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China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended March 31, 2018 (Stated in U.S. dollars, except as otherwise noted)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

*Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2018.
(Stated in U.S. dollars, except as otherwise noted)*

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The following Management Discussion and Analysis of financial condition and results of operations (“MD&A”) is prepared as of May 15, 2018. It should be read in conjunction with the condensed consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as “China Gold International”, the “Company”, “we” or “our” as the context may require) for the three months ended March 31, 2018 and the three months ended March 31, 2017, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to the Company’s plans, objectives, expectations and intentions, which are based on the Company’s current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in the Company’s Annual Information Form (“Annual Information Form” or “AIF”) dated March 28, 2018 on SEDAR at www.sedar.com. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled “Forward-Looking Statements” and “Risk Factors” and to discussions elsewhere within this MD&A. China Gold International’s business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD-LOOKING STATEMENTS

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

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

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

THE COMPANY

Overview

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

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

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

Performance Highlights

Three months ended March 31, 2018

- Revenue increased by 30% to US\$106.7 million from US\$82.1 million for the same period in 2017.
- Mine operating earnings decreased by 66% to US\$6.6 million from US\$19.1 million for the same period in 2017.
- Net profit after income taxes decreased to US\$2.0 million from US\$6.4 million for the same period in 2017.
- Gold production from the CSH Mine increased by 4% to 36,042 ounces from 34,540 ounces for the same period in 2017.
- Copper production from the Jiama Mine decreased by 7% to 7,061 tonnes (approximately 15.6 million pounds) from 7,582 tonnes (approximately 16.7 million pounds) for the same period in 2017. Gold produced was 10,222 ounces compared to 8,160 ounces for the same period in 2017.

OUTLOOK

- Projected gold production of 160,000 ounces in 2018.
- Projected copper production of approximately 100 million pounds in 2018.
- The Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tonnes per day ("tpd"). The Jiama Mine's Phase II, Series I expansion reached commercial production on December 31, 2017. As a result, throughput capacity has been increased to 28,000 tpd from the previous capacity of 6,000 tpd. Construction of the Jiama Mine's Phase II, Series II is now complete and development and production testing is currently underway. The Company expects Series II, which will add an additional 22,000 tpd, to achieve commercial production in mid-2019.
- The Company will continue to leverage the technical and operating experience of the Company's substantial shareholder, China National Gold Group Co. Ltd ("CNG"), to improve operations at its mines. In addition, the Company continues to focus its efforts on increasing production while minimizing costs at both mines.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining acquisition opportunities, namely projects outside of China.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

	Quarter ended							
	2018	2017			2016			
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
<i>(US\$ in thousands except per share)</i>								
Revenue	106,685	133,312	98,543	97,916	82,110	93,552	109,560	69,904
Cost of sales	100,131	87,621	71,565	72,923	62,986	80,517	85,681	58,162
Mine operating earnings	6,554	45,691	26,978	24,993	19,124	13,035	23,879	11,742
General and administrative expenses	11,936	19,309	7,103	5,660	5,776	5,127	5,902	5,361
Exploration and evaluation expenses	78	176	40	53	36	216	65	53
Income (Loss) from operations	(5,460)	26,206	19,835	19,280	13,312	7,692	17,912	6,328
Foreign exchange gain (loss)	4,463	(492)	1,838	4,001	2,845	(9,154)	(2,493)	(5,980)
Finance costs	11,128	5,748	5,800	5,264	4,914	4,264	3,793	4,063
Profit (loss) before income tax	(465)	22,350	17,616	21,936	13,709	(2,703)	13,972	(1,870)
Income tax expense (credit)	(2,469)	2,394	208	1,332	7,332	6,431	6,276	5,531
Net profit (loss)	2,004	19,956	17,408	20,604	6,377	(9,134)	7,696	(7,401)
Basic earnings (loss) per share (cents)	0.45	4.91	4.33	5.09	1.60	(2.32)	1.82	(1.95)
Diluted earnings (loss) per share (cents)	N/A	N/A	N/A	N/A	N/A	N/A	1.82	(1.95)

Selected Quarterly Production Data and Analysis

CSH Mine	Three months ended March 31,	
	2018	2017
Gold sales (US\$ million)	49.66	45.20
Realized average price (US\$) of gold per ounce	1,313	1,236
Gold produced (ounces)	36,042	34,540
Gold sold (ounces)	37,832	36,557
Total production cost (US\$ per ounce)	1,028	1,127
Cash production cost ⁽¹⁾ (US\$ per ounce)	578	741

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

Gold production at the CSH Mine increased by 4% to 36,042 ounces for the three months ended March 31, 2018 compared to 34,540 ounces for the three months ended March 31, 2017. The increase in gold production is attributed to higher grades of ore mined during the 2018 period.

