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China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Six months ended June 30, 2019 (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 and six months ended June 30, 2019.
(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 August 14, 2019. It should be read in conjunction with the 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 and six months ended June 30, 2019 and the three and six months ended June 30, 2018, 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 26, 2019 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 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.

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 June 30, 2019

- Revenue increased by 15% to US\$163.2 million from US\$142.1 million for the same period in 2018.
- Mine operating earnings decreased by 80% to US\$7.3 million from US\$35.8 million for the same period in 2018.
- Net profit after tax decreased from US\$0.4 million for the 2018 period to a net loss after income taxes of US\$23.0 million for the same period in 2019.
- Total gold production increased by 2% to 55,503 ounces from 54,377 ounces for the same period in 2018.
- Total copper production increased by 17% to 16,126 tonnes (approximately 35.6 million pounds) from 13,738 tonnes (approximately 30.3 million pounds) for the same period in 2018. The increase in production was primarily due to the output from the commercial production of the Phase II expansion at the Jiama Mine.

Six months ended June 30, 2019

- Revenue increased by 24% to US\$308.8 million from US\$248.8 million for the same period in 2018.
- Mine operating earnings decreased by 47% to US\$22.6 million from US\$42.3 million for the same period in 2018.
- Net profit after tax decreased from US\$2.4 million for the 2018 period to a net loss after income taxes of US\$27.5 million for the same period in 2019.
- Total gold production decreased by 1% to 99,527 ounces from 100,642 ounces for the same period in 2018.
- Total copper production increased by 49% to 30,959 tonnes (approximately 68.3 million pounds) from 20,799 tonnes (approximately 45.9 million pounds) for the same period in 2018. The increase in production was primarily due to the output from the commercial production of the Phase II expansion at the Jiama Mine.

OUTLOOK

- Projected gold production of 210,000 ounces in 2019.
- Projected copper production of approximately 132 million pounds in 2019.
- The Company will continue to leverage the technical and operating experience of the Company's substantial shareholder, China National Gold Group Corporation ("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							
	2019		2018				2017	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
<i>(US\$ in thousands except per share)</i>								
Revenue	163,166	145,592	162,957	158,841	142,087	106,685	133,312	98,543
Cost of sales	155,876	130,324	129,693	123,743	106,294	100,131	87,621	71,565
Mine operating earnings	7,290	15,268	33,264	35,098	35,793	6,554	45,691	26,978
General and administrative expenses	9,532	13,495	16,701	12,666	12,674	9,383	15,116	5,554
Exploration and evaluation expenses	175	115	(4)	134	251	78	176	40
Research and development expenses	4,541	4,856	7,374	3,068	2,800	2,553	4,193	1,549
(Loss) Income from operations	(6,958)	(3,198)	9,193	19,230	20,068	(5,460)	26,206	19,835
Foreign exchange (loss) gain	(7,414)	5,288	(1,677)	(11,024)	(7,580)	4,463	(492)	1,838
Finance costs	11,482	10,088	11,224	10,909	11,214	11,128	5,748	5,800
(Loss) profit before income tax	(24,817)	(7,137)	(3,346)	(998)	3,839	(465)	22,350	17,616
Income tax (credit) expense	(1,866)	(2,563)	(1,351)	3,591	3,449	(2,469)	2,394	208
Net (loss) profit	(22,951)	(4,574)	(1,995)	(4,589)	390	2,004	19,956	17,408
Basic (loss) earnings per share (cents)	(5.79)	(1.13)	(0.49)	(1.23)	0.05	0.45	4.91	4.33
Diluted earnings (loss) per share (cents)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Company's mining operations are impacted by the harsh winter conditions and as such, performance in the first quarter of the year is usually lower as compared with other quarters in the year.

Selected Quarterly and Annual Production Data and Analysis

CSH Mine	Three months ended June 30,		Six months ended June 30	
	2019	2018	2019	2018
Gold sales (US\$ million)	52.17	45.03	89.85	94.69
Realized average price (US\$) of gold per ounce	1,303	1,319	1,305	1,316
Gold produced (ounces)	39,875	33,880	68,502	69,922
Gold sold (ounces)	40,028	34,138	68,859	71,970
Total production cost (US\$ per ounce)	1,329	1,097	1,347	1,061
Cash production cost ⁽¹⁾ (US\$ per ounce)	805	806	849	686

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

Gold production at the CSH Mine increased by 18% to 39,875 ounces for the three months ended June 30, 2019 compared to 33,880 ounces for the three months ended June 30, 2018. The increase in gold production is attributed to higher volumes of ore mined and improved recovery rates during the second quarter of 2019 as compared to 2018.

