

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, 2018

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

<u>CONTENTS</u>	<u>PAGE(S)</u>
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2 & 3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	5
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6 - 20

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, 2018 (unaudited)

	NOTES	Three months ended September 30,		Nine months ended September 30,	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Revenues	3	158,841	98,543	407,613	278,569
Cost of sales		(123,743)	(71,565)	(330,168)	(207,474)
Mine operating earnings		35,098	26,978	77,445	71,095
Expenses					
General and administrative expenses	4	(15,734)	(7,103)	(43,144)	(18,539)
Exploration and evaluation expenditure		(134)	(40)	(463)	(129)
		(15,868)	(7,143)	(43,607)	(18,668)
Income from operations		19,230	19,835	33,838	52,427
Other (expenses) income					
Foreign exchange (loss) gain, net		(11,024)	1,838	(14,141)	8,684
Interest and other income		1,705	1,743	15,930	8,128
Finance costs	5	(10,909)	(5,800)	(33,251)	(15,978)
		(20,228)	(2,219)	(31,462)	834
(Loss) profit before income tax		(998)	17,616	2,376	53,261
Income tax expense	6	(3,591)	(208)	(4,571)	(8,872)
(Loss) profit for the period		(4,589)	17,408	(2,195)	44,389
Other comprehensive (expenses) income for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation		(9,734)	6,878	(14,602)	12,044
Fair value gain on investment in an equity security		-	6,947	-	5,144
<i>Items that may not be reclassified subsequently to profit or loss:</i>					
Fair value (loss) on investment in an equity security		(2,735)	-	(1,829)	-
Total comprehensive (expenses) income for the period		(17,058)	31,233	(18,626)	61,577
(Loss) profit for the period attributable to					
Non-controlling interests		290	232	716	700
Owners of the Company		(4,879)	17,176	(2,911)	43,689
		(4,589)	17,408	(2,195)	44,389
Total comprehensive (expenses) income for the period attributable to					
Non-controlling interests		295	230	725	697
Owners of the Company		(17,353)	31,003	(19,351)	60,880
		(17,058)	31,233	(18,626)	61,577
(Loss) earnings per share - Basic (US\$)	7	(1.23) cents	4.33 cents	(0.73) cents	11.02 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, 2018 (unaudited)

	<u>NOTES</u>	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000 (audited)
<b>Current assets</b>			
Cash and cash equivalents		183,525	147,318
Restricted bank balance		12,196	18,089
Trade and other receivables	8	21,851	24,848
Prepaid expenses and deposits		13,612	2,769
Prepaid lease payments		445	466
Inventories	9	252,791	224,501
		<u>484,420</u>	<u>417,991</u>
<b>Non-current assets</b>			
Prepaid expense and deposits		14,657	15,431
Prepaid lease payments		14,587	15,659
Deferred tax assets		-	2,562
Investments in equity securities	15	19,886	21,823
Property, plant and equipment	10	1,735,288	1,809,724
Mining rights	10	926,582	947,254
		<u>2,711,000</u>	<u>2,812,453</u>
<b>Total assets</b>		<u>3,195,420</u>	<u>3,230,444</u>
<b>Current liabilities</b>			
Accounts and other payables and accrued expenses	11	259,241	227,410
Borrowings	12	132,978	161,489
Tax liabilities		4,962	7,702
		<u>397,181</u>	<u>396,601</u>
<b>Net current assets</b>		<u>87,239</u>	<u>21,390</u>
<b>Total assets less current liabilities</b>		<u>2,798,239</u>	<u>2,833,843</u>
<b>Non-current liabilities</b>			
Borrowings	12	1,098,736	1,113,444
Deferred tax liabilities		125,110	123,959
Deferred income		3,640	4,579
Entrusted loan payable		29,073	30,608
Environmental rehabilitation		50,816	51,269
		<u>1,307,375</u>	<u>1,323,859</u>
<b>Total liabilities</b>		<u>1,704,556</u>	<u>1,720,460</u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

