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China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Nine months ended September 30, 2017 (Stated in U.S. dollars, except as otherwise noted)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

*Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and nine months ended September 30, 2017.
(Stated in U.S. dollars, except as otherwise noted)*

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The following Management Discussion and Analysis of financial condition and results of operations (“MD&A”) is prepared as of November 14, 2017. It should be read in conjunction with the condensed consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as “China Gold International”, the “Company”, “we” or “our” as the context may require) for the three and nine months ended September 30, 2017 and the three and nine months ended September 30, 2016, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to the Company’s plans, objectives, expectations and intentions, which are based on the Company’s current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in the Company’s Annual Information Form (“Annual Information Form” or “AIF”) dated March 30, 2017 on SEDAR at www.sedar.com. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled “Forward-Looking Statements” and “Risk Factors” and to discussions elsewhere within this MD&A. China Gold International’s business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD-LOOKING STATEMENTS

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

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

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

THE COMPANY

Overview

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

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

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

Performance Highlights

Three months ended September 30, 2017

- Revenue decreased by 10% to US\$98.5 million from US\$109.6 million for the same period in 2016.
- Mine operating earnings increased by 13% to US\$27.0 million from US\$23.9 million for the same period in 2016.
- Net profit after income taxes increased to US\$17.4 million from US\$7.7 million for the same period in 2016.
- Gold production from the CSH Mine remained consistent at 46,621 ounces compared to 46,654 ounces for the same period in 2016.
- Copper production from the Jiama Mine increased by 33% to 6,439 tonnes (approximately 14.2 million pounds) from 4,836 tonnes (approximately 10.7 million pounds) for the same period in 2016. Gold produced was 12,200 ounces compared to 7,145 ounces for the same period in 2016. The increase in production was primarily due to the output from the commissioning of phase II series I expansion.

Nine months ended September 30, 2017

- Revenue increased by 14% to US\$278.6 million from US\$245.0 million for the same period in 2016.
- Mine operating earnings increased by 65% to US\$71.1 million from US\$43.2 million for the same period in 2016.
- Net profit after income taxes increased to US\$44.4 million from a net loss of US\$3.2 million for the same period in 2016.
- Gold production from the CSH Mine decreased by 4% to 126,959 ounces from 132,224 ounces for the same period in 2016.
- Copper production from the Jiama Mine increased by 50% to 20,939 tonnes (approximately 46.2 million pounds) from 13,957 tonnes (approximately 30.8 million pounds) for the same period in 2016. Gold produced was 29,817 ounces compared to 20,116 ounces for the same period in 2016. The increase in production was mainly due to the output from the commissioning of the phase II series I expansion.

OUTLOOK

- Projected gold production of 218,700 ounces in 2017.
- Projected copper production of approximately 79 million pounds in 2017.
- The Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tpd. The Phase II series I construction is now complete. Phase II series I processing capacity has reached the design capacity for limited durations and is steadily improving through continuous operation. Phase II series I is expected to achieve commercial production by the end of the year.

- The Company will continue to leverage the technical and operating experience of the Company's substantial shareholder, China National Gold Group Corporation ("CNG"), to improve operations at its mines. In addition, the Company continues to focus its efforts on increasing production while minimizing costs at both mines.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining acquisition opportunities, namely projects outside of China.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

| | Quarter ended | | | | | | | |
|---|---------------|--------|--------|---------|---------|---------|---------|----------|
| | 2017 | | | 2016 | | | | 2015 |
| | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec |
| <i>(US\$ in thousands except per share)</i> | | | | | | | | |
| Revenues | 98,543 | 97,916 | 82,110 | 93,552 | 109,560 | 69,904 | 65,585 | 78,967 |
| Cost of sales | 71,565 | 72,923 | 62,986 | 80,517 | 85,681 | 58,162 | 58,039 | 74,798 |
| Mine operating earnings | 26,978 | 24,993 | 19,124 | 13,035 | 23,879 | 11,742 | 7,546 | 4,169 |
| General and administrative expenses | 7,103 | 5,660 | 5,776 | 5,127 | 5,902 | 5,361 | 5,049 | 6,483 |
| Exploration and evaluation expenses | 40 | 53 | 36 | 216 | 65 | 53 | 46 | 157 |
| Income (loss) from operations | 19,835 | 19,280 | 13,312 | 7,692 | 17,912 | 6,328 | 2,451 | (2,471) |
| Foreign exchange gain (loss) | 1,838 | 4,001 | 2,845 | (9,154) | (2,493) | (5,980) | 1,198 | (5,624) |
| Finance costs | 5,800 | 5,264 | 4,914 | 4,264 | 3,793 | 4,063 | 4,453 | (868) |
| Profit (loss) before income tax | 17,616 | 21,936 | 13,709 | (2,703) | 13,972 | (1,870) | (2,986) | (13,640) |
| Income tax expense | 208 | 1,332 | 7,332 | 6,431 | 6,276 | 5,531 | 500 | 4,836 |
| Net profit (loss) | 17,408 | 20,604 | 6,377 | (9,134) | 7,696 | (7,401) | (3,846) | (18,476) |
| Basic earnings (loss) per share (cents) | 4.33 | 5.09 | 1.60 | (2.32) | 1.82 | (1.95) | (0.91) | (4.69) |
| Diluted earnings (loss) per share (cents) | N/A | N/A | N/A | N/A | 1.82 | (1.95) | (0.91) | (4.69) |