The total production cost of gold for the three months ended June 30, 2019 increased to US\$1,329 per ounce compared to US\$1,097 for the three month 2018 period. The increase in production cost is attributed to the difference between recoverable gold placed on pad which increased by approximately 112% and gold production which increased by 18% for the three months ended June 30, 2019. As the CSH Mine uses a heap leaching (leach pad) process, there are periods in which there is a timing difference in the volume of ore mined and placed on pad compared to volume of gold production. On average, the heap leaching process will take several years from when the ore is first mined and placed on pad until the point of gold production. Higher volumes of gold production also contributed to approximately a 33% increase in amortization of mine development costs. The cash production cost of gold for the three months ended June 30, 2019 remained consistent compared with the same period in 2018.

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Copper sales (US\$ in millions)	76.63	72.43	145.99	110.64
Realized average price ¹ (US\$) of copper per pound after smelting fee discount	1.85	2.41	1.87	2.41
Copper produced (tonnes)	16,126	13,738	30,959	20,799
Copper produced (pounds)	35,551,640	30,268,343	68,253,000	45,852,819
Copper sold (tonnes)	16,300	12,613	31,425	19,233
Copper sold (pounds)	35,936,014	27,807,478	69,281,182	42,401,297
Gold produced (ounces)	15,628	20,497	31,025	30,720
Gold sold (ounces)	16,817	15,539	32,398	25,239
Silver produced (ounces)	844,748	768,332	1,820,751	1,231,538
Silver sold (ounces)	936,765	712,740	1,932,544	1,144,764
Total production cost ² (US\$) of copper per pound	3.18	2.96	3.13	3.61
Total production cost ² (US\$) of copper per pound after by-products credits ⁴	2.39	2.07	2.34	2.65
Cash production cost ⁴ (US\$) per pound of copper	2.49	2.26	2.43	2.70
Cash production cost ³ (US\$) of copper per pound after by-products credits ⁴	1.70	1.37	1.64	1.74

¹ A discount factor of 18.6% to 29.6% is applied to the copper benchmark price to compensate the refinery costs incurred by the buyers. The discount factor is higher if the grade of copper in copper concentrate is below 18%. The industry standard of copper in copper concentrate is between 18-20%.

² 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.

³ Non-IFRS measure. See 'Non-IFRS measures' section of this MD&A

⁴ By-products credit refers to the sales of gold and silver during the corresponding period.

During the three months ended June 30, 2019, the Jiama Mine produced 16,126 tonnes (approximately 35.6 million pounds) of copper, an increase of 17% compared with the three months ended June 30, 2018 (13,738 tonnes, or 30.3 million pounds). The increase in production is due to the commercial production of the Series II, Phase II expansion.

During the three months ended June 30, 2019, both total production cost of copper per pound after by-products and cash production cost of copper per pound after by-product increased as compared to the same period in 2018 due to lower grades of ores produced from the use of open-pit mine. The Jiama Mine is currently developing a new section of the underground mine which is expected to have higher grade ore, with anticipated completion by the end of 2020.

Review of Quarterly Data

Three months ended June 30, 2019 compared to three months ended June 30, 2018

Revenue of US\$163.2 million for the second quarter of 2019 increased by US\$21.1 million or 15%, from US\$142.1 million for the same period in 2018.

Revenue from the CSH Mine was US\$52.2 million, an increase of US\$7.2 million, compared to US\$45.0 million for the same period in 2018. Gold sold by the CSH Mine was 40,028 ounces (gold produced: 39,875 ounces), compared to 34,138 ounces (gold produced: 33,880 ounces) for the same period in 2018.

Revenue from the Jiama Mine was US\$111.0 million, an increase of US\$13.9 million, compared to US\$97.1 million for the same period in 2018. Total copper sold was 16,300 tonnes (35.9 million pounds) for the three months ended June 30, 2019, an increase of 29% from 12,613 tonnes (27.8 million pounds) for the same period in 2018.

Cost of sales of US\$155.9 million for the quarter ended June 30, 2019, an increase of US\$49.6 million or 47% from US\$106.3 million for the same period in 2018. The overall increase is primarily attributed to a 49% increase in cost of sales for the Jiama Mine which is directly proportionate to its increase in production volumes. Cost of sales as a percentage of revenue for the Company increased from 75% to 96% for the three months ended June 30, 2018 and 2019, respectively. Cost of sales is impacted by many production factors such as grade of ore, recovery rates, stripping ratio and etc. Refer to the sections below for details of production factors for each individual mine.

Mine operating earnings of US\$7.3 million for the three months ended June 30, 2019, a decrease of 80%, or US\$28.5 million, from US\$35.8 million for the same period in 2018. Mine operating earnings as a percentage of revenue decreased from 25% to 4% for the three months ended June 30, 2018 and 2019, respectively.

General and administrative expenses decreased by US\$3.2 million, from US\$12.7 million for the quarter ended June 30, 2018 to US\$9.5 million for the quarter ended June 30, 2019. The decrease is due to the Company's implementation of an overall cost reduction program.

