

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

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(incorporated in British Columbia, Canada with  
limited liability)

Condensed Consolidated Financial Statements  
For the three and six months ended June 30, 2018

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 (unaudited)

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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 SIX MONTHS ENDED JUNE 30, 2018 (unaudited)

|   | NOTES | Three months ended June 30,<br>2018<br>US\$'000 | 2017<br>US\$'000 | Six months ended June 30,<br>2018<br>US\$'000 | 2017<br>US\$'000 |
|---|-------|---|------------------|---|------------------|
| Revenues  | 3     | 142,087   | 97,916           | 248,772                                       | 180,026          |
| Cost of sales   |       | (106,294)                                       | (72,923)         | (206,425)                                     | (135,909)        |
| Mine operating earnings   |       | 35,793  | 24,993           | 42,347  | 44,117           |
| Expenses  |       |   |                  |   |                  |
| General and administrative expenses                                   | 4     | (15,474)  | (5,660)          | (27,410)                                      | (11,436)         |
| Exploration and evaluation expenditure                                |       | (251)   | (53)             | (329)   | (89)             |
|   |       | (15,725)  | (5,713)          | (27,739)                                      | (11,525)         |
| Income from operations  |       | 20,068  | 19,280           | 14,608  | 32,592           |
| Other income (expenses)   |       |   |                  |   |                  |
| Foreign exchange (loss) gain, net                                     |       | (7,580)   | 4,001            | (3,117)                                       | 6,846            |
| Interest and other income   |       | 2,565   | 3,919            | 14,225  | 6,385            |
| Finance costs   | 5     | (11,214)  | (5,264)          | (22,342)                                      | (10,178)         |
|   |       | (16,229)  | 2,656            | (11,234)                                      | 3,053            |
| Profit before income tax  |       | 3,839   | 21,936           | 3,374   | 35,645           |
| Income tax expense  | 6     | (3,449)   | (1,332)          | (980)   | (8,664)          |
| Profit for the period   |       | 390   | 20,604           | 2,394   | 26,981           |
| Other comprehensive (expenses) income for the period                  |       |   |                  |   |                  |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |       |   |                  |   |                  |
| Exchange difference arising on translation                            |       | (22,375)  | 4,117            | (4,868)                                       | 5,166            |
| Fair value gain (loss) on investment in an equity security            |       | 361   | (2,318)          | 906   | (1,803)          |
| Total comprehensive (expenses) income for the period                  |       | (21,624)  | 22,403           | (1,568)                                       | 30,344           |
| Profit for the period attributable to                                 |       |   |                  |   |                  |
| Non-controlling interests   |       | 204   | 422              | 426   | 468              |
| Owners of the Company   |       | 186   | 20,182           | 1,968   | 26,513           |
|   |       | 390   | 20,604           | 2,394   | 26,981           |
| Total comprehensive (expenses) income for the period attributable to  |       |   |                  |   |                  |
| Non-controlling interests   |       | 207   | 419              | 430   | 467              |
| Owners of the Company   |       | (21,831)  | 21,984           | (1,998)                                       | 29,877           |
|   |       | (21,624)  | 22,403           | (1,568)                                       | 30,344           |
| Earnings per share - Basic (US)                                       | 7     | 0.05 cents                                      | 5.09 cents       | 0.50 cents                                    | 6.69 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 JUNE 30, 2018 (unaudited)

