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China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Nine months ended September 30, 2021 (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 nine months ended September 30, 2021. (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 November 15, 2021. 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 nine months ended September 30, 2021 and the three and nine months ended September 30, 2020, 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 British Columbia 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 September 30, 2021

- Revenue increased by 3% to US\$248.3 million from US\$240.5 million for the same period in 2020.
- Mine operating earnings increased by 25% to US\$82.6 million from US\$66.1 million for the same period in 2020.
- Net income of US\$52.2 million increased by 10% or US\$4.6 million from US\$47.6 million for the same period in 2020.
- Cash flow from operation increased by 14% to US\$117.5 million from US\$103.3 million for the same period in 2020.
- Total gold production decreased by 14% to 57,288 ounces from 66,799 ounces for the same period in 2020.
- Total copper production decreased by 14% to 41.8 million pounds (approximately 18,947 tonnes) from 48.6 million pounds (approximately 22,029 tonnes) for the same period in 2020.

Nine months ended September 30, 2021

- Revenue increased by 38% to US\$825.3 million from US\$598.2 million for the same period in 2020.
- Mine operating earnings increased by 144% to US\$292.3 million from US\$119.8 million for the same period in 2020.
- Net income of US\$209.9 million increased by 265% or US\$152.4 million from US\$57.5 million for the same period in 2020.
- Cash flow from operation increased by 127% to US\$393.9 million from US\$173.7 million for the same period in 2020.
- Total gold production increased by 0.2% to 182,034 ounces from 181,671 ounces for the same period in 2020.
- Total copper production increased by 10% to 143.3 million pounds (approximately 65,013 tonnes) from 130.8 million pounds (approximately 59,317 tonnes) for the same period in 2020.

OUTLOOK

- Projected gold production of 235,000 ounces in 2021.
- Projected copper production of 177 million pounds in 2021.
- The Company continues to focus its efforts on optimizing the operation at both mines, stabilizing the Jiama Mine's production and potentially extending the mine life of CSH Mine.

- To fulfill its growth strategy, the Company continues to work with CNG and other interested parties to identify potential international mining acquisition opportunities.
- 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 products without significant interruption during the nine months ended September 30, 2021. 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							
	2021			2020			2019	
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
<i>(US\$ in thousands except per share)</i>								
Revenue	248,326	304,944	272,070	265,810	240,451	209,188	148,583	162,326
Cost of sales	165,681	179,001	188,319	175,717	174,346	173,701	130,414	146,952
Mine operating earnings	82,645	125,943	83,751	90,093	66,105	35,487	18,169	15,374
General and administrative expenses	9,462	10,294	8,099	13,656	8,026	5,793	9,186	15,280
Exploration and evaluation expenses	260	59	41	174	77	165	61	(156)
Research and development expenses	6,619	5,051	4,424	11,019	3,251	2,264	1,966	3,200
Income (loss) from operations	66,304	110,539	71,187	65,244	54,751	27,265	6,956	(2,950)
Gain on recognition of other assets	-	-	-	-	-	-	-	14,067
Foreign exchange (loss) gain	(161)	4,944	1,728	4,806	6,366	(2,331)	(5,438)	4,074
Finance costs	8,670	9,604	9,743	9,732	10,241	11,525	10,516	10,398
Profit (loss) before income tax	57,885	108,486	64,079	63,961	51,665	17,597	(7,793)	4,732
Income tax expense (credit)	5,650	7,789	7,112	7,513	4,029	(926)	876	9,037
Net profit (loss)	52,235	100,697	56,967	56,448	47,636	18,523	(8,669)	(4,305)
Basic earnings (loss) per share (cents)	13.11	25.27	14.30	14.10	11.87	4.52	(2.25)	(1.19)
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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Gold sales (US\$ million)	65.66	76.22	187.42	196.77
Realized average price (US\$) of gold per ounce	1,790	1,849	1,801	1,705
Gold produced (ounces)	37,838	40,672	105,230	114,819
Gold sold (ounces)	36,682	41,212	104,050	115,394
Total production cost (US\$ per ounce)	1,499	1,381	1,521	1,367
Cash production cost ⁽¹⁾ (US\$ per ounce)	903	906	977	864

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

Gold production at the CSH Mine decreased by 7% to 37,838 ounces for the three months ended September 30, 2021 compared to 40,672 ounces for the same period in 2020. The total production cost of gold for the three months ended September 30, 2021 increased to US\$1,499 per ounce compared to US\$1,381 for the same period in 2020. The cash production cost of gold for the three months ended September 30, 2021 decreased to US\$903 per ounce from US\$906 for the same period in 2020. The increase in total production cost is mainly due to higher depreciation and depletion and higher volumes of ore mined, whereas cash production costs remained fairly the same due to consistent overall direct costs.