Research and development expenses of US\$4.5 million for the three months ended June 30, 2019, increased from US\$2.8 million for the comparative 2018 period. The increase in 2019 is due to the Company's R&D activities in relation to increasing recovery rates and optimizing processing and mining.

Loss from operations of US\$7.0 million for the second quarter of 2019, decreased by US\$27.1 million, compared to income from operations of US\$20.1 million for the same period in 2018.

Finance costs of US\$11.5 million for the three months ended June 30, 2019, increased by US\$0.3 million compared to US\$11.2 million for the same period in 2018. During the three months ended June 30, 2019, interest payments of US\$23,000 (2018: nil) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange loss of US\$7.4 million for the three months ended June 30, 2019, decreased from US\$7.6 million for the same period in 2018. The loss is attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Interest and other income of US\$1.0 million for the three months ended June 30, 2019, decreased from US\$2.6 million for the same period in 2018. The 2018 amount was primarily attributed to the sales of low grade product from the Jiama Mine.

Income tax credit of US\$1.9 million for the quarter ended June 30, 2019, increased by US\$5.3 million from an income tax expense of US\$3.4 million for the comparative period in 2018. During the current quarter, the Company had US\$1.1 million of deferred tax credit compared to US\$5.1 million of deferred tax expense for the same period in 2018.

Net loss of US\$23.0 million for the three months ended June 30, 2019, decreased by US\$23.4 million from a net income of US\$0.4 million for the three months ended June 30, 2018.

Six months ended June 30, 2019 compared to six months ended June 30, 2018

Revenue of US\$308.8 million for the first half of 2019 increased by US\$60.0 million or 24%, from US\$248.8 million for the same period in 2018.

Revenue from the CSH Mine was US\$89.8 million, a decrease of US\$4.9 million, compared to US\$94.7 million for the same period in 2018. Gold sold by the CSH Mine was 68,859 ounces (gold produced: 68,502 ounces), compared to 71,970 ounces (gold produced: 69,922 ounces) for the same period in 2018.

Revenue from the Jiama Mine was US\$218.9 million, an increase of US\$64.8 million, compared to US\$154.1 million for the same period in 2018. Total copper sold was 31,425 tonnes (69.3 million pounds) for the six months ended June 30, 2019, an increase of 63% from 19,233 tonnes (42.4 million pounds) for the same period in 2018.

Cost of sales of US\$286.2 million for the six months ended June 30, 2019, an increase of US\$79.8 million or 39% from US\$206.4 million for the same period in 2018. The overall increase is primarily attributed to a 45% increase in cost of sales for the Jiama Mine which was proportionate to the 49% increase in copper production volumes. Cost of sales for the CSH Mined increased by approximately 27% in 2019 due to lower grades of ore mined and increased amortization of mine development costs. Cost of sales as a percentage of revenue for the Company increased from 83% to 93% for the six months ended June 30, 2018 and 2019, respectively. Cost of sales is impacted by many production factors such as grade of ore, recovery rates, stripping ratio and etc. Refer to the sections below for details of production factors for each individual mine.

Mine operating earnings of US\$22.6 million for the six months ended June 30, 2019, a decrease of 47%, or US\$19.7 million, from US\$42.3 million for the same period in 2018. Mine operating earnings as a percentage of revenue decreased from 17% to 7% for the six months ended June 30, 2018 and 2019, respectively.

General and administrative expenses increased by US\$0.9 million, from US\$22.1 million for the six months ended June 30, 2018 to US\$23.0 million for the six months ended June 30, 2019.

Research and development expenses of US\$9.4 million for the six months ended June 30, 2019, increased from US\$5.4 million for the comparative 2018 period. The increase in 2019 is due to the Company's R&D activities in relation to increasing recovery rates and optimizing processing and mining.

Loss from operations of US\$10.2 million for the six months ended June 30 2019, decreased by US\$24.8 million, compared to an income of US\$14.6 million for the same period in 2018.

Finance costs of US\$21.6 million for the six months ended June 30, 2019, decreased by US\$0.7 million compared to US\$22.3 million for the same period in 2018. During the six months ended June 30, 2019, interest payments of US\$0.4 million (2018: nil) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange loss of US\$2.1 million for the six months ended in June 30, 2019, decreased from US\$3.1 million for the same period in 2018. The loss is attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Interest and other income of US\$1.9 million for the six months ended June 30, 2019 decreased from US\$14.2 million for the same period in 2018. The 2018 amount was primarily attributed to the sales of low grade product from the Jiama Mine.

Income tax credit of US\$4.4 million for the six months ended June 30, 2019, increased by US\$5.4 million from an income tax expense of US\$1.0 million for the comparative period in 2018. During the current six month period, the Company had US\$4.3 million of deferred tax credit compared to US\$0.8 million of deferred tax expense for the same period in 2018.

Net loss of US\$27.5 million for the six months ended June 30, 2019, decreased by US\$29.9 million from a net income of US\$2.4 million for the six months ended June 30, 2018.

