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China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Six months ended June 30, 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 six months ended June 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 August 12, 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 six months ended June 30, 2021 and the three and six months ended June 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 June 30, 2021

- Revenue increased by 46% to US\$304.9 million from US\$209.2 million for the same period in 2020.
- Mine operating earnings increased by 255% to US\$125.9 million from US\$35.5 million for the same period in 2020.
- Net income of US\$100.7 million increased by 444% or US\$82.2 million from US\$18.5 million for the same period in 2020.
- Cash flow from operation increased by 95% to US\$106.2 million from US\$54.5 million for the same period in 2020.
- Total gold production increased by 13% to 71,225 ounces from 63,043 ounces for the same period in 2020.
- Total copper production increased by 13% to 52.6 million pounds (approximately 23,874 tonnes) from 46.5 million pounds (approximately 21,103 tonnes) for the same period in 2020.

Six months ended June 30, 2021

- Revenue increased by 61% to US\$577.0 million from US\$357.8 million for the same period in 2020.
- Mine operating earnings increased by 291% to US\$209.7 million from US\$53.7 million for the same period in 2020.
- Net income of US\$157.7 million increased by 1,493% or US\$147.8 million from US\$9.9 million for the same period in 2020.
- Cash flow from operation increased by 292% to US\$276.4 million from US\$70.5 million for the same period in 2020.
- Total gold production increased by 9% to 124,746 ounces from 114,872 ounces for the same period in 2020.
- Total copper production increased by 24% to 101.6 million pounds (approximately 46,066 tonnes) from 82.2 million pounds (approximately 37,288 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 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 products without significant interruption during the six months ended June 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	
<i>(US\$ in thousands except per share)</i>	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Revenue	304,944	272,070	265,810	240,451	209,188	148,583	162,326	186,375
Cost of sales	179,001	188,319	175,717	174,346	173,701	130,414	146,952	160,094
Mine operating earnings	125,943	83,751	90,093	66,105	35,487	18,169	15,374	26,281
General and administrative expenses	10,294	8,099	13,656	8,026	5,793	9,186	15,280	11,762
Exploration and evaluation expenses	59	41	174	77	165	61	(156)	368
Research and development expenses	5,051	4,424	11,019	3,251	2,264	1,966	3,200	4,308
Income (loss) from operations	110,539	71,187	65,244	54,751	27,265	6,956	(2,950)	9,843
Gain on recognition of other assets	-	-	-	-	-	-	14,067	11,245
Foreign exchange gain (loss)	4,944	1,728	4,806	6,366	(2,331)	(5,438)	4,074	(9,616)
Finance costs	9,604	9,743	9,732	10,241	11,525	10,516	10,398	10,560
Profit (loss) before income tax	108,486	64,079	63,961	51,665	17,597	(7,793)	4,732	2,380
Income tax expense (credit)	7,789	7,112	7,513	4,029	(926)	876	9,037	2,701
Net profit (loss)	100,697	56,967	56,448	47,636	18,523	(8,669)	(4,305)	(321)
Basic earnings (loss) per share (cents)	25.27	14.30	14.10	11.87	4.52	(2.25)	(1.19)	(0.17)
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 June 30,		Six months ended June 30	
	2021	2020	2021	2020
Gold sales (US\$ million)	65.10	65.06	121.76	120.56
Realized average price (US\$) of gold per ounce	1,811	1,673	1,807	1,625
Gold produced (ounces)	37,170	38,850	67,392	74,147
Gold sold (ounces)	35,949	38,887	67,368	74,182
Total production cost (US\$ per ounce)	1,537	1,358	1,533	1,359
Cash production cost ⁽¹⁾ (US\$ per ounce)	1,005	889	1,017	841

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

Gold production at the CSH Mine slightly decreased by 4% to 37,170 ounces for the three months ended June 30, 2021 compared to 38,850 ounces for the three months ended June 30, 2020. The total production cost of gold for the three months ended June 30, 2021 increased to US\$1,537 per ounce compared to US\$1,358 for the three months ended June 30, 2020. The cash production cost of gold for the three months ended June 30, 2021 increased to US\$1,005 per ounce from US\$889 for the same period in 2020. Changes in total production cost and cash cost are mainly due to lower average grades of ore mined, longer waste haulage distance and slightly lower recovery rates.

