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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, 2020 (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, 2020. (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, 2020. 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 months ended March 31, 2020 and the three months ended March 31, 2019, 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 30, 2020 on SEDAR at www.sedar.com, www.chinagoldintl.com and www.hkex.com.hk. 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, pandemics such as COVID-19, 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 registered 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 March 31, 2020

- Revenue increased to US\$148.6 million compared to US\$145.6 million for the same period in 2019.
- Mine operating earnings increased by 19% to US\$18.2 million from US\$15.3 million for the same period in 2019.
- Cash flow from operation increased by 129% to US\$16.0 million from US\$7.0 million for the same period in 2019.
- Total gold production increased by 18% to 51,829 ounces from 44,023 ounces for the same period in 2019.
- Total copper production increased by 9% to 35.7 million pounds (approximately 16,185 tonnes) from 32.7 million pounds (approximately 14,833 tonnes) for the same period in 2019.

OUTLOOK

- Projected gold production of 212,000 ounces in 2020.
- Projected copper production of 145 million pounds in 2020.
- The Company continues to focus its efforts on optimizing the operation at both mines, debottlenecking the newly commissioned Jiama Mine and extending the mine life of CSH Mine.
- 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.
- The Company has not experienced any significant impact on its operations from the COVID-19 pandemic. Both of the Company's mines have been able to operate and sell production without significant interruption during the three months ended March 31, 2020. The Company continues to closely monitor the health of its employees and supply chains to be able to respond to any potential disruptions, should any arise. The Company is also managing its cash reserves to be able to withstand any financial ramifications of potential disruptions.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

	Quarter ended							
	2020	2019				2018		
	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	148,583	162,326	186,375	163,166	145,592	162,957	158,841	142,087
Cost of sales	130,414	146,952	160,094	155,876	130,324	129,693	123,743	106,294
Mine operating earnings	18,169	15,374	26,281	7,290	15,268	33,264	35,098	35,793
General and administrative expenses	9,186	15,280	11,762	9,532	13,495	16,701	12,666	12,674
Exploration and evaluation expenses	61	(156)	368	175	115	(4)	134	251
Research and development expenses	1,966	3,200	4,308	4,541	4,856	7,374	3,068	2,800
Income (loss) from operations	6,956	(2,950)	9,843	(6,958)	(3,198)	9,193	19,230	20,068
Gain on recognition of other assets	-	14,067	11,245	-	-	-	-	-
Foreign exchange (loss) gain	(5,438)	4,074	(9,616)	(7,414)	5,288	(1,677)	(11,024)	(7,580)
Finance costs	10,516	10,398	10,560	11,482	10,088	11,224	10,909	11,214
(Loss) profit before income tax	(7,793)	4,732	2,380	(24,817)	(7,137)	(3,346)	(998)	3,839
Income tax expense (credit)	876	9,037	2,701	(1,866)	(2,563)	(1,351)	3,591	3,449
Net (loss) profit	(8,669)	(4,305)	(321)	(22,951)	(4,574)	(1,995)	(4,589)	390
Basic (loss) earnings per share (cents)	(2.25)	(1.19)	(0.17)	(5.79)	(1.13)	(0.49)	(1.23)	0.05
Diluted earnings (loss) per share (cents)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Selected Quarterly Production Data and Analysis

CSH Mine	Three months ended March 31,	
	2020	2019
Gold sales (US\$ million)	55.50	37.68
Realized average price (US\$) of gold per ounce	1,572	1,307
Gold produced (ounces)	35,297	28,626
Gold sold (ounces)	35,295	28,831
Total production cost (US\$ per ounce)	1,361	1,373
Cash production cost ⁽¹⁾ (US\$ per ounce)	995	909

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

Gold production at the CSH Mine increased by 23% to 35,297 ounces for the three months ended March 31, 2020 compared to 28,626 ounces for the three months ended March 31, 2019. The total production cost of gold for the three months ended March 31, 2020 decreased to US\$1,361 per ounce compared to US\$1,373 for the three months ended March 31, 2019. The cash production cost of gold for the three months ended March 31, 2020 increased to US\$995 per ounce from US\$909 for the same period in 2019, mainly due to lower mined tonnes and higher ratio of inventory (production cost) transfer to cost of goods sold. The ratio is disclosed on page 7.

