# China Gold International Resources Corp. Ltd.

## Management's Discussion and Analysis of Financial Condition and Results of Operations
## Six months ended June 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 six months ended June 30, 2022.*
*(Stated in U.S. dollars, except as otherwise noted)*

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of May 16, 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 six months ended June 30, 2022 and the three and six months ended June 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, 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, 2022***

- Revenue decreased by 4% to US$292.0 million from US$304.9 million for the same period in 2021.
- Mine operating earnings decreased by 7% to US$117.7 million from US$125.9 million for the same period in 2021.
- Net income of US$81.7 million decreased by 19% or US$19.0 million from US$100.7 million for the same period in 2021.
- Cash flow from operation increased by 1% to US$107.6 million from US$106.2 million for the same period in 2021.
- Total gold production decreased by 8% to 65,527 ounces from 71,225 ounces for the same period in 2021.
- Total copper production decreased by 11% to 47.1 million pounds (approximately 21,356 tonnes) from 52.6 million pounds (approximately 23,875 tonnes) for the same period in 2021.

***Six months ended June 30, 2022***

- Revenue increased by 3% to US$596.0 million from US$577.0 million for the same period in 2021.
- Mine operating earnings increased by 6% to US$223.2 million from US$209.7 million for the same period in 2021.
- Net income of US$153.5 million decreased by 3% or US$4.2 million from US$157.7 million for the same period in 2021.
- Cash flow from operation decreased by 3% to US$268.4 million from US$276.4 million for the same period in 2021.
- Total gold production slightly decreased by less than 1% to 124,110 ounces from 124,746 ounces for the same period in 2021.
- Total copper production decreased by 6% to 95.4 million pounds (approximately 43,279 tonnes) from 101.6 million pounds (approximately 46,066 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 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, 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 | |
| *(US$ in thousands except per share)* | **30-Jun** | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep |
| Revenue | **291,994** | 304,021 | 312,016 | 248,326 | 304,944 | 272,070 | 265,810 | 240,451 |
| Cost of sales | **174,304** | 198,493 | 200,210 | 165,681 | 179,001 | 188,319 | 175,717 | 174,346 |
| Mine operating earnings | **117,690** | 105,528 | 111,806 | 82,645 | 125,943 | 83,751 | 90,093 | 66,105 |
| General and administrative expenses | **8,296** | 9,949 | 16,165 | 9,462 | 10,294 | 8,099 | 13,656 | 8,026 |
| Exploration and evaluation expenses | **256** | 40 | 358 | 260 | 59 | 41 | 174 | 77 |
| Research and development expenses | **5,470** | 5,885 | 10,347 | 6,619 | 5,051 | 4,424 | 11,019 | 3,251 |
| Income from operations | **103,668** | 89,654 | 84,936 | 66,304 | 110,539 | 71,187 | 65,244 | 54,751 |
| Foreign exchange (loss) gain | **(11,542)** | 1,673 | 2,071 | (161) | 4,944 | 1,728 | 4,806 | 6,366 |
| Finance costs | **7,943** | 8,188 | 8,296 | 8,670 | 9,604 | 9,743 | 9,732 | 10,241 |
| Profit before income tax | **90,098** | 83,956 | 81,198 | 57,885 | 108,486 | 64,079 | 63,961 | 51,665 |
| Income tax expense | **8,374** | 12,155 | 22,422 | 5,650 | 7,789 | 7,112 | 7,513 | 4,029 |
| Net profit | **81,724** | 71,801 | 58,776 | 52,235 | 100,697 | 56,967 | 56,448 | 47,636 |
| Basic earnings per share (cents) | **20.48** | 17.97 | 14.76 | 13.11 | 25.27 | 14.30 | 14.10 | 11.87 |
| Diluted earnings 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 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Gold sales (US$ million) | **72.17** | 65.10 | **141.90** | 121.76 |
| Realized average price (US$) of gold per ounce | **1,868** | 1,811 | **1,870** | 1,807 |
| Gold produced (ounces) | **38,607** | 37,170 | **75,884** | 67,392 |
| Gold sold (ounces) | **38,636** | 35,949 | **75,902** | 67,368 |
| Total production cost (US$ per ounce) | **1,442** | 1,537 | **1,489** | 1,533 |
| Cash production cost(1) (US$ per ounce) | **798** | 1,005 | **878** | 1,017 |

