

CHINA GOLD INTERNATIONAL RESOURCES
CORP. LTD.

(incorporated in British Columbia, Canada with
limited liability)

Report and Condensed Consolidated Financial Statements
For the three months ended March 31, 2017

REPORT AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 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 MONTHS ENDED MARCH 31, 2017

	NOTES	Three months ended March 31,	
		2017 US\$'000	2016 US\$'000
Revenues	3	82,110	65,585
Cost of sales		(62,986)	(58,039)
Mine operating earnings		19,124	7,546
Expenses			
General and administrative expenses	4	(5,776)	(5,049)
Exploration and evaluation expenditure		(36)	(46)
		(5,812)	(5,095)
Income from operations		13,312	2,451
Other income (expenses)			
Foreign exchange gain, net		2,845	1,198
Interest and other income		2,466	1,649
Finance costs	5	(4,914)	(4,453)
Impairment loss on available-for-sale investment		-	(3,831)
		397	(5,437)
Profit (loss) before income tax		13,709	(2,986)
Income tax expense	6	(7,332)	(500)
Profit (loss) for the period		6,377	(3,486)
Other comprehensive income (expense) for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		1,049	767
Fair value gain (loss) on available-for-sale investment		515	(3,831)
Reclassification adjustment upon impairment of available-for-sale investment		-	3,831
Total comprehensive income (expense) for the period		7,941	(2,719)
Profit (loss) for the period attributable to			
Non-controlling interests		46	115
Owners of the Company		6,331	(3,601)
		6,377	(3,486)
Total comprehensive income (expense) for the period attributable to			
Non-controlling interests		48	114
Owners of the Company		7,893	(2,833)
		7,941	(2,719)
Earnings (loss) per share - Basic (US)	7	1.60 cents	(0.91) cents
Weighted average number of common shares			
- Basic	7	396,413,753	396,413,753

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2017

	<u>NOTES</u>	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000 (audited)
Current assets			
Cash and cash equivalents		73,275	59,930
Restricted bank balance		19,795	21,085
Trade and other receivables	8	175,960	163,228
Prepaid expenses and deposits		5,138	5,633
Prepaid lease payments		382	366
Inventories	9	220,028	220,557
		<u>494,578</u>	<u>470,799</u>
Non-current assets			
Prepaid expense and deposits		12,272	12,156
Prepaid lease payments		15,091	14,403
Deferred tax assets		-	382
Available-for-sale investments	16	15,282	14,755
Property, plant and equipment	10	1,583,546	1,531,307
Mining rights		921,658	922,817
		<u>2,547,849</u>	<u>2,495,820</u>
Total assets		<u><u>3,042,427</u></u>	<u><u>2,966,619</u></u>
Current liabilities			
Accounts and other payables and accrued expenses	11	188,995	176,464
Borrowings	12	637,357	596,233
Entrusted loan payable	13	-	28,831
Tax liabilities		5,391	7,944
		<u>831,743</u>	<u>809,472</u>
Net current liabilities		<u>(337,165)</u>	<u>(338,673)</u>
Total assets less current liabilities		<u>2,210,684</u>	<u>2,157,147</u>
Non-current liabilities			
Borrowings	12	573,247	558,599
Deferred tax liabilities		126,173	124,808
Deferred income		4,144	4,214
Entrusted loan payable	13	28,988	-
Environmental rehabilitation		50,278	49,337
		<u>782,830</u>	<u>736,958</u>
Total liabilities		<u>1,614,573</u>	<u>1,546,430</u>

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	<u>NOTE</u>	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000 (audited)
Owners' equity			
Share capital	14	1,229,061	1,229,061
Reserves		6,753	5,191
Retained profits		178,536	172,205
		<u>1,414,350</u>	<u>1,406,457</u>
Non-controlling interests		13,504	13,732
		<u>1,427,854</u>	<u>1,420,189</u>
Total owners' equity		<u>1,427,854</u>	<u>1,420,189</u>
Total liabilities and owners' equity		<u>3,042,427</u>	<u>2,966,619</u>