NON-IFRS MEASURES

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. Although the Gold Institute ceased operations in 2002, the Company believes that the Gold Institute's Production Cost Standard continues to represent the market accepted standard for reporting cash cost of production. However, different issuers may apply slight deviations to the standard so the cash production costs disclosed by the Company may not be directly comparable to other issuers.

The following tables provide 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 June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total Cost of sales	53,200,398	1,329	37,464,565	1,097	92,782,049 ¹	1,347	76,356,991	1,061
Adjustment – Depreciation & depletion	(20,965,702)	(524)	(9,943,115)	(291)	(34,336,915)	(499)	(26,977,130)	(375)
Total cash production costs	32,234,695	805	27,521,450	806	58,445,134	849	49,379,861	686

¹ Inventory write down of US\$4.3 million was provided in total cost of sales for the six months ended June 2019, of which been excluded from this figure.

Jiama Mine (Copper with by-products credits)

	Three months ended June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total Cost of sales	102,674,711	2.86	68,829,533	2.48	189,225,117	2.73	130,067,629	3.07
General and administrative expenses	7,122,665	0.20	10,647,967	0.38	18,418,434	0.27	17,611,168	0.42
Research and development expenses	4,540,867	0.13	2,800,031	0.10	9,396,910	0.14	5,353,214	0.13
Total production cost	114,338,243	3.18	82,277,531	2.96	217,040,461	3.13	153,032,011	3.61
Adjustment – Depreciation & depletion	(17,248,041)	(0.48)	(15,337,310)	(0.55)	(34,979,620)	(0.50)	(30,033,463)	(0.71)
Adjustment – Amortization of intangible assets	(7,370,901)	(0.21)	(4,014,012)	(0.14)	(13,478,297)	(0.19)	(8,590,864)	(0.20)
Total cash production costs	89,719,301	2.49	62,926,209	2.26	168,582,544	2.44	114,407,684	2.70
By-products credits	(28,419,971)	(0.79)	(24,840,448)	(0.89)	(55,110,600)	(0.80)	(40,472,919)	(0.95)
Total cash production costs after by-products credits	61,299,330	1.70	38,085,761	1.37	113,471,944	1.64	73,934,765	1.74

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

The following table provides a breakdown of on-site production costs used to calculate cost of goods sold based on production volumes for the period. Onsite production costs are also used to calculate unit cost information for the three and six months ended June 30, 2019 and 2018:

CSH Mine

	Three months ended June 30,		Six months ended June 30,		
	2019	2018	2019	2018	
	US\$	US\$	US\$	US\$	
Mining ore cost	6,650,918	3,600,299	11,302,964	7,562,256	F
Mining waste cost	12,381,590	22,108,601	23,439,979	28,912,348	G
Other mining costs	797,605	446,817	934,479	1,330,595	H
Process Cost - reagents	4,629,523	4,265,044	9,119,824	9,616,206	J
Other process costs	1,726,387	1,752,517	3,761,302	4,021,830	K
Process cost - crusher	1,894,338	1,761,520	3,309,008	3,461,912	L
General and administrative expenses	984,601	1,718,517	2,824,512	3,165,618	
Cash Operating cost	29,064,961	35,653,315	54,692,068	58,160,765	
Mining and resource tax	1,846,862	1,548,689	3,146,016	3,246,404	
Other fees and taxes	651,801	1,652,250	1,311,644	1,966,520	
Total Cash cost	31,563,625	38,854,253	59,149,728	63,373,690	
Depreciation – Operations	6,814,232	5,645,633	13,113,410	11,302,643	
Amortization – Mine development	13,863,633	9,868,862	21,637,460	23,319,575	
Total Onsite production cost	52,241,489	54,368,749	93,900,599	97,995,907	T
Inventory write-down	-	-	4,300,000	-	U
Ratio of Inventory (production cost) transfer to cost of goods sold	102%	69%	99%	78%	V
Total Cost of Sales	53,200,398	37,464,565	96,974,420	76,356,990	=(T* V)+U

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 and six months ended June 30, 2019 and 2018:

CSH Mine	Three months ended June 30,		Six months ended June 30,		
	2019	2018	2019	2018	
	US\$	US\$	US\$	US\$	
Ore mined and placed on pad (tonnes)	4,014,071	2,083,559	6,891,913	5,099,009	A
Average grade of ore (grams per tonne)	0.55	0.54	0.51	0.59	B
Recoverable gold (ounces)	44,211	20,812	69,785	57,442	C
Ending gold inventory (ounces)	170,466	195,936	170,466	195,936	D
Waste rock mined (tonnes)	19,647,091	15,439,504	29,457,476	28,429,804	E
Mining cost US\$	6,650,918	3,600,299	11,302,964	7,562,256	F
Waste cost US\$	12,381,590	22,108,601	23,439,979	28,912,348	G
Other mining costs US\$	797,605	446,817	934,479	1,330,595	H
Total mining costs US\$	19,830,113	26,155,718	35,677,422	37,895,199	I
Process Cost - reagents US\$	4,629,523	4,265,044	9,119,824	9,616,206	J
Other process costs US\$	3,620,724	3,514,036	7,070,310	7,483,742	K
Total process cost US\$	8,250,247	7,779,081	16,190,135	17,099,948	L
Cost of mining per tonne of ore	1.66	1.73	1.64	1.50	= F/A
Cost of mining waste per tonne of ore	3.08	10.61	3.40	5.67	= G/A
Other mining costs per tonne of ore	0.20	0.21	0.14	0.26	= H/A
Total mining costs per tonne of ore	4.94	12.55	5.18	7.43	
Cost of reagents per tonne of ore	1.15	2.05	1.32	1.89	= J/A
Other processing costs per tonne of ore	0.90	1.69	1.03	1.47	= K/A
Total processing cost per tonne of ore	2.05	3.74	2.35	3.36	

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 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.

The major new contracts entered into during the six months ended June 30, 2019:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Mixed explosives supply agreement	Bayannur Sheng'an Chemical Co., Ltd. Urad Middle Banner Branch	Estimated: 13.7	2019.1.1 – 2019.12.31	2019.1.1
2	Loan agreement (extension)	Tibet HTL Mining Development Co., Ltd.	Estimated: 14.5	2019.1.25 – 2020.1.24	2019.1.25
3	Working capital loan agreement	China National Gold Group Finance Co., Ltd.	Estimated: 50.9	2019.3.25 – 2022.3.24	2019.3.25
4	Contract for processing gold-containing materials	Hunan Taixing Environmental Technology Co., Ltd.	Estimated: 5.2	NA	2019.6.24

Production Update

CSH Mine	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Ore mined and placed on pad (tonnes)	4,014,071	2,083,559	6,891,913	5,099,009
Average ore grade (g/t)	0.55	0.54	0.51	0.59
Recoverable gold (ounces)	44,211	20,812	69,785	57,442
Ending ore inventory (ounces)	170,466	195,936	170,466	195,936
Waste rock mined (tonnes)	19,647,091	15,439,504	29,457,476	28,428,804

For the three months ended June 30, 2019, the total amount of ore placed on the leach pad was 4.0 million tonnes, with total contained gold of 44,211 ounces (1,375 kilograms). The overall accumulative project-to-date gold recovery rate has slightly decreased to approximately 54.19% at the end of June 2019 from 54.27% at the end of March 2019. Of which, gold recovery from the phase I heap is 59.71% and; gold recovery from the Phase II heap is 46.30% at June 30, 2019.

In the second half of 2017, there were a series of wall failures on one side of the north-east pit at the CSH Mine which led to short term interruptions of mining activities. The Company curtailed production in certain areas of the pit while it conducted studies to address the slope stability issues and remediation plans for the long term mine plan, which included optimization studies for pit limit, haul road design and mining production schedule for the new pit slope angle.

Based on the finalized studies, the Company has adopted an updated pit design for the north-east pit in accordance with the pit limit optimization study carried out by Changchun Gold Design Institute based on the amended ultimate pit limit slopes. The new pit design is conducted based on the Mineral Reserves estimate for the CSH Mine reported as of December 31, 2018. Accordingly, the life of mine updated production schedule is seven years.

Exploration

During the second quarter of 2019, CSH conducted research on geological prospecting results of recent years. By bringing in advanced tests and comprehensive analysis, geophysical survey on targeted area, the Company is constructing a 3D quantitative geological model to assist resource evaluation.

The Company is also conducting exploration around the CSH Mine to identify additional resources that may further extend the mine life. The Company plans to release a new resource report by the end of 2019.

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2018 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Measured	12.34	0.62	7.60	0.24
Indicated	124.12	0.62	76.63	2.46
M+I	136.46	0.62	84.24	2.71
Inferred	80.36	0.52	41.51	1.33

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2018 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	10.59	0.63	6.72	0.22
Probable	66.49	0.65	43.23	1.39
Total	77.08	0.65	49.96	1.61

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 of the Jiama Mine commenced mining operations in 2018 with 44,000 tpd design capacity.