|  | <u>NOTES</u> | June 30,<br>2018<br>US\$'000 | December 31,<br>2017<br>US\$'000<br>(audited) |
|--|--------------|------------------------------|---|
| <b>Current assets</b>                            |              |                              |   |
| Cash and cash equivalents                        |              | 148,626                      | 147,318                                       |
| Restricted bank balance                          |              | 14,192                       | 18,089  |
| Trade and other receivables                      | 8            | 20,490                       | 24,848  |
| Prepaid expenses and deposits                    |              | 10,955                       | 2,769   |
| Prepaid lease payments                           |              | 461                          | 466   |
| Inventories                                      | 9            | 262,802                      | 224,501                                       |
|  |              | <u>457,526</u>               | <u>417,991</u>                                |
| <b>Non-current assets</b>                        |              |                              |   |
| Prepaid expense and deposits                     |              | 15,239                       | 15,431  |
| Prepaid lease payments                           |              | 15,254                       | 15,659  |
| Deferred tax assets                              |              | 511                          | 2,562   |
| Investments in equity securities                 | 15           | 22,702                       | 21,823  |
| Property, plant and equipment                    | 10           | 1,756,989                    | 1,809,724                                     |
| Mining rights                                    |              | 936,828                      | 947,254                                       |
|  |              | <u>2,747,523</u>             | <u>2,812,453</u>                              |
| <b>Total assets</b>                              |              | <u><u>3,205,049</u></u>      | <u><u>3,230,444</u></u>                       |
| <b>Current liabilities</b>                       |              |                              |   |
| Accounts and other payables and accrued expenses | 11           | 249,429                      | 227,410                                       |
| Borrowings                                       | 12           | 137,007                      | 161,489                                       |
| Tax liabilities                                  |              | 4,503                        | 7,702   |
|  |              | <u>390,939</u>               | <u>396,601</u>                                |
| <b>Net current assets</b>                        |              | <u>66,587</u>                | <u>21,390</u>                                 |
| <b>Total assets less current liabilities</b>     |              | <u>2,814,110</u>             | <u>2,833,843</u>                              |
| <b>Non-current liabilities</b>                   |              |                              |   |
| Borrowings                                       | 12           | 1,097,172                    | 1,113,444                                     |
| Deferred tax liabilities                         |              | 122,652                      | 123,959                                       |
| Deferred income                                  |              | 3,869                        | 4,579   |
| Entrusted loan payable                           |              | 30,227                       | 30,608  |
| Environmental rehabilitation                     |              | 52,098                       | 51,269  |
|  |              | <u>1,306,018</u>             | <u>1,323,859</u>                              |
| <b>Total liabilities</b>                         |              | <u>1,696,957</u>             | <u>1,720,460</u>                              |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

|   | <u>NOTE</u> | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000<br>(audited) |
|---|-------------|-------------------------------------|--|
| <b>Owners' equity</b>                       |             |                                     |  |
| Share capital                               | 13          | 1,229,061                           | 1,229,061  |
| Reserves                                    |             | 26,484                              | 37,176   |
| Retained profits                            |             | 237,793                             | 229,099  |
|   |             | <u>1,493,338</u>                    | <u>1,495,336</u>                                     |
| Non-controlling interests                   |             | 14,754                              | 14,648   |
|   |             | <u>1,508,092</u>                    | <u>1,509,984</u>                                     |
| <b>Total owners' equity</b>                 |             | <u>1,508,092</u>                    | <u>1,509,984</u>                                     |
| <b>Total liabilities and owners' equity</b> |             | <u>3,205,049</u>                    | <u>3,230,444</u>                                     |

