

(A) UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP**(1) INTRODUCTION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The accompanying unaudited pro forma financial information of China Gold International Resources Corp. Ltd. (“China Gold” or the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) and Skyland Mining Limited and its subsidiaries (collectively the “Enlarged Group”) has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purpose only, and is set out below to provide information about the proposed acquisition of all the issued shares of Skyland Mining Limited (“Skyland”) by the Group (the “Acquisition”) might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as of June 30, 2010 is prepared based on (i) the audited consolidated statement of financial position of the Group as of June 30, 2010, which has been extracted from the Accountants’ Report of the Company as set out in Appendix I-A to the Prospectus; and (ii) the audited consolidated statement of financial position of Skyland and its subsidiaries (the “Skyland Group”) as of June 30, 2010, which has been extracted from the Accountants’ Report of Skyland as set out in Appendix I-B to the Prospectus, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition has been completed on June 30, 2010.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the six months ended June 30, 2010 is prepared based on (i) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the six months ended June 30, 2010, which has been extracted from the Accountants’ Report of the Company as set out in Appendix I-A to the Prospectus; and (ii) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of Skyland Group for the six months ended June 30, 2010, which has been extracted from the Accountants’ Report of Skyland Group as set out in Appendix I-B to the Prospectus. The pro forma adjustments relating to the Skyland Acquisition are (i) directly attributable to the Skyland Acquisition; and (ii) factually supportable as if the Skyland Acquisition has been completed on January 1, 2010.

The unaudited pro forma financial information of the Enlarged Group is prepared by the directors of the Company to provide information about how the Acquisition might affect the financial information of the Group. As it is prepared solely for illustrative purpose only, it does not purport to give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

(2) ACQUISITION OF SKYLAND

On August 29, 2010, China Gold entered into a Share Purchase Agreement with China National Gold (HK) Ltd. (“China National”) and Rapid Result Investment Ltd. (“Rapid Result”) (collectively the “Vendors”), to acquire a 100% interest in the Jiama polymetallic mineral property (the “Jiama Mine”) through the purchase of 100% interest in Skyland.

China Gold will acquire Skyland by issuing 170,252,294 common shares of China Gold (the “Consideration Shares”) to the Vendors at closing in exchange for all Skyland’s shares and the

assumption of Skyland shareholders' loan. The Company's share price at the date of the Share Purchase Agreement of Cdn\$4.92 (equivalent to \$4.67 per share) and Skyland's shareholders' loan of \$42,300,000 at June 30, 2010 were used to calculate the purchase consideration for the purpose of preparing the pro forma financial information. The actual consideration paid will not be known until closing as the share price on closing of the transaction will be used.

The allocation of the purchase price has been based upon management's preliminary estimates and certain assumptions with respect to the determination of fair values of the assets to be acquired and the liabilities to be assumed. The actual fair values of the assets and liabilities will be determined as of the date of acquisition and may differ materially from the amounts disclosed below in the preliminary pro forma purchase price allocation because of changes in fair values of the assets and liabilities to the date of the transaction, and as further analysis (including whether additional identifiable intangible assets exist, for which no amounts have been estimated and included in the preliminary amounts shown below) is completed. Consequently, the actual allocation of the purchase price will likely result in different amounts than those in the unaudited pro forma consolidated statement of financial position.

Following completion of the transaction, the earnings of the Enlarged Group will reflect the impact of purchase accounting adjustments, including the effect of changes in the cost bases of both tangible and identifiable intangible assets and liabilities and depreciation, depletion and amortization expense.

The preliminary pro forma purchase price allocation is subject to change and is summarized as follows:

	\$
Issuance of China Gold's common shares	
For acquisition of the entire Skyland's shares and assumption of Skyland shareholders' loan (170,252,294 shares at \$4.67 per share)	795,078,213
Purchase consideration	<u>795,078,213</u>

The purchase price was allocated as follows:

	\$
Net working capital deficiency acquired (including cash of \$36,788,414)	(28,806,769)
Property, plant and equipment	1,019,225,119
Other long-term assets	68,538,339
Other long-term liabilities	(132,496,623)
Deferred tax liabilities	(130,986,763)
Non-controlling interest	<u>(395,090)</u>
Net identifiable assets attributable to the Group	<u>795,078,213</u>

The Company will complete a full and detailed valuation of Skyland using an independent party. Therefore, it is likely that the fair values of assets and liabilities acquired will vary from those shown above and the differences may be material.