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

Gold production at the CSH Mine increased by 3.8% to 38,607 ounces for the three months ended June 30, 2022 compared to 37,170 ounces for the same period in 2021. The total production cost of gold for the three months ended June 30, 2022 decreased to US$1,442 per ounce compared to US$1,537 for the same period in 2021. The cash production cost of gold for the three months ended June 30, 2022 decreased to US$798 per ounce from US$1,005 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 June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Copper sales (US$ in millions) | **159.11** | 137.49 | **337.78** | 254.06 |
| Realized average price [1](US$) of copper per pound after smelting fee discount | **3.72** | 2.61 | **3.68** | 2.41 |
| Copper produced (tonnes) | **21,356** | 23,875 | **43,279** | 46,066 |
| Copper produced (pounds) | **47,080,848** | 52,633,987 | **95,412,864** | 101,557,708 |
| Copper sold (tonnes) | **19,860** | 23,841 | **41,638** | 47,748 |
| Copper sold (pounds) | **43,782,721** | 52,560,835 | **91,795,712** | 105,266,271 |
| Gold produced (ounces) | **26,920** | 34,055 | **48,226** | 57,354 |
| Gold sold (ounces) | **24,369** | 34,009 | **45,473** | 58,950 |
| Silver produced (ounces) | **890,888** | 1,641,394 | **1,696,631** | 3,374,047 |
| Silver sold (ounces) | **824,791** | 1,639,684 | **1,635,158** | 3,539,551 |
| Lead produced (tonnes) | **-** | 17,350 | **-** | 38,172 |
| Lead produced (pounds) | **-** | 38,249,797 | **-** | 84,155,454 |
| Lead sold (tonnes) | **-** | 17,383 | **-** | 40,474 |
| Lead sold (pounds) | **-** | 38,323,101 | **-** | 89,229,631 |
| Zinc produced (tonnes) | **-** | 8,347 | **-** | 17,999 |
| Zinc produced (pounds) | **-** | 18,401,332 | **-** | 39,681,069 |
| Zinc sold (tonnes) | **-** | 8,363 | **-** | 19,101 |
| Zinc sold (pounds) | **-** | 18,436,664 | **-** | 42,109,580 |
| Moly produced (tonnes) | **253** | 103 | **466** | 103 |
| Moly produced (pounds) | **558,541** | 226,809 | **1,026,403** | 226,809 |
| Moly sold (tonnes) | **210** | 102 | **475** | 102 |
| Moly sold (pounds) | **463,477** | 225,738 | **1,046,553** | 225,738 |
| Total production cost [2] (US$) of copper per pound | **3.00** | 2.62 | **3.13** | 2.75 |
| Total production cost [2] (US$) of copper per pound after by-products credits [4] | **1.66** | 0.68 | **1.91** | 0.85 |
| Cash production cost [4](US$) per pound of copper | **2.28** | 1.99 | **2.43** | 2.12 |
| Cash production cost [3] (US$) of copper per pound after by-products credits [4] | **0.94** | 0.05 | **1.21** | 0.21 |

*1* A discount factor of 12.9% to 23.8% is applied to the copper benchmark price to compensate the refinery costs incurred by the buyers. The discount factor is higher if the grade of copper in copper concentrate is below 18%. The industry standard of copper in copper concentrate is between 18-20%.

*2* Production costs include expenditures incurred at the mine sites for the activities related to production including mining, processing, mine site G&A and royalties etc.

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

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

During the three months ended June 30, 2022, the Jiama Mine produced 21,356 tonnes (approximately 47.1 million pounds) of copper, a decrease of 11% compared with the three months ended June 30, 2021 (23,875 tonnes, or 52.6 million pounds).

Both total production cost of copper per pound after by-products and cash production cost of copper per pound after by-product increased as compared to the same period in 2021 due to lower head grades; and less by-products recovered of silver, lead and zinc, despite more by-product recovered from molybdenum.