Selected Quarterly Production Data and Analysis

| CSH Mine | Three months ended September 30, | | Nine months ended September 30, | |
|--|----------------------------------|--------|---------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Gold sales (US\$ million) | 56.90 | 78.37 | 160.76 | 162.66 |
| Realized average price ⁽¹⁾ (US\$) of gold per ounce | 1,261 | 1,315 | 1,261 | 1,236 |
| Gold produced (ounces) | 46,621 | 46,654 | 126,959 | 132,224 |
| Gold sold (ounces) | 45,133 | 59,610 | 127,479 | 131,549 |
| Total production cost (US\$ per ounce) | 1,041 | 1,041 | 1,078 | 1,039 |
| Cash production cost ⁽²⁾ (US\$ per ounce) | 657 | 778 | 682 | 762 |

(1) Net of resource compensation fees that is based on revenue and paid to PRC government. The PRC government eliminated the resource compensation fee as of July 2016.

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

Gold production at the CSH Mine remained consistent at 46,621 ounces for the three months ended September 30, 2017 compared to 46,654 ounces for the three months ended September 30, 2016. The consistent levels of gold production are attributed to steady recovery rates of approximately 52% for the three month comparative periods.

The total production cost of gold for the three months ended September 30, 2017 remained unchanged at US\$1,041 per ounce compared with the same period in 2016. The cash production cost of gold for the three months ended September 30, 2017 decreased by approximately 16% to US\$657 for the three months ended September 30, 2017, from US\$778 per ounce for the same period in 2016, mainly due to an approximately 48% decrease in waste rock stripping costs.

| Jiama Mine | Three months ended September 30, | | Nine months ended September 30, | |
|--|---|-------------|--|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Copper sales ¹ (US\$ in millions) | 27.71 | 18.02 | 77.31 | 50.38 |
| Realized average price ² (US\$) of copper per pound after smelting fee discount | 2.34 | 1.58 | 2.15 | 1.50 |
| Copper produced (tonnes) ³ | 6,439 | 4,836 | 20,939 | 13,957 |
| Copper produced (pounds) ³ | 14,196,304 | 10,662,409 | 46,162,635 | 30,769,249 |
| Copper sold (tonnes) ³ | 6,573 | 5,154 | 17,481 | 14,450 |
| Copper sold (pounds) ³ | 14,491,077 | 11,362,290 | 38,538,698 | 31,856,415 |
| Gold produced (ounces) ³ | 12,200 | 7,145 | 29,817 | 20,116 |
| Gold sold (ounces) ³ | 9,722 | 7,895 | 27,538 | 21,118 |
| Silver produced (ounces) ³ | 855,464 | 303,788 | 1,557,121 | 951,684 |
| Silver sold (ounces) ³ | 537,111 | 352,855 | 1,248,770 | 999,040 |
| Total production cost ⁴ (US\$) of copper per pound | 2.48 | 2.45 | 2.31 | 2.43 |
| Total production cost ⁴ (US\$) of copper per pound after by-products credits ⁶ | 1.36 | 1.30 | 1.20 | 1.41 |
| Cash production cost ⁵ (US\$) per pound of copper | 2.11 | 2.05 | 1.95 | 2.03 |
| Cash production cost ⁵ (US\$) of copper per pound after by-products credits ⁶ | 0.99 | 0.90 | 0.84 | 1.00 |

¹ Net of resource compensation fees that is based on revenue and paid to PRC government agency. The PRC government eliminated the resource compensation fee as of July 2016. The amount excludes sales from the commissioning of phase II series I production.

² A discount factor of 18.8% to 27% is applied to the copper bench mark price to compensate the refinery costs incurred by the buyers

³ 2017 Quantities of Copper, Gold and Silver produced and sold include the production and sales from the commissioning of phase II series I

⁴ Production costs include expenditures incurred at the mine sites for the activities related to production including mining, processing, mine site G&A and royalties etc.