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

(Signed by) Xin Song

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Xin Song  
Director

(Signed by) Bing Liu

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Bing Liu  
Director

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 (unaudited)**

|   | Number<br>of shares | Share<br>capital<br>US\$'000 | Equity<br>reserve<br>US\$'000 | Investment<br>revaluation<br>reserve<br>US\$'000 | Exchange<br>reserve<br>US\$'000 | Statutory<br>reserve<br>US\$'000 | Retained<br>profits<br>US\$'000 | Subtotal<br>US\$'000 | Non-<br>controlling<br>interests<br>US\$'000 | Total<br>owners'<br>equity<br>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                                     | -                   | -                            | -                             | -  | -                               | -                                | 26,513                          | 26,513               | 468  | 26,981                                 |
| Fair value loss on investment<br>in an equity security    | -                   | -                            | -                             | (1,803)  | -                               | -                                | -                               | (1,803)              | -  | (1,803)                                |
| Exchange difference arising<br>on translation             | -                   | -                            | -                             | -  | 5,167                           | -                                | -                               | 5,167                | (1)  | 5,166                                  |
| Total comprehensive (expenses)<br>income for the period   | -                   | -                            | -                             | (1,803)  | 5,167                           | -                                | 26,513                          | 29,877               | 467  | 30,344                                 |
| Dividends paid to a non-controlling<br>shareholder        | -                   | -                            | -                             | -  | -                               | -                                | -                               | -                    | (276)  | (276)                                  |
| At June 30, 2017  | 396,413,753         | 1,229,061                    | 11,179                        | (525)  | (14,262)                        | 12,163                           | 198,718                         | 1,436,334            | 13,923                                       | 1,450,257                              |
| 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<br>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                              |
| Profit for the period                                     | -                   | -                            | -                             | -  | -                               | -                                | 1,968                           | 1,968                | 426  | 2,394                                  |
| Fair value gain on investment<br>in an equity security    | -                   | -                            | -                             | 906  | -                               | -                                | -                               | 906                  | -  | 906                                    |
| Exchange difference arising<br>on translation             | -                   | -                            | -                             | -  | (4,872)                         | -                                | -                               | (4,872)              | 4  | (4,868)                                |
| Total comprehensive income<br>(expenses) for the period   | -                   | -                            | -                             | 906  | (4,872)                         | -                                | 1,968                           | (1,998)              | 430  | (1,568)                                |
| Transfer to statutory reserve<br>- safety production fund | -                   | -                            | -                             | -  | -                               | 1,825                            | (1,825)                         | -                    | -  | -                                      |
| Dividends paid to a non-controlling<br>shareholder        | -                   | -                            | -                             | -  | -                               | -                                | -                               | -                    | (324)  | (324)                                  |
| At June 30, 2018  | 396,413,753         | 1,229,061                    | 11,179                        | 576  | (5,511)                         | 20,240                           | 237,793                         | 1,493,338            | 14,754                                       | 1,508,092                              |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

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

|  | Three months ended June 30, |                      | Six months ended June 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>40,262</u>               | <u>4,608</u>         | <u>56,089</u>             | <u>10,678</u>        |
| <b>Investing Activities</b>  |                             |                      |                           |                      |
| Interest income received   | 645                         | 2,265                | 1,295                     | 4,502                |
| Payment for acquisition of property, plant and equipment             | (13,216)                    | (43,317)             | (25,150)                  | (95,723)             |
| Deposits paid for acquisition of property, plant and equipment       | -                           | (59)                 | (8)                       | (108)                |
| Payment for acquisition of land use right                            | -                           | -                    | -                         | (709)                |
| Placement of restricted bank deposits                                | (32,924)                    | (33,004)             | (62,782)                  | (66,405)             |
| Release of restricted bank deposits                                  | 33,689                      | 33,164               | 66,596                    | 67,973               |
| Repayment from loan to a related company                             | -                           | 9,527                | -                         | 9,527                |
| <b>Net cash used in investing activities</b>                         | <u>(11,806)</u>             | <u>(31,424)</u>      | <u>(20,049)</u>           | <u>(80,943)</u>      |
| <b>Financing Activities</b>  |                             |                      |                           |                      |
| Proceeds from borrowings   | 23,504                      | 35,855               | 54,934                    | 92,200               |
| Repayment of borrowings  | (25,035)                    | (2,202)              | (87,894)                  | (2,202)              |
| Proceeds from entrusted loan   | -                           | -                    | -                         | 29,186               |
| Repayment of entrusted loan  | -                           | -                    | -                         | (28,572)             |
| Dividends paid to a non-controlling shareholder                      | -                           | -                    | (324)                     | (276)                |
| <b>Net cash (used in) from financing activities</b>                  | <u>(1,531)</u>              | <u>33,653</u>        | <u>(33,284)</u>           | <u>90,336</u>        |
| <b>Net increase in cash and cash equivalents</b>                     | <u>26,925</u>               | <u>6,837</u>         | <u>2,756</u>              | <u>20,071</u>        |
| Cash and cash equivalents, beginning of period                       | 127,892                     | 73,275               | 147,318                   | 59,930               |
| Effect of foreign exchange rate changes on cash and cash equivalents | <u>(6,191)</u>              | <u>361</u>           | <u>(1,448)</u>            | <u>472</u>           |
| <b>Cash and cash equivalents, end of period</b>                      | <u><u>148,626</u></u>       | <u><u>80,473</u></u> | <u><u>148,626</u></u>     | <u><u>80,473</u></u> |
| Cash and cash equivalents are comprised of                           |                             |                      |                           |                      |
| Cash and bank deposits   | <u><u>148,626</u></u>       | <u><u>80,473</u></u> | <u><u>148,626</u></u>     | <u><u>80,473</u></u> |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 (unaudited)