The major new contracts entered into during the six months ended June 30, 2019:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Blasting engineering service contract	Tibet Gaozheng Blasting Engineering Co., Ltd.	Estimated: 7.3	2019.1.1 – 2019.12.1	2018.12.27
2	Blasting engineering service contract	Tibet Zhongjin Xinlian Blasting Engineering Co., Ltd.	Estimated: 7.3	2019.1.1 – 2019.12.1	2018.12.27
3	Sales contract of Copper Concentrate	Tibet Huading Resources Development Co., Ltd.	Estimated: 49.8	2019.2.1 – 2021.12.31	2019.2.1
4	Sales contract of Copper Concentrate	Tibet Ruijia Trade Co, Ltd.	Estimated: 78.1	2019.3.1 – 2021.12.31	2019.3.1
5	Sales contract of Copper Concentrate	Tibet Zhongjin Gold Smelting Co., Ltd.	Estimated: 59.3	2019.1.1 – 2021.12.31	2019.1.1
6	Sales contract of Copper Concentrate	Daye Zhaoxiang Trading Co., Ltd.	Estimated: 9.3	2019.3.15 – 2021.12.31	2019.3.15
7	Sales contract of Copper Concentrate	Tibet Chengling Trading Co., Ltd.	Estimated: 14.4	2019.3.15 – 2021.12.31	2019.3.15
8	Sales contract of Molybdenum Concentrate	Tibet Mingchuan Trading Co., Ltd.	Estimated: 12.1	2019.3.15 – 2019.4.30	2019.3.15
9	Sales contract of mixed Concentrate	Beijing Yuyangzhilu Investment Co., Ltd.	Estimated: 13.1	2019.2.20 – 2019.6.30	2019.2.20
10	Sales contract of Molybdenum Concentrate	Tibet Yanhua Trading Co., Ltd.	Estimated: 3.4	2019.4.20 – 2019.5.14	2019.4.20
11	Tongqianshan 4490 Mining Engineering Contract	Zhongse Twelve Metallurgical Construction Co., Ltd.	Estimated: 55.7	2019.3.1 – 2021.3.1	2019.3.1
12	Tongqianshan 4410-4544 Mining Engineering Contract	Wei Le Construction Group Co., Ltd.	Estimated: 68.1	2019.3.1 – 2021.3.1	2019.3.1
13	Tongqianshan 4560-4700 Mining Engineering Contract	China Railway Seventeenth Bureau Group Second Engineering Co., Ltd.	Estimated: 78.6	2019.3.1 – 2021.3.1	2019.3.1
14	Steel Ball Purchase Contract	Tongling Nonferrous Metals Wear-resistant Materials Co., Ltd.	Estimated: 6.2	2019.3.1 – 2020.3.1	2019.3.1
15	Steel Ball Purchase Contract	China Aluminum Industrial Service Co., Ltd.	Estimated: 3.2	2019.3.1 – 2021.3.28	2019.3.28
16	Production Technical Service Contract	China Gold Group Inner Mongolia Mining Co., Ltd.	Estimated: 4.4	2019.1.1 – 2019.12.31	2019.1.1
17	HTL Phase II Tailings Dam 4265-4315m EPC Contract	Beijing General Research Institute of Mining & Metallurgy	Estimated: 21.0	2019.4.15 – 2020.7.14	2019.4.15

Production Update

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Ore processed (tonnes)	3,224,395	2,563,720	6,236,988	3,831,741
Average copper ore grade (%)	0.62	0.73	0.65	0.73
Copper recovery rate (%)	81	74	77	74
Average gold ore grade (g/t)	0.28	0.50	0.29	0.48
Gold recovery rate (%)	54	57	54	57
Average silver ore grade (g/t)	15.13	18.44	16.93	18.81
Silver recovery rate (%)	54	54	54	56

According to the mining plan for the Phase II expansion, the Jiama Mine began to produce low grade ore from the open pit mine. As a result, 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 due to the lower grade of ore and lower recovery rates.

During the second quarter of 2019, average metal recovery rates have begun to improve and were higher as compared to 2018, as the ratio of oxide ore from the open pit has gradually decreased.

Exploration

In 2019, the company initiated a large-scale exploration project for targeted resources and serving to production. The project includes surface drill of 33,390 +/-m, 25 drills, 500 +/- m of 1 hydrogeological drill and 800 +/- m of 2 engineering geological drills. The pre-construction preparation was completed in the second quarter, surface drill of 5,100 +/-m, 9 drills had completed, totaling 16.78% of the annual program. 6 surface drills are under preparation for the next stage.

Mineral Resources Estimate

An 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, 2018

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	94.9	0.39	0.04	0.04	0.02	0.08	5.44	371	34.2	41.8	22.4	0.245	16.595
Indicated	1,369.1	0.41	0.03	0.05	0.03	0.11	5.93	5,590	463	732	460	4.762	261.145
M+I	1,463.9	0.41	0.03	0.05	0.03	0.11	5.90	5,961	497.4	773.7	482.4	5.008	277.740
Inferred	406.1	0.30	0.00	0.10	0.00	0.10	5.1	1,247	123	311	175	1.3	66.9

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, 2018

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	20.8	0.61	0.05	0.05	0.03	0.21	8.99	126.4	9.5	10.3	6.9	0.140	6.026
Probable	398.4	0.56	0.03	0.13	0.08	0.18	11.21	2,427.9	128.2	548.2	317.3	2.285	143.574
P+P	419.2	0.61	0.03	0.13	0.08	0.18	11.10	2,554.3	137.8	558.5	324.2	2.425	149.600

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 June 30, 2019, the Company had an accumulated surplus of US\$200.6 million, working capital of US\$74.5 million and borrowings of US\$1,229.2 million. The Company's cash balance at June 30, 2019 was US\$175.2 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\$506.3 million of 3.25% unsecured bonds maturing on July 6, 2020, of which US\$16.1 million is included in the current portion of borrowings, and US\$58.2 million of short term debt facilities with interest rates ranging from 2.75% to 4.51% 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 June 30, 2019 the Company has drawdown RMB3.645 billion, approximately US\$530.2 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 as of July 7, 2017.