The total production cost of gold for the three months ended March 31, 2018 decreased to US\$1,028 per ounce compared to US\$1,127 for the three month 2017 period. The cash production cost of gold for the three months ended March 31, 2018 decreased by approximately 22% to US\$578, from US\$741 per ounce for the same period in 2017, mainly due to 29% higher gold grade.

Jiama Mine	Three months ended March 31,	
	2018	2017
Copper sales ¹ (US\$ in millions)	38.21	24.75
Realized average price ² (US\$) of copper per pound after smelting fee discount	2.44	2.06
Copper produced (tonnes) ^{3,7}	7,061	7,582
Copper produced (pounds) ^{3,7}	15,566,476	16,716,247
Copper sold (tonnes) ³	6,620	5,492
Copper sold (pounds) ³	14,593,819	12,108,853
Gold produced (ounces) ^{3,7}	10,222	9,890
Gold sold (ounces) ³	9,700	7,964
Silver produced (ounces) ^{3,7}	463,206	712,855
Silver sold (ounces) ³	432,024	338,712
Total production cost ⁴ (US\$) of copper per pound	4.85	2.14
Total production cost ⁴ (US\$) of copper per pound after by-products credits ⁶	3.78	1.15
Cash production cost ⁵ (US\$) per pound of copper	3.53	1.79
Cash production cost ⁵ (US\$) of copper per pound after by-products credits ⁶	2.46	0.80

¹ The amount for March 31, 2017, excludes sales of goods produced during the commissioning of Phase II, Series I.

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

³ 2018 Quantities of Copper, Gold and Silver produced and sold include the production and sales from the Phase II, Series I expansion

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

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

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

⁷ 2017 production includes: Copper produced from Phase I of 5,716 tonnes (12.6 million pounds) and Phase II of 1,866 tonnes (approx. 4.1 million pounds). Gold produced from Phase I of 8,160 ounces and Phase II of 1,730 ounces. Silver produced from Phase I of 352,759 ounces and Phase II of 360,096 ounces.

During the three months ended March 31, 2018, the Jiama Mine produced 7,061 tonnes (approximately 15.6 million pounds) of copper, a decrease of 7% compared with the three months ended March 31, 2017 (7,582 tonnes, or 16.7 million pounds).

In the first quarter of 2018, both cash production cost and total production cost of the Jiama Mine increased, mainly due to the use of open-pit ore in Phase II, Series I, and the relatively low ore grade of the open-pit mine. In addition, the Company used the colder winter months to perform equipment maintenance work, resulting in lower equipment utilization rates. As the winter months have now passed and production has been restored upon completion of equipment maintenance, the Jiama Phase II, Series I production capacity will gradually increase and reach the designed capacity. Therefore, it is expected that production will increase in the second quarter, while cash production cost and total production cost will decrease.

The Phase I processing plant has been operating normally. The Company's production guidance of 100 million pounds of copper for 2018 remains unchanged.

Review of Quarterly Data

Three months ended March 31, 2018 compared to three months ended March 31, 2017

Revenue of US\$106.7 million for the first quarter of 2018 increased by US\$24.6 million or 30%, from US\$82.1 million for the same period in 2017.

Revenue from the CSH Mine was US\$49.7 million, an increase of US\$4.5 million, compared to US\$45.2 million for the same period in 2017. Gold sold by the CSH Mine was 37,832 ounces (gold produced: 36,042 ounces), compared to 36,557 ounces (gold produced: 34,540 ounces) for the same period in 2017.

Revenue from the Jiama Mine was US\$57.0 million, an increase of US\$20.1 million, compared to US\$36.9 million for the same period in 2017. Total copper sold was 6,620 tonnes (14.6 million pounds) for the three months ended March 31, 2018, an increase of 24% from 5,492 tonnes (12.1 million pounds) for the same period in 2017.

Cost of sales of US\$100.1 million for the quarter ended March 31, 2018, an increase of US\$37.1 million or 59% from US\$63.0 million for the same period in 2017. The overall increase is primarily attributed to a 181% increase in cost of sales for the Jiama Mine. Cost of sales as a percentage of revenue for the Company increased from 77% to 94% for the three months ended March 31, 2017 and 2018, respectively.

