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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, 2022 (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, 2022. (Stated in U.S. dollars, except as otherwise noted)*

<b>FORWARD-LOOKING STATEMENTS</b>	<b>2</b>
<b>THE COMPANY</b>	<b>3</b>
OVERVIEW	3
PERFORMANCE HIGHLIGHTS	3
OUTLOOK	3
<b>RESULTS OF OPERATIONS</b>	<b>4</b>
SELECTED QUARTERLY FINANCIAL DATA	4
SELECTED QUARTERLY PRODUCTION DATA AND ANALYSIS	4
REVIEW OF QUARTERLY DATA	6
<b>NON-IFRS MEASURES</b>	<b>7</b>
<b>MINERAL PROPERTIES</b>	<b>9</b>
THE CSH MINE	9
THE JIAMA MINE	10
<b>LIQUIDITY AND CAPITAL RESOURCES</b>	<b>13</b>
<b>CASH FLOWS</b>	<b>14</b>
OPERATING CASH FLOW	14
INVESTING CASH FLOW	14
FINANCING CASH FLOW	14
EXPENDITURES INCURRED	14
GEARING RATIO	15
<b>SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS</b>	<b>15</b>
<b>CHARGE ON ASSETS</b>	<b>15</b>
<b>EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES</b>	<b>15</b>
<b>COMMITMENTS</b>	<b>15</b>
<b>RELATED PARTY TRANSACTIONS</b>	<b>16</b>
<b>PROPOSED TRANSACTIONS</b>	<b>16</b>
<b>CRITICAL ACCOUNTING ESTIMATES</b>	<b>16</b>
<b>CHANGE IN ACCOUNTING POLICIES</b>	<b>16</b>
<b>FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS</b>	<b>17</b>
<b>OFF-BALANCE SHEET ARRANGEMENTS</b>	<b>17</b>
<b>DIVIDEND AND DIVIDEND POLICY</b>	<b>17</b>
<b>OUTSTANDING SHARES</b>	<b>17</b>
<b>DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING</b>	<b>17</b>
<b>RISK FACTORS</b>	<b>18</b>
<b>QUALIFIED PERSON</b>	<b>18</b>

The following Management Discussion and Analysis of financial condition and results of operations (“MD&A”) is prepared as of November 14, 2022. 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, 2022 and the three and nine months ended September 30, 2021, 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, 2022 on SEDAR at [www.sedar.com](http://www.sedar.com), [www.chinagoldintl.com](http://www.chinagoldintl.com) and [www.hkex.com.hk](http://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](http://sedar.com) as well as Hong Kong Exchange News at [hkexnews.hk](http://hkexnews.hk).

### Performance Highlights

#### Three months ended September 30, 2022

- Revenue increased by 3% to US\$255.0 million from US\$248.3 million for the same period in 2021.
- Mine operating earnings decreased by 8% to US\$75.7 million from US\$82.6 million for the same period in 2021.
- Net income of US\$23.4 million decreased by 55% or US\$28.8 million from US\$52.2 million for the same period in 2021.
- Cash flow from operation decreased by 24% to US\$89.8 million from US\$117.5 million for the same period in 2021.
- Total gold production decreased by 4% to 54,734 ounces from 57,288 ounces for the same period in 2021.
- Total copper production increased by 12% to 46.9 million pounds (approximately 21,254 tonnes) from 41.8 million pounds (approximately 18,947 tonnes) for the same period in 2021.

#### Nine months ended September 30, 2022

- Revenue increased by 3% to US\$851.0 million from US\$825.3 million for the same period in 2021.
- Mine operating earnings increased by 2% to US\$298.9 million from US\$292.3 million for the same period in 2021.
- Net income of US\$176.9 million decreased by 16% or US\$33 million from US\$209.9 million for the same period in 2021.
- Cash flow from operation decreased by 9% to US\$358.2 million from US\$393.9 million for the same period in 2021.
- Total gold production slightly decreased by 2% to 178,844 ounces from 182,034 ounces for the same period in 2021.
- Total copper production decreased by less than 1% to 142.3 million pounds (approximately 64,532 tonnes) from 143.3 million pounds (approximately 65,013 tonnes) for the same period in 2021.

## OUTLOOK

- The anticipated gold production in 2022 will be between 241,130 ounces (7.5 tonnes) and 250,775 ounces (7.8 tonnes).
- Total copper production in 2022 is estimated to be between 187 million pounds (85,000 tonnes) and 198 million pounds (90,000 tonnes).