Jiama Mine	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Copper sales (US\$ in millions)	135.11	77.24	389.17	195.89
Realized average price ¹ (US\$) of copper per pound after smelting fee discount	3.35	1.67	2.67	1.56
Copper produced (tonnes)	18,947	22,029	65,013	59,317
Copper produced (pounds)	41,771,610	48,565,747	143,329,318	130,771,728
Copper sold (tonnes)	18,292	20,820	66,040	56,918
Copper sold (pounds)	40,327,394	45,899,928	145,593,665	125,482,808
Gold produced (ounces)	19,450	26,127	76,804	66,852
Gold sold (ounces)	18,907	25,054	77,857	64,772
Silver produced (ounces)	887,323	1,817,491	4,261,370	4,906,093
Silver sold (ounces)	868,034	1,764,610	4,407,585	4,706,221
Lead produced (tonnes)	2,036	19,036	40,208	48,574
Lead produced (pounds)	4,487,884	41,967,373	88,643,338	107,088,100
Lead sold (tonnes)	2,504	17,458	42,978	45,531
Lead sold (pounds)	5,520,336	38,487,478	94,749,967	100,378,723
Zinc produced (tonnes)	1,243	8,823	19,242	23,906
Zinc produced (pounds)	2,740,787	19,450,577	42,421,856	52,702,045
Zinc sold (tonnes)	1,568	8,028	20,669	22,398
Zinc sold (pounds)	3,458,458	17,698,229	45,568,038	49,379,434
Moly produced (tonnes)	100	-	203	-
Moly produced (pounds)	221,270	-	448,079	-
Moly sold (tonnes)	47	-	149	-
Moly sold (pounds)	102,991	-	328,729	-
Total production cost ² (US\$) of copper per pound	3.11	2.77	2.85	2.77
Total production cost ² (US\$) of copper per pound after by-products credits ⁴	1.94	0.88	1.15	1.13
Cash production cost ⁴ (US\$) per pound of copper	2.42	2.15	2.21	2.08
Cash production cost ³ (US\$) of copper per pound after by-products credits ⁴	1.25	0.26	0.51	0.45

¹ A discount factor of 13.4% to 26.4% is applied to the copper benchmark price to compensate the refinery costs incurred by the buyers, mixed copper concentrate containing lead and zinc have an average discount factor of 69% - 71%. 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 September 30, 2021, the Jiama Mine produced 18,947 tonnes (approximately 41.7 million pounds) of copper, a decrease of 14% compared with the three months ended September 30, 2020 (22,029 tonnes, or 48.6 million pounds).

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 2020 due to lower head grades, and less by-products recovered of lead and zinc.

Taking advantage of high metal prices in the third quarter of 2021, the Jiama Mine increased the utilization rate of low-grade ores with operating costs being strictly controlled. A flexible mining plan was adopted which is responsive and tailored to the market conditions. The flexible mining plan can effectively maintain the stability of the Jiama Mine's operation results and reduce the impact and risk of metal price fluctuations to ensure sustainable growth in operation performance.

Review of Quarterly Data

Three months ended September 30, 2021 compared to three months ended September 30, 2020

Revenue of US\$248.3 million for the third quarter of 2021 increased by US\$7.8 million from US\$240.5 million for the same period in 2020.

Revenue from the CSH Mine was US\$65.7 million, a decrease of 10.5 million from US\$76.2 million for the same period in 2020. Realized average gold price decreased by 3% from US\$1,849/oz in Q3 2020 to US\$1,790/oz in Q3 2021. Gold sold by the CSH Mine was 36,682 ounces (gold produced: 37,838 ounces), compared to 41,212 ounces (gold produced: 40,672 ounces) for the same period in 2020.

Revenue from the Jiama Mine was US\$182.7 million, an increase of US\$18.5 million, compared to US\$164.2 million for the same period in 2020. Total copper sold was 18,292 tonnes (40.3 million pounds) for the three months ended September 30, 2021, a decrease of 12% from 20,820 tonnes (45.9 million pounds) for the same period in 2020.

