMB770,000,000)	**99,136,100**	-	-	15,735,889	23,603,833	31,471,778	28,324,600
Operating leases Vancouver(a)	**345,339**	23,934	98,302	99,157	99,157	24,789	
Operating leases CSH Mine(a)	**515,537**	8,076	32,305	32,305	32,305	32,305	378,241
Operating leases Jiama(a)	**610,303**	94,795	39,655	39,655	39,655	39,655	356,888
Capital commitments of CSH Mine(b)	**1,943,662**	1,943,662	-	-			
Capital commitments of the Jiama Mine(b)	**43,158,318**	43,158,318	-	-			
Total	**290,632,531**	77,609,284	42,208,379	55,042,166	55,144,446	31,568,527	29,059,729

(a) Operating leases are primarily for premises and production.
(b) Capital commitments relate to contracts signed for construction and equipment supply.

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

DERIVATIVES

The company did not have any derivatives as of September 30, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2011, we had not entered into any material off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

We have not paid any dividends since our incorporation. We do not currently have a fixed dividend policy. Our Directors will determine any future dividend policy on the basis of, among others, our results of operations, cash flows and financial conditions, operating and capital requirements, the amount of distributable profits and all other relevant factors.

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's

Chief Executive Officer and Chief Financial Officer have each evaluated the design of the Company's DC&P and ICFR as of September 30, 2011 and, in accordance with the requirements established under National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's ICFR as of September 30, 2011 and have concluded that these controls and procedures have been designed to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the nine months ended September 30, 2011, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

QUALIFIED PERSON

Disclosure of a scientific or technical nature in this MD&A in respect of the CSH Mine resources and the 2011 drill program were prepared by or under the supervision of Mario Rossi, M.Sc., Min. Eng., of Geosystems International Inc., an Independent Qualified Person as defined by National Instrument 43-101; and for that of the Jiama Mine were prepared by or under the supervision of Dr. Yingting Tony Guo, P. Geo, a qualified person for the purposes of National Instrument 43-101.

Further information can be found in the technical reports dated November 17, 2010 for the CSH Mine and dated October 6, 2011 for the Jiama Mine filed at www.sedar.com and www.hkexnews.hk.

November 14, 2011