⁵ Non-IFRS measure. See 'Non-IFRS measures' section of this MD&A

⁶ By-products credit refers to the sales of gold and silver during the corresponding period.

During the three months ended September 30, 2017, the Jiama Mine produced 6,439 tonnes (approximately 14.2 million pounds) of copper, an increase of 33% compared with the three months ended September 30, 2016 (4,836 tonnes, or 10.7 million pounds). The increase in production is due to the commissioning of phase II series I production.

During the three months ended September 30, 2017, both cash production cost and total production cost of copper per pound after by products increased, mainly due to lower recovery rates during the period.

Review of Quarterly Data

Three months ended September 30, 2017 compared to three months ended September 30, 2016

Revenue of US\$98.5 million for the third quarter of 2017 decreased by US\$11.1 million or 10%, from US\$109.6 million for the same period in 2016.

Revenue from the CSH Mine was US\$56.9 million, a decrease of US\$21.5 million, compared to US\$78.4 million for the same period in 2016. Gold sold by the CSH Mine was 45,133 ounces (gold produced: 46,621 ounces), compared to 59,610 ounces (gold produced: 46,654 ounces) for the same period in 2016.

Revenue from the Jiama Mine was US\$41.6 million, an increase of US\$10.4 million, compared to US\$31.2 million for the same period in 2016. Total copper sold was 6,573 tonnes (14.5 million pounds) for the three months ended September 30, 2017, an increase of 28% from 5,154 tonnes (11.4 million pounds) for the same period in 2016. Total tonnes (pounds) of copper sold during 2017 include output from phase II series I, currently in the commissioning period, such sales reduce the cost of construction in progress instead of being included in revenue until commercial production begins.

Cost of sales of US\$71.6 million for the quarter ended September 30, 2017, a decrease of US\$14.1 million or 16% from US\$85.7 million for the same period in 2016. The overall decrease is primarily attributed to a decrease of 24% at CSH. Cost of sales as a percentage of revenue for the Company decreased from 78% to 74% for the three months ended September 30, 2016 and 2017, respectively.

Mine operating earnings of US\$27.0 million for the three months ended September 30, 2017 an increase of 13%, or US\$3.1 million, from US\$23.9 million for the same period in 2016. Mine operating earnings as a percentage of revenue increased from 22% to 27% for the three months ended September 30, 2016 and 2017, respectively. The increase in mine operating earnings as a percentage of revenue can be attributed to a 48% increase in the realized average price of copper per pound for the three months ended September 30, 2017.

General and administrative expenses increased by US\$1.2 million, from US\$5.9 million for the quarter ended September 30, 2016 to US\$7.1 million for the quarter ended September 30, 2017.

Income from operations of US\$19.8 million for the third quarter of 2017, increased by US\$1.9 million, compared to US\$17.9 million for the same period in 2016.

Finance costs of US\$5.8 million for the three months ended September 30, 2017, increased by US\$2.0 million compared to the same period in 2016. During the three months ended September 30, 2017, interest payments of US\$7.1 million (2016: US\$6.3 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US\$1.8 million for the three months ended September 30, 2017 from a loss of US\$2.5 million for the same period in 2016. The increase is related to the revaluation of monetary items held in Chinese RMB, which was based on changes in the RMB/USD exchange rates.

Interest and other income of US\$1.7 million for the three months ended September 30, 2017 decreased from US\$2.3 million for the same period in 2016, due to lower income earned on term deposits and related party loans.

Income tax expense of US\$0.2 million for the quarter ended September 30, 2017 decreased by US\$6.1 million from US\$6.3 million for the comparative period in 2016. The decrease is mainly due to a decrease in the assessable profit of CSH. During the current quarter, the Company had US\$3.1 million of deferred tax credit compared to US\$2.0 million for the same period in 2016.

Net income of the Company increased by US\$9.7 million from US\$7.7 million for the three months ended September 30, 2016 to US\$17.4 million for the three months ended September 30, 2017.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

Revenue of US\$278.6 million for the nine months ended September 30, 2017 increased by US\$33.5 million or 14%, from US\$245.1 million for the same period in 2016.

Revenue from the CSH Mine was US\$160.8 million, decrease of US\$1.9 million, compared to US\$162.7 million for the same period in 2016. Gold sold by the CSH Mine was 127,479 ounces (gold produced: 126,959 ounces), compared to 131,549 ounces (gold produced: 132,224 ounces) for the same period in 2016.