	<u>NOTE</u>	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000 (audited)
<b>Owners' equity</b>			
Share capital	13	1,229,061	1,229,061
Reserves		13,409	37,176
Retained profits		233,515	229,099
		<u>1,475,985</u>	<u>1,495,336</u>
Non-controlling interests		14,879	14,648
<b>Total owners' equity</b>		<u>1,490,864</u>	<u>1,509,984</u>
<b>Total liabilities and owners' equity</b>		<u>3,195,420</u>	<u>3,230,444</u>

---

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on November 14, 2018 and are signed on its behalf by:

(Signed by) Xin Song

---

Xin Song  
Director

(Signed by) Liangyou Jiang

---

Liangyou Jiang  
Director

**CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (unaudited)**

	Number of shares	Share capital US\$'000	Equity reserve US\$'000	Investment revaluation reserve US\$'000	Exchange reserve US\$'000	Statutory reserve US\$'000	Retained profits US\$'000	Subtotal US\$'000	Non- controlling interests US\$'000	Total owners' equity US\$'000
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 investment in an equity security	-	-	-	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	396,413,753	1,229,061	11,179	6,422	(7,382)	12,163	215,894	1,467,337	14,153	1,481,490
At January 1, 2018	396,413,753	1,229,061	11,179	8,221	(639)	18,415	229,099	1,495,336	14,648	1,509,984
Impact of adopting IFRS 9 on January 1, 2018(note 2)	-	-	-	(8,551)	-	-	8,551	-	-	-
At January 1, 2018 (restated)	396,413,753	1,229,061	11,179	(330)	(639)	18,415	237,650	1,495,336	14,648	1,509,984
Loss for the period	-	-	-	-	-	-	(2,911)	(2,911)	716	(2,195)
Fair value loss on investment in an equity security	-	-	-	(1,829)	-	-	-	(1,829)	-	(1,829)
Exchange difference arising on translation	-	-	-	-	(14,611)	-	-	(14,611)	9	(14,602)
Total comprehensive (loss) income for the period	-	-	-	(1,829)	(14,611)	-	(2,911)	(19,351)	725	(18,626)
Transfer to statutory reserve - safety production fund	-	-	-	-	-	1,224	(1,224)	-	-	-
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(494)	(494)
At September 30, 2018	396,413,753	1,229,061	11,179	(2,159)	(15,250)	19,639	233,515	1,475,985	14,879	1,490,864

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 (unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Net cash from operating activities</b>	<u>53,557</u>	<u>54,813</u>	<u>109,646</u>	<u>65,491</u>
<b>Investing Activities</b>				
Interest income received	740	446	2,035	4,948
Payment for acquisition of property, plant and equipment	(50,416)	(71,338)	(75,566)	(167,061)
Deposit paid for acquisition of property, plant and equipment	-	(4)	(8)	(112)
Proceeds from disposal of property, plant and equipment	-	35	-	35
Payment for acquisition of land use right	-	-	-	(709)
Placement of restricted bank balance	(30,771)	(17,757)	(93,553)	(84,162)
Release of restricted bank balance	32,217	19,122	98,813	87,095
Repayment from loan to a related company	-	152,437	-	161,964
<b>Net cash (used in) from investing activities</b>	<u>(48,230)</u>	<u>82,941</u>	<u>(68,279)</u>	<u>(1,998)</u>
<b>Financing Activities</b>				
Proceeds from borrowings	68,525	509,908	123,459	602,108
Repayment of borrowings	(37,098)	(517,518)	(124,992)	(519,720)
Proceeds from entrusted loan	-	-	-	29,186
Repayment of entrusted loan	-	-	-	(28,572)
Dividends paid to a non-controlling shareholder	(170)	-	(494)	(276)
<b>Net cash from (used in) financing activities</b>	<u>31,257</u>	<u>(7,610)</u>	<u>(2,027)</u>	<u>82,726</u>
<b>Net increase in cash and cash equivalents</b>	36,584	130,144	39,340	150,215
Cash and cash equivalents, beginning of period	148,626	80,473	147,318	59,930
Effect of foreign exchange rate changes on cash and cash equivalents	(1,685)	1,649	(3,133)	2,121
<b>Cash and cash equivalents, end of period</b>	<u>183,525</u>	<u>212,266</u>	<u>183,525</u>	<u>212,266</u>
<b>Cash and cash equivalents are comprised of</b>				
<b>Cash and bank deposits</b>	<u>183,525</u>	<u>212,266</u>	<u>183,525</u>	<u>212,266</u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