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Copper sales (US\$ in millions)	137.49	63.99	254.06	118.65
Realized average price ¹ (US\$) of copper per pound after smelting fee discount	2.61	1.35	2.41	1.49
Copper produced (tonnes)	23,875	21,103	46,066	37,288
Copper produced (pounds)	52,633,987	46,523,860	101,557,708	82,205,981
Copper sold (tonnes)	23,841	21,686	47,748	36,098
Copper sold (pounds)	52,560,835	47,810,580	105,266,271	79,582,880
Gold produced (ounces)	34,055	24,193	57,354	40,725
Gold sold (ounces)	34,009	24,872	58,950	39,718
Silver produced (ounces)	1,641,394	1,824,767	3,374,047	3,088,602
Silver sold (ounces)	1,639,684	1,895,570	3,539,551	2,941,611
Lead produced (tonnes)	17,350	20,263	38,172	29,538
Lead produced (pounds)	38,249,797	44,672,072	84,155,454	65,120,727
Lead sold (tonnes)	17,383	22,074	40,474	28,073
Lead sold (pounds)	38,323,101	48,664,678	89,229,631	61,891,245
Zinc produced (tonnes)	8,347	9,885	17,999	15,083
Zinc produced (pounds)	18,401,332	21,791,970	39,681,069	33,251,468
Zinc sold (tonnes)	8,363	10,733	19,101	14,370
Zinc sold (pounds)	18,436,664	23,661,754	42,109,580	31,681,205
Moly produced (tonnes)	103	-	103	-
Moly produced (pounds)	226,809	-	226,809	-
Moly sold (tonnes)	102	-	102	-
Moly sold (pounds)	225,738	-	225,738	-
Total production cost ² (US\$) of copper per pound	2.62	2.69	2.75	2.76
Total production cost ² (US\$) of copper per pound after by-products credits ⁴	0.68	1.00	0.85	1.27
Cash production cost ⁴ (US\$) per pound of copper	1.99	2.08	2.13	2.03
Cash production cost ³ (US\$) of copper per pound after by-products credits ⁴	0.05	0.41	0.22	0.54

¹ A discount factor of 15.8% to 29.1% 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 June 30, 2021, the Jiama Mine produced 23,875 tonnes (approximately 52.6 million pounds) of copper, an increase of 13% compared with the three months ended June 30, 2020 (21,103 tonnes, or 46.5 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 greatly as compared to the same period in 2020 due to higher mined tonnes, higher head grades, higher recovery rates, and more by-products recovered of lead, zinc and moly.

Review of Quarterly Data

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

Revenue of US\$304.9 million for the second quarter of 2021 increased by US\$95.7 million from US\$209.2 million for the same period in 2020.

Revenue from the CSH Mine was US\$65.1 million, unchanged from US\$65.1 million for the same period in 2020. Realized average gold price increased by 8% from US\$1,673/oz in Q2 2020 to US\$1,811/oz in Q2 2021. Gold sold by the CSH Mine was 35,949 ounces (gold produced: 37,170 ounces), compared to 38,887 ounces (gold produced: 38,850 ounces) for the same period in 2020.

Revenue from the Jiama Mine was US\$239.9 million, an increase of US\$95.8 million, compared to US\$144.1 million for the same period in 2020. Total copper sold was 23,841 tonnes (52.6 million pounds) for the three months ended June 30, 2021, an increase of 10% from 21,687 tonnes (47.8 million pounds) for the same period in 2020.

Cost of sales of US\$179.0 million for the quarter ended June 30, 2021, an increase of US\$5.3 million from US\$173.7 million for the same period in 2020. Cost of sales as a percentage of revenue for the Company decreased from 83% to 59% for the three months ended June 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\$125.9 million for the three months ended June 30, 2021, an increase of 255%, or US\$90.4 million, from US\$35.5 million for the same period in 2020. Mine operating earnings as a percentage of revenue increased from 17% to 41% for the three months ended June 30, 2020 and 2021, respectively.