Revenue from the Jiama Mine was US\$117.8 million, an increase of US\$35.4 million, compared to US\$82.4 million for the same period in 2016. Total copper sold was 17,481 tonnes (38.5 million pounds) for the nine months ended September 30, 2017, an increase of 21% from 14,450 tonnes (31.9 million pounds) for the same period in 2016. Total tonnes (pounds) of copper sold during 2017 include output from phase II series I, currently in the commissioning period, such sales reduce the cost of construction in progress instead of being included in revenue until commercial production begins.

Cost of sales of US\$207.5 million for the nine months ended September 30, 2017, an increase of US\$5.6 million or 3% from US\$201.9 million for the same period in 2016. The overall increase is primarily attributed to higher copper sales volume at Jiama Compared to the same period in 2016. Cost of sales as a percentage of revenue for the Company decreased from 82% to 74% for the nine months ended September 30, 2016 and 2017, respectively.

Mine operating earnings of US\$71.1 million for the nine months ended September 30, 2017 an increase of 65%, or US\$27.9 million, from US\$43.2 million for the same period in 2016. Mine operating earnings as a percentage of revenue increased from 18% to 26% for the nine months ended September 30, 2016 and 2017, respectively. The increase in mine operating earnings as a percentage of revenue can be attributed to a 44% increase in the realized average price of copper per pound and a 2% increase in the realized average price of gold per ounce for the nine months ended September 30, 2017.

General and administrative expenses increased by US\$2.2 million, from US\$16.3 million for the nine months ended September 30, 2016 to US\$18.5 million for the nine months ended September 30, 2017.

Income from operations of US\$52.4 million for the nine months ended September 30, 2017, increased by US\$25.7 million, compared to US\$26.7 million for the same period in 2016.

Finance costs of US\$16.0 million for the nine months ended September 30, 2017, increased by US\$3.7 million compared to the same period in 2016. During the nine months ended September 30, 2017, interest payments of US\$19.6 million (2016: US\$18.6 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US\$8.7 million for the nine months ended September 30, 2017, from a loss of US\$7.3 million for the same period in 2016. The increase is related to the revaluation of monetary items held in Chinese RMB, which was based on changes in the RMB/USD exchange rates.

Interest and other income of US\$8.1 million for the nine months ended September 30, 2017 increased from US\$5.8 million for the same period in 2016, due to higher income earned on term deposits and related party loans.

Income tax expense of US\$8.9 million for the nine months ended September 30, 2017 decreased by US\$3.4 million from US\$12.3 million for the comparative period in 2016. The decrease is mainly due to a US\$2.1 million adjustment in 2017 for an overprovision of PRC enterprise income tax related to the prior year. During the current period, the Company had US\$3.9 million of deferred tax credit compared to US\$1.4 million for same period in 2016.

Net income of the Company increased by US\$47.6 million from a loss of US\$3.2 million for the nine months ended September 30, 2016 to a gain of US\$44.4 million for the nine months ended September 30, 2017.

NON-IFRS MEASURES

The following table provides certain unit cost information on a cost of production per tonne of ore processed (non-IFRS) basis for the CSH Mine for the three and nine months ended September 30, 2017 and 2016:

| CSH Mine | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|------|---------------------------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | US\$ |
| Cost of mining per tonne of ore | 1.38 | 1.83 | 1.34 | 1.43 |
| Cost of mining waste per tonne of ore | 1.71 | 3.46 | 1.77 | 2.96 |
| Other mining costs per tonne of ore | 0.22 | 0.55 | 0.19 | 0.35 |
| Total mining costs per tonne of ore | 3.31 | 5.84 | 3.30 | 4.74 |
| Cost of reagents per tonne of ore | 0.96 | 1.46 | 0.92 | 0.95 |
| Other processing costs per tonne of ore | 0.83 | 0.95 | 0.90 | 0.80 |
| Total processing cost per tonne of ore | 1.79 | 2.41 | 1.82 | 1.75 |

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

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

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 for the CSH Mine or per copper pound for the Jiama Mine:

| CSH Mine (Gold) | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|-----------------------------|----------------------------------|----------------|--------------|----------------|---------------------------------|----------------|--------------|----------------|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | US\$ | US\$ Per ounce | US\$ | US\$ Per ounce | US\$ | US\$ Per ounce | US\$ | US\$ Per ounce |
| Total production costs | 47,005,177 | 1,041 | 62,056,034 | 1,041 | 137,414,805 | 1,078 | 136,731,438 | 1,039 |
| Adjustments | (17,372,702) | (384) | (15,674,662) | (263) | (50,496,817) | (396) | (36,523,836) | (278) |
| Total cash production costs | 29,632,475 | 657 | 46,381,372 | 778 | 86,917,988 | 682 | 100,207,602 | 762 |