---

1. GENERAL

China Gold International Resources Corp. Ltd., (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 People's Republic of China (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 (the "Listing Rules") as well as International Accounting Standard 34, Interim Financial Reporting("IAS 34") 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, 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017.

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share- based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

### **Financial instruments**

On January 1, 2018, the Group adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected credit loss' impairment model. The standard is effective for annual periods beginning on or after January 1, 2018. The Group adopted the standard using the modified retrospective approach. IFRS 9 did not impact the Group's classification and measurement of financial assets and liabilities except for equity securities as described below. The standard also had negligible impact on the carrying amounts of the financial instruments of the Group at the transition date.

2. PRINCIPAL ACCOUNTING POLICIES - continued

**Financial instruments** - continued

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Group's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The change did not impact the carrying amounts of any of the financial assets of the Group on the transition date. The Group designated its listed and unlisted equity securities under the category of 'investments in equity securities', which have been previously classified as available-for-sale investments under IAS 39, as financial assets at fair value through other comprehensive income ("FVTOCI"), and measured such investments initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be transferred into profit or loss upon disposal. As a result of this change, the Group reclassified US\$8,551,000 of impairment loss recognized in prior years on the listed equity security which continues to be owned by the Group as at January 1, 2018 from retained profits to investment revaluation reserve on January 1, 2018. As a result of adopting IFRS 9, the net change in fair value of the listed and unlisted equity securities is now presented as an item that will not be reclassified subsequently to profit or loss in the consolidated statement of profit or loss and other comprehensive income.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had a negligible impact on the carrying amounts of the financial assets measured at amortised cost on the transition date given the Group transacts exclusively with large international financial institutions and other organizations with strong credit ratings and the negligible historical level of customer defaults.

**Revenue recognition**

On January 1, 2018, the Group adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 18 – Revenue ("IAS 18"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018. The Group adopted the standard on January 1, 2018 using the modified retrospective approach without applying any practical expedients.

IFRS 15 requires entities to recognise revenue when 'control' of goods or services is transferred to the customer whereas the previous standard, IAS 18, required entities to recognize revenue when the 'risks and rewards' of the goods or services is transferred to the customer. The Group concluded there is no change in the timing of revenue recognition of gold doré bars, copper concentrate and other by-products sales under IFRS 15 compared to the previous standard as the point of transfer of risks and rewards of goods and services and transfer of control occur at the same time. As such, no adjustment was required to the Group's condensed consolidated financial statements as at January 1, 2018. Hence, Revenue is recognized at the point when the gold doré bars, copper concentrate and other by-products are delivered and titles have passed to customers.

## CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

### 2. PRINCIPAL ACCOUNTING POLICIES - continued

#### **Revenue recognition** - continued

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. In this regards, "advance from customers" of US\$2,724,000 as at January 1, 2018 has been reclassified to "contract liabilities" accordingly.

IFRS 15 requires that variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Group concluded that the adjustments relating to the final assay results for the quantity and quality of gold and copper concentrate sold and the retroactive pricing adjustment for the annual pricing terms are not historically significant and expected not to be significant. It does not constrain the recognition of revenue.

Other than those new IFRSs mentioned above, 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 CODM, 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.