Taking advantage of high metal prices in 2022, the Jiama Mine increased the utilization rate of low-grade ore with operating costs being strictly controlled. A flexible mining plan with a dynamic cut-off grade was adopted, which is responsive and tailored to the market conditions. The flexible mining plan can effectively maintain the stability of the Jiama Mine's operation results and reduce the impact and risk of metal price fluctuations to ensure sustainable growth in operation performance.

### *Review of Quarterly Data*

***Three months ended June 30, 2022 compared to three months ended June 30, 2021***

**Revenue** of US$292.0 million for the second quarter of 2022, decreased by US$12.9 million from US$304.9 million for the same period in 2021.

Revenue from the CSH Mine was US$72.2 million, an increase of US$7.1 million from US$65.1 million for the same period in 2021. Realized average gold price increased by 3% from US$1,811/oz in Q2 2021 to US$1,868/oz in Q2 2022. Gold sold by the CSH Mine was 38,636 ounces (gold produced: 38,607 ounces), compared to 35,949 ounces (gold produced: 37,170 ounces) for the same period in 2021.

Revenue from the Jiama Mine was US$219.8 million, a decrease of US$20.1 million, compared to US$239.9 million for the same period in 2021. Realized average price of copper increased by 43% from US$2.61/pound in Q2 2021 to US$3.72/pound in Q2 2022. Total copper sold was 19,860 tonnes (43.8 million pounds) for the three months ended June 30, 2022, a decrease of 17% from 23,841 tonnes (52.6 million pounds) for the same period in 2021.

**Cost of sales** of US$174.3 million for the quarter ended June 30, 2022, a decrease of US$4.7 million from US$179.0 million for the same period in 2021. Cost of sales as a percentage of revenue for the Company increased from 59% to 60% for the three months ended June 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$117.7 million for the three months ended June 30, 2022, a decrease of 7%, or US$8.2 million, from US$125.9 million for the same period in 2021. Mine operating earnings as a percentage of revenue decreased from 41% to 40% for the three months ended June 30, 2021 and 2022, respectively.

**General and administrative expenses** decreased by US$2.0 million, from US$10.3 million for the quarter ended June 30, 2021 to US$8.3 million for the quarter ended June 30, 2022. The decrease was mainly due to the Company's continuous implementation of an overall cost reduction program.

**Research and development expenses** of US$5.5 million for the three months ended June 30, 2022, slightly increased from US$5.1 million for the comparative 2021 period. The company maintains research and development activities in the areas of improvement of recovery rates and optimization of processing and mining processes.

**Income from operations** of US$103.7 million for the second quarter of 2022, decreased by US$6.8 million, compared to US$110.5 million for the same period in 2021.

**Finance costs** of US$7.9 million for the three months ended June 30, 2022, decreased by US$1.7 million compared to US$9.6 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$11.5 million for the three months ended June 30, 2022, decreased from a gain of US$4.9 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$5.9 million for the three months ended June 30, 2022, increased from US$2.6 million for the same period in 2021. The increase was mainly due to the Company accruing a US$2.7 million dividend income from China Nonferrous Mining Corporation Limited in the second quarter of 2022.

**Income tax expense** of US$8.4 million for the quarter ended June 30, 2022, increased by US$0.6 million from US$7.8 million for the comparative period in 2021. During the current quarter, the Company had US$7.5 million of deferred tax credit compared to US$9.8 million for the same period in 2021.

**Net income o**f US$81.7 million for the three months ended June 30, 2022, decreased by US$19.0 million from US$100.7 million for the three months ended June 30, 2021.

***Six months ended June 30, 2022 compared to six months ended June 30, 2021***

**Revenue** of US$596.0 million for the first half of 2022, increased by US$19.0 million from US$577.0 million for the same period in 2021.

Revenue from the CSH Mine was US$141.9 million, an increase of US$20.1 million from US$121.8 million for the same period in

2021. Realized average gold price increased by 3% from US$1,807/oz in the first six months of 2021 to US$1,870/oz in 2022. Gold sold by the CSH Mine was 75,902 ounces (gold produced: 75,884 ounces), compared to 67,368 ounces (gold produced: 67,392 ounces) for the same period in 2021.