Mine operating earnings of US\$6.6 million for the three months ended March 31, 2018 a decrease of 65%, or US\$12.5 million, from US\$19.1 million for the same period in 2017. Mine operating earnings as a percentage of revenue decreased from 23% to 6% for the three months ended March 31, 2017 and 2018, respectively.

General and administrative expenses increased by US\$6.1 million, from US\$5.8 million for the quarter ended March 31, 2017 to US\$11.9 million for the quarter ended March 31, 2018. The increase is mainly due to R&D expenditure at both mine sites.

Loss from operations of US\$5.5 million for the first quarter of 2018, decreased by US\$18.8 million, compared to a gain of US\$13.3 million for the same period in 2017.

Finance costs of US\$11.1 million for the three months ended March 31, 2018, increased by US\$6.2 million compared to the same period in 2017, primarily due to the Jiama Mine not capitalizing interest expense as of the commencement of commercial production of Jiama's Phase II, Series I.

Foreign exchange gain increased to US\$4.5 million for the three months ended March 31, 2018 from US\$2.8 million for the same period in 2017. The increase is related to the revaluation of monetary items held in Chinese RMB, which was based on changes in the RMB/USD exchange rates.

Interest and other income of US\$11.7 million for the three months ended March 31, 2018 increased from US\$2.5 million for the same period in 2017. The increase is primarily attributable to sales of low grade product from the Jiama Mine.

Income tax credit of US\$2.5 million for the quarter ended March 31, 2018 increased by US\$9.8 million from an income tax expense of US\$7.3 million for the comparative period in 2017. During the current quarter, the Company had US\$4.4 million of deferred tax credit compared to US\$1.7 million deferred tax expense for the same period in 2017.

Net income of the Company decreased by US\$4.4 million from US\$6.4 million for the three months ended March 31, 2017 to US\$2.0 million for the three months ended March 31, 2018.

NON-IFRS MEASURES

The following table provides certain unit cost information on a cost of production per tonne of ore processed (non-IFRS) basis for the CSH Mine for the three months ended March 31, 2018 and 2017:

CSH Mine	Three months ended March 31,	
	2018 US\$	2017 US\$
Cost of mining per tonne of ore	1.34	1.33
Cost of mining waste per tonne of ore	2.26	2.16
Other mining costs per tonne of ore	0.29	0.28
Total mining costs per tonne of ore	3.89	3.77
Cost of reagents per tonne of ore	1.77	1.08
Other processing costs per tonne of ore	1.32	1.07
Total processing cost per tonne of ore	3.09	2.15

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

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

The following table provides a reconciliation of cost of sales to the cash costs of production in total dollars and in dollars per gold ounce for the CSH Mine or per copper pound for the Jiama Mine:

CSH Mine (Gold)

	Three months ended March 31,			
	2018		2017	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total production costs	38,892,425	1,028	41,188,718	1,127
Adjustments	(17,034,015)	(450)	(14,094,871)	(386)
Total cash production costs	21,858,410	578	27,093,847	741

Jiama Mine (Copper with by-products credits)

	Three months ended March 31,			
	2018		2017	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total production costs	70,754,480	4.85	25,938,453	2.14
Adjustments	(19,273,004)	(1.32)	(4,278,158)	(0.35)
Total cash production costs	51,481,476	3.53	21,660,295	1.79
By-products credits	(15,632,471)	(1.07)	(11,976,941)	(0.99)
Total cash production costs after by-products credits	35,849,005	2.46	9,683,354	0.80

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

MINERAL PROPERTIES

The CSH Mine

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

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

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

Production Update

CSH Mine	Three months ended March 31,	
	2018	2017
Ore mined and placed on pad (tonnes)	3,015,450	3,768,853
Average ore grade (g/t)	0.62	0.48
Recoverable gold (ounces)	36,630	35,804
Ending ore inventory (ounces)	208,194	180,728
Waste rock mined (tonnes)	12,990,300	19,320,451

For the three months ended March 31, 2018, the total amount of ore placed on the leach pad was 3.0 million tonnes, with total contained gold of 36,630 ounces (1,139 kilograms). The overall accumulative project-to-date gold recovery rate has slightly increased to approximately 52.28% at the end of March 2018 from 52.05% at the end of December 2017.