- 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 been taking effective measures to prevent and control 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 during the nine months ended September 30, 2022. 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							
	2022			2021			2020	
	30-Sept	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
<i>(US\$ in thousands except per share)</i>								
Revenue	<b>255,030</b>	291,994	304,021	312,016	248,326	304,944	272,070	265,810
Cost of sales	<b>179,322</b>	174,304	198,493	200,210	165,681	179,001	188,319	175,717
Mine operating earnings	<b>75,708</b>	117,690	105,528	111,806	82,645	125,943	83,751	90,093
General and administrative expenses	<b>16,215</b>	8,296	9,949	16,165	9,462	10,294	8,099	13,656
Exploration and evaluation expenses	<b>81</b>	256	40	358	260	59	41	174
Research and development expenses	<b>7,357</b>	5,470	5,885	10,347	6,619	5,051	4,424	11,019
Income from operations	<b>52,055</b>	103,668	89,654	84,936	66,304	110,539	71,187	65,244
Foreign exchange (loss) gain	<b>(16,085)</b>	(11,542)	1,673	2,071	(161)	4,944	1,728	4,806
Finance costs	<b>7,504</b>	7,943	8,188	8,296	8,670	9,604	9,743	9,732
Profit before income tax	<b>30,607</b>	90,098	83,956	81,198	57,885	108,486	64,079	63,961
Income tax expense	<b>7,251</b>	8,374	12,155	22,422	5,650	7,789	7,112	7,513
Net profit	<b>23,356</b>	81,724	71,801	58,776	52,235	100,697	56,967	56,448
Basic earnings per share (cents)	<b>5.84</b>	20.48	17.97	14.76	13.11	25.27	14.30	14.10
Diluted earnings per share (cents)	<b>N/A</b>	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	
	2022	2021	2022	2021
Gold sales (US\$ million)	<b>61.04</b>	65.66	<b>202.94</b>	187.42
Realized average price (US\$) of gold per ounce	<b>1,729</b>	1,790	<b>1,825</b>	1,801
Gold produced (ounces)	<b>34,146</b>	37,838	<b>110,030</b>	105,230
Gold sold (ounces)	<b>35,303</b>	36,682	<b>111,205</b>	104,050
Total production cost (US\$ per ounce)	<b>1,402</b>	1,499	<b>1,461</b>	1,521
Cash production cost <sup>(1)</sup> (US\$ per ounce)	<b>809</b>	903	<b>856</b>	977

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

Gold production at the CSH Mine decreased by 10% to 34,146 ounces for the three months ended September 30, 2022 compared to 37,838 ounces for the same period in 2021. The total production cost of gold for the three months ended September 30, 2022 decreased by 6% to US\$1,402 per ounce compared to US\$1,499 for the same period in 2021. The cash production cost of gold for the three months ended September 30, 2022 decreased by 10% to US\$809 per ounce from US\$903 for the same period in 2021. The decrease in cash production cost is mainly due to higher gold head grade and lower stripping ratio.

Jiama Mine	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Copper sales (US\$ in millions)	<b>148.28</b>	135.11	<b>486.06</b>	389.17
Realized average price <sup>1</sup> (US\$) of copper per pound after smelting fee discount	<b>3.03</b>	3.35	<b>3.40</b>	2.67
Copper produced (tonnes)	<b>21,254</b>	18,947	<b>64,532</b>	65,013
Copper produced (pounds)	<b>46,856,740</b>	41,771,610	<b>142,269,604</b>	143,329,318
Copper sold (tonnes)	<b>23,124</b>	18,292	<b>64,762</b>	66,040
Copper sold (pounds)	<b>50,979,084</b>	40,327,394	<b>142,774,796</b>	145,593,665
Gold produced (ounces)	<b>20,588</b>	19,450	<b>68,814</b>	76,804
Gold sold (ounces)	<b>23,085</b>	18,907	<b>68,559</b>	77,857
Silver produced (ounces)	<b>716,226</b>	887,323	<b>2,412,857</b>	4,261,370
Silver sold (ounces)	<b>763,457</b>	868,034	<b>2,398,615</b>	4,407,585
Lead produced (tonnes)	-	2,036	-	40,208
Lead produced (pounds)	-	4,487,884	-	88,643,338
Lead sold (tonnes)	-	2,504	-	42,978
Lead sold (pounds)	-	5,520,336	-	94,749,967
Zinc produced (tonnes)	-	1,243	-	19,242
Zinc produced (pounds)	-	2,740,787	-	42,421,856
Zinc sold (tonnes)	-	1,568	-	20,669
Zinc sold (pounds)	-	3,458,458	-	45,568,038
Moly produced (tonnes)	<b>210</b>	100	<b>675</b>	203
Moly produced (pounds)	<b>461,956</b>	221,270	<b>1,488,359</b>	448,079
Moly sold (tonnes)	<b>124</b>	47	<b>598</b>	149
Moly sold (pounds)	<b>272,654</b>	102,991	<b>1,319,207</b>	328,729
Total production cost <sup>2</sup> (US\$) of copper per pound	<b>2.99</b>	3.11	<b>3.08</b>	2.85
Total production cost <sup>2</sup> (US\$) of copper per pound after by-products credits <sup>4</sup>	<b>2.12</b>	1.94	<b>1.98</b>	1.15
Cash production cost <sup>4</sup> (US\$) per pound of copper	<b>2.37</b>	2.42	<b>2.41</b>	2.21
Cash production cost <sup>3</sup> (US\$) of copper per pound after by-products credits <sup>4</sup>	<b>1.50</b>	1.25	<b>1.31</b>	0.51