Cost of sales of US\$165.7 million for the quarter ended September 30, 2021, a decrease of US\$8.6 million from US\$174.3 million for the same period in 2020. Cost of sales as a percentage of revenue for the Company decreased from 73% to 67% for the three months ended September 30, 2020 and 2021, 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\$82.6 million for the three months ended September 30, 2021, an increase of 25%, or US\$16.5 million, from US\$66.1 million for the same period in 2020. Mine operating earnings as a percentage of revenue increased from 27% to 33% for the three months ended September 30, 2020 and 2021, respectively.

General and administrative expenses increased by US\$1.5 million, from US\$8.0 million for the quarter ended September 30, 2020 to US\$9.5 million for the quarter ended September 30, 2021. The increase was mainly due to the increase in taxes and surcharges as a result of the increase in sales at the Jiama Mine.

Research and development expenses of US\$6.6 million for the three months ended September 30, 2021, increased from US\$3.3 million for the comparative 2020 period. The increase in the third quarter of 2021 was mainly due to the Company's research and development activities in the areas of improvement of recovery rates and optimization of processing and mining processes.

Income from operations of US\$66.3 million for the third quarter of 2021, increased by US\$11.5 million, compared to US\$54.8 million for the same period in 2020.

Finance costs of US\$8.7 million for the three months ended September 30, 2021, decreased by US\$1.5 million compared to US\$10.2 million for the same period in 2020. The decrease was primarily due to the reduction in the total amount of borrowings outstanding.

Foreign exchange loss of US\$0.2 million for the three months ended September 30, 2021, decreased from a gain of US\$6.4 million for the same period in 2020. The loss was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Income tax expense of US\$5.7 million for the quarter ended September 30, 2021, increased by US\$1.7 million from US\$4.0 million for the comparative period in 2020. During the current quarter, the Company had US\$1.3 million of deferred tax credit compared to US\$5.3 million for the same period in 2020.

Net income of US\$52.2 million for the three months ended September 30, 2021, increased by US\$4.6 million from US\$47.6 million for the three months ended September 30, 2020.

Nine months ended September 30, 2021 compared to nine months ended September 30, 2020

Revenue of US\$825.3 million for the nine months ended September 30, 2021 increased by US\$227.1 million from US\$598.2 million for the same period in 2020.

Revenue from the CSH Mine was US\$187.4 million, a decrease of US\$9.4 million, compared to US\$196.8 million for the same period in 2020. Realized average gold price increased by 6% from US\$1,705/oz in the first nine months of 2020 to US\$1,801/oz in 2021. Gold sold by the CSH Mine was 104,050 ounces (gold produced: 105,230 ounces), compared to 115,394 ounces (gold produced: 114,819 ounces) for the same period in 2020.

Revenue from the Jiama Mine was US\$637.9 million, an increase of US\$236.5 million, compared to US\$401.4 million for the same period in 2020. Total copper sold was 66,040 tonnes (145.6 million pounds) for the nine months ended September 30, 2021, an increase of 16% from 56,918 tonnes (125.5 million pounds) for the same period in 2020.

Cost of sales of US\$533.0 million for the nine months ended September 30, 2021, an increase of US\$54.5 million from US\$478.5 million for the same period in 2020. Cost of sales as a percentage of revenue for the Company decreased from 80% to 65% for the nine months ended September 30, 2020 and 2021, 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\$292.3 million for the nine months ended September 30, 2021, an increase of 144%, or US\$172.5 million, from US\$119.8 million for the same period in 2020. Mine operating earnings as a percentage of revenue increased from 20% to 35% for the nine months ended September 30, 2020 and 2021, respectively.

General and administrative expenses increased by US\$4.9 million, from US\$23.0 million for the nine months ended September 30, 2020 to US\$27.9 million for the nine months ended September 30, 2021. The increase was mainly due to the increase in taxes and surcharges as a result of the increase in sales at Jiama mine.

Research and development expenses of US\$16.1 million for the nine months ended September 30, 2021, increased from US\$7.5 million for the comparative 2020 period. The increase in 2021 was mainly due to the Company's research and development activities in the areas of improvement of recovery rates and optimization of processing and mining processes.

Income from operations of US\$248.0 million for the nine months ended September 30, 2021, increased by US\$159.0 million, compared to US\$89.0 million for the same period in 2020.