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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 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 ("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 six months ended June 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<br>and the related Amendments      |
| IFRIC 22             | Foreign Currency Transactions and Advance<br>Consideration               |
| Amendments to IFRS 2 | Classification and Measurement of Share-<br>based Payment Transactions   |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with<br>IFRS 4 Insurance Contracts |
| Amendments to IAS 28 | As part of the Annual Improvements to IFRS<br>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. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected 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 our financial instruments 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 our financial assets on the transition date. The Group designated its listed and unlisted equity securities under the category of 'investments in equity securities' as financial assets at fair value through other comprehensive income ("FVTOCI"), where they will be recorded 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 disposition. 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 reverse on January 1, 2018. As a result of adopting IFRS 9, the net change in fair value of the listed and unlisted equity securities, including realized and unrealized gains and losses, if any, 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. Impairment losses on listed equity security derecognized prior to January 1, 2018 has not been restated in prior year comparatives.
- 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 our financial assets 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 transfers to the customer whereas the previous standard, IAS 18, required entities to recognize revenue when the 'risks and rewards' of the goods or services transfer 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 financial statements.

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' 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.

Additional disclosures have been presented in notes 3 and 15, as a result of adopting IFRS 15 and 9, respectively.

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 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.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

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 six months ended June 30, 2018

|   | Mine -<br>produced<br><u>gold</u><br>US\$'000 | Mine -<br>produced<br><u>copper</u><br>US\$'000 | Segment<br><u>total</u><br>US\$'000 | <u>Unallocated</u><br>US\$'000 | <u>Consolidated</u><br>US\$'000 |
|---|---|---|-------------------------------------|--------------------------------|---------------------------------|
| Revenues - external and segment revenue | 94,693  | 154,079   | 248,772                             | -                              | 248,772                         |
| Cost of sales                           | <u>(76,357)</u>                               | <u>(130,068)</u>                                | <u>(206,425)</u>                    | -                              | <u>(206,425)</u>                |
| Mining operating earnings               | <u>18,336</u>                                 | <u>24,011</u>                                   | <u>42,347</u>                       | -                              | <u>42,347</u>                   |
| Income (loss) from operations           | 18,007  | 1,047   | 19,054                              | (4,446)                        | 14,608                          |
| Foreign exchange gain (loss), net       | 2,049   | (5,166)   | (3,117)                             | -                              | (3,117)                         |
| Interest and other income               | 308   | 13,705  | 14,013                              | 212                            | 14,225                          |
| Finance costs                           | <u>(2,594)</u>                                | <u>(11,044)</u>                                 | <u>(13,638)</u>                     | <u>(8,704)</u>                 | <u>(22,342)</u>                 |
| Profit (loss) before income tax         | <u>17,770</u>                                 | <u>(1,458)</u>                                  | <u>16,312</u>                       | <u>(12,938)</u>                | <u>3,374</u>                    |