<sup>1</sup> A discount factor of 12.9% to 25.4% is applied to the copper benchmark price to compensate the refinery costs incurred by the buyers. The discount factor is higher if the grade of copper in copper concentrate is below 18%. The industry standard of copper in copper concentrate is between 18-20%.

<sup>2</sup> 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.

<sup>3</sup> Non-IFRS measure. See 'Non-IFRS measures' section of this MD&A.

<sup>4</sup> By-products credit refers to the sales of gold, silver, lead, zinc and moly during the corresponding period.

During the three months ended September 30, 2022, the Jiama Mine produced 21,254 tonnes (approximately 46.9 million pounds) of copper, an increase of 12% compared with the three months ended September 30, 2021 (18,947 tonnes, or 41.8 million pounds).

Both total production cost of copper per pound and cash production cost of copper per pound decreased as compared to the same quarter in 2021 due to the increase of copper production and cost control. However, 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 2021 mainly due to less by-products recovered of silver, lead and zinc, despite more by-product recovered from gold and molybdenum.

Since the second half of 2021, the Jiama Mine increased the utilization rate of low-grade ore with operating costs being strictly controlled. A flexible mining plan was adopted, which is responsive and tailored to the market conditions.

## ***Review of Quarterly Data***

### ***Three months ended September 30, 2022 compared to three months ended September 30, 2021***

**Revenue** of US\$255.0 million for the third quarter of 2022, increased by US\$6.7 million from US\$248.3 million for the same period in 2021.

Revenue from the CSH Mine was US\$61.0 million, a decrease of US\$4.7 million from US\$65.7 million for the same period in 2021. Realized average gold price decreased by 3% from US\$1,790/oz in Q3 2021 to US\$1,729/oz in Q3 2022. Gold sold by the CSH Mine was 35,303 ounces (gold produced: 34,146 ounces), compared to 36,682 ounces (gold produced: 37,838 ounces) for the same period in 2021.

Revenue from the Jiama Mine was US\$194.0 million, an increase of US\$11.3 million, compared to US\$182.7 million for the same period in 2021. Realized average price of copper decreased by 10% from US\$3.35/pound in Q3 2021 to US\$3.03/pound in Q3 2022. Total copper sold was 23,124 tonnes (51.0 million pounds) for the three months ended September 30, 2022, an increase of 26% from 18,292 tonnes (40.3 million pounds) for the same period in 2021.

**Cost of sales** of US\$179.3 million for the quarter ended September 30, 2022, an increase of US\$13.6 million from US\$165.7 million for the same period in 2021. Cost of sales as a percentage of revenue for the Company increased from 67% to 70% for the three months ended September 30, 2021 and 2022, 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\$75.7 million for the three months ended September 30, 2022, a decrease of 8%, or US\$6.9 million, from US\$82.6 million for the same period in 2021. Mine operating earnings as a percentage of revenue decreased from 33% to 30% for the three months ended September 30, 2021 and 2022, respectively.

**General and administrative expenses** increased by US\$6.7 million, from US\$9.5 million for the quarter ended September 30, 2021 to US\$16.2 million for the quarter ended September 30, 2022. During the current quarter, the Company continued to fulfill its social responsibilities by donating epidemic prevention materials to the community, and completing a number of environmental protection projects.