Jiama Mine	Three months ended March 31,	
	2020	2019
Copper sales (US\$ in millions)	54.66	69.35
Realized average price ¹ (US\$) of copper per pound after smelting fee discount	1.72	2.04
Copper produced (tonnes)	16,185	14,833
Copper produced (pounds)	35,682,121	32,701,360
Copper sold (tonnes)	14,412	15,125
Copper sold (pounds)	31,772,300	33,345,169
Gold produced (ounces)	16,532	15,397
Gold sold (ounces)	14,846	15,581
Silver produced (ounces)	1,263,835	976,003
Silver sold (ounces)	1,046,041	995,779
Total production cost ² (US\$) of copper per pound	2.87	3.08
Total production cost ² (US\$) of copper per pound after by-products credits ⁴	1.92	2.28
Cash production cost ³ (US\$) of copper per pound	1.94	2.37
Cash production cost ³ (US\$) of copper per pound after by-products credits ⁴	0.99	1.56

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 content 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 contained in the copper concentrate during the corresponding period.

During the three months ended March 31, 2020, the Jiama Mine produced 16,185 tonnes (approximately 35.7 million pounds) of copper, an increase of 9% compared with the three months ended March 31, 2019 (14,833 tonnes, or 32.7 million pounds).

Both total production cost of copper per pound after by-products and cash production cost of copper per pound after by-product decreased as compared to the same period in 2019 due to higher recovery rates of copper. The increase in production and lower production cost are due to higher mined tonnes and higher recovery rates of copper.

Review of Quarterly Data

Three months ended March 31, 2020 compared to three months ended March 31, 2019

Revenue of US\$148.6 million for the first quarter of 2020 increased by US\$3.0 million from US\$145.6 million for the same period in 2019.

Revenue from the CSH Mine was US\$55.5 million, an increase of US\$17.8 million, compared to US\$37.7 million for the same period in 2019. Realized average gold price increased by 20% from US\$1,307/oz in Q1 2019 to US\$1,572/oz in Q1 2020. Gold sold by the CSH Mine was 35,295 ounces (gold produced: 35,297 ounces), compared to 28,831 ounces (gold produced: 28,626 ounces) for the same period in 2019.

Revenue from the Jiama Mine was US\$93.1 million, a decrease of US\$14.8 million, compared to US\$107.9 million for the same period in 2019. Total copper sold was 14,412 tonnes (31.8 million pounds) for the three months ended March 31, 2020, a decrease of 4.7% from 15,125 tonnes (33.3 million pounds) for the same period in 2019.

Cost of sales of US\$130.4 million for the quarter ended March 31, 2020, an increase of US\$0.1 million from US\$130.3 million for the same period in 2019. Cost of sales as a percentage of revenue for the Company decreased from 90% to 88% for the three months ended March 31, 2019 and 2020, respectively. Cost of sales was impacted by many operation factors such as grade of ore, recovery rates and stripping ratio. Refer to the sections below for details of production factors for each individual mine.

Mine operating earnings of US\$18.2 million for the three months ended March 31, 2020, an increase of 19%, or US\$2.9 million, from US\$15.3 million for the same period in 2019. Mine operating earnings as a percentage of revenue increased from 10% to 12% for the three months ended March 31, 2019 and 2020, respectively.

General and administrative expenses decreased by US\$4.3 million, from US\$13.5 million for the quarter ended March 31, 2019 to US\$9.2 million for the quarter ended March 31, 2020. The decrease was due to the Company's implementation of an overall cost reduction program.

Research and development expenses of US\$2.0 million for the three months ended March 31, 2020, decreased from US\$4.9 million for the comparative 2019 period. The decrease in the first quarter of 2020 was mainly due to the completion of several research projects in 2019.

Income from operations of US\$7.0 million for the first quarter of 2020, increased by US\$10.2 million, compared to a loss of US\$3.2 million for the same period in 2019.

Finance costs of US\$10.5 million for the three months ended March 31, 2020, increased by US\$0.4 million compared to US\$10.1 million for the same period in 2019.