In the second half of 2017, there were a series of wall failures on one side of the pit at the CSH Mine leading to short term interruptions of mining activities. 2017 production was not significantly impacted. The Company is conducting studies to develop remediation plans to address the slope stability issues. 2018 production estimates have been reduced accordingly.

Exploration

The Company’s planned for mineral exploration work in 2017 and 2018, for nine drilling holes with 10,450 meters. The step out drilling plan is intended to expand the mineralization zone. The drilling work commenced in the second half of 2017. As of the end of 2017, The Company has drilled four drill holes with 4,683 meters, or 45% of the drilling program has been completed. The drilling work was suspended during the winter due to cold weather. The company plans to use two drill rigs in 2018 to complete the drill work, which commenced drilling work on March 29, and March 31, 2018 respectively.

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2017 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Measured	16.25	0.65	10.57	0.34
Indicated	128.77	0.61	79.14	2.54
M+I	145.01	0.62	89.71	2.88
Inferred	81.54	0.51	41.93	1.35

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2017 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	15.41	0.66	10.22	0.33
Probable	85.50	0.64	55.14	1.77
Total	100.90	0.65	65.35	2.10

The Jiama Mine

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

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

Phase II Expansion

The Jiama Expansion Program

The Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tpd. The Jiama Mine's Phase II, Series I expansion has reached commercial production at the end of 2017. As a result, the capacity has been increased to 28,000 tpd from the previous capacity of 6,000 tpd. The Company expects Series II, which will add an additional 22,000 tpd, to achieve commercial production in mid-2019.

Production Update

Jiama Mine	Three months ended March 31,	
	2018	2017
Ore mined (tonnes)	2,264,647	613,598
Average copper ore grade (%)	0.73	1.03
Copper recovery rate (%)	76	90
Average gold ore grade (g/t)	0.42	0.58
Gold recovery rate (%)	58	71
Average silver ore grade (g/t)	19.52	26.22
Silver recovery rate (%)	57	68

Note: 2018 figures include underground and open pit. 2017 figures include only underground.

Jiama Mine	Three months ended March 31 2018,	
	Underground	Open Pit
Ore mined (tonnes)	557,687	1,706,960
Average copper ore grade (%)	0.92	0.59
Average gold ore grade (g/t)	0.50	0.37
Average silver ore grade (g/t)	25.21	15.04

Based on the mining plan, the Jiama Mine began to use low grade ore from the open pit for Phase II. As such, the Company expected the average ore grade to be lower than previous years which used higher grade ore from underground mining only. Production cost was also expected to be higher since the commencement of commercial production of Phase II, Series I due to the lower grade of ore.

Exploration

The Company has planned peripheral prospecting and mineral exploration work in 2017 and 2018, for six surface drilling holes with 6,920 meters and fourteen underground exploration drilling holes with 10,155 meters. Drilling work commenced in the second half of 2017. As of the end of the first quarter of 2018, the company has drilled two surface drill holes with 6,764 meters. Two surface drilling holes were completed and another two surface drilling holes were suspended during the winter due to cold weather and will resume the drilling work in the second quarter. One underground drilling hole with 520 meters has been completed at the end of the first quarter. The rest of drilling works will be resumed in the second quarter or resumed based on adjusted 2018 plan.

Mineral Resources Estimate

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

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

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

Reported at a 0.3% Cu Equivalent Cut off grade*, as of December 31, 2017

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Measured	96.3	0.39	0.04	0.04	0.02	0.08	5.62	381	35	42	22	0.26	17.46
Indicated	1,378.0	0.41	0.03	0.05	0.03	0.11	6.00	5,654	466	732	460	4.88	270.57
M+I	1,474.4	0.41	0.03	0.05	0.03	0.11	5.97	6,035	500	774	482	5.14	288.03
Inferred	406.1	0.31	0.03	0.08	0.04	0.10	5.13	1,247	123	311	175	1.32	66.93

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

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

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

Mineral Reserves Estimate

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

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2017

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Proven	21.2	0.60	0.05	0.05	0.03	0.21	9.05	129	10	10	7	0.14	6.23
Probable	408.0	0.61	0.03	0.13	0.08	0.18	11.28	2,499	131	548	317	2.41	149.67
P+P	429.1	0.61	0.03	0.13	0.07	0.19	11.17	2,628	141	559	324	2.56	155.90

Notes:

- All Mineral Reserves have been estimated in accordance with the JORC code and have been reconciled to CIM standards as prescribed by the NI 43-101.
- Mineral Reserves were estimated using the following mining and economic factors:

Open Pits:

- 5% dilution factor and 95% recovery were applied to the mining method;
- an overall slope angles of 43 degrees;
- a copper price of US\$ 2.9/lbs;
- an overall processing recovery of 88 - 90% for copper

Underground:

- 10% dilution added to all Sub-Level Open Stopping;
- Stope recovery is 87% for Sub-Level Open Stopping;
- An overall processing recovery of 88 - 90% for copper.