Revenue from the Jiama Mine was US$454.1 million, a decrease of US$1.2 million, compared to US$455.3 million for the same period in 2021. Realized average price of copper increased by 52% from US$2.41/pound in the first six months of 2021 to US$3.68/pound in 2022. Total copper sold was 41,638 tonnes (91.8 million pounds) for the six months ended June 30, 2022, a decrease of 13% from 47,748 tonnes (105.3 million pounds) for the same period in 2021.

**Cost of sales** of US$372.8 million for the six months ended June 30, 2022, an increase of US$5.5 million from US$367.3 million for the same period in 2021. Cost of sales as a percentage of revenue for the Company decreased from 64% to 63% for the six months ended June 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$223.2 million for the six months ended June 30, 2022, an increase of 6%, or US$13.5 million, from US$209.7 million for the same period in 2021. Mine operating earnings as a percentage of revenue increased from 36% to 37% for the six months ended June 30, 2021 and 2022, respectively.

**General and administrative expenses** decreased by US$0.2 million, from US$18.4 million for the six months ended June 30, 2021 to US$18.2 million for the six months ended June 30, 2022 due to the company's continuous implementation of an overall cost reduction program.

**Research and development expenses** of US$11.4 million for the six months ended June 30, 2022, increased from US$9.5 million for the comparative 2021 period. The increase in the first half of 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$193.3 million for the six months ended June 30, 2022, increased by US$11.6 million, compared to US$181.7 million for the same period in 2021.

**Finance costs** of US$16.1 million for the six months ended June 30, 2022, decreased by US$3.2 million compared to US$19.3 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$9.9 million for the six months ended June 30, 2022, decreased from a gain of US$6.7 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$6.7 million for the six months ended June 30, 2022, increased from US$3.5 million for the same period in 2021. The increase was mainly due to the Company accruing a US$2.7 million dividend income from China Nonferrous Mining Corporation Limited in the second quarter of 2022.

**Income tax expense** of US$20.5 million for the six months ended June 30, 2022, increased by US$5.6 million from US$14.9 million for the comparative period in 2021. During the period, the Company had US$8.6 million of deferred tax credit compared to US$9.4 million for the same period in 2021.

**Net income o**f US$153.5 million for the six months ended June 30, 2022, decreased by US$4.2 million from US$157.7 million for the six months ended June 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 June 30,** | | | | **Six months ended June 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 [1] | **55,729,581** | **1,442** | 55,254,701 | 1,537 | **112,993,791** | **1,489** | 103,303,421 | 1,533 |
| Adjustment – Depreciation & depletion | **(24,405,716)** | **(632)** | (18,618,823) | (518) | **(45.474,215)** | **(599)** | (33,771,990) | (501) |
| Adjustment – Amortization of intangible assets | **(469,635)** | **(12)** | (509,069) | (14) | **(886,243)** | **(12)** | (1,006,170) | (15) |
| Total cash production costs | **30,854,230** | **798** | 36,126,809 | 1,005 | **66,633,333** | **878** | 68,525,261 | 1,017 |

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 June 30,** | | | | **Six months ended June 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 | **118,575,000** | **2.71** | 123,746,221 | 2.35 | **259,803,450** | **2.83** | 264,016,813 | 2.51 |
| General and administrative expenses | **7,230,471** | **0.17** | 9,116,776 | 0.17 | **16,216,993** | **0.18** | 16,244,745 | 0.15 |
| Research and development expenses | **5,470,289** | **0.12** | 5,050,819 | 0.10 | **11,355,013** | **0.12** | 9,474,869 | 0.09 |
| Total production cost | **131,275,760** | **3.00** | 137,913,816 | 2.62 | **287,375,456** | **3.13** | 289,736,427 | 2.75 |
| Adjustment – Depreciation & depletion | **(21,592,060)** | **(0.49)** | (23,597,588) | (0.45) | **(43,730,305)** | **(0.48)** | (48,354,165) | (0.46) |
| Adjustment – Amortization of intangible assets | **(10,100,897)** | **(0.23)** | (9,681,258) | (0.18) | **(20,173,129)** | **(0.22)** | (17,506,023) | (0.17) |
| Total cash production costs | **99,582,803** | **2.28** | 104,634,970 | 1.99 | **223,472,022** | **2.43** | 223,876,239 | 2.12 |
| By-products credits | **(58,719,227)** | **(1.34)** | (102,041,437) | (1.94) | **(112,415,527)** | **(1.22)** | (200,586,799) | (1.91) |
| Total cash production costs after by-products credits | **40,863,576** | **0.94** | 2,593,533 | 0.05 | **111,056,495** | **1.21** | 23,289,440 | 0.21 |
| Total Copper sold pounds | | **43,782,721** | | 52,560,835 | | **91,795,712** | | 105,266,271 |