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on May 12, 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 THREE MONTHS ENDED MARCH 31, 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 (audited)	396,413,753	1,229,061	11,179	-	(3,685)	11,355	186,317	1,434,227	13,027	1,447,254
(Loss) profit for the period	-	-	-	-	-	-	(3,601)	(3,601)	115	(3,486)
Fair value loss on available-for-sale investment	-	-	-	(3,831)	-	-	-	(3,831)	-	(3,831)
Reclassified adjustment upon impairment of available-for-sale investment	-	-	-	3,831	-	-	-	3,831	-	3,831
Exchange difference arising _on translation	-	-	-	-	768	-	-	768	(1)	767
Total comprehensive income (expenses) for the period	-	-	-	-	768	-	(3,601)	(2,833)	114	(2,719)
At March 31, 2016 (unaudited)	<u>396,413,753</u>	<u>1,229,061</u>	<u>11,179</u>	<u>-</u>	<u>(2,917)</u>	<u>11,355</u>	<u>182,716</u>	<u>1,431,394</u>	<u>13,141</u>	<u>1,444,535</u>
At January 1, 2017 (audited)	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	-	-	-	-	-	-	6,331	6,331	46	6,377
Fair value gain on available-for-sale investment	-	-	-	515	-	-	-	515	-	515
Exchange difference arising _on translation	-	-	-	-	1,047	-	-	1,047	2	1,049
Total comprehensive income for the period	-	-	-	515	1,047	-	6,331	7,893	48	7,941
Dividend paid to a non- Controlling shareholder	-	-	-	-	-	-	-	-	(276)	(276)
At March 31, 2017 (unaudited)	<u>396,413,753</u>	<u>1,229,061</u>	<u>11,179</u>	<u>1,793</u>	<u>(18,382)</u>	<u>12,163</u>	<u>178,536</u>	<u>1,414,350</u>	<u>13,504</u>	<u>1,427,854</u>

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 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 MONTHS ENDED MARCH 31, 2017

	Three months ended March 31,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Net cash from operating activities	<u>12,314</u>	<u>5,986</u>
Investing Activities		
Payment for acquisition of property, plant and equipment	(52,406)	(36,358)
Deposit paid for acquisition of property, plant and equipment	(49)	(1,391)
Payment for acquisition of land use right	(709)	-
Placement of restricted bank deposits	(33,401)	(5,030)
Release of restricted bank deposits	34,809	6,191
Net cash used in investing activities	<u>(51,756)</u>	<u>(36,588)</u>
Financing Activities		
Proceeds from borrowings	56,345	124,066
Repayment of borrowings	(4,007)	(89,728)
Proceeds from entrusted loan	29,186	-
Repayment of entrusted loan	(28,572)	-
Dividend paid to a non-controlling shareholder of a subsidiary	(276)	-
Net cash from financing activities	<u>52,676</u>	<u>34,338</u>
Net increase in cash and cash equivalents	13,234	3,736
Cash and cash equivalents, beginning of period	59,930	112,399
Effect of foreign exchange rate changes on cash and cash equivalents	111	79
Cash and cash equivalents, end of period	<u>73,275</u>	<u>116,214</u>
Cash and cash equivalents are comprised of		
Cash and bank deposits	<u>73,275</u>	<u>116,214</u>

1. GENERAL AND BASIS OF PREPARATION

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, the 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 Standard Board.

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

At March 31, 2017, the Group's current liabilities exceeded its current assets by approximately US\$337 million. In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group's cash flow projection, including the Group's unutilized bank facilities of approximately US\$415 million, proposed plan to issue bonds to independent third parties in an aggregate principal amount of US\$500 million, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

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 months ended March 31, 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 disclosure 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 chief operating decision - maker 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.

Information regarding the above segments is reported below:

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3. REVENUE AND SEGMENT INFORMATION - continued

(a) Segment revenues and results

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

For the three months ended March 31, 2017

	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
Revenue - external and segment revenue	45,197	36,913	82,110	-	82,110
Cost of sales	(41,189)	(21,797)	(62,986)	-	(62,986)
Mining operating earnings	4,008	15,116	19,124	-	19,124
Income (expenses) from operations	3,973	10,974	14,947	(1,635)	13,312
Foreign exchange gain, net (Note)	1,139	1,664	2,803	42	2,845
Interest and other income	204	361	565	1,901	2,466
Finance costs	(1,175)	(1,171)	(2,346)	(2,568)	(4,914)
Profit (loss) before income tax	4,141	11,828	15,969	(2,260)	13,709

For the three months ended March 31, 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
Revenue - external and segment revenue	41,643	23,942	65,585	-	65,585
Cost of sales	(37,592)	(20,447)	(58,039)	-	(58,039)
Mining operating earnings	4,051	3,495	7,546	-	7,546
Income (expenses) from operations	4,004	5	4,009	(1,558)	2,451
Foreign exchange (loss) gain, net (Note)	(1,042)	2,319	1,277	(79)	1,198
Interest and other income	77	832	909	740	1,649
Finance costs	(896)	(1,744)	(2,640)	(1,813)	(4,453)
Impairment loss on available-for-sale investment	-	-	-	(3,831)	(3,831)
Profit (loss) before income tax	2,143	1,412	3,555	(6,541)	(2,986)

Note: Due to the appreciation of RMB against US\$, the Group incurred net exchange gain amounting to US\$2,845,000 for the period ended March 31, 2017 (for the period ended March 31, 2016: US\$1,198,000), which was mainly from the translation of US\$ denominated 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.