Foreign exchange loss of US\$5.4 million for the three months ended March 31, 2020, decreased from a gain of US\$5.3 million for the same period in 2019. The loss was 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\$1.2 million for the three months ended March 31, 2020 increased from US\$0.9 million for the same period in 2019, due to higher income earned on term deposits and related party loans.

Income tax expense of US\$0.9 million for the quarter ended March 31, 2020, increased by US\$3.5 million from an income tax credit of US\$2.6 million for the comparative period in 2019. During the current quarter, the Company had US\$37,000 of deferred tax expense compared to deferred tax credit of US\$3.2 million for the same period in 2019.

Net loss of US\$8.7 million for the three months ended March 31, 2020, increased by US\$4.1 million from US\$4.6 million for the three months ended March 31, 2019.

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 March 31,			
	2020		2019	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total Cost of sales ¹	48,037,135	1,361	39,581,651	1,373
Adjustment – Depreciation & depletion	(12,358,839)	(350)	(13,371,213)	(464)
Adjustment – Amortization of intangible assets	(547,908)	(16)	-	-
Total cash production costs	35,130,388	995	26,210,438	909

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

Jiama Mine (Copper with by-products credits)

	Three months ended March 31,			
	2020		2019	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total Cost of sales	82,377,046	2.59	86,550,406	2.60
General and administrative expenses	6,880,138	0.22	11,295,769	0.34
Research and development expenses	1,966,271	0.06	4,856,043	0.14
Total production cost	91,223,455	2.87	102,702,218	3.08
Adjustment – Depreciation & depletion	(20,339,425)	(0.64)	(17,731,579)	(0.53)
Adjustment – Amortization of intangible assets	(9,123,099)	(0.29)	(6,107,396)	(0.18)
Total cash production costs	61,760,931	1.94	78,863,243	2.37
By-products credits	(30,168,697)	(0.95)	(26,690,630)	(0.81)
Total cash production costs after by-products credits	31,592,234	0.99	52,172,613	1.56

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 months ended March 31, 2020 and 2019:

CSH Mine

	Three months ended March 31,		
	2020	2019	
	US\$	US\$	
Mining ore cost	3,636,326	4,652,046	F
Stripping waste cost	1,562,584	11,058,389	G
Other mining costs	248,185	136,873	H
Process Cost - reagents	5,070,395	4,490,301	J
Other process costs	1,939,806	2,034,915	K
Process cost - crusher	1,275,319	1,414,671	L
General and administrative expenses	1,263,923	1,839,911	
Cash Operating cost	14,996,538	25,627,106	
Mining and resource tax	1,964,518	1,299,153	
Other fees and taxes	780,500	659,843	
Total Cash cost	17,741,556	27,586,102	
Depreciation – Operations	5,748,205	6,299,179	
Amortization – Mine development	7,158,194	7,773,827	
Total Onsite production cost	30,647,955	41,659,108	T
Inventory write-down		4,300,000	U
Ratio of Inventory (production cost) transfer to cost of goods sold	157%	95%	V
Total Cost of Sales	48,037,135	43,774,022	=(T* V)+U

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 with a combined mining and processing capacity of 60,000 tpd. The run-of-mine ore is heap leached with cyanide solution to extract gold and electro-wonned to produce a gold dore which is sold to refiners.

Production Update

CSH Mine	Three months ended March 31,	
	2020	2019
Ore mined and placed on pad (tonnes)	1,726,400	2,877,842
Average ore grade (g/t)	0.61	0.45
Recoverable gold (ounces)	20,647	25,574
Ending gold in process (ounces)	164,997	160,690
Waste rock removed (tonnes)	5,117,072	9,810,385

For the three months ended March 31, 2020, the total amount of ore placed on the leach pad was 5.1 million tonnes, with total contained gold of 20,647 ounces (642 kilograms). The overall accumulative project-to-date gold recovery rate has slightly increased to approximately 54.51% at the end of March 2020 from 54.26% at the end of December 2019. Of which, gold recovery from the phase I heap was 59.77% and; gold recovery from the Phase II heap was 48.50% at March 31, 2020.