Finance costs of US\$28.0 million for the nine months ended September 30, 2021, decreased by US\$4.3 million compared to US\$32.3 million for the same period in 2020. The decrease was primarily due to the reduction in the total amount of loans outstanding.

Foreign exchange gain of US\$6.5 million for the nine months ended September 30, 2021, increased from a loss of US\$1.4 million for the same period in 2020. The gain was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Income tax expense of US\$20.6 million for the nine months ended September 30, 2021, increased by US\$16.6 million from US\$4.0 million for the comparative period in 2020. During the current nine months period, the Company had US\$10.7 million of deferred tax credit compared to US\$7.2 million for the same period in 2020.

Net income of US\$209.9 million for the nine months ended September 30, 2021, increased by US\$152.4 million from US\$57.5 million for the nine months ended September 30, 2020.

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 September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total Cost of sales	54,976,141	1,499	56,915,490	1,381	158,279,562	1,521	157,751,239	1,367
Adjustment – Depreciation & depletion	(21,279,870)	(581)	(19,080,604)	(463)	(55,051,860)	(529)	(56,304,342)	(488)
Adjustment – Amortization of intangible assets	(562,603)	(15)	(481,720)	(12)	(1,568,773)	(15)	(1,729,843)	(15)
Total cash production costs	33,133,668	903	37,353,166	906	101,658,929	977	99,717,054	864

Jiama Mine (Copper with by-products credits)

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total Cost of sales	110,704,806	2.75	117,430,530	2.56	374,721,619	2.57	320,709,909	2.56
General and administrative expenses	8,164,219	0.20	6,565,777	0.14	24,408,964	0.17	18,665,719	0.15
Research and development expenses	6,619,011	0.16	3,251,453	0.07	16,093,880	0.11	7,481,230	0.06
Total production cost	125,488,036	3.11	127,247,760	2.77	415,224,463	2.85	346,856,858	2.77
Adjustment – Depreciation & depletion	(19,893,275)	(0.49)	(19,380,790)	(0.42)	(68,247,440)	(0.47)	(59,573,236)	(0.47)
Adjustment – Amortization of intangible assets	(8,053,120)	(0.20)	(9,190,264)	(0.20)	(25,559,143)	(0.18)	(27,169,221)	(0.22)
Total cash production costs	97,541,641	2.42	98,676,706	2.15	321,417,880	2.21	260,114,401	2.08
By-products credits	(47,196,790)	(1.17)	(86,708,852)	(1.89)	(247,783,589)	(1.70)	(205,161,684)	(1.63)
Total cash production costs after by-products credits	50,344,851	1.25	11,967,854	0.26	73,634,291	0.51	54,952,717	0.45

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

MINERAL PROPERTIES

The CSH Mine

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

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

The CSH Mine is an open-pit mining operations with a designed mining and processing capacity of 60,000 tpd. In July 2019, CSH updated its mine plan based on a result of latest ultimate limit optimization, in which the production rate was reduced to 40,000 t/d with a life of mine (“LoM”) of seven years as of 2019. The run-of-mine ore is heap leached with cyanide solution to extract gold and electro-winned to produce a gold dore which is sold to refiners. In June 2020, the operation of southwest pit ended.

Production Update

CSH Mine	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Ore mined and placed on pad (tonnes)	4,065,541	3,444,069	11,428,013	8,943,731
Average ore grade (g/t)	0.60	0.55	0.53	0.58
Recoverable gold (ounces)	46,827	36,904	117,140	100,174
Ending gold in process (ounces)	177,555	166,174	177,555	166,174
Waste rock mined (tonnes)	9,892,004	20,987,159	38,124,393	47,565,025

For the three months ended September 30, 2021, the total amount of ore placed on the leach pad was 4.1 million tonnes, with total contained gold of 46,827 ounces (1,457 kilograms). The overall accumulative project-to-date gold recovery rate has remained at approximately 54.81% at the end of September 2021 from 54.90% at the end of June 2021. Of which, gold recovery from the phase I heap was 59.77% and; gold recovery from the Phase II heap was 50.68% at September 30, 2021.

Exploration

Two geological exploration programs were conducted at CSH in 2020 to increase and upgrade mineral resources. In the first quarter of 2021, the drilling was completed. A total of 7 drill holes with 4,654.35 meters were completed at the southwest zone, and a total of 26 drill holes with 17,167.50 meters, including one hydro-geological hole with 755.50 meters, were completed at the northeast zone. In the third quarter of 2021, the Company focused on the data processing, interpretation and modeling work based on the 33 drill holes amounting to 21,821.85 meters completed at the southwest and northeast zones in the first quarter of 2021.

