

CHINA GOLD INTERNATIONAL RESOURCES
CORP. LTD.

(incorporated in British Columbia, Canada with
limited liability)

Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2017

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

	NOTES	Three months ended September 30,		Nine months ended September 30,	
		2017 US\$'000 (unaudited)	2016 US\$'000 (unaudited)	2017 US\$'000 (unaudited)	2016 US\$'000 (unaudited)
Revenues	3	98,543	109,560	278,569	245,049
Cost of sales		(71,565)	(85,681)	(207,474)	(201,882)
Mine operating earnings		26,978	23,879	71,095	43,167
Expenses					
General and administrative expenses	4	(7,103)	(5,902)	(18,539)	(16,312)
Exploration and evaluation expenditure		(40)	(65)	(129)	(164)
		(7,143)	(5,967)	(18,668)	(16,476)
Income from operations		19,835	17,912	52,427	26,691
Other income (expenses)					
Foreign exchange gain (loss), net		1,838	(2,493)	8,684	(7,275)
Interest and other income		1,743	2,346	8,128	5,840
Finance costs	5	(5,800)	(3,793)	(15,978)	(12,309)
Impairment loss on available-for-sale investment		-	-	-	(3,831)
		(2,219)	(3,940)	834	(17,575)
Profit before income tax		17,616	13,972	53,261	9,116
Income tax expense	6	(208)	(6,276)	(8,872)	(12,307)
Profit (loss) for the period		17,408	7,696	44,389	(3,191)
Other comprehensive income (expenses) for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation		6,878	(1,837)	12,044	(7,197)
Fair value gain (loss) on available-for-sale investment	16	6,947	272	5,144	(6,382)
Reclassification adjustment upon impairment of available-for-sale investment	16	-	-	-	3,831
Total comprehensive income (expenses) for the period		31,233	6,131	61,577	(12,939)
Profit (loss) for the period attributable to Non-controlling interests Owners of the Company		232 17,176	490 7,206	700 43,689	915 (4,106)
		17,408	7,696	44,389	(3,191)
Total comprehensive income (expenses) for the period attributable to Non-controlling interests Owners of the Company		230 31,003	492 5,639	697 60,880	913 (13,852)
		31,233	6,131	61,577	(12,939)
Earnings (loss) per share - Basic (US\$)	7	4.33 cents	1.82 cents	11.02 cents	(1.04) cents
Weighted average number of common shares - Basic	7	396,413,753	396,413,753	396,413,753	396,413,753

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2017

	<u>NOTES</u>	September 30, <u>2017</u> US\$'000 (unaudited)	December 31, <u>2016</u> US\$'000 (audited)
Current assets			
Cash and cash equivalents		212,266	59,930
Restricted bank balance		19,053	21,085
Trade and other receivables	8	16,467	163,228
Prepaid expenses and deposits		4,925	5,633
Prepaid lease payments		395	366
Inventories	9	233,071	220,557
		<u>486,177</u>	<u>470,799</u>
Non-current assets			
Prepaid expense and deposits		15,192	12,156
Prepaid lease payments		15,489	14,403
Deferred tax assets		3,626	382
Available-for-sale investments	16	19,990	14,755
Property, plant and equipment	10	1,715,124	1,531,307
Mining rights		920,758	922,817
		<u>2,690,179</u>	<u>2,495,820</u>
Total assets		<u><u>3,176,356</u></u>	<u><u>2,966,619</u></u>
Current liabilities			
Accounts and other payables and accrued expenses	11	191,816	176,464
Borrowings	12	155,784	596,233
Entrusted loan payable	13	-	28,831
Tax liabilities		7,845	7,944
		<u>355,445</u>	<u>809,472</u>
Net current assets (liabilities)		<u>130,732</u>	<u>(338,673)</u>
Total assets less current liabilities		<u>2,820,911</u>	<u>2,157,147</u>
Non-current liabilities			
Borrowings	12	1,127,361	558,599
Deferred tax liabilities		124,051	124,808
Deferred income		4,212	4,214
Entrusted loan payable	13	30,135	-
Environmental rehabilitation		53,662	49,337
		<u>1,339,421</u>	<u>736,958</u>
Total liabilities		<u>1,694,866</u>	<u>1,546,430</u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