For the six months ended June 30, 2017

|   | Mine -<br>produced<br><u>gold</u><br>US\$'000 | Mine -<br>produced<br><u>copper</u><br>US\$'000 | Segment<br><u>total</u><br>US\$'000 | <u>Unallocated</u><br>US\$'000 | <u>Consolidated</u><br>US\$'000 |
|---|---|---|-------------------------------------|--------------------------------|---------------------------------|
| Revenues - external and segment revenue | 103,862                                       | 76,164  | 180,026                             | -                              | 180,026                         |
| Cost of sales                           | <u>(90,409)</u>                               | <u>(45,500)</u>                                 | <u>(135,909)</u>                    | -                              | <u>(135,909)</u>                |
| Mining operating earnings               | <u>13,453</u>                                 | <u>30,664</u>                                   | <u>44,117</u>                       | -                              | <u>44,117</u>                   |
| Income (loss) from operations           | 13,364  | 22,604  | 35,968                              | (3,376)                        | 32,592                          |
| Foreign exchange gain, net              | 630   | 6,157   | 6,787                               | 59                             | 6,846                           |
| Interest and other income               | 351   | 985   | 1,336                               | 5,049                          | 6,385                           |
| Finance costs                           | <u>(4,408)</u>                                | <u>(2,405)</u>                                  | <u>(6,813)</u>                      | <u>(3,365)</u>                 | <u>(10,178)</u>                 |
| Profit (loss) before income tax         | <u>9,937</u>                                  | <u>27,341</u>                                   | <u>37,278</u>                       | <u>(1,633)</u>                 | <u>35,645</u>                   |

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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 six months ended June 30, 2018 and 2017.

(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 -<br>produced<br>gold<br>US\$'000 | Mine -<br>produced<br>copper<br>US\$'000 | Segment<br>total<br>US\$'000 | Unallocated<br>US\$'000 | Consolidated<br>US\$'000 |
|--------------------------------|--|--|------------------------------|-------------------------|--------------------------|
| <b>As of June 30, 2018</b>     |  |  |                              |                         |                          |
| Total assets                   | 747,963                                | 2,409,475                                | 3,157,438                    | 47,611                  | 3,205,049                |
| Total liabilities              | 202,672                                | 986,346                                  | 1,189,018                    | 507,939                 | 1,696,957                |
| <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 June 30, |              | Six months ended June 30, |               |
|--|-----------------------------|--------------|---------------------------|---------------|
|  | <u>2018</u>                 | <u>2017</u>  | <u>2018</u>               | <u>2017</u>   |
|  | US\$'000                    | US\$'000     | US\$'000                  | US\$'000      |
| Administration and office                        | 6,438                       | 1,894        | 10,361                    | 4,014         |
| Depreciation of property, plant and<br>equipment | 1,186                       | 701          | 2,584                     | 1,380         |
| Professional fees                                | 1,828                       | 482          | 2,933                     | 774           |
| Salaries and benefits                            | 4,813                       | 2,066        | 9,545                     | 4,431         |
| Others   | 1,209                       | 517          | 1,987                     | 837           |
| Total general and administrative<br>expenses     | <u>15,474</u>               | <u>5,660</u> | <u>27,410</u>             | <u>11,436</u> |

Research and development expenses of US\$2,800,000 and US\$5,353,000 for the three and six months ended June 30, 2018 (three and six months ended June 30, 2017: nil) were recognized as part of general and administrative expenses, respectively.