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 the 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 months ended March 31, 2017 and 2016.

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3. REVENUE AND SEGMENT INFORMATION - continued

(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 March 31, 2017					
Total assets	746,905	2,112,790	2,859,695	182,732	3,042,427
Total liabilities	250,656	867,450	1,118,106	496,467	1,614,573
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 March 31,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Administration and office	2,120	1,673
Depreciation of property, plant and equipment	679	698
Professional fees	292	644
Salaries and benefits	2,365	1,894
Others	320	140
Total general and administrative expenses	<u>5,776</u>	<u>5,049</u>

5. FINANCE COSTS

	Three months ended March 31,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Effective interests on borrowings	10,523	8,813
Accretion on environmental rehabilitation	674	755
	<u>11,197</u>	<u>9,568</u>
Less: Amount capitalized to property, plant and equipment	(6,283)	(5,115)
Total finance costs	<u>4,914</u>	<u>4,453</u>

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6. INCOME TAX EXPENSE

	Three months ended March 31,	
	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000
PRC Enterprise Income Tax	7,740	2,801
Overprovision of PRC Enterprise /Income Tax in prior year	(2,100)	-
Deferred tax expense (credit)	1,692	(2,301)
Total income tax expense	<u>7,332</u>	<u>500</u>

7. EARNINGS (LOSS) PER SHARE

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

	Three months ended March 31,	
	<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>6,331</u>	<u>(3,601)</u>
Weighted average number of shares, basic	396,413,753	396,413,753
Basic earnings (loss) per share (US)	<u>1.60 cents</u>	<u>(0.91) cents</u>

The Group has no outstanding potential dilutive instruments issued as at March 31, 2017 and 2016 and during the period ended March 31, 2017 and 2016. Therefore, no diluted earnings (loss) per share is presented.

8. TRADE AND OTHER RECEIVABLES

	March 31, <u>2017</u>	December 31, <u>2016</u>
	US\$'000	US\$'000
Trade receivables	15,371	4,054
Less: allowance for doubtful debts	(68)	(94)
	<u>15,303</u>	<u>3,960</u>
Amounts due from related companies (note 15(a)) ⁽¹⁾	14	128
Loans to related companies (note 15(a))	159,739	158,433
Other receivables ⁽²⁾	904	707
Total trade and other receivables	<u>175,960</u>	<u>163,228</u>

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8. TRADE AND OTHER RECEIVABLES - continued

- (1) The outstanding balances represent related service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the period/year ended March 31, 2017 and December 31, 2016. The amounts are unsecured, interest free and repayable on demand.
- (2) Included in the balance as at March 31, 2017 is an amount of approximately US\$44,000 (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.

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:

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Less than 30 days	14,148	-
31 to 90 days	160	1,307
91 to 180 days	190	2,387
Over 180 days	805	266
	<u>15,303</u>	<u>3,960</u>

9. INVENTORIES

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Gold in process	192,122	190,832
Gold doré bars	11,934	14,118
Consumables	5,736	4,923
Copper	1,118	544
Spare parts	9,118	10,140
Total inventories	<u>220,028</u>	<u>220,557</u>

Inventories totaling US\$62 million for the three months ended March 31, 2017 (three months ended March 31, 2016: US\$57 million) was recognized in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT

During the three month period ended March 31, 2017, the Group incurred approximately US\$43.4 million on construction in progress (for the period ended March 31, 2016: approximately US\$27.1 million) and approximately US\$16.4 million on mineral assets (for the period ended March 31, 2016: approximately US\$13.0 million), respectively.

Depreciation of property, plant and equipment was US\$19.3 million for the period ended March 31, 2017 (for the period ended March 31, 2016: US\$16.3 million). The depreciation amount were partly recognized in cost of sales and general and administrative expenses and partly capitalized in inventory.

11. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Accounts payable	21,106	17,738
Bills payable	62,593	73,785
Construction cost payables	76,888	69,582
Advances from customers	131	46
Mining cost accrual	19,218	5,453
Payroll and benefit payables	4,544	4,967
Other accruals	559	1,138
Other tax payable	1,721	1,762
Other payables	2,235	1,993
Total accounts and other payables and accrued expenses	<u>188,995</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:

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Less than 30 days	7,904	7,277
31 to 90 days	8,108	5,445
91 to 180 days	1,844	2,396
Over 180 days	3,250	2,620
Total accounts payable	<u>21,106</u>	<u>17,738</u>

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

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11. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES - continued

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

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Less than 30 days	11,864	18,739
31 to 60 days	14,494	7,208
61 to 90 days	11,595	11,799
91 to 180 days	24,640	36,039
Total bills payable	<u>62,593</u>	<u>73,785</u>

12. BORROWINGS

The borrowings are repayable as follows:

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Carrying amount repayable within one year	637,357	596,233
Carrying amount repayable within one to two years	28,988	57,662
Carrying amount repayable within two to five years	205,818	204,699
Carrying amount repayable over five years	338,441	296,238
	<u>1,210,604</u>	<u>1,154,832</u>
Less: Amounts due within one year (shown under current liabilities)	<u>(637,357)</u>	<u>(596,233)</u>
Amounts shown under non-current liabilities	<u>573,247</u>	<u>558,599</u>
Analysed as:		
Secured	458,742	415,886
Unsecured	751,862	738,946
	<u>1,210,604</u>	<u>1,154,832</u>

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12. BORROWINGS – continued

The carrying value of the pledged asset to secure borrowing by the Group are as follows:

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
Mining rights	<u>921,658</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 entered 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 AND OPTIONS

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 March 31, 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 are as follows:

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

	March 31, <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 March 31,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Gold doré sales by the Group	<u>45,197</u>	<u>41,643</u>
Copper and other product sales by the Group	<u>23,454</u>	<u>12,227</u>
Provision of transportation services by the Group	<u>217</u>	<u>263</u>
Construction, stripping and mining service provided to the Group	<u>2,470</u>	<u>49,725</u>
Office lease to the Group	<u>272</u>	<u>287</u>
Loan provided to the Group	<u>7,247</u>	<u>24,763</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:

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
<u>Assets</u>		
Loans receivable from CNG subsidiaries (note 8)	159,739	158,433
Amounts due from related companies (note 8)	14	128
Cash and cash equivalents held by a CNG subsidiary	19,665	31,052
Trade receivable from CNG subsidiaries (note 8)	11,001	490
Deposits	53	168
Total amounts due from CNG and its subsidiaries	<u>190,472</u>	<u>190,271</u>

Loans receivable from CNG subsidiaries, which is included in trade and other receivables, carry fixed interest rate at the range from 3.9% to 5% (December 31, 2016: 3.9% to 5%) per annum and are unsecured and repayable within one year. The remaining amounts due from CNG and its subsidiaries which are included in other receivables is non-interest bearing, unsecured and repayable on demand.

	March 31, <u>2017</u> US\$'000	December 31, <u>2016</u> US\$'000
<u>Liabilities</u>		
Loans payable to a CNG subsidiary	50,729	43,304
Entrusted loan payable (note 13)	28,988	28,831
Construction costs payables to CNG's subsidiaries	12,708	14,970
Trade payable to CNG subsidiaries	1,944	-
Customer advance paid by CNG's subsidiary	33	33
Total amounts due to CNG's subsidiaries	<u>94,402</u>	<u>87,138</u>

The loans payable to a CNG subsidiary, which are included in borrowings, carry fixed interest rates at the range from 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 and its subsidiaries which are included in other payables and construction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

15. RELATED PARTY TRANSACTIONS – continued

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

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

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

(b) Compensation of key management personnel

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

	Three months ended March 31,	
	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Salaries and other benefits	222	190
Post-employment benefits	7	6
	<u>229</u>	<u>196</u>

16. FINANCIAL INSTRUMENTS

As at March 31, 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 March 31, 2017, US\$13,253,000 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 the PRC. For the three month period ended March 31, 2017, no impairment loss was recognized, (for the period ended March 31, 2016: US\$3,831,000 was recognized as impairment loss).

As at March 31, 2017, US\$2,029,000 (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

On May 11, 2017, the Board of Directors approved the Company, through its wholly owned subsidiary, Skyland Mining (BVI) Limited, to issue bonds in an aggregate principal amount of up to US\$500 million, which will be listed on the Stock Exchange of Hong Kong Limited. The Bonds will be unconditionally and irrevocably guaranteed by the Company and the completion date is expected in June 2017.