	<u>NOTE</u>	September 30, <u>2017</u> US\$'000 (unaudited)	December 31, <u>2016</u> US\$'000 (audited)
Owners' equity			
Share capital	14	1,229,061	1,229,061
Reserves		22,382	5,191
Retained profits		215,894	172,205
		<u>1,467,337</u>	<u>1,406,457</u>
Non-controlling interests		14,153	13,732
		<u>1,481,490</u>	<u>1,420,189</u>
Total owners' equity			
		<u>1,481,490</u>	<u>1,420,189</u>
Total liabilities and owners' equity		<u>3,176,356</u>	<u>2,966,619</u>

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on November 14, 2017 and are signed on its behalf by:

(Signed by) Xin Song

Xin Song
Director

(Signed by) Bing Liu

Bing Liu
Director

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

	Number of shares	Share capital US\$'000	Equity reserve US\$'000 (note a)	Investment revaluation reserve US\$'000	Exchange reserve US\$'000	Statutory reserve US\$'000 (note b)	Retained profits US\$'000	Subtotal US\$'000	Non- controlling interests US\$'000	Total owners' equity US\$'000
At January 1, 2016	396,413,753	1,229,061	11,179	-	(3,685)	11,355	186,317	1,434,227	13,027	1,447,254
(Loss) profit for the period	-	-	-	-	-	-	(4,106)	(4,106)	915	(3,191)
Fair value loss on available-for-sale investment	-	-	-	(6,382)	-	-	-	(6,382)	-	(6,382)
Reclassification adjustment upon impairment of available-for-sale investment	-	-	-	3,831	-	-	-	3,831	-	3,831
Exchange difference arising on translation	-	-	-	-	(7,195)	-	-	(7,195)	(2)	(7,197)
Total comprehensive (expenses) income for the period	-	-	-	(2,551)	(7,195)	-	(4,106)	(13,852)	913	(12,939)
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(272)	(272)
At September 30, 2016 (unaudited)	396,413,753	1,229,061	11,179	(2,551)	(10,880)	11,355	182,211	1,420,375	13,668	1,434,043
At January 1, 2017	396,413,753	1,229,061	11,179	1,278	(19,429)	12,163	172,205	1,406,457	13,732	1,420,189
Profit for the period	-	-	-	-	-	-	43,689	43,689	700	44,389
Fair value gain on available-for-sale investment	-	-	-	5,144	-	-	-	5,144	-	5,144
Exchange difference arising on translation	-	-	-	-	12,047	-	-	12,047	(3)	12,044
Total comprehensive income for the period	-	-	-	5,144	12,047	-	43,689	60,880	697	61,577
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(276)	(276)
At September 30, 2017 (unaudited)	396,413,753	1,229,061	11,179	6,422	(7,382)	12,163	215,894	1,467,337	14,153	1,481,490

Notes:

- (a) Amounts represent equity reserve arising from share based compensation provided to directors and employees under the stock option plan of the Company.
- (b) Statutory reserve which consists of appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC"), forms part of the equity of PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount equal to a minimum of 10% of their profits after taxation each year to a statutory reserve until the reserve reaches 50% of the registered capital of the respective subsidiaries.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net cash from operating activities	<u>55,259</u>	<u>31,113</u>	<u>70,439</u>	<u>60,412</u>
Investing Activities				
Payment for acquisition of property, plant and equipment	(71,338)	(50,412)	(167,061)	(144,249)
Deposit paid for acquisition of property, plant and equipment	(4)	(14)	(112)	(336)
Proceeds from disposal of property, plant and equipment	35	-	35	-
Payment for acquisition of land use right	-	-	(709)	-
Placement of restricted bank balance	(17,757)	(12,621)	(84,162)	(22,046)
Release of restricted bank balance	19,122	4,822	87,095	14,064
Receipt of government grant	-	-	-	3,337
Proceeds from the repayment of loans to related companies	152,437	6,009	161,964	6,009
Loan to a related company	-	(133,140)	-	(133,140)
Net cash from (used in) investing activities	<u>82,495</u>	<u>(185,356)</u>	<u>(2,950)</u>	<u>(276,361)</u>
Financing Activities				
Proceeds from borrowings	509,908	173,636	602,108	317,913
Repayment of borrowings	(517,518)	(60,183)	(519,720)	(154,249)
Proceeds from entrusted loan	-	-	29,186	-
Repayment of entrusted loan	-	-	(28,572)	-
Dividends paid to a non-controlling shareholder	-	-	(276)	(272)
Net cash from (used in) financing activities	<u>(7,610)</u>	<u>113,453</u>	<u>82,726</u>	<u>163,392</u>
Net increase (decrease) in cash and cash equivalents	<u>130,144</u>	<u>(40,790)</u>	<u>150,215</u>	<u>(52,557)</u>
Cash and cash equivalents, beginning of period	80,473	99,924	59,930	112,399
Effect of foreign exchange rate changes on cash and cash equivalents	<u>1,649</u>	<u>(199)</u>	<u>2,121</u>	<u>(907)</u>
Cash and cash equivalents, end of period	<u><u>212,266</u></u>	<u><u>58,935</u></u>	<u><u>212,266</u></u>	<u><u>58,935</u></u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

1. GENERAL

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

The head office, principal address and registered and records office of the Company are located at Suite 660, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three and nine months ended September 30, 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2016.

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	Clarification of the Scope of IFRS 12 (from Annual Improvements to IFRSs 2014-2016 Cycle)

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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3. REVENUE AND SEGMENT INFORMATION – continued

Information regarding the above segments is reported below:

(a) Segment revenues and results

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

For the three months ended September 30, 2017

	Mine - produced gold US\$'000	Mine - produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenues - external and segment revenue	56,899	41,644	98,543	-	98,543
Cost of sales	(47,006)	(24,559)	(71,565)	-	(71,565)
Mining operating earnings	9,893	17,085	26,978	-	26,978
Income (loss) from operations	9,853	11,825	21,678	(1,843)	19,835
Foreign exchange gain (loss), net (Note)	(3,911)	5,248	1,337	501	1,838
Interest and other income (expenses)	219	(162)	57	1,686	1,743
Finance costs	(2,312)	(1,054)	(3,366)	(2,434)	(5,800)
Profit (loss) before income tax	<u>3,849</u>	<u>15,857</u>	<u>19,706</u>	<u>(2,090)</u>	<u>17,616</u>

For the nine months ended September 30, 2017

	Mine - produced gold US\$'000	Mine - produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenues - external and segment revenue	160,761	117,808	278,569	-	278,569
Cost of sales	(137,415)	(70,059)	(207,474)	-	(207,474)
Mining operating earnings	23,346	47,749	71,095	-	71,095
Income (loss) from operations	23,217	34,429	57,646	(5,219)	52,427
Foreign exchange gain (loss), net (Note)	(3,281)	11,405	8,124	560	8,684
Interest and other income	570	823	1,393	3,735	8,128
Finance costs	(6,720)	(3,459)	(10,179)	(5,799)	(15,978)
Profit (loss) before income tax	<u>13,786</u>	<u>43,198</u>	<u>56,984</u>	<u>(3,723)</u>	<u>53,261</u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

3. REVENUE AND SEGMENT INFORMATION - continued

(a) Segment revenues and results - continued

For the three months ended September 30, 2016

	Mine - produced <u>gold</u> US\$'000	Mine - produced <u>copper</u> US\$'000	Segment <u>total</u> US\$'000	<u>Unallocated</u> US\$'000	<u>Consolidated</u> US\$'000
Revenues - external and segment revenue	78,375	31,185	109,560	-	109,560
Cost of sales	<u>(62,055)</u>	<u>(23,626)</u>	<u>(85,681)</u>	-	<u>(85,681)</u>
Mining operating earnings	<u>16,320</u>	<u>7,559</u>	<u>23,879</u>	-	<u>23,879</u>
Income (loss) from operations	16,253	3,334	19,587	(1,675)	17,912
Foreign exchange (loss) gain, net (Note)	207	(2,663)	(2,456)	(37)	(2,493)
Interest and other (expense) income	(578)	233	(345)	2,691	2,346
Finance costs	<u>(559)</u>	<u>(1,088)</u>	<u>(1,647)</u>	<u>(2,146)</u>	<u>(3,793)</u>
Profit (loss) before income tax	<u>15,323</u>	<u>(184)</u>	<u>15,139</u>	<u>(1,167)</u>	<u>13,972</u>