**Research and development expenses** of US\$7.4 million for the three months ended September 30, 2022, increased from US\$6.6 million for the comparative 2021 period. The company maintained research and development activities in the areas of improvement of recovery rates and optimization of processing and mining processes.

**Income from operations** of US\$52.1 million for the third quarter of 2022, decreased by US\$14.2 million, compared to US\$66.3 million for the same period in 2021.

**Finance costs** of US\$7.5 million for the three months ended September 30, 2022, decreased by US\$1.2 million compared to US\$8.7 million for the same period in 2021. The decrease was primarily due to the reduction in the total amount of borrowings outstanding.

**Foreign exchange loss** of US\$16.1 million for the three months ended September 30, 2022, increased from US\$0.2 million for the same period in 2021. The loss was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

**Interest and other income** of US\$2.1 million for the three months ended September 30, 2022, increased from US\$0.4 million for the same period in 2021. The increase was mainly due to the higher interest income earned during the current quarter compared to the last year.

**Income tax expense** of US\$7.3 million for the quarter ended September 30, 2022, increased by US\$1.6 million from US\$5.7 million for the comparative period in 2021. During the current quarter, the Company had US\$2.7 million of deferred tax expense compared to US\$1.3 million deferred tax credit for the same period in 2021.

**Net income** of US\$23.4 million for the three months ended September 30, 2022, decreased by US\$28.8 million from US\$52.2 million for the three months ended September 30, 2021.

### ***Nine months ended September 30, 2022 compared to nine months ended September 30, 2021***

**Revenue** of US\$851.0 million for the nine months ended September 30, 2022, increased by US\$25.7 million from US\$825.3 million for the same period in 2021.

Revenue from the CSH Mine was US\$202.9 million, an increase of US\$15.5 million from US\$187.4 million for the same period in 2021. Realized average gold price increased by 1% from US\$1,801/oz in the first nine months of 2021 to US\$1,825/oz in 2022. Gold sold by the CSH Mine was 111,205 ounces (gold produced: 110,030 ounces), compared to 104,050 ounces (gold produced: 105,230 ounces) for the same period in 2021.

Revenue from the Jiama Mine was US\$648.1 million, an increase of US\$10.2 million, compared to US\$637.9 million for the same period in 2021. Realized average price of copper increased by 27% from US\$2.67/pound in the first nine months of 2021 to US\$3.40/pound in 2022. Total copper sold was 64,762 tonnes (142.8 million pounds) for the nine months ended September 30, 2022, a decrease of 2% from 66,040 tonnes (145.6 million pounds) for the same period in 2021.

**Cost of sales** of US\$552.1 million for the nine months ended September 30, 2022, an increase of US\$19.1 million from US\$533.0 million for the same period in 2021. Cost of sales as a percentage of revenue for the Company remained the same at 65% for the nine months ended September 30, 2022 compared to the last year. 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\$298.9 million for the nine months ended September 30, 2022, an increase of 2%, or US\$6.6 million, from US\$292.3 million for the same period in 2021. Mine operating earnings as a percentage of revenue remained the same at 35% for the nine months ended September 30, 2022 compared to the last year.

**General and administrative expenses** increased by US\$6.6 million, from US\$27.9 million for the nine months ended September 30, 2021 to US\$34.5 million for the nine months ended September 30, 2022. During the current year, the Company continued to fulfill its social responsibilities by donating epidemic prevention materials to the community, and completing a number of environmental protection projects.

**Research and development expenses** of US\$18.7 million for the nine months ended September 30, 2022, increased from US\$16.1 million for the comparative 2021 period. The increase in 2022 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\$245.4 million for the nine months ended September 30, 2022, decreased by US\$2.6 million, compared to US\$248.0 million for the same period in 2021.

**Finance costs** of US\$23.6 million for the nine months ended September 30, 2022, decreased by US\$4.4 million compared to US\$28.0 million for the same period in 2021. The decrease was primarily due to the reduction in the total amount of borrowings outstanding.

**Foreign exchange loss** of US\$26.0 million for the nine months ended September 30, 2022, decreased from a gain of US\$6.5 million for the same period in 2021. The loss was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

**Interest and other income** of US\$8.9 million for the nine months ended September 30, 2022, increased from US\$3.9 million for the same period in 2021. The increase was mainly due to the Company receiving a US\$2.7 million dividend income from China Nonferrous Mining Corporation Limited in the second quarter of 2022.