General and administrative expenses increased by US\$4.5 million, from US\$5.8 million for the quarter ended June 30, 2020 to US\$10.3 million for the quarter ended June 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\$5.1 million for the three months ended June 30, 2021, increased from US\$2.3 million for the comparative 2020 period. The increase in the second 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\$110.5 million for the second quarter of 2021, increased by US\$83.2 million, compared to US\$27.3 million for the same period in 2020.

Finance costs of US\$9.6 million for the three months ended June 30, 2021, decreased by US\$1.8 million compared to US\$11.4 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\$4.9 million for the three months ended June 30, 2021, increased from a loss of US\$2.3 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.

Interest and other income of US\$2.6 million for the three months ended June 30, 2021 decreased from US\$4.2 million for the same period in 2020. The decrease in the second quarter of 2021 was primarily attributed to the sales of lead-zinc ore at the Jiama Mine in 2020.

Income tax expense of US\$7.8 million for the quarter ended June 30, 2021, increased by US\$8.7 million from a credit of US\$0.9 million for the comparative period in 2020. During the current quarter, the Company had US\$9.8 million of deferred tax credit compared to US\$1.9 million for the same period in 2020.

Net income of US\$100.7 million for the three months ended June 30, 2021, increased by US\$82.2 million from US\$18.5 million for the three months ended June 30, 2020.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

Revenue of US\$577.0 million for the first half of 2021 increased by US\$219.2 million from US\$357.8 million for the same period in 2020.

Revenue from the CSH Mine was US\$121.8 million, an increase of US\$1.2 million, compared to US\$120.6 million for the same period in 2020. Realized average gold price increased by 11% from US\$1,625/oz in the first six months of 2020 to US\$1,807/oz in 2021. Gold sold by the CSH Mine was 67,368 ounces (gold produced: 67,392 ounces), compared to 74,182 ounces (gold produced: 74,147 ounces) for the same period in 2020.

Revenue from the Jiama Mine was US\$455.3 million, an increase of US\$218.1 million, compared to US\$237.2 million for the same period in 2020. Total copper sold was 47,748 tonnes (105.3 million pounds) for the six months ended June 30, 2021, an increase of 32% from 36,098 tonnes (79.6 million pounds) for the same period in 2020.

Cost of sales of US\$367.3 million for the six months ended June 30, 2021, an increase of US\$63.2 million from US\$304.1 million for the same period in 2020. Cost of sales as a percentage of revenue for the Company decreased from 85% to 64% for the six months ended June 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\$209.7 million for the six months ended June 30, 2021, an increase of 291%, or US\$156.0 million, from US\$53.7 million for the same period in 2020. Mine operating earnings as a percentage of revenue increased from 15% to 36% for the six months ended June 30, 2020 and 2021, respectively.

General and administrative expenses increased by US\$3.4 million, from US\$15.0 million for the six months ended June 30, 2020 to US\$18.4 million for the six months ended June 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\$9.5 million for the six months ended June 30, 2021, increased from US\$4.2 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\$181.7 million for the six months ended June 30, 2021, increased by US\$147.5 million, compared to US\$34.2 million for the same period in 2020.

Finance costs of US\$19.3 million for the six months ended June 30, 2021, decreased by US\$2.7 million compared to US\$22.0 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\$6.7 million for the six months ended June 30, 2021, increased from a loss of US\$7.8 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.

Interest and other income of US\$3.5 million for the six months ended June 30, 2021 decreased from US\$5.4 million for the same period in 2020. The decrease in 2021 was primarily attributed to the sales of lead-zinc ore at the Jiama Mine in 2020.

Income tax expense of US\$14.9 million for the six months ended June 30, 2021, increased by US\$15.0 million from a credit of US\$0.1 million for the comparative period in 2020. During the current six months period, the Company had US\$9.4 million of deferred tax credit compared to US\$1.9 million for the same period in 2020.