For the nine months ended September 30, 2016

	Mine - produced <u>gold</u> US\$'000	Mine - produced <u>copper</u> US\$'000	Segment <u>total</u> US\$'000	<u>Unallocated</u> US\$'000	<u>Consolidated</u> US\$'000
Revenues - external and segment revenue	162,656	82,393	245,049	-	245,049
Cost of sales	<u>(136,731)</u>	<u>(65,151)</u>	<u>(201,882)</u>	-	<u>(201,882)</u>
Mining operating earnings	<u>25,925</u>	<u>17,242</u>	<u>43,167</u>	-	<u>43,167</u>
Income (loss) from operations	25,761	6,196	31,957	(5,266)	26,691
Foreign exchange (loss) gain, net (Note)	3,091	(10,241)	(7,150)	(125)	(7,275)
Interest and other (expenses) income	(2,206)	448	(1,758)	7,598	5,840
Finance costs	(2,659)	(3,541)	(6,200)	(6,109)	(12,309)
Impairment loss on Available-for-sale investment	-	-	-	(3,831)	(3,831)
Profit (loss) before income tax	<u>23,987</u>	<u>(7,138)</u>	<u>16,849</u>	<u>(7,733)</u>	<u>9,116</u>

Note: Due to the appreciation of RMB against US\$, the Group incurred net exchange gain amounting to US\$ 1,838,000 and US\$8,684,000 for the three and nine months ended September 30, 2017, respectively (net exchange loss due to the depreciation of RMB against US\$ for the three and nine months ended September 30, 2016: US\$2,493,000 and US\$7,275,000, respectively), which was mainly from the translation of US\$ dominated intra-group borrowing of Tibet Huatailong Mining Development Co., Ltd. ("Huatailong") from Skyland Mining (BVI) Limited to RMB, the functional currency of Huatailong, for the Jiama Mine development in mine-produced copper segment.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

3. REVENUE AND SEGMENT INFORMATION - continued

(a) Segment revenues and results - continued

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

There were no inter-segment sales for the three and nine months ended September 30, 2017 and 2016.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment representing assets/liabilities directly attributable to respective segment:

	Mine - produced <u>gold</u> US\$'000	Mine - produced <u>copper</u> US\$'000	Segment <u>total</u> US\$'000	<u>Unallocated</u> US\$'000	<u>Consolidated</u> US\$'000
As of September 30, 2017					
Total assets	779,340	2,346,665	3,126,005	50,351	3,176,356
Total liabilities	246,026	947,279	1,193,305	501,561	1,694,866
As of December 31, 2016					
Total assets	726,956	2,049,043	2,775,999	190,620	2,966,619
Total liabilities	229,336	816,873	1,046,209	500,221	1,546,430

4. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Administration and office	2,363	2,462	6,377	5,914
Depreciation of property, plant and equipment	721	631	2,101	2,061
Professional fees	580	640	1,354	1,764
Salaries and benefits	2,627	2,013	7,058	5,912
Others	812	156	1,649	661
Total general and administrative expenses	<u>7,103</u>	<u>5,902</u>	<u>18,539</u>	<u>16,312</u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

5. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Effective interests on borrowings	12,176	9,404	33,487	28,651
Accretion on environmental rehabilitation	<u>697</u>	<u>739</u>	<u>2,057</u>	<u>2,247</u>
	12,873	10,143	35,544	30,898
Less: Amount capitalised to property, plant and equipment	<u>(7,073)</u>	<u>(6,350)</u>	<u>(19,566)</u>	<u>(18,589)</u>
Total finance costs	<u><u>5,800</u></u>	<u><u>3,793</u></u>	<u><u>15,978</u></u>	<u><u>12,309</u></u>