**Income tax expense** of US\$27.8 million for the nine months ended September 30, 2022, increased by US\$7.2 million from US\$20.6 million for the comparative period in 2021. During the period, the Company had US\$5.8 million of deferred tax credit compared to US\$10.7 million for the same period in 2021.

**Net income** of US\$176.9 million for the nine months ended September 30, 2022, decreased by US\$33.0 million from US\$209.9 million for the nine months ended September 30, 2021.

## NON-IFRS MEASURES

The cash cost of production, cash cost after by-product credits and cash cost per ounce and per pound are measures that are not in accordance with IFRS.

The Company has included these metrics 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 and per pound data because it understands that

certain investors use this information to determine the Company's ability to generate earnings and cash flow. The measures are not necessarily indicative of operating results, cash flow from operations, or financial condition as determined under IFRS.

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:

Cash production cost for gold is calculated as total cost of sales adjusted by depreciation and depletion and amortization of intangible assets. Cash production cost of gold per ounce is calculated as total cash production cost divided by total gold sold (ounces).

#### CSH Mine (Gold)

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total Cost of sales <sup>1</sup>	49,489,020	1,402	54,976,141	1,499	162,482,811	1,461	158,279,562	1,521
Adjustment – Depreciation & depletion	(20,570,757)	(583)	(21,279,870)	(581)	(66,044,972)	(594)	(55,051,860)	(529)
Adjustment – Amortization of intangible assets	(361,154)	(10)	(562,603)	(15)	(1,247,397)	(11)	(1,568,773)	(15)
Total cash production costs	28,557,109	809	33,133,668	903	95,190,442	856	101,658,929	977
Total Gold sold ounces		35,303		36,682		111,205		104,050
Cash production cost of gold US\$ per ounce calculated as total cash production cost divided by total gold sold ounces								

Cash Production cost for copper is calculated as production costs (total cost of sales adjusted by General and administrative expenses and Research and development expenses) adjusted by depreciation and depletion and amortization of intangible assets. Cash production cost of copper pound is calculated as total cash production cost divided by total copper sold (pounds).

#### Jiama Mine (Copper with by-products credits)

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total Cost of sales	129,832,814	2.55	110,704,806	2.75	389,636,264	2.73	374,721,619	2.57
General and administrative expenses	15,275,557	0.30	8,164,219	0.20	31,492,550	0.22	24,408,964	0.17
Research and development expenses	7,357,055	0.14	6,619,011	0.16	18,712,068	0.13	16,093,880	0.11
Total production cost	152,465,426	2.99	125,488,036	3.11	439,840,882	3.08	415,224,463	2.85
Adjustment – Depreciation & depletion	(21,531,323)	(0.42)	(19,893,275)	(0.49)	(65,261,628)	(0.46)	(68,247,440)	(0.47)
Adjustment – Amortization of intangible assets	(10,055,078)	(0.20)	(8,053,120)	(0.20)	(30,228,207)	(0.21)	(25,559,143)	(0.18)
Total cash production costs	120,879,025	2.37	97,541,641	2.42	344,351,047	2.41	321,417,880	2.21
By-products credits	(44,193,320)	(0.87)	(47,196,790)	(1.17)	(156,608,846)	(1.10)	(247,783,589)	(1.70)
Total cash production costs after by-products credits	76,685,705	1.50	50,344,851	1.25	187,742,201	1.31	73,634,291	0.51
Total Copper sold pounds		50,979,084		40,327,394		142,774,796		145,593,665
Cash production cost of copper US\$ per pound calculated as total cash production cost divided by total copper sold pounds								

## 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-wonned 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,	
	2022	2021	2022	2021
Ore mined and placed on pad (tonnes)	3,077,874	4,065,541	11,008,656	11,428,013
Average ore grade (g/t)	0.63	0.60	0.63	0.53
Recoverable gold (ounces)	37,500	46,827	133,862	117,140
Ending gold in process (ounces)	180,281	177,555	180,281	177,555
Waste rock mined (tonnes)	2,981,726	9,892,004	12,040,633	38,124,393

For the three months ended September 30, 2022, the total amount of ore placed on the leach pad was 3.08 million tonnes, with total contained gold of 37,500 ounces (1,166 kilograms). The overall accumulative project-to-date gold recovery rate has remained at approximately 55.06% at the end of September 30, 2022 from 54.98% at the end of June 30, 2022. Of which, gold recovery from the phase I and phase II heap leach pads were 59.77% and 51.66% at September 30, 2022, respectively.