Mineral Resource Update

CSH Mine Mineral Resources by category, at December 31, 2020 under NI 43-101 are listed below:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Measured	3.13	0.54	1.69	0.05
Indicated	105.10	0.64	65.31	2.10
M+I	108.23	0.63	67.00	2.15
Inferred	83.80	0.51	43.07	1.38

Note: The gold price (in USD) used to estimate the cut-off grade for the mineral resources is AU = \$1,800/oz. The estimated cut-off grade is 0.28 g/t.

Mineral Reserves Update

CSH Mine Mineral Reserves by category at December 31, 2020 under NI 43-101 are summarized below:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	2.56	0.57	1.45	0.05
Probable	52.80	0.66	35.08	1.13
Total	55.35	0.66	36.53	1.17

Note: The gold price (in USD) used to estimate the cut-off grade for the mineral reserves is AU = \$1,380/oz. The estimated cut-off grade is 0.28 g/t.

The Jiama Mine

Jiama is a large copper-gold polymetallic deposit containing copper, gold, silver, molybdenum, lead and zinc, 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 operation 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 combined mining and processing capacity at the Jiama Mine is 50,000 tpd.

Production Update

Jiama Mine	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Ore processed (tonnes)	4,075,025	3,741,332	12,190,307	10,926,093
Average copper ore grade (%)	0.54	0.71	0.63	0.67
Copper recovery rate (%)	86	83	84	81
Average gold grade (g/t)	0.24	0.29	0.29	0.27
Gold recovery rate (%)	61	74	68	69
Average silver grade (g/t)	9.98	24.67	16.76	23.54
Silver recovery rate (%)	68	61	65	59
Average lead grade (%)	0.01	0.71	0.41	0.65
Lead recovery rate (%)	80	71	81	68
Average zinc grade (%)	0.01	0.37	0.22	0.35
Zinc recovery rate (%)	84	63	71	62

During the three months ended September 30, 2021, the metals recovery rates increased by 3% for copper, 7% for silver, 9% for lead and 21% for zinc, and decreased 13% for gold. The improvement is mainly due to the continued optimization of mineral processing operations including regime of reagents, and the amelioration of steady flowsheet. In addition, the recovery of molybdenum was increased from processing more copper-molybdenum ore.

Exploration

The 2021 exploration program for Jiama Mine plans for 12 drill holes totaling 17,418 meters. The program focused on extremities of the Jiama deposit. As of the third quarter of 2021, a total portion of two drill holes for 216.33 meters have been completed, with the remaining ten holes pending the leasing approval of land to serve as temporary exploration access roads.

Mineral Resources Estimate

Jiama Mine resources by category at December 31, 2020 under NI 43-101:

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, 2020

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	93.97	0.38	0.04	0.04	0.02	0.08	5.16	363.4	34.2	35.8	18.4	0.236	15.77
Indicated	1,344.54	0.40	0.03	0.05	0.03	0.10	5.66	5,420.8	459.0	724.3	456.1	4.510	247.43
M+I	1,438.51	0.40	0.03	0.05	0.03	0.10	5.63	5,784.2	493.2	760.1	474.5	4.746	263.20
Inferred	406.1	0.31	0.03	0.08	0.04	0.10	5.13	1,247	123.0	311	175	1.317	66.93

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

The Copper price is US\$2.9/lbs

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

CuEq Grade: = (Ag Grade * Ag Price + Au Grade * Au Price + Cu Grade * Cu Price + Pb Grade * Pb Price + Zn Grade * Zn Price + Mo Grade * Mo Price) / Copper Price

Mineral Reserves Estimate

Jiama Mine reserves by category at December 31, 2020 under NI 43-101:

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2020

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	19.21	0.60	0.05	0.03	0.02	0.20	8.03	115.4	9.3	5.8	3.9	0.123	4.96
Probable	370.53	0.60	0.03	0.12	0.07	0.17	10.51	2,221.7	124.2	461.5	258.7	2.016	125.22
P+P	389.74	0.60	0.03	0.12	0.07	0.17	10.39	2,337.1	133.5	467.3	262.6	2.139	130.18

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.