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5. FINANCE COSTS

|   | Three months ended June 30, |                | Six months ended June 30, |                 |
|---|-----------------------------|----------------|---------------------------|-----------------|
|   | <u>2018</u>                 | <u>2017</u>    | <u>2018</u>               | <u>2017</u>     |
|   | US\$'000                    | US\$'000       | US\$'000                  | US\$'000        |
| Effective interests on borrowings                         | 10,452                      | 10,788         | 20,817                    | 21,311          |
| Accretion on environmental rehabilitation                 | <u>762</u>                  | <u>686</u>     | <u>1,525</u>              | <u>1,360</u>    |
|   | 11,214                      | 11,474         | 22,342                    | 22,671          |
| Less: Amount capitalised to property, plant and equipment | <u>-</u>                    | <u>(6,210)</u> | <u>-</u>                  | <u>(12,493)</u> |
| Total finance costs                                       | <u>11,214</u>               | <u>5,264</u>   | <u>22,342</u>             | <u>10,178</u>   |

6. INCOME TAX EXPENSE

|  | Three months ended June 30, |                | Six months ended June 30, |              |
|--|-----------------------------|----------------|---------------------------|--------------|
|  | <u>2018</u>                 | <u>2017</u>    | <u>2018</u>               | <u>2017</u>  |
|  | US\$'000                    | US\$'000       | US\$'000                  | US\$'000     |
| PRC Enterprise Income Tax expense                        | 574                         | 3,826          | 2,483                     | 11,566       |
| Overprovision of PRC Enterprise Income Tax in prior year | (2,266)                     | -              | (2,266)                   | (2,100)      |
| Deferred tax expense (credit)                            | <u>5,141</u>                | <u>(2,494)</u> | <u>763</u>                | <u>(802)</u> |
| Total income tax expense                                 | <u>3,449</u>                | <u>1,332</u>   | <u>980</u>                | <u>8,664</u> |

7. EARNINGS PER SHARE

Profit used in determining earnings per share are presented below:

|   | Three months ended June 30, |                    | Six months ended June 30, |                    |
|---|-----------------------------|--------------------|---------------------------|--------------------|
|   | <u>2018</u>                 | <u>2017</u>        | <u>2018</u>               | <u>2017</u>        |
| Profit for the period attributable to owners of the Company for the purposes of basic earnings per share (US\$'000) | <u>186</u>                  | <u>20,182</u>      | <u>1,968</u>              | <u>26,513</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 per share (US\$)   | <u>0.05 cents</u>           | <u>5.09 cents</u>  | <u>0.50 cents</u>         | <u>6.69 cents</u>  |

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

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8. TRADE AND OTHER RECEIVABLES

|  | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|--|-------------------------------------|---|
| Trade receivables  | 10,511                              | 20,685                                  |
| Less: allowance for doubtful debts                             | <u>(28)</u>                         | <u>(33)</u>                             |
|  | 10,483                              | 20,652                                  |
| Amounts due from related companies (note 14(a)) <sup>(1)</sup> | 11                                  | 69                                      |
| Other receivables  | <u>9,996</u>                        | <u>4,127</u>                            |
| Total trade and other receivables                              | <u><u>20,490</u></u>                | <u><u>24,848</u></u>                    |

<sup>(1)</sup> The outstanding balances represent related service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the period/year ended June 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:

|                   | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|-------------------|-------------------------------------|---|
| Less than 30 days | 10,215                              | 20,538                                  |
| 31 to 90 days     | 117                                 | 33                                      |
| 91 to 180 days    | 67                                  | 26                                      |
| Over 180 days     | <u>84</u>                           | <u>55</u>                               |
|                   | <u><u>10,483</u></u>                | <u><u>20,652</u></u>                    |

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9. INVENTORIES

|                   | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|-------------------|-------------------------------------|---|
| Gold in process   | 218,541                             | 196,611                                 |
| Gold doré bars    | 14,437                              | 14,726                                  |
| Consumables       | 8,587                               | 3,812                                   |
| Copper            | 11,248                              | 672                                     |
| Spare parts       | <u>9,989</u>                        | <u>8,680</u>                            |
| Total inventories | <u>262,802</u>                      | <u>224,501</u>                          |

Inventory totalling US\$102 million and US\$198 million for the three and six months ended June 30, 2018 (three and six months ended June 30, 2017: US\$72 million and US\$134 million) was recognised in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2018, the Group incurred approximately US\$17.4 million on construction in progress (six months ended June 30, 2017: approximately US\$81.8 million) and approximately US\$45.9 million on mineral assets (six months ended June 30, 2017: approximately US\$40.6 million), respectively.