Jiama Mine (Copper with by-products credits)

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|----------------------------------|----------------|--------------|----------------|---------------------------------|----------------|--------------|----------------|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | US\$ | US\$ Per Pound | US\$ | US\$ Per Pound | US\$ | US\$ Per Pound | US\$ | US\$ Per Pound |
| Total production costs | 29,818,324 | 2.48 | 27,840,757 | 2.45 | 83,379,058 | 2.31 | 77,545,211 | 2.43 |
| Adjustments | (4,431,154) | (0.37) | (4,531,109) | (0.40) | (12,843,291) | (0.36) | (12,931,515) | (0.41) |
| Total cash production costs | 25,387,170 | 2.11 | 23,309,648 | 2.05 | 70,535,767 | 1.95 | 64,613,696 | 2.03 |
| By-products credits | (13,459,755) | (1.12) | (13,074,388) | (1.15) | (40,173,260) | (1.11) | (32,606,917) | (1.02) |
| Total cash production costs after by-products credits | 11,927,415 | 0.99 | 10,235,260 | 0.90 | 30,362,507 | 0.84 | 32,006,779 | 1.00 |

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

MINERAL PROPERTIES

The CSH Mine

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

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

The CSH Mine has two open-pit mining operations and has a mining and processing capacity of 60,000 tpd.

Production Update

| CSH Mine | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------------|----------------------------------|------------|---------------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Ore mined and placed on pad (tonnes) | 5,520,391 | 6,259,808 | 15,000,288 | 17,270,227 |
| Average ore grade (g/t) | 0.57 | 0.51 | 0.55 | 0.49 |
| Recoverable gold (ounces) | 60,430 | 56,916 | 160,617 | 162,748 |
| Ending ore inventory (ounces) | 213,877 | 191,189 | 213,877 | 191,189 |
| Waste rock mined (tonnes) | 23,299,218 | 22,358,956 | 67,720,295 | 66,516,478 |

For the three months ended September 30, 2017, the total amount of ore placed on the leach pad was 5.5 million tonnes, with total contained gold of 60,430 ounces (1,880 kilograms). The overall accumulative project-to-date gold recovery rate has slightly decreased from approximately 51.84% at the end of June 2017 to 51.79% at the end of September 2017.

Exploration

The Company proposed plan for mineral exploration work in 2017 and 2018, for 9 drilling holes with 10,450 meters. The drilling work has commenced in the second half of 2017. As of the end of the third quarter, The company has drilled 3,113 meters, or 30% of the drilling program has been completed.

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2016 under NI 43-101:

| Type | Quantity Mt | Au g/t | Metal | |
|-----------|-------------|--------|--------|--------|
| | | | Au t | Au Moz |
| Measured | 26.72 | 0.67 | 17.94 | 0.58 |
| Indicated | 136.59 | 0.61 | 83.35 | 2.68 |
| M+I | 163.31 | 0.62 | 101.29 | 3.26 |

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2016 under NI 43-101:

| Type | Quantity Mt | Au g/t | Metal | |
|--------------|---------------|-------------|--------------|-------------|
| | | | Au t | Au Moz |
| Proven | 25.87 | 0.68 | 17.59 | 0.57 |
| Probable | 93.32 | 0.64 | 59.34 | 1.91 |
| Total | 119.19 | 0.65 | 76.93 | 2.48 |

The Jiama Mine

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

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

Phase II Expansion

The Jiama Expansion Program

The Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tpd. The Phase II series I construction is now complete. Phase II series I processing capacity has reached the design capacity for limited durations and is steadily improving through continuous operation. Phase II series I is expected to achieve commercial production by the end of the year.

During the three quarter of 2017, 40,597 tons of concentrate was produced from commissioning of Phase II Series I, which contained copper 4,700 tonnes, lead 8,005 tonnes, zinc 4,155 tonnes, gold 3,458 ounces and silver 497,568 ounces.