Net income of US\$157.7 million for the six months ended June 30, 2021, increased by US\$147.8 million from US\$9.9 million for the six months ended June 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 June 30,				Six months ended June 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 ¹	55,254,702	1,537	52,798,614	1,358	103,303,421	1,533	100,835,749	1,359
Adjustment – Depreciation & depletion	(18,618,823)	(518)	(17,853,204)	(459)	(33,771,990)	(501)	(37,223,738)	(502)
Adjustment – Amortization of intangible assets	(509,069)	(14)	(389,364)	(10)	(1,006,170)	(15)	(1,248,123)	(17)
Total cash production costs	36,126,810	1,005	34,556,046	889	68,525,261	1,017	62,363,888	840

Jiama Mine (Copper with by-products credits)

	Three months ended June 30,				Six months ended June 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	123,746,221	2.35	120,902,333	2.53	264,016,813	2.51	203,279,379	2.55
General and administrative expenses	9,116,776	0.17	5,219,804	0.11	16,244,745	0.15	12,099,942	0.15
Research and development expenses	5,050,819	0.10	2,263,506	0.05	9,474,869	0.09	4,229,777	0.06
Total production cost	137,913,816	2.62	128,385,643	2.69	289,736,427	2.75	219,609,098	2.76
Adjustment – Depreciation & depletion	(23,597,588)	(0.45)	(19,853,021)	(0.42)	(48,354,165)	(0.46)	(40,192,446)	(0.50)
Adjustment – Amortization of intangible assets	(9,681,258)	(0.18)	(8,855,858)	(0.19)	(17,506,023)	(0.17)	(17,978,957)	(0.23)
Total cash production costs	104,634,970	1.99	99,676,764	2.08	223,876,239	2.12	161,437,695	2.03
By-products credits	(102,041,437)	(1.94)	(80,067,168)	(1.67)	(200,586,799)	(1.91)	(118,452,832)	(1.49)
Total cash production costs after by-products credits	2,593,533	0.05	19,609,596	0.41	23,289,440	0.21	42,984,863	0.54

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 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.

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.

In June 2020, the operation of southwest pit ended.

The major new contracts entered into during the six months ended June 30, 2021:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Purchase and sale contract of gold bearing materials	Hunan Zhongxing Environmental Protection Technology Co., Ltd	Estimated: 12.7	2021.6.16 – 2021.7.16	2021.6.16
2	Purchase and sale contract of civil explosive equipment	Bayannur Sheng'an Chemical Co., Ltd. Urad Middle Banner Branch	Estimated: 3.4	2021.1.1 – 2022.1.1	2021.1.1

Production Update

CSH Mine	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Ore mined and placed on pad (tonnes)	3,929,608	3,773,262	7,362,472	5,499,662
Average ore grade (g/t)	0.56	0.59	0.50	0.59
Recoverable gold (ounces)	42,314	42,623	70,313	63,270
Ending gold in process (ounces)	166,831	170,695	166,831	170,695
Waste rock mined (tonnes)	17,652,811	21,460,794	28,232,389	26,577,866

For the three months ended June 30, 2021, the total amount of ore placed on the leach pad was 3.9 million tonnes, with total contained gold of 42,314 ounces (1,316 kilograms). The overall accumulative project-to-date gold recovery rate has remained at approximately 54.90% at the end of June 2021 from 55.12% at the end of March 2021. Of which, gold recovery from the phase I heap was 59.77% and; gold recovery from the Phase II heap was 50.77% at June 30, 2021.