Depreciation of property, plant and equipment was US\$30.8 million and US\$64.6 million for the three and six months ended June 30, 2018, respectively (for the three and six months ended June 30, 2017: US\$20.7 million and US\$40.0 million, respectively). The depreciation amount was partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

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11. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

|  | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|--|-------------------------------------|---|
| Accounts payable                                       | 30,127                              | 26,191                                  |
| Bills payable  | 48,363                              | 67,338                                  |
| Construction cost payables                             | 115,178                             | 112,194                                 |
| Contract liabilities                                   | 5,885                               | 2,724                                   |
| Mining cost accrual                                    | 30,336                              | 1,940                                   |
| Payroll and benefit payables                           | 3,660                               | 4,833                                   |
| Other accruals   | 3,466                               | 4,714                                   |
| Other tax payable                                      | 5,125                               | 4,523                                   |
| Other payables   | 7,289                               | 2,953                                   |
| Total accounts and other payables and accrued expenses | <u>249,429</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:

|                        | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|------------------------|-------------------------------------|---|
| Less than 30 days      | 7,227                               | 15,838                                  |
| 31 to 90 days          | 7,330                               | 3,703                                   |
| 91 to 180 days         | 1,643                               | 2,850                                   |
| Over 180 days          | 13,927                              | 3,800                                   |
| Total accounts payable | <u>30,127</u>                       | <u>26,191</u>                           |

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:

|                     | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|---------------------|-------------------------------------|---|
| Less than 30 days   | 12,091                              | 12,243                                  |
| 31 to 60 days       | 6,045                               | 6,122                                   |
| 61 to 90 days       | 6,045                               | 12,243                                  |
| 91 to 180 days      | 24,182                              | 36,730                                  |
| Total bills payable | <u>48,363</u>                       | <u>67,338</u>                           |

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12. BORROWINGS

The borrowings are repayable as follows:

|   | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|---|-------------------------------------|---|
| Carrying amount repayable within one year                           | 137,007                             | 161,489                                 |
| Carrying amount repayable within one to two years                   | 80,535                              | 128,799                                 |
| Carrying amount repayable within two to five years                  | 687,918                             | 636,478                                 |
| Carrying amount repayable over five years                           | <u>328,719</u>                      | <u>348,167</u>                          |
|   | 1,234,179                           | 1,274,933                               |
| Less: Amounts due within one year (shown under current liabilities) | <u>(137,007)</u>                    | <u>(161,489)</u>                        |
| Amounts shown under non-current liabilities                         | <u>1,097,172</u>                    | <u>1,113,444</u>                        |
| Analysed as:  |                                     |   |
| Secured   | 528,217                             | 534,878                                 |
| Unsecured   | <u>705,962</u>                      | <u>740,055</u>                          |
|   | <u>1,234,179</u>                    | <u>1,274,933</u>                        |

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

|               | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|---------------|-------------------------------------|---|
| Mining rights | <u>936,828</u>                      | <u>947,254</u>                          |

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

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13. SHARE CAPITAL AND OPTIONS

Common shares

(i) Authorized - Unlimited common shares without par value

(ii) Issued and outstanding

|  | <u>Number<br/>of shares</u> | <u>Amount<br/>US\$'000</u> |
|--|-----------------------------|----------------------------|
| Issued and fully paid:<br>At January 1, 2017, December 31, 2017 and<br>June 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/year is as follows:

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14. RELATED PARTY TRANSACTIONS - continued