Production Update

| Jiama Mine | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------|----------------------------------|---------|---------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Ore mined (tonnes) | 623,360 | 709,816 | 1,746,654 | 1,742,330 |
| Waste mined (tonnes) | - | - | - | - |
| Average copper ore grade (%) | 1.06 | 0.94 | 1.07 | 0.86 |
| Copper recovery rate (%) | 82 | 92 | 87 | 90.98 |
| Average gold ore grade (g/t) | 0.62 | 0.56 | 0.65 | 0.50 |
| Gold recovery rate (%) | 70 | 71 | 71 | 70 |
| Average silver ore grade (g/t) | 26.94 | 24.92 | 27.69 | 24.64 |
| Silver recovery rate (%) | 65 | 68 | 67 | 68 |

Exploration

The Company has planned peripheral prospecting and mineral exploration work in 2017 and 2018, for 6 drilling holes with 6,920 meters and 14 underground exploration drilling holes with 10,155 meters. Drilling work commenced in the second half of 2017. As of the end of the third quarter, the company has drilled of 598 meter, or 5.9% of the underground drilling program has been completed.

Mineral Resources Estimate

An NI 43-101 compliant mineral resource estimate was independently completed by Mining One Pty Ltd. in November 2013, based on information collected up to November 12, 2012. The drilling programs subsequent to November 2012, including an extensive drill program conducted in 2013, will be included in future updates of the Mineral Resources and Reserves.

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

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

Reported at a 0.3% Cu Equivalent Cut off grade*, as of December 31, 2016

| Class | Quantity Mt | Cu % | Mo % | Pb % | Zn % | Au g/t | Ag g/t | Cu Metal (kt) | Mo Metal (kt) | Pb Metal (kt) | Zn Metal (kt) | Au Moz | Ag Moz |
|-----------|-------------|------|------|------|------|--------|--------|---------------|---------------|---------------|---------------|--------|---------|
| Measured | 96.6 | 0.40 | 0.04 | 0.04 | 0.02 | 0.09 | 5.71 | 384 | 35 | 43 | 23 | 0.268 | 17.729 |
| Indicated | 1,382.7 | 0.41 | 0.03 | 0.05 | 0.03 | 0.11 | 6.08 | 5,695 | 467 | 751 | 470 | 4.947 | 270.472 |
| M+I | 1,479.4 | 0.41 | 0.03 | 0.05 | 0.03 | 0.11 | 6.06 | 6,079 | 502 | 794 | 493 | 5.215 | 288.201 |
| Inferred | 406.1 | 0.31 | 0.03 | 0.08 | 0.04 | 0.10 | 5.13 | 1,247 | 123 | 311 | 175 | 1.317 | 66.926 |

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

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

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

Mineral Reserves Estimate

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

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2016

| Class | Quantity Mt | Cu % | Mo % | Pb % | Zn % | Au g/t | Ag g/t | Cu Metal (kt) | Mo Metal (kt) | Pb Metal (kt) | Zn Metal (kt) | Au Moz | Ag Moz |
|----------|-------------|------|------|------|------|--------|--------|---------------|---------------|---------------|---------------|--------|---------|
| Proven | 21.4 | 0.61 | 0.05 | 0.05 | 0.03 | 0.21 | 9.35 | 131 | 10 | 11 | 7 | 0.148 | 6.431 |
| Probable | 412.8 | 0.61 | 0.03 | 0.13 | 0.08 | 0.18 | 11.42 | 2,520 | 132 | 549 | 318 | 2.451 | 151.583 |
| P+P | 434.2 | 0.61 | 0.03 | 0.13 | 0.07 | 0.19 | 11.32 | 2,651 | 142 | 560 | 325 | 2.599 | 158.014 |

Notes:

- All Mineral Reserves have been estimated in accordance with the JORC code and have been reconciled to CIM standards as prescribed by the NI 43-101.
- Mineral Reserves were estimated using the following mining and economic factors:
 - Open Pits:
 - a) 5% dilution factor and 95% recovery were applied to the mining method;
 - b) an overall slope angles of 43 degrees;
 - c) a copper price of US\$ 2.9/lbs;
 - d) an overall processing recovery of 88 - 90% for copper
 - Underground:
 - a) 10% dilution added to all Sub-Level Open Stopping;
 - b) Stope recovery is 87% for Sub-Level Open Stopping;
 - c) An overall processing recovery of 88 – 90% for copper.
- The cut-off grade for Mineral Reserves has been estimated at copper equivalent grades of 0.3% Cu (NSR) for the open pits and 0.45% Cu (NSR) for the underground mine.