Exploration

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

The major new contracts entered into during the six months ended June 30, 2021:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Production and operation project of pressure filter workshop of the first plant of Mineral Processing	Mozhugongka Tai Hua Mine Machinery Repair Co. Ltd	Estimated: 3.7	2021.2.1-2022.1.31	2021.2.1
2	The operation and maintenance project of the second phase breakaway system	Zhejiang Bao shu Construction Co., Ltd	Estimated: 6.0	2021.2.1-2024.1.31	2021.2.1
3	The first dressing plant, The second dressing plant, phase I tailings pond, phase II tailings pond, Open air rotary crushing station, flood control and sporadic machinery and equipment lease contract	Sichuan haotianyu Construction Machinery Leasing Co., Ltd	Estimated: 13.0	2021.2.1-2023.1.31	2021.2.1
4	Steel ball purchase contract	Chinalco Industrial Services Co., Ltd	Estimated: 3.1	2021.4.20-2022.4.20	2021.4.20
5	Contract for purchase of Cement	Tibet Wanshun Industrial Co., Ltd	Estimated: 16.1	2021.4.28-2022.4.28	2021.4.28
6	Supplementary Agreement 2 of EPC General Contracting Project Contract for Phase II Guolanggou Tailing reservoir Subdam (4265-4315m)	Beijing General Research Institute of Mining & Metallurgy	Estimated: 14.0	2021.4.6-2021.12.31	2021.4.6
7	Supplementary Contract 6 to the EPC General Contracting Contract of Lhasa Base and Surface Mining and Selecting Engineering of Tibet Jiama Project Phase II	China National Gold Engineering Corporation	Estimated: 27.8	2012.12.31-2021.4.9	2021.4.9
8	Supplemental agreement (sodium hydrosulfide purchase contract signed a supplementary agreement for Party A to provide free warehouse matters to Party B)	Fengshi Chemical (Shanghai) Co., Ltd.	Estimated: 5.3	2021.1.31-2022.1.30	2021.1.31
9	Copper concentrate powder purchase and sale contract	China National Gold Group International Trading Co., Ltd.	Estimated: 557.3	2021.1.1-2021.12.31	2021.1.1

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 Group'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 Group no later than 2021. As at June 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 is 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) from Zhongxinfang was frozen for two to three years (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\$773K). Based on Group's assessment on the completion status of the New Premises, the Group has first priority of claim over the New Premises under New Premises Pre-litigation Preservation, the construction of the New Premises has been substantially completed and there has been no significant market value decline of comparable properties during the current period. Accordingly, no impairment loss (2020: nil) has been made on the other non-current assets as the management of the Company are of the opinion that the recoverable amount of the non-current assets is above its carrying amount of US\$19,389,000 (equivalent to RMB125,252,000) as at June 30, 2021.

In addition, during the year ended December 31, 2020, Huatailong has been subject to tax and other surcharges in relation to Land Exchange amounting to RMB60,104,000 (equivalent to US\$8,714,000) which Huatailong expects to recover such payments 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 properties limited to RMB46 million (equivalent to US\$6,609,000) from 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 (the "Tax and Other Surcharge") 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. Based on legal advice, the Enforcement is currently suspended and the Group's first priority of claim one of the assets under pre-litigation preservation has been extended for three years until 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 is going to start the auctions of the assets. The Group will also reapply for enforcement when there is executable properties of Zhongxinfang being made available.

In the opinion of the management of the Company, expected credit loss on other receivables is insignificant based on the credit risk assessment for the three and six months ended June 30, 2021. Based on the best available information to the Group as of June 30, 2021, the Group 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 Group 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.

Production Update

Jiama Mine	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Ore processed (tonnes)	4,146,952	3,775,553	8,115,282	7,184,761
Average copper ore grade (%)	0.69	0.68	0.68	0.65
Copper recovery rate (%)	83	82	83	80
Average gold grade (g/t)	0.36	0.29	0.31	0.26
Gold recovery rate (%)	72	70	70	67
Average silver grade (g/t)	19.10	24.77	20.17	22.95
Silver recovery rate (%)	64	61	64	58
Average lead grade (%)	0.52	0.71	0.59	0.63
Lead recovery rate (%)	80	76	80	66
Average zinc grade (%)	0.29	0.38	0.32	0.34
Zinc recovery rate (%)	70	68	70	61

During the three months ended June 30, 2021, the metals recovery rates increased by 1% for copper, 2% for gold, 3% for silver, 4% for lead and 2% for zinc, based on the continued optimization of operating parameters regime of reagents, and the amelioration of steady flowsheet, as well as recovery of molybdenum.