During the year ended December 31, 2020, there was a construction contract dispute between independent third parties including the constructor, Huaxin Construction Group Co., Ltd. (formerly named as "Nantong Huaxin Construction Group Co., Ltd.") ("Huaxin") and the developer, Zhongxinfang, and the Company's subsidiary, Tibet Huatailong Mining Development Co. Ltd. ("Huatailong"). The land use right was transferred to Zhongxinfang in 2019 pursuant to the cooperation agreement signed between Zhongxinfang and Huatailong in 2019 in relation to the transferring of land use right in return of a block of the buildings and twenty car parks (the "Land Exchange").

Based on the cooperation agreement, Zhongxinfang is obligated to deliver a block of the buildings and twenty car parks (the "New Premises") to the Company no later than 2021. As at September 30, 2021 and up to the date these condensed consolidated financial statements are authorised for issue, the composite project is still suspended due to litigations against Zhongxinfang and the New Premises are not delivered to Huatailong on May 31, 2021, the original contractual delivery date. The construction of the New Premises is substantially completed pending for installation of plumbing, electrical wiring, interior walls and decoration. On June 21, 2021, Huatailong applied for pre-litigation preservation of the New Premises from Zhongxinfang, the Intermediate People's Court of Lhasa City, Tibet, adjudicated that the value of New Premises limited to RMB137 million (equivalent to US\$21 million), and a block of the building and twenty car parks from Zhongxinfang were frozen for three and two years, respectively (the "New Premises Pre-litigation Preservation"). On July 21, 2021, pursuant to the New Premises Pre-litigation Preservation, Huatailong proceeded a lawsuit against Zhongxinfang for the delivery of New Premises and penalty amounting to RMB5 million (equivalent to US\$773,000), and on 18 October 2021, Huatailong submitted further application to the court and requested assessment on the level of rent to be used for determining the penalty, the lawsuit is currently under processing and the result is not ascertain as at the date these condensed consolidated financial statements are authorised for issue. Based on Company's assessment on the completion status of the New Premises, the construction of the New Premises has been substantially completed, there has been no significant market value decline of comparable properties during the current interim period and the Company has first priority of claim over the New Premises under New Premises Pre-litigation Preservation. Accordingly, no impairment loss (2020: nil) has been made on the other non-current assets as the management are of the opinion that the recoverable amount of the non-current assets is above its carrying amount of US\$19,315,000 (equivalent to RMB125,252,000) as at September 30, 2021.

In addition, during the year ended December 31, 2020, Huatailong has been subjected to tax and other surcharges (the "Tax and Other Surcharge") in relation to Land Exchange amounting to RMB60 million (equivalent to US\$8,714,000), which Huatailong expects to recover from Zhongxinfang in accordance with the cooperation agreement between Huatailong and Zhongxinfang signed in 2019. On July 8, 2020, Huatailong applied for pre-litigation preservation of assets from Zhongxinfang, the Intermediate People's Court of Lhasa City, Tibet, adjudicated that the value of certain properties limited to RMB46 million (equivalent to US\$6,609,000) of Zhongxinfang was frozen for one year (the "Pre-litigation Preservation"). Based on the first instance adjudication dated November 20, 2020 in relation to the lawsuit against Zhongxinfang for the recoverability of the Tax and Other

Surcharges paid by Huatailong, which became final adjudication upon expiry of appeal application in December 2020, the litigation ruling adjudicated that Zhongxinfang shall repay the Tax and Other Surcharge of RMB46 million (equivalent to US\$6,997,000) to Huatailong (the "November Adjudication") within 30 days from the effective date of the November Adjudication (the "Due Date"). As Zhongxinfang has not settled such amount within the Due Date, Huatailong applied for an enforcement of the November Adjudication in January 2021 (the "Enforcement"). On June 24 2021, the Intermediate People's Court of Lhasa City, Tibet, adjudicated the Enforcement is suspended as there are no executable properties from Zhongxinfang as all of the assets owned by Zhongxinfang have been sealed up or frozen. Based on legal advice, the Enforcement is currently suspended and the Company's first priority of claim over one of the assets under Pre-litigation Preservation has been extended for three years till May 24, 2024, Furthermore, in order to recover Tax and Other Surcharge from Zhongxinfang, Huatailong has applied for participation of enforcement procedures over assets sealed up together with the other plaintiffs, which the Higher People's Court of Lhasa City will start the auctions of the assets. The Company will also reapply for enforcement when there are executable properties of Zhongxinfang being made available.