- The cut-off grade for Mineral Reserves has been estimated at copper equivalent grades of 0.3% Cu (NSR) for the open pits and 0.45% Cu (NSR) for the underground mine.

LIQUIDITY AND CAPITAL RESOURCES

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

At March 31, 2018, the Company had an accumulated surplus of US\$237.8 million, working capital of US\$31.8 million and borrowings of US\$1,269 million. The Company's cash balance at March 31, 2018 was US\$127.9 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US\$500.5 million of 3.25% unsecured bonds maturing on July 6, 2020, of which US\$16.0 million is included in the current portion of borrowings, and US\$120.1 million of short term debt facilities with interest rates ranging from 2.35% to 4.35% per annum arranged through various banks in China. In addition, on November 3, 2015, the Company entered into a Loan Facility agreement with a syndicate of banks, led by Bank of China. The lenders agreed to lend an aggregate principle amount of RMB 3.98 billion, approximately US\$613 million with the interest rate of 2.83% per annum currently. The People's Bank of China Lhasa Center Branch's interest rate serves as a benchmark for the interest on the drawdowns. The bank's interest rate is then discounted by 7 basis points (or 0.07%) to calculate the interest on the drawdowns. The proceeds from the Loan Facility are to be used for the development of the Jiama Mine. The loan is secured by the mining rights for the Jiama Mine. As of March 31, 2018 the Company has drawdown RMB3.495 billion, approximately US\$555.8 million under the Loan Facility. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future. On July 6, 2017, the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, completed the issuance of bonds in an aggregate principal amount of US\$500 million. The bonds were issued at a price of 99.663%, bearing coupon rate of 3.25% with a maturity date of July 6, 2020. The bonds are listed on the Stock Exchange of Hong Kong Limited on July 7, 2017.

Cash flows

The following table sets out selected cash flow data from the Company's consolidated cash flow statements for the three months ended March 31, 2018 and March 31, 2017.

	Three months ended March 31,	
	2018	2017
	US\$'000	US\$'000
Net cash from operating activities	15,827	10,077
Net cash (used in) investing activities	(8,243)	(49,519)
Net cash (used in) from financing activities	(31,753)	52,676
Net (decrease) increase in cash and cash equivalents	(24,169)	13,234
Effect of foreign exchange rate changes on cash and cash equivalents	4,743	111
Cash and cash equivalents, beginning of period	147,318	59,930
Cash and cash equivalents, end of period	127,892	73,275

Operating cash flow

For the three months ended March 31, 2018, net cash inflow from operating activities was US\$15.8 million which is primarily attributable to (i) depreciation and depletion of US\$33.8 million (ii) and decrease in accounts payable of US\$16.2 million partially offset by (i) an increase in inventory of US\$18.3 million and (ii) interest paid of US\$14.2 million.

Investing cash flow

For the three months ended March 31, 2018, the net cash outflow from investing activities was US\$8.2 million which is primarily attributable to (i) placement of restricted cash balances of US\$29.9 million and (ii) payment for the acquisition of property, plant and equipment of US\$11.9 million, partially offset by (i) release of restricted bank balance of US\$32.9.

Financing cash flow

For the three months ended March 31, 2018, the net cash outflow from financing activities was US\$31.8 million which is primarily attributable to (i) repayment of borrowings of US\$62.9 million offset by proceeds from borrowings of US\$31.4 million.

Expenditures Incurred

For the three months ended March 31, 2018, the Company incurred mining costs of US\$67.6 million, mineral processing costs of US\$128.1 million, transportation costs of US\$1.9 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at March 31, 2018, the Company's total debt was US\$1,269 million and the total equity was US\$1,530 million. The Company's gearing ratio was therefore 0.83 as at March 31, 2018 and 0.84 as at December 31, 2017.