### Exploration

An exploration report on zones along boundary and at depth was reviewed by the Evaluation Centre for Mineral Resources and Mineral Reserves of the Ministry of Natural Resources (PRC) in November 2021 and registered in the Ministry of Natural Resources (PRC) in January 2022. The data was submitted to the Geology Archives Centre for Inner Mongolia Autonomous Region in May 2022, obtaining the Certificate of Submission, signifying an end of this stage of exploration and providing a basis for development studies of mineral resources at depth. An updated NI 43-101 Technical Report was disclosed on August 19, 2022. Compilation of the verification report on mineral resources and mineral reserves is underway based on the Chinese Code. A renewed Exploration License was approved by the local natural resources authority. The documents employed to determine the mining area at depth were submitted to the Natural Resources Bureau of Bayannaer City, currently awaiting the document review and approval.

## Mineral Resource Update

CSH Mine Mineral Resources by category, at April 1, 2022 under NI 43-101 are listed below:

Location	Mineral Resource Category	Tonnage (x1000 t)	Au (g/t)	Metal	
				Au (t)	Au (Moz)
Remaining within the open pit limit at a cut-off grade of 0.28 g/t Au	Measured	23,590	0.65	15.42	0.50
	Indicated	23,790	0.68	16.13	0.52
	M+I	47,380	0.67	31.55	1.01
	Inferred	7,280	0.42	3.08	0.10
Underground at a cut-off grade of 0.30 g/t Au	Measured	88,200	0.67	58.66	1.89
	Indicated	89,850	0.58	52.07	1.67
	M+I	178,050	0.62	110.72	3.56
	Inferred	62,090	0.49	30.68	0.99

Notes:

Mineral Resources are reported in relation to a conceptual open-pit mining and underground block caving mining. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. Raw assays have been capped. Mineral Resources include Mineral Reserves.

Mineral Resources are reported at a cut-off grade of 0.28 g/t Au for open-pit mining, based on the following parameters: the heap leaching & metallurgical recovery of 60% and gold bullion market price of USD 1,980 per ounce. Additional Mineral Resources are reported at a cut-off grade of 0.30 g/t Au for underground block caving mining, based on the following parameters: the heap leaching & metallurgical recovery of 60% and gold bullion market price of USD 1,980 per ounce. USD 1.0000=RMB 6.3457 dated in April 2022, and one troy ounce is equal to 31.1035 grams.

## Mineral Reserves Update

CSH Mine Mineral Reserves by category at April 1, 2022 under NI 43-101 are summarized below:

Type	T (x 1,000)	Diluted Au g/t	Metal	
			Au t	Au Moz
Proven	23,593	0.63	14.86	0.48
Probable	23,787	0.66	15.7	0.50
<b>Total</b>	<b>47,380</b>	<b>0.65</b>	<b>30.56</b>	<b>0.98</b>

Note:

Mineral Reserves are reported based on the optimized ultimate open pit limit. All figures are rounded to reflect the relative accuracy of the estimate. Mineral Reserves are included in Mineral Resources.

Mineral Reserves are reported at a cut-off grade of 0.28 g/t Au for open-pit mining, based on the following parameters: the heap leaching & metallurgical recovery of 60% and gold bullion market price of USD 1,568 per ounce. USD 1.0000=RMB 6.3457 dated in April 2022, and one troy ounce is equal to 31.1035 grams

## 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,	
	2022	2021	2022	2021
Ore processed (tonnes)	4,501,614	4,075,025	13,241,336	12,190,307
Average copper ore grade (%)	0.55	0.54	0.57	0.63
Copper recovery rate (%)	85	86	85	84
Average gold grade (g/t)	0.23	0.24	0.24	0.29
Gold recovery rate (%)	63	61	69	68
Average silver grade (g/t)	8.11	9.98	8.82	16.76
Silver recovery rate (%)	61	68	64	65
Average lead grade (%)	-	1.28	-	1.42
Lead recovery rate (%)	-	80.32	-	81.65
Average zinc grade (%)	-	0.72	-	0.77
Zinc recovery rate (%)	-	84.37	-	71.99
Average Moly grade (%)	0.026	0.022	0.025	0.022
Moly recovery rate (%)	18.16	27.03	20.39	34.19

During the first three quarters of 2022, the metals recovery rates increased by 1% for copper and gold and decreased by 1% for silver. There was recovery of molybdenum and no production of lead and zinc during the first three quarters of 2022.