Exploration

The 2021 exploration program for Jiama Mine plans for 12 drill holes totaling 17,418m, focused on extremities of Jiama deposit. In the second quarter of 2021, most drilling preparation work was close to end.

Mineral Resources Estimate

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

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:

1. 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.
2. Mineral Reserves were estimated using the following mining and economic factors:
 - Open Pits:
 - a) 5% dilution factor and 95% recovery were applied to the mining method;
 - b) an overall slope angles of 43 degrees;
 - c) a copper price of US\$ 2.9/lbs;
 - d) an overall processing recovery of 88 - 90% for copper
 - Underground:
 - a) 10% dilution added to all Sub-Level Open Stopping;
 - b) Stope recovery is 87% for Sub-Level Open Stopping;
 - c) An overall processing recovery of 88 - 90% for copper.
3. 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 June 30, 2021, the Company had an accumulated surplus of US\$402.3 million, working capital of US\$204.5 million and borrowings of US\$1,133 million. The Company's cash balance at June 30, 2021 was US\$283.8 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\$297.3 million of 2.8% coupon rate unsecured bonds maturing on June 23, 2023, and US\$110.9 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 June 30, 2021 the Company has drawn down RMB 3,110 billion, approximately US\$481.4 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 RMB 1.4 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 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. On July 6, 2020, the Company repaid the previously outstanding unsecured bonds issued in 2017 with an aggregate principal amount of US\$500 million and interest expense of US\$8.125 million. 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 six months ended June 30, 2021 and June 30, 2020.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Net cash from operating activities	106,234	54,467	276,432	70,487
Net cash used in investing activities	(43,327)	(26,254)	(101,178)	(57,785)
Net cash (used in) from financing activities	(105,900)	530,122	(136,934)	529,744
Net increase (decrease) in cash and cash equivalents	(42,993)	558,335	38,320	542,446
Effect of foreign exchange rate changes on cash and cash equivalents	3,048	1,180	2,180	(1,528)
Cash and cash equivalents, beginning of period	323,733	163,693	243,288	182,290
Cash and cash equivalents, end of period	283,788	723,208	283,788	723,208

Operating cash flow

For the three months ended June 30, 2021, net cash inflow from operating activities was US\$106.2 million which is primarily attributable to (i) profit before income tax of US\$108.5 million (ii) depreciation of property, plant and equipment of US\$45.8 million (iii) Amortization of mining rights of US\$10.3 million and (iv) finance cost of US\$9.6 million, partially offset by (i) income taxes paid of US\$16.0 million (ii) decrease in accounts payable of US\$15.3 million (iii) decrease in inventory of US\$11.7 million and (iv) increase in contract liability of US\$11.5 million.

For the six months ended June 30, 2021, net cash inflow from operating activities was US\$276.4 million which is primarily attributable to (i) profit before income tax of US\$172.6 million (ii) depreciation of property, plant and equipment of US\$87.1 million (iii) finance cost of US\$19.0 million and (iv) amortization of mining rights of US\$18.7 million, partially offset by (i) income taxes paid of US\$22.0 million (ii) interest paid of US\$16.1 million, and (iii) decrease in inventory of US\$2.4 million.

Investing cash flow

For the three months ended June 30, 2021, the net cash outflow from investing activities was US\$43.3 million which is primarily attributable to (i) payment for acquisition of property, plant and equipment of US\$42.8 million, and (ii) payment of restricted bank balance of US\$10.4 million for bank notes and partially offset by release of restricted bank balance of US\$9.2 million for bank notes.

For the six months ended June 30, 2021, the net cash outflow from investing activities was US\$101.2 million which is primarily attributable to (i) payment for acquisition of property, plant and equipment of US\$99.9 million and (ii) payment of restricted bank balance of US\$13.5 million for bank notes, partially offset by release of restricted bank balance of US\$11.2 million for bank notes.