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-winned to produce a gold dore which is sold to refiners. In June 2020, the operation of southwest pit ended.

The major new contracts entered into during the six months ended June 30, 2022:

| Item No. | Contract Name | Counterpart | Subject amount (US $ millions) | Contract period (effective day and expiration date) | Date of Contract |
|---|---|---|---|---|---|
| 1 | Supply Agreement of 10800 tons of Liquid Sodium Cyanide in 2022 | Inner Mongolia Chengxin Yongan Chemical Co., Ltd. | Estimated: 7.1 | 2022.1.10-2022.4.10 | 2022.1.10 |
| 2 | Purchase and sale contract of gold bearing materials | Hunan Zhongxing Environmental Protection Technology Co., Ltd | Estimated: 5.7 | 2022.6.8-2022.7.8 | 2022.6.8 |

## Production Update

| CSH Mine | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Ore mined and placed on pad (tonnes) | **4,344,499** | 3,929,608 | **7,930,782** | 7,362,472 |
| Average ore grade (g/t) | **0.65** | 0.56 | **0.63** | 0.50 |
| Recoverable gold (ounces) | **54,097** | 42,314 | **96,362** | 70,313 |
| Ending gold in process (ounces) | **180,718** | 166,831 | **180,718** | 166,831 |
| Waste rock mined (tonnes) | **5,506,015** | 17,652,811 | **9,058,907** | 28,232,389 |

For the three months ended June 30, 2022, the total amount of ore placed on the leach pad was 4.3 million tonnes, with total contained gold of 54,097 ounces (1,683 kilograms). The overall accumulative project-to-date gold recovery rate has remained at approximately 54.98% at the end of June 30, 2022 from 55.29% at the end of March 31, 2022. Of which, gold recovery from the phase I and phase II heap leach pads were 59.77% and 51.58% at June 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.
The Company is currently working on an updated NI 43-101 Technical Report which is expected to be disclosed shortly.

## Mineral Resource Update

CSH Mine Mineral Resources by category, at December 31, 2021 under NI 43-101 are listed below:

| | | | Metal | |
|---|---|---|---|---|
| **Type** | **Quantity Mt** | **Au g/t** | **Au t** | **Au Moz** |
| Measured | 0.93 | 0.43 | 0.40 | 0.01 |
| Indicated | 94.62 | 0.62 | 58.52 | 1.88 |
| M+I | 95.55 | 0.62 | 58.92 | 1.89 |
| Inferred | 80.24 | 0.52 | 41.52 | 1.33 |

*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, 2021 under NI 43-101 are summarized below:

| | | | Metal | |
|---|---|---|---|---|
| **Type** | **Quantity Mt** | **Au g/t** | **Au t** | **Au Moz** |
| Proven | 0.35 | 0.47 | 0.16 | 0.01 |
| Probable | 42.32 | 0.67 | 28.29 | 0.91 |
| **Total** | 42.67 | 0.67 | 28.45 | 0.91 |