6. INCOME TAX EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000	<u>2017</u> US\$'000	<u>2016</u> US\$'000
PRC Enterprise Income Tax	3,315	8,315	14,881	13,705
Overprovision of PRC Enterprise Income Tax in prior year	-	-	(2,100)	-
Deferred tax credit	<u>(3,107)</u>	<u>(2,039)</u>	<u>(3,909)</u>	<u>(1,398)</u>
Total income tax expense	<u><u>208</u></u>	<u><u>6,276</u></u>	<u><u>8,872</u></u>	<u><u>12,307</u></u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

7. EARNINGS (LOSS) PER SHARE

Profit (loss) used in determining earnings (loss) per share are presented below:

	Three months ended September 30,		Nine months ended, September 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit (loss) for the period attributable to owners of the Company for the purposes of basic earnings (loss) per share (US\$'000)	<u>17,176</u>	<u>7,206</u>	<u>43,689</u>	<u>(4,106)</u>
Weighted average number of shares, basic	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>	<u>396,413,753</u>
Basic earnings (loss) per share (US\$)	<u>4.33 cents</u>	<u>1.82 cents</u>	<u>11.02 cents</u>	<u>(1.04) cents</u>

The Group has no outstanding potential dilutive instruments issued as at September 30, 2017 and 2016 and during the three and nine months ended September 30, 2017 and 2016. Therefore, no diluted earnings (loss) per share is presented.

8. TRADE AND OTHER RECEIVABLES

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Trade receivables	12,934	4,054
Less: allowance for doubtful debts	<u>(75)</u>	<u>(94)</u>
	12,859	3,960
Amounts due from related companies (note 15(a)) ⁽¹⁾	100	128
Loans to related companies (note 15(a))	-	158,433
Other receivables ⁽²⁾	<u>3,508</u>	<u>707</u>
Total trade and other receivables	<u>16,467</u>	<u>163,228</u>

Notes:

(1) The outstanding balances represent service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the period/year ended September 30, 2017 and December 31, 2016. The amounts are unsecured, interest free and repayable on demand.

(2) Included in the balance as at September 30, 2017 is an amount of approximately US\$2,259,000 (December 31, 2016: US\$279,000) value-added tax recoverable which is expected to be recovered within twelve months after the end of the reporting period.

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8. TRADE AND OTHER RECEIVABLES - continued

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

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

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Less than 30 days	11,540	-
31 to 90 days	398	1,307
91 to 180 days	244	2,387
Over 180 days	677	266
	<u>12,859</u>	<u>3,960</u>

9. INVENTORIES

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Gold in process	204,485	190,832
Gold doré bars	12,415	14,118
Consumables	7,585	4,923
Copper	9	544
Spare parts	8,577	10,140
Total inventories	<u>233,071</u>	<u>220,557</u>

Inventory totalling US\$66 million and US\$204 million for the three and nine months ended September 30, 2017 (three and nine months ended September 30, 2016: US\$84 million and US\$198 million) was recognised in cost of sales.

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10. PROPERTY, PLANT AND EQUIPMENT

During the three and nine months ended September 30, 2017, the Group incurred approximately US\$ 43.6 million and US\$125.4 million, respectively on construction in progress (three and nine months ended September 30, 2016: approximately US\$ 38.3 million and US\$109.3 million, respectively) and approximately US\$ 22.7 million and US\$63.6 million, respectively on mineral assets (three and nine months ended September 30, 2016: approximately US\$13.2 million and US\$41.3 million), respectively.

Depreciation of property, plant and equipment was US\$23.9 million and US\$63.9 million for the three and nine months ended September 30, 2017, respectively (for the three and nine months ended September 30, 2016: US\$20.0 million and US\$58.6 million, respectively). The depreciation amounts were partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Accounts payable	17,713	17,738
Bills payable	73,076	73,785
Construction cost payables	79,263	69,582
Advances from customers	959	46
Mining cost accrual	10,181	5,453
Payroll and benefit payables	3,621	4,967
Other accruals	2,104	1,138
Other tax payable	2,414	1,762
Other payables	2,485	1,993
Total accounts and other payables and accrued expenses	<u>191,816</u>	<u>176,464</u>

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

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Less than 30 days	6,429	7,277
31 to 90 days	3,627	5,445
91 to 180 days	3,791	2,396
Over 180 days	3,866	2,620
Total accounts payable	<u>17,713</u>	<u>17,738</u>

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11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES - continued

The credit period for bills payable is 180 days from the issue date.