Information regarding the above segments is reported below:

#### **Disaggregation of revenue**

	For the nine months ended <u>September 30, 2018</u> US\$'000
Gold bullion	134,655
Coppers concentrate	197,813
Other by-products	<u>75,145</u>
Total revenue	<u><u>407,613</u></u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

3. REVENUE AND SEGMENT INFORMATION - continued

(a) Segment revenues and results

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

For the nine months ended September 30, 2018

	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	134,655	272,958	407,613	-	407,613
Cost of sales	(117,672)	(212,496)	(330,168)	-	(330,168)
Mining operating earnings	<u>16,983</u>	<u>60,462</u>	<u>77,445</u>	-	<u>77,445</u>
Income (loss) from operations	16,520	24,168	40,688	(6,850)	33,838
Foreign exchange gain (loss), net	10,168	(24,309)	(14,141)	-	(14,141)
Interest and other income	570	14,649	15,219	711	15,930
Finance costs	(3,820)	(16,302)	(20,122)	(13,129)	(33,251)
Profit (loss) before income tax	<u>23,438</u>	<u>(1,794)</u>	<u>21,644</u>	<u>(19,268)</u>	<u>2,376</u>

For the nine months ended September 30, 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
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	<u>23,346</u>	<u>47,749</u>	<u>71,095</u>	-	<u>71,095</u>
Income (loss) from operations	23,217	34,429	57,646	(5,219)	52,427
Foreign exchange (loss) gain, net	(3,281)	11,405	8,124	560	8,684
Interest and other income	570	823	1,393	6,735	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>

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 nine months ended September 30, 2018 and 2017.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

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 gold US\$'000	Mine - produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
<b>As of September 30, 2018</b>					
Total assets	747,637	2,411,454	3,159,091	36,329	3,195,420
Total liabilities	200,581	998,343	1,198,924	505,632	1,704,556
<b>As of December 31, 2017</b>					
Total assets	733,032	2,446,753	3,179,785	50,659	3,230,444
Total liabilities	208,545	1,003,410	1,211,955	508,505	1,720,460

4. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Administration and office	3,253	2,363	13,616	6,377
Depreciation of property, plant and equipment	821	721	3,405	2,101
Professional fees	3,215	580	6,148	1,354
Salaries and benefits	7,186	2,627	16,729	7,058
Others	1,259	812	3,246	1,649
Total general and administrative expenses	<u>15,734</u>	<u>7,103</u>	<u>43,144</u>	<u>18,539</u>

Research and development expenses of US\$3,068,000 and US\$8,421,000 for the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017: nil) were recognized as part of general and administrative expenses, respectively.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

5. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	<u>2018</u> US\$'000	<u>2017</u> US\$'000	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Effective interests on borrowings	10,199	12,176	31,016	33,487
Accretion on environmental rehabilitation	<u>710</u>	<u>697</u>	<u>2,235</u>	<u>2,057</u>
	10,909	12,873	33,251	35,544
Less: Amount capitalised to property, plant and equipment	<u>-</u>	<u>(7,073)</u>	<u>-</u>	<u>(19,566)</u>
Total finance costs	<u><u>10,909</u></u>	<u><u>5,800</u></u>	<u><u>33,251</u></u>	<u><u>15,978</u></u>

6. INCOME TAX EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	<u>2018</u> US\$'000	<u>2017</u> US\$'000	<u>2018</u> US\$'000	<u>2017</u> US\$'000
PRC Enterprise Income Tax	743	3,315	3,226	14,881
Overprovision of PRC Enterprise Income Tax in prior year	-	-	(2,266)	(2,100)
Deferred tax expense (credit)	<u>2,848</u>	<u>(3,107)</u>	<u>3,611</u>	<u>(3,909)</u>
Total income tax expense	<u><u>3,591</u></u>	<u><u>208</u></u>	<u><u>4,571</u></u>	<u><u>8,872</u></u>

7. (LOSS) EARNINGS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(Loss) profit for the period attributable to owners of the Company for the purposes of basic (loss) earnings per share (US\$'000)	<u>(4,879)</u>	<u>17,176</u>	<u>(2,911)</u>	<u>43,689</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 (loss) earnings per share (US\$)	<u><u>(1.23) cents</u></u>	<u><u>4.33 cents</u></u>	<u><u>(0.73) cents</u></u>	<u><u>11.02 cents</u></u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

7. (LOSS) EARNINGS PER SHARE - continued

The Group has no outstanding potential dilutive instruments issued as at September 30, 2018 and 2017 and during the three and nine months ended September 30, 2018 and 2017. Therefore, no diluted (loss) earnings per share is presented.