LIQUIDITY AND CAPITAL RESOURCES

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

At September 30, 2017, the Company had an accumulated surplus of US\$215.9 million, working capital of US\$130.7 million and borrowings of US\$1,283 million. The Company's cash balance at September 30, 2017 was US\$212.2 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US\$499.9 million of 3.25% unsecured bonds maturing on July 6, 2020, of which US\$16.0 million is included in the current portion of borrowings, and US\$139.8 million of short term debt facilities with interest rates ranging from 2.35% to 4.35% per annum arranged through various banks in China. In addition, on November 3, 2015, the Company entered into a Loan Facility agreement with a syndicate of banks, led by Bank of China. The lenders agreed to lend an aggregate principle amount of RMB 3.98 billion, approximately US\$613 million with the interest rate of 2.83% per annum currently. The People's Bank of China Lhasa Center Branch's interest rate serves as a benchmark for the interest on the drawdowns. The bank's interest rate is then discounted by 7 basis points (or 0.07%) to calculate the interest on the drawdowns. The proceeds from the Loan Facility are to be used for the development of the Jiama Mine. The loan is secured by the mining rights for the Jiama Mine. As of September 30, 2017, the Company has drawdown RMB3.495 billion, approximately US\$526.6 million under the Loan Facility. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future. On July 6, 2017, the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, completed the issuance of bonds in an aggregate principal amount of US\$500 million. The bonds were issued at a price of 99.663%, bearing coupon rate of 3.25% with a maturity date of July 6, 2020. The bonds are listed on the Stock Exchange of Hong Kong Limited on July 7, 2017.

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

Cash flows

The following table sets out selected cash flow data from the Company's condensed consolidated interim cash flow statements for the periods ended September 30, 2017 and September 30, 2016.

| | Three Months ended | | Nine Months ended | |
|--|--------------------|---------------|-------------------|---------------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Net cash from operating activities | 55,259 | 31,113 | 70,439 | 60,412 |
| Net cash from (used in) investing activities | 82,495 | (185,356) | (2,950) | (276,361) |
| Net cash from (used in) financing activities | (7,610) | 113,453 | 82,726 | 163,392 |
| Net increase (decrease) in cash and cash equivalents | 130,144 | (40,790) | 150,215 | (52,557) |
| Effect of foreign exchange rate changes on cash and cash equivalents | 1,649 | (199) | 2,121 | (907) |
| Cash and cash equivalents, beginning of period | 80,473 | 99,924 | 59,930 | 112,399 |
| Cash and cash equivalents, end of period | 212,266 | 58,935 | 212,266 | 58,935 |

Operating cash flow

For the three months ended September 30, 2017, the net cash inflow from operating activities was US\$55.3 million which is primarily attributable to (i) depreciation and depletion of US\$23.9 million (ii) profit before income tax of US\$17.6 million (iii) decrease in accounts receivable of US\$17.5 million and (iv) increase of accounts payable of US\$6.1 million, partially offset by (i) an increase in inventory of US\$9.6 million and (ii) increase in prepaid expenses and deposits of US\$3.0 million.

For the nine months ended September 30, 2017, the net cash inflow from operating activities was US\$70.4 million which is primarily attributable to (i) depreciation and depletion of US\$63.9 million (ii) profit before income tax of US\$53.3 million and (iii) finance cost of US\$16.0 million, partially offset by (i) interest paid of US\$18.8 million (ii) an increase in accounts receivable of US\$14.4 million (iii) income tax paid of US\$13.1 million and (iv) increase in inventory of US\$12.1 million.

Investing cash flow

For the three months ended September 30, 2017, the net cash inflow from investing activities was US\$82.5 million, which is primarily attributable to (i) proceeds from the repayment of loans to related companies of US\$152.4 million and (ii) release of restricted bank balance of US\$19.1 million, partially offset by (i) payment for the acquisition of property, plant and equipment of US\$71.3 million and (ii) placement of restricted cash bank balance of US\$17.8 million.

For the nine months ended September 30, 2017, the net cash outflow from investing activities was US\$3.0 million, which is primarily attributable to (i) payment for the acquisition of property, plant and equipment of US\$167.1 million, and (ii) placement of restricted bank balances of US\$84.2 million, partially offset by (i) proceeds from the repayment of loans to related companies of US\$162.0 million and (ii) release of restricted bank balances of US\$87.1 million.

Financing cash flow

For the three months ended September 30, 2017, the net cash outflow from financing activities was US\$7.6 million, which is primarily due to repayments of borrowings of US\$517.5 million offset by proceeds from bank borrowings of US\$509.9 million.

For the nine months ended September 30, 2017, the net cash inflow from financing activities was US\$82.7 million, which is primarily attributable to proceeds from borrowings of US\$602.1 million, partially offset by repayments of borrowings of US\$519.7 million.

Expenditures Incurred

For the nine months ended September 30, 2017, the Company incurred mining costs of US\$54.8 million, mineral processing costs of US\$87.6 million, transportation costs of US\$4.1 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at September 30, 2017, the Company's total debt was US\$1,283 million and the total equity was US\$1,481 million. The Company's gearing ratio was therefore 0.87 as at September 30, 2017 and 0.81 as at December 31, 2016.