The Company continues to review and assess its assets for impairment as part of its financial reporting processes. To date, the assessment carried out by the Company support the carrying values of the Company's assets and no impairment has been required. However, the management of the Company continues to evaluate key assumptions on estimates and management judgements in order to determine the recoverable amount of the CSH Mine and the Jiama Mine.

Cash flows

The following table sets out selected cash flow data from the Company's consolidated cash flow statements for the three and six months ended June 30, 2019 and June 30, 2018.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Net cash from operating activities	56,554	40,262	63,538	56,089
Net cash (used in) investing activities	(8,919)	(11,806)	(46,608)	(20,049)
Net cash from (used in) financing activities	27,319	(1,531)	19,722	(33,284)
Net increase in cash and cash equivalents	74,954	26,925	36,652	2,756
Effect of foreign exchange rate changes on cash and cash equivalents	(1,327)	(6,191)	597	(1,448)
Cash and cash equivalents, beginning of period	101,618	127,892	137,996	147,318
Cash and cash equivalents, end of period	175,245	148,626	175,245	148,626

Operating cash flow

For the three months ended June 30, 2019, net cash inflow from operating activities was US\$56.5 million which is primarily attributable to (i) depreciation and depletion of US\$37.8 million (ii) increase in contract liabilities of US\$26.2 million (iii) increase in inventory of US\$13.3 million and (iv) finance cost of US\$11.5 million, partially offset by (i) loss before income tax of US\$24.8 million (ii) decrease in accounts payable of US\$10.7 million and (iii) interest paid of US\$7.0 million.

For the six months ended June 30, 2019, net cash inflow from operating activities was US\$63.5 million which is primarily attributable to (i) depreciation and depletion of US\$69.9 million (ii) increase in contract liabilities of US\$29.0 million and (iii) finance cost of US\$21.6 million, partially offset by (i) loss before income tax of US\$32.0 million (ii) decrease in accounts payables of US\$24.6 million and (iii) interest paid of US\$20.3 million.

Investing cash flow

For the three months ended June 30, 2019, the net cash outflow from investing activities was US\$8.9 million which is primarily attributable to (i) payment for the acquisition of property, plant and equipment of US\$16.7 million, (ii) placement of restricted cash balances of US\$5.1 million, partially offset by (i) release of restricted bank balance of US\$10.2 million.

For the six months ended June 30, 2019, the net cash outflow from investing activities was US\$46.6 million which is primarily attributable to (i) payment for the acquisition of property, plant and equipment of US\$56.1 million, (ii) placement of restricted cash balances of US\$7.5 million, partially offset by (i) release of restricted bank balance of US\$16.2 million.

Financing cash flow

For the three months ended June 30, 2019, the net cash inflow from financing activities was US\$27.3 million which is primarily attributable to proceeds from borrowings of US\$81.2 million offset by repayment of borrowings of US\$53.9 million.

For the six months ended June 30, 2019, the net cash inflow from financing activities was US\$19.7 million which is primarily attributable to proceeds from borrowings of US\$81.2 million offset by repayment of borrowings of US\$61.3 million.

Expenditures Incurred

For the six months ended June 30, 2019, the Company incurred mining costs of US\$51.5 million, mineral processing costs of US\$66.9 million and transportation costs of US\$5.1 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at June 30, 2019, the Company's total debt was US\$1,229 million and the total equity was US\$1,457 million. The Company's gearing ratio was therefore 0.84 as at June 30, 2019 and 0.81 as at March 31, 2019.

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 Tibet 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 six months ended June 30, 2019, 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 six months ended June 30, 2019. 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 and annual consolidated financial statements, none of the Group's assets were pledged as at June 30, 2019.

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 32, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2018.

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. Refer to Note 33, Commitments and Contingencies, in the annual consolidated financial statements for the year ended December 31, 2018.

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 One year	Within Two to five years	Over 5 years
	US\$'000	US\$'000	US\$'000	US\$'000
Principal repayment of bank loans	722,941	58,184	365,834	298,923
Repayment of bonds including interest	506,255	16,098	490,157	-
Total	1,229,196	74,282	855,991	298,923

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 June 30, 2019 and June 30, 2018.

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 commenced 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\$89.8 million for the six months ended June 30, 2019 decreased from US\$94.7 million for the six months ended June 30, 2018.