*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 zin, 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, 2022:

| Item No. | Contract Name | Counterpart | Subject amount (US $ millions) | Contract period (effective day and expiration date) | Date of Contract |
|---|---|---|---|---|---|
| 1 | Supplementary agreement (III) to the EPC contract for the second phase guolanggou tailings pond sub dam (4265-4315m) of Tibet huatailong Mining Development Co., Ltd | Mining and Metallurgy Technology Group Co., Ltd | Estimated: 3.6 | 2022.1-2022.4 | 2022.1.1 |
| 2 | General contracting project of tailing pond design in YouLongBu | Changchun Gold Design Institute Co., Ltd | Estimated: 6.0 | 2022.4-2022.8 | 2022.3.1 |
| 3 | General contracting of Afforestation project of North and South Mountains in Lhasa (Deqing east area 4-1) | Tibet Nyingchi Yarlung Zangbo Landscaping Co., Ltd | Estimated: 3.7 | 2022.4-2026.4 | 2022.4.1 |
| 4 | Cement Purchase Contract | Sichuan communications investment rongou Material Industry Co., Ltd | Estimated: 9.5 | 2022.4-2023.1 | 2022.4.1 |
| 5 | Cement Purchase Contract | Tibet Chuandong Trading Co., Ltd | Estimated: 4.4 | 2022.4-2023.1 | 2022.4.1 |
| 6 | Sodium hydrosulfide Purchase Contract | Jiayuguan Ruichen equipment Engineering Co., Ltd | Estimated: 6.2 | 2022.5-2023.5 | 2022.5.1 |

## Production Update

| **Jiama Mine** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Ore processed (tonnes) | **4,291,104** | 4,146,952 | **8,739,722** | 8,115,282 |
| Average copper ore grade (%) | **0.58** | 0.69 | **0.58** | 0.68 |
| Copper recovery rate (%) | **85** | 83 | **85** | 83 |
| Average gold grade (g/t) | **0.26** | 0.36 | **0.24** | 0.31 |
| Gold recovery rate (%) | **74** | 72 | **71** | 70 |
| Average silver grade (g/t) | **9.49** | 19.10 | **9.19** | 20.17 |
| Silver recovery rate (%) | **68** | 64 | **66** | 64 |
| Average lead grade (%) | **-** | 1.25 | **-** | 1.37 |
| Lead recovery rate (%) | **-** | 79.71 | **-** | 80.04 |
| Average zinc grade (%) | **-** | 0.68 | **-** | 0.74 |
| Zinc recovery rate (%) | **-** | 69.98 | **-** | 69.50 |
| Average Moly grade (%) | **0.027** | 0.023 | **0.025** | 0.022 |
| Moly recovery rate (%) | **22.11** | 51.59 | **21.58** | 46.20 |

During the three months ended June 30, 2022, the metals recovery rates increased by 2% for copper, 4% for silver and 2% for gold. There was recovery of molybdenum and no production of lead and zinc during the first three months of 2022. The improvement of copper is mainly due to the continued optimization of mineral processing operations including regime of reagents, and the amelioration of steady flowsheet.

## 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 Q2 2022, a total of 5,350.4 m drilling was completed, with borehole logs of 4,271.64 m and samples of 1,380 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 Mozhugonka 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 $km^2$, soil and rock survey of 26 $km^2$ 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:
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, 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:

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 Stoping;

   b) Stope recovery is 87% for Sub-Level Open Stoping;

   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.

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 June 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 charnge 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$18,663,000 (equivalent to RMB125,252,000) as at June 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 June 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 June 30, 2022, the Company had an accumulated surplus of US$534.0 million, working deficit of US$40.3 million and borrowings of US$912.8 million. The Company's cash balance at June 30, 2022 was US$317.9 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$298.6 million of 2.8% coupon rate unsecured bonds maturing on June 23, 2023, and US$129.3 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 June 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 six months ended June 30, 2022 and June 30, 2021.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Net cash from operating activities | **107,618** | 106,234 | **268,384** | 276,432 |
| Net cash used in investing activities | **(16,321)** | (43,327) | **(28,657)** | (101,178) |
| Net cash used in financing activities | **(124,724)** | (105,900) | **(125,194)** | (136,934) |
| Net (decrease) increase in cash and cash equivalents | **(33,427)** | (42,993) | **114,533** | 38,320 |
| Effect of foreign exchange rate changes on cash and cash equivalents | **(2,748)** | 3,048 | **(4,742)** | 2,180 |
| Cash and cash equivalents, beginning of period | **354,094** | 323,733 | **208,128** | 243,288 |
| **Cash and cash equivalents, end of period** | **317,919** | 283,788 | **317,919** | 283,788 |