8. TRADE AND OTHER RECEIVABLES

	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
Trade receivables	7,021	20,685
Less: allowance for impairment	<u>(27)</u>	<u>(33)</u>
	6,994	20,652
Amounts due from related companies (note 14(a)) <sup>(1)</sup>	117	69
Other receivables	<u>14,740</u>	<u>4,127</u>
Total trade and other receivables	<u><u>21,851</u></u>	<u><u>24,848</u></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, 2018 and December 31, 2017. The amounts are unsecured, interest free and repayable on demand.

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>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
Less than 30 days	6,784	20,538
31 to 90 days	-	33
91 to 180 days	133	26
Over 180 days	<u>77</u>	<u>55</u>
	<u><u>6,994</u></u>	<u><u>20,652</u></u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

9. INVENTORIES

	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
Gold in process	211,869	196,611
Gold doré bars	16,166	14,726
Consumables	11,243	3,812
Copper	3,048	672
Spare parts	10,465	8,680
Total inventories	<u>252,791</u>	<u>224,501</u>

Inventory totalling US\$117 million and US\$315 million for the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017: US\$66 million and US\$204 million) was recognised in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT / MINING RIGHTS

During the nine months ended September 30, 2018, the Group incurred approximately US\$48.0 million, on construction in progress (nine months ended September 30, 2017: approximately US\$125.4 million) and approximately US\$70.4 million, on mineral assets (nine months ended September 30, 2017: US\$63.6 million).

Depreciation of property, plant and equipment was US\$27.5 million and US\$92.1 million for the three and nine months ended September 30, 2018, respectively (for the three and nine months ended September 30, 2017: US\$23.9 million and US\$63.9 million, respectively). The depreciation amounts were partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

Amortisation of mining rights was US\$7.6 million and US\$17.1 million for the three and nine months ended September 30, 2018, respectively (for the three and nine months ended September 30, 2017: US\$1.4 million and US\$4.0 million, respectively). The amortisation amounts were recognised in cost of sales.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

11. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
Accounts payable	36,047	26,191
Bills payable	49,315	67,338
Construction cost payables	122,557	112,194
Contract liabilities	7,323	2,724
Mining cost accrual	23,150	1,940
Payroll and benefit payables	3,899	4,833
Other accruals	4,726	4,714
Other tax payable	5,640	4,523
Other payables	6,584	2,953
Total accounts and other payables and accrued expenses	<u>259,241</u>	<u>227,410</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>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
Less than 30 days	12,341	15,838
31 to 90 days	12,734	3,703
91 to 180 days	3,288	2,850
Over 180 days	7,684	3,800
Total accounts payable	<u>36,047</u>	<u>26,191</u>

The credit period for bills payable is 180 days from the issue date. The following is an aging analysis of bills payable, presented based on issue date at the end of the reporting period:

	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
Less than 30 days	5,815	12,243
31 to 60 days	14,428	6,122
61 to 90 days	5,815	12,243
91 to 180 days	23,257	36,730
Total bills payable	<u>49,315</u>	<u>67,338</u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

12. BORROWINGS

The borrowings are repayable as follows:

	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
Carrying amount repayable within one year	132,978	161,489
Carrying amount repayable within one to two years	514,366	128,799
Carrying amount repayable within two to five years	268,200	636,478
Carrying amount repayable over five years	<u>316,170</u>	<u>348,167</u>
	1,231,714	1,274,933
Less: Amounts due within one year (shown under current liabilities)	<u>(132,978)</u>	<u>(161,489)</u>
Amounts shown under non-current liabilities	<u>1,098,736</u>	<u>1,113,444</u>
Analysed as:		
Secured	508,053	534,878
Unsecured	<u>723,661</u>	<u>740,055</u>
	<u>1,231,714</u>	<u>1,274,933</u>