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 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 six months ended June 30, 2019, revenue from sales of copper concentrate and other products to CNG was US\$54.2 million, compared to US\$78.4 million for the same period in 2018.

For the six months ended June 30, 2019, construction services of US\$5.5 million were provided to the Company by subsidiaries of CNG (US\$6.8 million for the six months ended June 30, 2018).

In addition to the 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 and renewed on December 18, 2018 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 six months ended June 30, 2019. 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 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, 2018.

CHANGE IN ACCOUNTING POLICIES

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the audited annual consolidated financial statements as at December 31, 2018.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds a number of financial instruments, the most significant of which are 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 June 30, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2019, 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 others 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 June 30, 2019 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 June 30, 2019 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 June 30, 2019, 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 June 30, 2019 and have concluded that these controls and procedures were effective as of June 30, 2019 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 six months ended June 30, 2019, 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 Chief Engineer and a Qualified Person ("QP") for the purposes of NI 43-101.

ADDITIONAL INFORMATION

Additional information as required by the Hong Kong Stock Exchange in the half-year interim report and not shown elsewhere in this report is as follows:

A1. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2019.

A2. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as of June 30, 2019, the Company's directors were not aware of any other person (other than a director or chief executive of the Company who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO")):

Name	Nature of interest	Number of Shares held	Approximate percentage of outstanding shares
China National Gold Group Co., Ltd. ⁽¹⁾	Indirect	155,794,830 ⁽¹⁾⁽²⁾	39.3%
China National Gold Group Hong Kong Limited	Registered Owner	155,794,830 ⁽¹⁾⁽²⁾	39.3%

Note:

1. China National Gold Group Co., Ltd. directly and wholly owns the entire issued share capital of China National Gold Group Hong Kong Limited. Therefore, the interest attributable to China National Gold Group Co., Ltd. represents its indirect interest in the Company's shares through its equity interest in China National Gold Group Hong Kong Limited
2. Information relating to registered and indirect ownership of the Company's shares is provided by China National Gold Group Co., Ltd.

A3. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND STOCK OPTIONS

As of June 30, 2019, the interests of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer, were as follows:

SHARES	Position				Approximate percentage
Name		Company	Number of shares held	Nature of interest	of interest in the Company
Ian He	Director	China Gold International Resources Corp. Ltd.	150,000	Personal	0.0378%

Other than as disclosed above, none of the directors, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as of June 30, 2019.

A4. STOCK OPTION PLAN

The Company adopted an incentive stock option plan with approval from its shareholders and pursuant to the policies of the Toronto Stock Exchange dated May 9, 2007. All options expired on June 1, 2015 and the 2007 Stock Option Plan has ceased to be in effect.

A5. EMOLUMENT POLICY

The Company's executive emolument policy and compensation program is administered by the Compensation and Benefits Committee which consists solely of independent directors. The Compensation and Benefits Committee reviews levels of cash compensation as needed and at least annually, and makes recommendations to the Board to adjust cash compensation in light of merit, qualifications and competence. The Compensation and Benefits Committee also reviews the corporate goals and objectives relevant to the compensation of the senior executive officers as needed and at least annually and based on recommendations from the Chief Executive Officer and other members of the management team. The Compensation and Benefits Committee makes its determinations as to overall compensation levels on the basis of both available third party data regarding comparable compensation at similar size companies as well as their own industry experience and the Company's hiring and retention needs. Decisions relating to executive compensation are reported by the Compensation and Benefits Committee to the Board for approval.

The Company's director emolument policy is administered by the Compensation and Benefits Committee with regard to comparable market statistics. Decisions relating to the compensation of directors are reported by the Compensation and Benefits Committee to the Board for approval.

As of June 30, 2019, the Company had 2,100 employees working at various locations. The emolument policy for the Company's employees is determined on a department by department basis with the Chief Executive Officer determining the emoluments for employees and managers based on merit, qualifications and the Company's hiring and retention needs.

A6. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended June 30, 2019, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listings standards, in particular, the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing Securities of The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

A7. COMPLIANCE WITH MODEL CODE ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted policies regarding directors' securities transactions in its Corporate Disclosure, Confidentiality and Securities Trading Policy that has terms which are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules.

After specific enquiry with all members of the Board, the Board confirms that all of the directors of the Company have complied with the required policies in the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the six months ended June 30, 2019.

A8. INTERIM DIVIDEND

The Board did not recommend the payment of interim dividends in respect of the six months ended June 30, 2019.

A9. AUDIT COMMITTEE

Pursuant to the requirements under the Hong Kong Listing Rules, the Company has established an audit committee (the “Audit Committee”) comprising all the existing Independent Non-executive Directors, namely Ian He (chairman of the Audit Committee), Wei Shao, Bielin Shi and Ruixia Han. The Audit Committee has reviewed and discussed with the Company’s auditors the unaudited interim results of the Group for the three and six months ended June 30, 2019.

August 14, 2019