Exploration

At the beginning of 2020, an exploration program for the south-west pit depth was projected, with six surface diamond drill holes totaling 3,300+-m to identify and upgrade additional deep Mineral Resources, which may extend the life of mine. The exploration design was complete in the first quarter, and the drilling preparations are underway.

In addition, the geological exploration research project initiated in 2019 is continued to proceed with interpretation of geophysical and geochemical surveys, establishment of 3D-quantitative geological model, and selection of targets for further exploration.

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest Zones combined at December 31, 2019 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Measured	9.00	0.60	5.44	0.17
Indicated	115.70	0.62	71.93	2.31
M+I	124.70	0.62	77.37	2.49
Inferred	78.86	0.52	40.90	1.32

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest Zones combined at December 31, 2019 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	7.40	0.63	4.64	0.15
Probable	58.65	0.66	38.85	1.25
Total	66.05	0.66	43.48	1.40

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, lead, zinc 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.

Production Update

Jiama Mine	Three months ended March 31,	
	2020	2019
Ore processed (tonnes)	3,409,208	3,012,593
Average copper ore grade (%)	0.61	0.68
Copper recovery rate (%)	78	72
Average gold ore grade (g/t)	0.24	0.29
Gold recovery rate (%)	63	55
Average silver ore grade (g/t)	20.94	18.86
Silver recovery rate (%)	55	53
Average lead ore grade (g/t)	5.33	2.56
Lead recovery rate (%)	51	34
Average zinc ore grade (g/t)	2.98	1.03
Zinc recovery rate (%)	51	27

During the first quarter of 2020, the metals recovery rates were increased significantly, with an increase of 6% for copper, based on the continued optimization of operating parameters and regime of agent, as well as the amelioration of steady flowsheet.

Exploration

There is no exploration program with diamond drilling on site in the first quarter of 2020, with data processing and geological interpretation for the exploration programs conducted in 2019 and previous years.

An infill diamond drilling program focused on the well mineralized zones, however, will be conducted based on the surface drilling program completed in 2019. The mineralization interceptions and sample assaying of 2020 infill drilling will be analyzed together with 2019 exploration results to increase and upgrade Mineral Resources.

Mineral Resources Estimate

An NI 43-101 compliant mineral resource estimate was independently completed by Mining One Pty Ltd. in November 2013. 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, 2019

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	95.02	0.39	0.04	0.04	0.02	0.08	5.41	370.6	34.3	41.8	22.4	0.25	16.63
Indicated	1,359.51	0.40	0.03	0.05	0.03	0.11	5.79	5,502.9	460.3	732	460	4.63	254.82
M+I	1,454.53	0.40	0.03	0.05	0.03	0.10	5.76	5,873.5	494.6	773.7	482.4	4.88	271.45
Inferred	406.1	0.30	0.00	0.10	0.00	0.10	5.1	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 prepared 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, 2019

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	20.00	0.60	0.05	0.05	0.03	0.20	8.60	120.9	9.4	9.9	6.7	0.130	5.53
Probable	385.73	0.60	0.03	0.14	0.08	0.17	10.99	2,326.6	127.0	540.5	313.5	2.17	136.30
P+P	405.73	0.60	0.03	0.14	0.08	0.18	10.87	2,447.4	136.4	550.4	320.2	2.30	141.83

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 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, corporate bond financing, 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, 2020, the Company had an accumulated surplus of US\$188.6 million, working deficit of US\$386.2 million and borrowings of US\$1,229 million. The Company's cash balance at March 31, 2020 was US\$163.7 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\$503 million of 3.25% coupon rate unsecured bonds maturing on July 6, 2020, which are included in the current portion of borrowings, and US\$99.5 million of short term debt facilities with interest rates ranging from 2.75% 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 local 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, 2020 the Company has drawn down RMB3.640 billion, approximately US\$513.8 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. The Company is currently assessing various strategic alternatives for the repayment of its 3.25% unsecured bonds maturing on July 6, 2020. As part of this assessment, the Company is planning on engaging an underwriter and is pursuing a new bond issuance while also at the same time reviewing other financing options.

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 months ended March 31, 2020 and March 31, 2019.