Based on the best available information to the Company as of September 30, 2021, and up to the date these condensed consolidated financial statements are authorised for issue, the Company estimated that the fair value of total assets owned by Zhongxinfang exceeded the outstanding liabilities that the courts adjudicated to Zhongxinfang's plaintiffs. In addition, the Company has first priority of claim over one of the assets under Pre-litigation Preservation, which has estimated fair value exceeding the carry amount of the other receivable related to the Tax and Other Surcharge. In the opinion of the management, expected credit loss on other receivables is insignificant based on the credit risk assessment for the three and nine months ended September 30, 2021.

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 borrowings from commercial banks in China, corporate bonds 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 September 30, 2021, the Company had an accumulated surplus of US\$453.5 million, working capital of US\$286.4 million and borrowings of US\$1,073 million. The Company's cash balance at September 30, 2021 was US\$302.8 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\$299.7 million of 2.8% coupon rate unsecured bonds maturing on June 23, 2023, and US\$66.9 million of short term debt facilities with interest rates ranging from 1.20% 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. 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 loan interest rate was adjusted from benchmark interest rate minus 7 basis points to 5 year loan prime rate ("LPR") less 2% (LPR-2%) in second quarter of 2020. The interest rate of 2.65% shall be applied for the current year after converting. 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 September 30, 2021 the Company has drawn down RMB3.11 billion, approximately US\$479.5 million under the Loan Facility. On April 29, 2020, the Company entered into a Loan Facility agreement with a syndicate of banks. The lenders agreed to lend an aggregate principal amount of RMB1.4 billion, approximately US\$197.8 million with the interest rate of 2.65% per annum currently, maturing on April 28, 2034. The Company obtained a loan in the aggregate principal amount of RMB400 million, approximately US\$61.7 million, with China Development Bank bearing interest at the People's Bank of China Loan Market Quote Rate (1 year) minus 2.65% on April 30, 2020. The current interest rate of the loan is 1.2% per annum. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future. 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 nine months ended September 30, 2021 and September 30, 2020.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Net cash from operating activities	117,482	103,254	393,914	173,741
Net cash used in investing activities	(40,232)	(12,670)	(141,410)	(70,455)
Net cash (used in) from financing activities	(57,509)	(518,778)	(194,443)	10,966
Net increase (decrease) in cash and cash equivalents	19,741	(428,194)	58,061	114,252
Effect of foreign exchange rate changes on cash and cash equivalents	(765)	1,376	1,415	(152)
Cash and cash equivalents, beginning of period	283,788	723,208	243,288	182,290
Cash and cash equivalents, end of period	302,764	296,390	302,764	296,390

Operating cash flow

For the three months ended September 30, 2021, net cash inflow from operating activities was US\$117.5 million which is primarily attributable to (i) profit before income tax of US\$57.9 million (ii) depreciation of property, plant and equipment of US\$43.7 million (iii) increase in contract liability of US\$15.7 million and (iv) increase in accounts payable of US\$13.7 million, partially offset by (i) income taxes paid of US\$13.9 million (ii) increase in inventory of US\$11.3 million (iii) interest paid of US\$5.6 million.

For the nine months ended September 30, 2021, net cash inflow from operating activities was US\$393.9 million which is primarily attributable to (i) profit before income tax of US\$230.5 million (ii) depreciation of property, plant and equipment of US\$130.8 million (iii) increase in contract liability of US\$28.4 million (iv) finance cost of US\$28.0 million and (v) increase in accounts payable of US\$21.8 million, partially offset by (i) income taxes paid of US\$35.9 million (ii) interest paid of US\$21.7 million, and (iii) increase in inventory of US\$13.7 million.

Investing cash flow

For the three months ended September 30, 2021, the net cash outflow from investing activities was US\$40.2 million which is primarily attributable to (i) payment for acquisition of property, plant and equipment of US\$32.4 million, (ii) placement of restricted bank balance of US\$10.8 million for bank notes and (iii) payment for acquisition of mining rights of US\$1.3 million, partially offset by (i) release of restricted bank balance of US\$1.6 million for bank notes and (ii) interest received of US\$1.6 million.

For the nine months ended September 30, 2021, the net cash outflow from investing activities was US\$141.4 million which is primarily attributable to (i) payment for acquisition of property, plant and equipment of US\$132.2 million (ii) placement of restricted bank balance of US\$24.3 million for bank notes and payment for acquisition of mining rights of US\$1.3 million, partially offset by release of restricted bank balance of US\$12.8 million for bank notes.