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

	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
Mining rights	<u>926,582</u>	<u>947,254</u>

Borrowings carry interest at effective interest rates ranging from 2.75% to 4.40% (December 31, 2017: 2.35% to 4.35%) per annum.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

13. 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, 2017, December 31, 2017 and September 30, 2018	<u>396,413,753</u>	<u>1,229,061</u>

14. 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 is as follows:

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

	September 30, <u>2018</u> %	December 31, <u>2017</u> %
CNG	<u>39.3</u>	<u>39.3</u>

14. RELATED PARTY TRANSACTIONS - continued

(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,	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Gold doré sales by the Group	<u>39,962</u>	<u>56,899</u>	<u>134,655</u>	<u>160,761</u>
Copper and other product sales by the Group	<u>38,029</u>	<u>16,714</u>	<u>116,468</u>	<u>49,122</u>
Provision of transportation by the Group	<u>636</u>	<u>102</u>	<u>1,187</u>	<u>511</u>
Construction, stripping and mining service provided to the Group	<u>3,804</u>	<u>1,080</u>	<u>10,625</u>	<u>15,353</u>
Office lease to the Group	<u>964</u>	<u>282</u>	<u>3,034</u>	<u>832</u>
Interest income	<u>69</u>	<u>600</u>	<u>108</u>	<u>3,954</u>
Interest expenses	<u>746</u>	<u>829</u>	<u>2,328</u>	<u>2,228</u>
Loans provided to the Group	<u>-</u>	<u>29,187</u>	<u>-</u>	<u>36,434</u>

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

	September 30, 2018 US\$'000	December 31, 2017 US\$'000
<u>Assets</u>		
Amounts due from related companies (note 8)	117	65
Cash and cash equivalents held by a CNG subsidiary	14,403	96,337
Trade receivables from a CNG subsidiary	6,451	19,721
Prepaid expenses and deposits	<u>364</u>	<u>81</u>
Total amounts due from CNG and its subsidiaries	<u>21,335</u>	<u>116,204</u>

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

14. RELATED PARTY TRANSACTIONS - continued

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

(i) Transactions/balances with CNG and its subsidiaries - continued

	September 30, <u>2018</u> US\$'000	December 31, <u>2017</u> US\$'000
<u>Liabilities</u>		
Loans payable to a CNG subsidiary	50,878	53,564
Entrusted loan payable	29,073	30,608
Construction cost payables to CNG subsidiaries	20,449	22,852
Trade payable to CNG subsidiaries	573	722
Contract liabilities with CNG subsidiary	33	35
Total amounts due to CNG and its subsidiaries	<u>101,006</u>	<u>107,781</u>

As at September 30, 2018, the loans payable to a CNG subsidiary, which is included in borrowings, carry fixed interest rates of 4.35% (December 31, 2017 : 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.

(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>2018</u> US\$'000	<u>2017</u> US\$'000	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Salaries and other benefits	160	222	575	648
Post-employment benefits	8	4	23	14
	<u>168</u>	<u>226</u>	<u>598</u>	<u>662</u>

15. FINANCIAL INSTRUMENTS

As at September 30, 2018 and December 31, 2017, the Group's investments in equity securities include equity securities listed in Hong Kong and unlisted companies incorporated in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange is measured at fair value based on the quoted price (unadjusted) available on the Stock Exchange (Level 1 fair value measurement). As at September 30, 2018, investment in such equity securities is measured at fair value of US\$17,851,000 (December 31, 2017: US\$19,680,000) 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.

As at September 30, 2018, the carrying amounts of US\$2,035,000 (January 1, 2018: US\$2,143,000) investment in unlisted companies incorporated in the PRC are approximately their fair values (Level 3 fair value measurement).

16. EVENT AFTER THE REPORTING PERIOD

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

---