	Three months ended March 31,	
	2020	2019
	US\$'000	US\$'000
Net cash from operating activities	16,020	6,984
Net cash (used in) investing activities	(31,531)	(37,689)
Net cash (used in) from financing activities	(378)	(7,597)
Net decrease in cash and cash equivalents	(15,889)	(38,302)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,708)	1,924
Cash and cash equivalents, beginning of period	182,290	137,996
Cash and cash equivalents, end of period	163,693	101,618

Operating cash flow

For the three months ended March 31, 2020, net cash inflow from operating activities was US\$16.0 million which is primarily attributable to (i) depreciation of property, plant and equipment of US\$33.2 million (ii) finance cost of US\$10.5 million and (iii) amortization of mining rights of US\$9.7 million, partially offset by (i) increase in accounts payable of US\$25.7 million and (ii) interest paid of US\$5.6 million.

Investing cash flow

For the three months ended March 31, 2020, the net cash outflow from investing activities was US\$31.5 million which is primarily attributable to (i) payment of restricted bank balance of US\$38.5 million for bank notes and (ii) payment for mainly capitalized stripping cost of US\$35.0 million and payment for acquisition of mining rights, partially offset by release of restricted bank balance of US\$41.0 million for bank notes.

Financing cash flow

For the three months ended March 31, 2020, the net cash inflow mainly from financing activities was US\$0.4 million which is primarily attributable to dividend paid to a minority shareholder of Jiama Industry and Trade of US\$356,000.

Expenditures Incurred

For the three months ended March 31, 2020, the Company incurred mining costs of US\$13.7 million, mineral processing costs of US\$33.0 million and transportation costs of US\$1.7 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at March 31, 2020, the Company's total debt was US\$1,229 million and the total equity was US\$1,434 million. The Company's gearing ratio was therefore 0.86 as at March 31, 2020 and 0.83 as at March 31, 2019.

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 condensed consolidated financial statements for three months ended March 31, 2020, 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, 2020. 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 Company's assets were pledged as at March 31, 2020.

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 34, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2019.

COMMITMENTS

Commitments include principal payments on the Company's bank loans and syndicated loan facility, corporate bond, 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'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 35, Commitments, in the annual consolidated financial statements for the year ended December 31, 2019.

On July 7, 2017, the Company, through its wholly owned subsidiary Skyland Mining (BVI) Limited, issued bonds denominated in 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 bonds were listed on HKSE.

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

	Total	Within	Within	Over five years
	US\$'000	One year	Two to five years	US\$'000
	US\$'000	US\$'000	US\$'000	US\$'000
Principal repayment of bank loans	697,238	99,504	332,387	265,347
Repayment of bonds including interest	503,231	503,231	-	-
Repayment of entrusted loan payable	28,228	-	28,228	-
Total	1,228,697	602,735	360,615	265,347

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

China National Gold Group Co., Ltd. (formerly known as China National Gold Group Corporation) ("CNG") owned 39.3 percent of the outstanding common shares of the Company as at March 31, 2020 and March 31, 2019.

The Company had major related party transactions with the following companies related by way of shareholders or 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 was US\$55.5 million for the three months ended March 31, 2020 which increased from US\$37.7 million for the three months ended March 31, 2019.

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 three months ended March 31, 2020, revenue from sales of copper concentrate and other products to CNG was US\$3.0 million, compared to US\$23.0 million for the same period in 2019.

For the three months ended March 31, 2020, construction services of US\$1.0 million were provided to the Company by subsidiaries of CNG (US\$1.6 million for the three months ended March 31, 2019).

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 Loan Agreement and a Deposit Services Agreement entered into on March 25, 2019 and December 31, 2019 among the Company and China Gold Finance.

Refer to Note 14 of the condensed consolidated financial statements for the three months ended March 31, 2020.

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 Company did not have any material acquisition and disposal of subsidiaries and associated companies for the three months ended March 31, 2020. 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, 2019.

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, 2019.

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 March 31, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2020, 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, China 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, 2020 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, 2020 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, 2020, 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, 2020 and have concluded that these controls and procedures were effective as of March 31, 2020 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, 2020, 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, natural disasters, pandemics such as COVID-19 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 and www.hkex.com.hk.

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.

May 15, 2020