## Exploration

The 2021 exploration program at Jiama Mine consists of 12 drill holes for 17,418 m, focused on extremities of Jiama deposit, in which the remaining nine drill holes for 14,606 m need to be completed in 2022. . By the end of Q3 2022, a total of 9,591.66 m drilling was completed, with borehole logs of 5,270.29 m and samples of 1,600 pieces. In addition, the other exploration program with eight holes for 10,222 m concentrated on the boundary of the Jiama deposit was planned early this year, awaiting the approval from the Natural Resources Bureau of Mozhuogonka County following the submission of the application materials for the land leasing. Third, to delineate one to two new target areas, a prospecting program at Bayi meadow was initiated in Q1 2022, with geological investigation of 37.31 km<sup>2</sup>, soil and rock survey of 26 km<sup>2</sup> respectively, and 12 drill holes for 5,168 m, with the leasing approval of land underway.

## Mineral Resources Estimate

Jiama Mine resources by category at December 31, 2021 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, 2021

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	92.99	0.38	0.04	0.04	0.02	0.07	5.10	356.9	34.0	33.5	16.8	0.224	15.236
Indicated	1,330.44	0.40	0.03	0.05	0.03	0.10	5.53	5,306.6	456.0	613.1	380.0	4,315	236.515
M+I	1,423.43	0.40	0.03	0.05	0.03	0.10	5.50	5,663.5	489.0	646.6	396.8	4,539	251.752
Inferred	406.1	0.31	0.03	0.08	0.04	0.10	5.13	1,247.0	123.0	311.0	175.0	1,317	66.926

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:

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

## Mineral Reserves Estimate

Jiama Mine reserves by category at December 31, 2021 under NI 43-101:

### Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2021

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	18.48	0.60	0.05	0.02	0.01	0.19	7.67	110.5	9.1	4.0	2.7	0.114	4.559
Probable	356.44	0.60	0.03	0.12	0.07	0.16	10.25	2,127.3	121.1	427.7	236.2	1.844	117.524
P+P	374.92	0.60	0.03	0.12	0.06	0.16	10.13	2,237.8	130.3	431.7	238.9	1.958	122.083

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"), 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 where the Group agreed to transfer the land use right for the development and Zhongxinfang agreed to compensate the Group by transferring a block of the buildings and twenty car parks (the "New Premises") to the Group no later than 2021 (the "Land Exchange").

As at September 30, 2022 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. 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 buildings 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. In April 2022, Huatailong submitted alternation of claims application to the court and requested the delivery of New Premises and changing the penalty charge to be RMB9 million (equivalent to US\$1,397,000). On June 24, 2022, the first instance of the claims has been held and 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 Group's assessment on the completion status of the New Premises, the construction of the New Premises has been substantially completed pending for installation of plumbing, electrical wiring, interior walls and decoration, there has been no significant market value decline of comparable properties during the current period and the Group has first priority of claim over the New Premises under New Premises Pre-litigation Preservation. Accordingly, no impairment loss (2021: nil) has been made on the other non-current assets as the directors of the Company are of the opinion that the recoverable amount of the non-current assets is above its carrying amount of US\$17,643,000 (equivalent to RMB125,252,000) as at September 30, 2022.

During the year ended December 31, 2020, Huatailong has paid the tax and other surcharges related to the Land Exchange and 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 certain 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 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 Group's first priority of claim over one of the assets under Pre-litigation Preservation has been extended for three years till May 24, 2024. The result of the aforementioned Enforcement is not ascertain as at the date these condensed consolidated financial statements are authorised for issue. Based on the best available information to the Group and the credit assessment as of September 30, 2022, the directors of the Company considered that ECL on other receivables is not material.

## **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, 2022, the Company had an accumulated surplus of US\$558 million, working capital of US\$42.1 million and borrowings of US\$881.7 million. The Company's cash balance at September 30, 2022 was US\$399.8 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\$301.1 million of 2.8% coupon rate unsecured bonds maturing on June 23, 2023, and US\$122.3 million of short term debt facilities with interest rates ranging from 1.05% 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, 2022 the Company has drawn down RMB3.79 billion, approximately US\$564.7 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 1.05% 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, 2022 and September 30, 2021.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Net cash from operating activities	89,836	117,482	358,220	393,914
Net cash used in investing activities	(8,095)	(40,232)	(36,752)	(141,410)
Net cash used in financing activities	(29)	(57,509)	(125,223)	(194,443)
Net increase in cash and cash equivalents	81,712	19,741	196,245	58,061
Effect of foreign exchange rate changes on cash and cash equivalents	157	(765)	(4,585)	1,415
Cash and cash equivalents, beginning of period	317,919	283,788	208,128	243,288
<b>Cash and cash equivalents, end of period</b>	<b>399,788</b>	<b>302,764</b>	<b>399,788</b>	<b>302,764</b>