### *Operating cash flow*

For the three months ended June 30, 2022, net cash inflow from operating activities was US$107.6 million which is primarily attributable to (i) profit before income tax of US$90.1 million (ii) depreciation of property, plant and equipment of US$46.3 million (iii) unrealized foreign exchange loss of US$11.1 million (iv) amortization of mining rights of US$10.6 million and (v) finance cost of US$7.9 million, partially offset by (i) decrease in accounts payable and accrued liabilities of US$19.8 million, (ii) income taxes paid of US$19.6 million and (iii) interest paid of US$8.4 million.

For the six months ended June 30, 2022, net cash inflow from operating activities was US$268.4 million which is primarily attributable to (i) profit before income tax of US$174.0 million (ii) depreciation of property, plant and equipment of US$89.3 million (iii) amortization of mining rights of US$21.1 million (iv) finance cost of US$16.1 million and (v) decrease in accounts receivables of US$12.9 million , partially offset by (i) income taxes paid of US$25.0 million (ii) interest paid of US$12.8 million and (iii) increase in inventory of US$9.4 million.

### *Investing cash flow*

For the three months ended June 30, 2022, the net cash outflow from investing activities was US$16.3 million which is primarily attributable to payment for acquisition of land use right of US$18.4 million, partially offset by release of restricted bank deposits of US$3.1 million.

For the six months ended June 30, 2022, the net cash outflow from investing activities was US$28.7 million which is primarily attributable to (i) purchase of land use rights of US$21.6 million and (ii) payment for acquisition of property, plant and equipment of US$13.5 million, partially offset by release of restricted bank deposits of US$6.3 million.

### *Financing cash flow*

For the three months ended June 30, 2022, the net cash outflow mainly from financing activities was US$124.7 million which is primarily attributable to (i) dividend paid to shareholders of US$99.1 million and (ii) repayments of borrowings of US$25.6 million.

For the six months ended June 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 six months ended June 30, 2022, the Company incurred mining costs of US$53.6 million, mineral processing costs of US$77.0 million and transportation costs of US$3.5 million.

### Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at June 30, 2022, the Company's total debt was US$912.8 million and the total equity was US$1,848 million. The Company's gearing ratio was therefore 0.49 as at June 30, 2022 compared to 0.54 as at March 31, 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 six months ended June 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 six months ended June 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 June 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 One year | Within Two to five years | Over five years |
|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Principal repayment of bank loans | **614,201** | 129,332 | 250,320 | 234,549 |
| Repayment of bonds including interest | **298,623** | 298,623 | - | - |
| **Total** | **912,824** | **427,955** | **250,320** | **234,549** |

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 June 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$141.9 million for the six months ended June 30, 2022 which increased from US$121.8 million for the six months ended June 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 six months ended June 30, 2022, revenue from sales of copper concentrate and other products to CNG was US$431.9 million compared to US$266.8 million for the same period in 2021.

For the six months ended June 30, 2022, construction services of US$3.9 million were provided to the Company by subsidiaries of CNG (US$2.8 million for the six months ended June 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 the six months ended June 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 six months ended June 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 June 30, 2022.

## OFF-BALANCE SHEET ARRANGEMENTS

As at June 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 June 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 June 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 June 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 June 30, 2022 and have concluded that these controls and procedures were effective as of June 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 six months ended June 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 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, 2022.

## A2. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as of June 30, 2022, 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, 2022, 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

| Name | Position | Company | Number of shares held | Nature of interest | Approximate percentage of interest in the Company |
|---|---|---|---|---|---|
| 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, 2022.

## 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, 2022, 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, 2022, 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, 2022.

## A8. INTERIM DIVIDEND

The Board did not recommend the payment of interim dividends in respect of the six months ended June 30, 2022.

## 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, 2022.

August 15, 2022