Financing cash flow

For the three months ended September 30, 2021, the net cash outflow mainly from financing activities was US\$57.5 million which is primarily attributable to the repayment of borrowings of US\$57.5 million.

For the nine months ended September 30, 2021, the net cash outflow mainly from financing activities was US\$194.4 million which is primarily attributable to the repayment of borrowings of US\$114.9 million, dividend paid to shareholders of US\$48.4 million and repayments of entrusted loan of US\$30.6 million.

Expenditures Incurred

For the nine months ended September 30, 2021, the Company incurred mining costs of US\$105.0 million, mineral processing costs of US\$93.3 million and transportation costs of US\$5.3 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at September 30, 2021, the Company's total debt was US\$1,073 million and the total equity was US\$1,752 million. The Company's gearing ratio was therefore 0.61 as at September 30, 2021 compared to 0.77 as at December 31, 2020.

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 nine months ended September 30, 2021, 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 nine months ended September 30, 2021. 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 September 30, 2021.

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 35, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2020.

COMMITMENTS

Commitments include principal payments on the Company's bank loans and syndicated loan facility, corporate bonds, 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 36, Commitments, in the annual consolidated financial statements for the year ended December 31, 2020.

On June 24, 2020, 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\$300 million. The Bonds were issued at a price of 99.886%, bearing a coupon of 2.8% per annum with a maturity date of June 23, 2023. Interest is payable in semi-annual installments on December 23 and June 23 of each year. The bonds are listed on HKSE and Chongwa (Macao) Financial Asset Exchange ("MOX").

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	773,275	58,594	316,092	398,589
Repayment of bonds including interest	299,720	8,270	291,450	-
Total	1,072,995	66,864	607,542	398,589

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 40.01 percent of the outstanding common shares of the Company as at September 30, 2020 and September 30, 2021.

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 was renewed for a new term that commenced on January 1, 2018 and expired on December 31, 2020, which renewal was approved by the Company's shareholders on June 28, 2017. On June 16, 2020, the third Supplemental Contract for Purchase and Sale of Dore was approved by the Company's Shareholders, commencing on January 1, 2021 and expiring on December 31, 2023.

Revenue from sales of gold doré bars to CNG was US\$187.4 million for the nine months ended September 30, 2021 which decreased from US\$196.8 million for the nine months ended September 30, 2020.

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. On June 16, 2020, the third Supplemental Product and Service Framework Agreement was approved by the Company's Shareholders, commencing on January 1, 2021 and expiring on December 31, 2023. For the nine months ended September 30, 2021, revenue from sales of copper concentrate and other products to CNG was US\$435.7 million compared to US\$59.5 million for the same period in 2020.

For the nine months ended September 30, 2021, construction services of US\$4.0 million were provided to the Company by subsidiaries of CNG (US\$5.6 million for the nine months ended September 30, 2020).

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, December 31, 2019, December 22, 2020 and a Financial Service Agreement on May 5, 2021 among the Company and China Gold Finance. As part of the 2021 signed agreement, approved by the Company's Shareholders at Annual General Meeting, China Gold Finance agreed to provide the Company with a range of financial services including (a) Deposit Services, (b) Lending Services, (c) Settlement Services and (d) Other Financial Services effective until December 31, 2023.

Refer to Note 15 of the condensed consolidated financial statements for the nine months ended September 30, 2021.

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 nine months ended September 30, 2021. 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, 2020.

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, 2020.

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 September 30, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2021, the Company had not entered into any off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

The Company 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.

In connection with the financial results for the year ended December 31, 2020, the Company declared a special dividend in respect of the year ended 31 December 2020 of US\$ 0.12 per common share, in an aggregate amount of US\$47,570,000, which was paid on May 30, 2021 to shareholders of record as of April 20, 2021.

OUTSTANDING SHARES

As of September 30, 2021 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 September 30, 2021 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 September 30, 2021, 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 September 30, 2021 and have concluded that these controls and procedures were effective as of September 30, 2021 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 nine months ended September 30, 2021, 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 reviewed and approved by Mr. Zhongxin Guo, P.Eng., the Company's Chief Engineer and a Qualified Person ("QP") for the purposes of NI 43-101.

November 15, 2021