Restrictive covenants

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

Under a Loan Facility agreement entered on November 3, 2015 between the Company and a syndicated of banks, led by Bank of China pursuant to which the banks agreed to lend to Tibet Huatailong, the Company's subsidiary, the aggregate principle amount of RMB 3.98 billion (approximately US\$613 million), the debt to assets ratio of Huatailong should be less than 75% during the term of the agreement.

CHARGE ON ASSETS

Other than as disclosed in condensed consolidated financial statements of the Group for the three and nine months ended September 30, 2017, none of the Group's assets were pledged as at September 30, 2017.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Refer to Note 30, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2016.

COMMITMENTS AND CONTINGENCIES

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

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

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

On July 7, 2017, the Company, through its wholly owned subsidiary Skyland Mining (BVI) Limited, issued bonds on the HKSE, denominated U.S. dollar, with an aggregate principle amount of US\$500 million. The Bonds were issued at a price of 99.663%, bearing a coupon of 3.25% per annum with a maturity date of July 6, 2020. Interest is payable in semi-annual installments on January 6 and July 6 of each year.

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

| | Total | Within One year | Within Two to five years | Over 5 years |
|-----------------------------------|------------------|----------------------------|-------------------------------------|---------------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Principal repayment of bank loans | 783,197 | 139,825 | 256,896 | 386,476 |
| Repayment of bonds | 499,948 | 15,959 | 483,989 | - |
| Total | 1,283,145 | 155,784 | 740,885 | 386,476 |

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

RELATED PARTY TRANSACTIONS

CNG owned 39.3 percent of the outstanding common shares of the Company as at September 30, 2017 and September 30, 2016.

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

On October 24, 2008, the Company's subsidiary, Inner Mongolia Pacific entered into a non-exclusive contract for the purchase and sale of doré with CNG (the "2008 Contract") pursuant to which Inner Mongolia Pacific occasionally sold gold doré bars to CNG through to December 31, 2011. The pricing was based on the daily average price of gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. On January 27, 2012, the 2008 Contract was renewed for another three years ending December 31, 2014 and subsequently on June 30, 2014 for the period of January 1, 2015 to December 31, 2017. On June 28, 2017, the Supplemental Contract for the Purchase and Sale of Doré was approved, commencing on January 1, 2018 and expiring on December 31, 2020.

Revenue from sales of gold doré bars to CNG of US\$160.8 million for the nine months ended September 30, 2017 decreased from US\$162.7 million for the nine months ended September 30, 2016.

On May 29, 2015, the Company entered into a revised continuing connected transaction and major transaction amending the Product and Service Framework Agreement with CNG. According to the amendments, CNG purchases the copper concentrates produced at the Jiama Mine. The quantity of copper concentrates, pricing terms and payment terms be established from time to time by the parties with reference to the pricing principles for connected transactions set out under the Product and Service Framework Agreement. On June 28, 2017, the Supplemental Product and Service Framework Agreement was approved and extended to expire on December 31, 2020. For the nine months ended September 30, 2017, revenue from sales of copper concentrate and other products to CNG was US\$49.1 million, compared to US\$37.6 million for the same period in 2016.

For the nine months ended September 30, 2017, construction services of US\$15.4 million were provided to the Company by subsidiaries of CNG (US\$63.6 million for the nine months September 30, 2016).

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

PROPOSED TRANSACTIONS

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Group did not have any material acquisition and disposal of subsidiaries and associated companies in the nine months ended September 30, 2017. The Company continues to review possible acquisition targets.

CRITICAL ACCOUNTING ESTIMATES

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2016.

CHANGE IN ACCOUNTING POLICIES

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the audited annual consolidated financial statements as at December 31, 2016.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

The Company did not have any financial derivatives or outstanding hedging contracts as at September 30, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2017, the Company had not entered into any off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

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

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

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

OUTSTANDING SHARES

As of September 30, 2017 the Company had 396,413,753 common shares issued and outstanding

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (“DC&P”) and the design of internal control over financial reporting (“ICFR”) to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company’s certifying officers. The Company’s Chief Executive Officer and Chief Financial Officer have each evaluated the Company’s DC&P and ICFR as of September 30, 2017 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer’s Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of September 30, 2017, and provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company’s Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the Company’s ICFR as of September 30, 2017 and have concluded that these controls and procedures were effective as of September 30, 2017 and provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the nine months ended September 30, 2017, there were no changes in the Company’s DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

RISK FACTORS

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

QUALIFIED PERSON

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

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

November 14, 2017