Financing cash flow

For the three months ended June 30, 2021, the net cash outflow mainly from financing activities was US\$105.9 million which is primarily attributable to the repayment of borrowings of US\$57.5 million and dividend paid to shareholders of US\$48.4 million.

For the six months ended June 30, 2021, the net cash outflow mainly from financing activities was US\$136.9 million which is primarily attributable to the repayment of borrowings of US\$57.5 million, dividend paid to shareholders of US\$48.4 million and repayments of entrusted loan of US\$30.6 million.

Expenditures Incurred

For the six months ended June 30, 2021, the Company incurred mining costs of US\$70.7 million, mineral processing costs of US\$44.2 million and transportation costs of US\$3.4 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at June 30, 2021, the Company's total debt was US\$1,133 million and the total equity was US\$1,720 million. The Company's gearing ratio was therefore 0.66 as at June 30, 2021 and 1.21 as at June 30, 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 six months ended June 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 three months ended June 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 June 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 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 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	Over five years
	US\$'000	US\$'000	US\$'000	US\$'000
Principal repayment of bank loans	810,669	86,222	324,299	400,148
Repayment of bonds including interest	297,258	8,203	289,055	-
Repayment of loans payable to a CNG subsidiary	24,662	24,662	-	-
Total	1,132,589	119,087	613,354	400,148

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 March 31, 2021 and June 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\$121.8 million for the six months ended June 30, 2021 which increased from US\$120.6 million for the six months ended June 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 six months ended June 30, 2021, revenue from sales of copper concentrate and other products to CNG was US\$266.8 million compared to US\$13.9 million for the same period in 2020.

For the six months ended June 30, 2021, construction services of US\$2.8 million were provided to the Company by subsidiaries of CNG (US\$4.1 million for the six months ended June 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, and December 22, 2020 among the Company and China Gold Finance.

Refer to Note 14 of the condensed consolidated financial statements for the six months ended June 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 six months ended June 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 June 30, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 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 June 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 June 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 June 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 June 30, 2021 and have concluded that these controls and procedures were effective as of June 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 six months ended June 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.

ADDITIONAL INFORMATION

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2021.

A2. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as of June 30, 2021, the Company's directors were not aware of any other person (other than a director or chief executive of the Company who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO")):

Name	Nature of interest	Number of Shares held	Approximate percentage of outstanding shares
China National Gold Group Co., Ltd. ⁽¹⁾	Indirect	158,588,330 ⁽²⁾	40.01%
China National Gold Group Hong Kong Limited	Registered Owner	158,588,330	40.01%

Note:

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

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

As of June 30, 2021, the interests of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer, were as follows:

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

Other than as disclosed above, none of the directors, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as of June 30, 2021.

A4. STOCK OPTION PLAN

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

A5. EMOLUMENT POLICY

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

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

As of June 30, 2021, the Company had 2,080 employees working at various locations. The emolument policy for the Company's employees is determined on a department by department basis with the Chief Executive Officer determining the emoluments for employees and managers based on merit, qualifications and the Company's hiring and retention needs.

A6. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended June 30, 2021, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listings standards, in particular, the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing Securities of The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

A7. COMPLIANCE WITH MODEL CODE ON DIRECTORS' SECURITIES TRANSACTIONS

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

After specific enquiry with all members of the Board, the Board confirms that all of the directors of the Company have complied with the required policies in the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the six months ended June 30, 2021.

A8. INTERIM DIVIDEND

The Board did not recommend the payment of interim dividends in respect of the six months ended June 30, 2021.

A9. AUDIT COMMITTEE

Pursuant to the requirements under the Hong Kong Listing Rules, the Company has established an audit committee (the “Audit Committee”) comprising all the existing Independent Non-executive Directors, namely Ian He (chairman of the Audit Committee), Wei Shao, Bielin Shi and Ruixia Han. The Audit Committee has reviewed and discussed with the Company’s auditors the unaudited interim results of the Group for the three and six months ended June 30, 2021.

August 12, 2021