The following is an ageing analysis of bills payable, presented based on bills issue date at the end of the reporting period:

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Less than 30 days	12,054	18,739
31 to 60 days	12,054	7,208
61 to 90 days	12,807	11,799
91 to 180 days	<u>36,161</u>	<u>36,039</u>
Total bills payable	<u>73,076</u>	<u>73,785</u>

12. BORROWINGS

The borrowings are repayable as follows:

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Carrying amount repayable within one year (Note)	155,784	596,233
Carrying amount repayable within one to two years	139,717	57,662
Carrying amount repayable within two to five years (Note)	601,168	204,699
Carrying amount repayable over five years	<u>386,476</u>	<u>296,238</u>
	1,283,145	1,154,832
Less: Amounts due within one year (shown under current liabilities)	<u>(155,784)</u>	<u>(596,233)</u>
Amounts shown under non-current liabilities	<u>1,127,361</u>	<u>558,599</u>

Note: On July 17, 2014, the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, completed the issuance of bonds to independent third parties in an aggregate principal amount of US\$500 million, listed on the Stock Exchange. The bonds were issued at a price of 99.634%, bearing interest rate of 3.5% with a maturity date of July 17, 2017. The bond was fully repaid on July 11, 2017.

On July 7, 2017, the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, completed the issuance of bonds to independent third parties in an aggregate principal amount of US\$500 million, listed on the Stock Exchange. The bonds were issued at a price of 99.663%, bearing coupon rate of 3.25% with a maturity date of July 6, 2020. Interest is payable in equal semi-annual instalments on January 6 and July 6 in each year.

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11. BORROWINGS – continued

Analysed as:

Secured	526,601	415,886
Unsecured	<u>756,544</u>	<u>738,946</u>
	<u>1,283,145</u>	<u>1,154,832</u>

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

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Mining rights	<u>920,758</u>	<u>922,817</u>

Borrowings carry interest at effective interest rates ranging from 2.35% to 4.35% (December 31, 2016: 2.35% to 4.35%) per annum.

13. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three-year entrusted loan agreement with CNG (note 15) and China Construction Bank ("CCB") in which CNG provided a loan of RMB200 million (equivalent to approximately US\$32,221,000 based on the spot rate at the withdrawal date) to the Group through CCB as the entrusted bank. The entrusted loan was unsecured and carried interest at a fixed rate of 3% per annum. The principal amount was fully repaid on January 18, 2017.

On January 16, 2017, the Group renewed the entrusted loan by entering into a three-year entrusted loan agreement with CNG and China National Gold Group Finance Company Limited ("China Gold Finance"), a subsidiary of CNG, in which CNG provided a loan of RMB200 million (equivalent to approximately US\$29,186,000 based on the spot rate at the withdrawal date) to the Group through China Gold Finance as the entrusted bank. The entrusted loan is unsecured and carries interest at a fixed rate of 2.75% per annum. The principal amount is repayable on January 15, 2020.

14. SHARE CAPITAL

Common shares

(i) Authorized - Unlimited common shares without par value

(ii) Issued and outstanding

	<u>Number of shares</u>	<u>Amount US\$'000</u>
Issued and fully paid: At January 1, 2016, December 31, 2016 and September 30, 2017	<u>396,413,753</u>	<u>1,229,061</u>

15. RELATED PARTY TRANSACTIONS

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

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

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, <u>2017</u> %	December 31, <u>2016</u> %
CNG	<u>39.3</u>	<u>39.3</u>