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

|     | June 30,<br><u>2018</u><br>% | December 31,<br><u>2017</u><br>% |
|-----|------------------------------|----------------------------------|
| 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 June 30, |                         | Six months ended June 30, |                         |
|--|-----------------------------|-------------------------|---------------------------|-------------------------|
|  | <u>2018</u><br>US\$'000     | <u>2017</u><br>US\$'000 | <u>2018</u><br>US\$'000   | <u>2017</u><br>US\$'000 |
| Gold doré sales by the Group                                     | <u>45,035</u>               | <u>58,665</u>           | <u>94,693</u>             | <u>103,862</u>          |
| Copper and other product sales by the Group                      | <u>45,071</u>               | <u>8,954</u>            | <u>78,439</u>             | <u>32,408</u>           |
| Provision of transportation services by the Group                | <u>68</u>                   | <u>191</u>              | <u>551</u>                | <u>408</u>              |
| Construction, stripping and mining service provided to the Group | <u>5,842</u>                | <u>11,803</u>           | <u>6,821</u>              | <u>14,273</u>           |
| Office lease to the Group  | <u>1,034</u>                | <u>278</u>              | <u>2,070</u>              | <u>550</u>              |
| Interest income  | <u>3</u>                    | <u>1,672</u>            | <u>39</u>                 | <u>3,354</u>            |
| Interest expenses  | <u>798</u>                  | <u>761</u>              | <u>1,582</u>              | <u>1,399</u>            |
| Loans provided to the Group                                      | <u>-</u>                    | <u>-</u>                | <u>-</u>                  | <u>7,247</u>            |

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

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

|  | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|--|-------------------------------------|---|
| <u>Assets</u>                                      |                                     |   |
| Amounts due from related companies (note 8)        | 11                                  | 65                                      |
| Cash and cash equivalents held by a CNG subsidiary | 15,112                              | 96,337                                  |
| Trade receivables from CNG subsidiaries (note 8)   | 10,111                              | 19,721                                  |
| Prepaid expenses and deposits                      | 999                                 | 81                                      |
| Total amounts due from CNG and its subsidiaries    | <u>26,233</u>                       | <u>116,204</u>                          |

|  | June 30,<br><u>2018</u><br>US\$'000 | December 31,<br><u>2017</u><br>US\$'000 |
|--|-------------------------------------|---|
| <u>Liabilities</u>                               |                                     |   |
| Loans payable to a CNG subsidiary                | 52,897                              | 53,564                                  |
| Entrusted loan payable                           | 30,227                              | 30,608                                  |
| Construction cost payables to CNG's subsidiaries | 21,261                              | 22,852                                  |
| Trade payable to CNG subsidiaries                | 857                                 | 722                                     |
| Contract liabilities with CNG's subsidiaries     | 35                                  | 35                                      |
| Total amounts due to CNG's subsidiaries          | <u>105,277</u>                      | <u>107,781</u>                          |

The loans payable to a CNG subsidiary, which are 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's subsidiary, the amounts due to CNG and its subsidiaries which are included in other payables and contraction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

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### 14. 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 June 30, |             | Six months ended June 30, |             |
|-----------------------------|-----------------------------|-------------|---------------------------|-------------|
|                             | <u>2018</u>                 | <u>2017</u> | <u>2018</u>               | <u>2017</u> |
|                             | US\$'000                    | US\$'000    | US\$'000                  | US\$'000    |
| Salaries and other benefits | 251                         | 204         | 434                       | 426         |
| Post-employment benefits    | <u>3</u>                    | <u>3</u>    | <u>10</u>                 | <u>10</u>   |
|                             | <u>254</u>                  | <u>207</u>  | <u>444</u>                | <u>436</u>  |

### 15. FINANCIAL INSTRUMENTS

As at June 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 based on the quoted price (unadjusted) available on the Stock Exchange (Level 1 fair value measurement). As at June 30, 2018, US\$20,586,000 (December 31, 2017: US\$19,680,000) 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.

As at June 30, 2018, the carrying amounts of US\$2,116,000 (December 31, 2017: 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.