Restrictive covenants

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

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Other than as disclosed elsewhere in this MD&A or in the unaudited condensed consolidated financial statements for the three months ended March 31, 2018, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the three months ended March 31, 2018. Other than as disclosed in this MD&A, there was no plan authorized by the Board for other material investments or additions of capital assets at the date of this MD&A.

CHARGE ON ASSETS

Other than as disclosed elsewhere in this MD&A, none of the Group's assets were pledged as at March 31, 2018.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Refer to Note 30, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2017.

COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

	Total	Within	Within	Over 5 years
	US\$'000	One year	Two to five years	US\$'000
	US\$'000	US\$'000	US\$'000	US\$'000
Principal repayment of bank loans	768,914	120,069	287,050	361,795
Repayment of bonds	500,575	15,959	484,616	-
Total	1,269,489	136,028	771,666	361,795

(a) Operating leases are primarily for premises and production.

(b) Capital commitments relate to contracts signed for construction and equipment supply.

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

RELATED PARTY TRANSACTIONS

CNG owned 39.3 percent of the outstanding common shares of the Company as at March 31, 2018 and March 31, 2017.

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

The Company's subsidiary, Inner Mongolia Pacific is a party to a non-exclusive contract for the purchase and sale of doré with CNG (the "Dore Sales Contract") pursuant to which Inner Mongolia Pacific sells gold doré bars to CNG. The pricing is based on the monthly average price of gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. The Dore Sales Contract has been in effect since October 24, 2008 and has been renewed for a current term that commences on January 1, 2018 and expires on December 31, 2020, which renewal was approved by the Company's shareholders on June 28, 2017.

Revenue from sales of gold doré bars to CNG of US\$49.7 million for the three months ended March 31, 2018 increased from US\$45.2 million for the three months ended March 31, 2017.

The Company is also a party to a Product and Service Framework Agreement with CNG, pursuant to which CNG provides construction, procurement and equipment financing services to the Company in connection with the expansion of the Jiama Mine and also purchases the copper concentrates produced at the Jiama Mine. The quantity of copper concentrates, pricing terms and payment terms may be established from time to time by the parties with reference to the pricing principles for connected transactions set out under the Product and Service Framework Agreement. On June 28, 2017, the Supplemental Product and Service Framework Agreement was approved and extended to expire on December 31, 2020. For the three months ended March 31, 2018, revenue from sales of copper concentrate and other products to CNG was US\$33.4 million, compared to US\$23.5 million for the same period in 2017.

For the three months ended March 31, 2018, construction services of US\$0.98 million were provided to the Company by subsidiaries of CNG (US\$2.5 million for the three months ended March 31, 2017).

In addition to the two aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business, including a Deposit Services Agreement and Loan Agreement entered into on December 18, 2017 among the Company and China Gold Finance.

PROPOSED TRANSACTIONS

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Group did not have any material acquisition and disposal of subsidiaries and associated companies in the three months ended March 31, 2018. The Company continues to review possible acquisition targets.

CRITICAL ACCOUNTING ESTIMATES

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2017.

CHANGE IN ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the three months ended March 31, 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:

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.

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 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, 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 recognize 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.

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 retrospective 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 15 and 3 of the unaudited interim consolidated financial statements for the three months ended March 31, 2018, as a result of adopting IFRS 9 and 15, respectively.

Other than those new IFRSs mentioned above, the application of the other new and amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosure in the unaudited interim condensed consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

The Company did not have any financial derivatives or outstanding hedging contracts as at March 31, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2018, the Company had not entered into any off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

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

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

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

OUTSTANDING SHARES

As of March 31, 2018 the Company had 396,413,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (“DC&P”) and the design of internal control over financial reporting (“ICFR”) to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company’s certifying officers. The Company’s Chief Executive Officer and Chief Financial Officer have each evaluated the Company’s DC&P and ICFR as of March 31, 2018 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer’s Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of March 31, 2018, and provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company’s Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the Company’s ICFR as of March 31, 2018 and have concluded that these controls and procedures were effective as of March 31, 2018 and provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the three months ended March 31, 2018, there were no changes in the Company’s DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

RISK FACTORS

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

QUALIFIED PERSON

Disclosure of scientific or technical information in this MD&A was approved by Mr. Zhongxin Guo, P.Eng. the Company's senior mining engineer and a Qualified Person ("QP") for the purposes of NI 43-101.

May 15, 2018