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

(i) Transactions/balances with CNG and its subsidiaries

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Gold doré sales by the Group	<u>56,899</u>	<u>78,375</u>	<u>160,761</u>	<u>162,656</u>
Copper and other product sales by the Group	<u>16,714</u>	<u>11,943</u>	<u>49,122</u>	<u>37,567</u>
Provision of transportation services by the Group	<u>102</u>	<u>95</u>	<u>511</u>	<u>603</u>
Construction, stripping and mining service provided to the Group	<u>1,080</u>	<u>693</u>	<u>15,353</u>	<u>63,569</u>
Office lease to the Group	<u>282</u>	<u>285</u>	<u>832</u>	<u>859</u>
Loan advanced by the Group	<u>-</u>	<u>133,000</u>	<u>-</u>	<u>133,000</u>
Entrusted loan and loans provided to the Group	<u>-</u>	<u>14,340</u>	<u>36,434</u>	<u>39,103</u>

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15. RELATED PARTY TRANSACTIONS - continued

- (a) Transactions/balances with Government-related entities in the PRC - continued
(i) 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, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
<u>Assets</u>		
Loans receivable from CNG subsidiaries (note 8)	-	158,433
Amounts due from related companies (note 8)	100	128
Cash and cash equivalents held by a CNG subsidiary	149,959	31,052
Trade receivables from CNG subsidiaries (note 8)	11,139	490
Deposits	47	168
	<u> </u>	<u> </u>
Total amounts due from CNG and its subsidiaries	<u>161,245</u>	<u>190,271</u>

Loans receivable from CNG subsidiaries, which was included in trade and other receivables, carried fixed interest rates at 3.9% to 5% per annum as at December 31, 2016 and were unsecured and were repaid on July 31, 2017. The remaining amounts due from CNG and its subsidiaries which are included in other receivables is non-interest bearing, unsecured and repayable on demand.

	September 30, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
<u>Liabilities</u>		
Loans payable to a CNG subsidiary	52,735	43,304
Entrusted loan payable (note 13)	30,135	28,831
Construction cost payables to CNG subsidiaries	11,295	14,970
Trade payable to CNG subsidiaries	654	-
Customer advance paid by CNG subsidiaries	35	33
	<u> </u>	<u> </u>
Total amounts due to CNG subsidiaries	<u>94,854</u>	<u>87,138</u>

The loans payable to a CNG subsidiary, which are included in borrowings, carry fixed interest rates of 4.35% (December 31, 2016: 4.35%) per annum and are unsecured and repayable within one year. With the exception of the entrusted loan payable to CNG and loans payable to a CNG subsidiary, the amounts due to CNG subsidiaries which are included in other payables and construction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

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

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

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15. RELATED PARTY TRANSACTIONS - continued

(b) Compensation of key management personnel

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Salaries and other benefits	222	175	648	562
Post-employment benefits	<u>4</u>	<u>-</u>	<u>14</u>	<u>6</u>
	<u>226</u>	<u>175</u>	<u>662</u>	<u>568</u>

16. FINANCIAL INSTRUMENTS

As at September 30, 2017 and December 31, 2016, the Group's available-for-sale investments include investment in equity securities listed in Hong Kong and investment in an unlisted company incorporated in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange is measured based on the quoted price (unadjusted) available on the stock exchange (Level 1 fair value measurement). As at September 30, 2017, US\$17,881,000 (December 31, 2016: US\$12,737,000) investment in equity securities is measured at fair value on a recurring basis. The Group's investment in listed equity securities represent investment in a company engaged in mining, processing and trading of nonferrous metals in Zambia. For the three and nine months ended September 30, 2017, the fair value change of US\$6,947,000 and US\$5,144,000 were recognized in other comprehensive income, respectively (for the three months ended September 30, 2016: US\$272,000 was recognized as other comprehensive income, for the nine months ended September 30, 2016: US\$2,551,000 and US\$3,831,000 were recognised as other comprehensive income and impairment loss, respectively).

As at September 30, 2017, US\$2,109,000 (December 31, 2016: US\$2,018,000) investment in an unlisted company incorporated in the PRC is measured at cost since the investment in unlisted equity instrument does not have a quoted market price and the fair value cannot be measured reliably.

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended December 31, 2016.

17. EVENT AFTER THE REPORTING PERIOD

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