### Operating cash flow

For the three months ended September 30, 2022, net cash inflow from operating activities was US\$89.8 million which is primarily attributable to (i) profit before income tax of US\$30.6 million (ii) depreciation of property, plant and equipment of US\$41.4 million (iii) unrealized foreign exchange loss of US\$10.7 million and (iv) amortization of mining rights of US\$10.4 million, partially offset by (i) income taxes paid of US\$8.3 million and (ii) interest paid of US\$3.8 million.

For the nine months ended September 30, 2022, net cash inflow from operating activities was US\$358.2 million which is primarily attributable to (i) profit before income tax of US\$204.7 million (ii) depreciation of property, plant and equipment of US\$130.7 million (iii) amortization of mining rights of US\$31.4 million (iv) finance cost of US\$23.6 million and (v) unrealized foreign exchange loss of US\$21.0 million, partially offset by (i) income taxes paid of US\$33.3 million (ii) decrease in accounts payables of US\$17.7 million and (iii) interest paid of US\$16.5 million..

### Investing cash flow

For the three months ended September 30, 2022, the net cash outflow from investing activities was US\$8.1 million which is primarily attributable to payment for acquisition of property, plant and equipment of US\$10.0 million, partially offset by dividend received of US\$2.7 million.

For the nine months ended September 30, 2022, the net cash outflow from investing activities was US\$36.8 million which is primarily attributable to (i) payment for acquisition of property, plant and equipment of US\$23.6 million (ii) and purchase of land use rights of US\$21.6 million, partially offset by release of restricted bank deposits of US\$7.4 million.

### Financing cash flow

For the three months ended September 30, 2022, the net cash outflow mainly from financing activities was US\$29,000 which is primarily attributable to payment for lease commitments.

For the nine months ended September 30, 2022, the net cash outflow mainly from financing activities was US\$125.2 million which is primarily attributable to (i) dividend paid to shareholders of US\$99.1 million (ii) repayments of borrowings of US\$25.6 million and (iii) dividend paid to a non-controlling shareholder of a subsidiary of US\$0.4 million.

### Expenditures Incurred

For the nine months ended September 30, 2022, the Company incurred mining costs of US\$75.3 million, mineral processing costs of US\$114.5 million and transportation costs of US\$5.0 million.

## Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at September 30, 2022, the Company's total debt was US\$881.7 million and the total equity was US\$1,826 million. The Company's gearing ratio was therefore 0.48 as at September 30, 2022 compared to 0.49 as at June 30, 2022.

## 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, 2022, 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, 2022. 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 condensed consolidated financial statements, none of the Company's assets were pledged as at September 30, 2022.

## 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, 2021.

## 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, 2021.

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	580,602	122,257	236,626	221,719
Repayment of bonds including interest	301,084	301,084	-	-
<b>Total</b>	<b>881,686</b>	<b>423,341</b>	<b>236,626</b>	<b>221,719</b>

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 December 31, 2021 and September 30, 2022.

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\$202.9 million for the nine months ended September 30, 2022 which increased from US\$187.4 million for the nine months ended September 30, 2021.

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, 2022, revenue from sales of copper concentrate and other products to CNG was US\$621.6 million compared to US\$435.7 million for the same period in 2021.

For the nine months ended September 30, 2022, construction services of US\$4.6 million were provided to the Company by subsidiaries of CNG (US\$4.0 million for the nine months ended September 30, 2021).

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 details of significant related party transactions during the nine months ended September 30, 2022.

## **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, 2022. 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, 2021.

## **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, 2021.

## **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, 2022.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at September 30, 2022, 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, 2021, the Company declared a special dividend of US\$ 0.25 per common share, which was paid on June 15, 2022 to shareholders of record as of April 20, 2022.

The Board of Directors will determine any future dividends and dividend policy on the basis of earnings, financial requirements and other relevant factors.

## **OUTSTANDING SHARES**

As of September 30, 2022 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, 2022 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, 2022, 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, 2022 and have concluded that these controls and procedures were effective as of September 30, 2022 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, 2022, 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](http://www.sedar.com) and [www.hkex.com.hk](http://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 14, 2022