APPENDIX I-C

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

**(3) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION OF THE ENLARGED GROUP AS OF JUNE 30, 2010**

	<u>The Group</u>	<u>Skyland Group</u>	<u>Note</u>	<u>Pro forma adjustments</u>	<u>Enlarged Group</u>
	<u>\$</u>	<u>\$</u>		<u>\$</u>	<u>\$</u>
Current assets					
Cash and cash equivalents	16,331,252	36,788,414	(a)(iv)	(2,200,000)	50,919,666
Restricted cash	10,756,703	—		—	10,756,703
Accounts receivable	2,070,198	—	(b)(ii)	(1,748,756)	988,401
			(b)(i)	666,959	
Prepaid expenses and deposits	1,557,936	—	(b)(i)	1,474,472	3,032,408
Trade receivables, other receivables and prepayment	—	2,141,431	(b)(i)	(2,141,431)	—
Prepaid lease payments	—	73,587		—	73,587
Inventory	30,385,142	1,207		—	30,386,349
	61,101,231	39,004,639		(3,948,756)	96,157,114
Assets classified as held for sale	69,794	—		—	69,794
	<u>61,171,025</u>	<u>39,004,639</u>		<u>(3,948,756)</u>	<u>96,226,908</u>
Non-current assets					
Property, plant and equipment	117,876,668	145,980,033	(a)(i)(v)	873,245,086	1,137,101,787
Prepaid lease payments	—	3,555,834		—	3,555,834
Intangible assets	—	43,227,060		—	43,227,060
Inventory	15,485,352	—		—	15,485,352
Long-term receivable	24,252	—	(b)(i)	957,163	981,415
Amounts due from a non-controlling shareholder of a subsidiary	—	409,371		—	409,371
Other receivables	—	957,163	(b)(i)	(957,163)	—
Prepaid expense and deposits	796,430	—		—	796,430
Deposit paid for acquisition of property, plant and equipment	—	20,388,911		—	20,388,911
	<u>134,182,702</u>	<u>214,518,372</u>		<u>873,245,086</u>	<u>1,221,946,160</u>
Total assets	<u>195,353,727</u>	<u>253,523,011</u>		<u>869,296,330</u>	<u>1,318,173,068</u>
Current liabilities					
Accounts payable and accrued expenses	39,768,345	19,290,621		—	59,058,966
Advance received from a customer	—	36,813,972		—	36,813,972
Amounts due to related companies	—	19,805,386	(b)(ii)	(1,748,756)	9,936,945
			(a)(i)	(8,119,685)	
Tax payable	—	21,114		—	21,114
Borrowings	8,513,998	—		—	8,513,998
	48,282,343	75,931,093		(9,868,441)	114,344,995
Liabilities classified as held for sale	17,706	—		—	17,706
	<u>48,300,049</u>	<u>75,931,093</u>		<u>(9,868,441)</u>	<u>114,362,701</u>
Non-current liabilities					
Deferred lease inducement	193,758	—		—	193,758
Amounts due to related companies	—	34,816,654	(a)(i)	(34,180,315)	636,339
Borrowings	81,134,730	131,860,284		—	212,995,014
Deferred income	—	3,475,239	(a)(i)	(3,475,239)	—
Deferred tax liabilities	3,526,047	—	(a)(i)(vi)	130,986,763	134,512,810
Environmental rehabilitation	1,993,537	—		—	1,993,537
	<u>86,848,072</u>	<u>170,152,177</u>		<u>93,331,209</u>	<u>350,331,458</u>
Total liabilities	<u>135,148,121</u>	<u>246,083,270</u>		<u>83,462,768</u>	<u>464,694,159</u>
Net current assets (liabilities)	<u>12,870,976</u>	<u>(36,926,454)</u>		<u>5,919,685</u>	<u>(18,135,793)</u>
Total assets less current liabilities	<u>147,053,678</u>	<u>177,591,918</u>		<u>879,164,771</u>	<u>1,203,810,367</u>
Owners' equity					
Share capital	120,577,351	47,380,700	(a)(ii)	(47,380,700)	915,655,564
			(a)(iii)	795,078,213	
Equity reserve	3,044,509	—		—	3,044,509
Deficit	(65,012,168)	(40,336,049)	(a)(ii)	40,336,049	(67,212,168)
			(a)(iv)	(2,200,000)	
	58,609,692	7,044,651		785,833,562	851,487,905
Non-controlling interests	1,595,914	395,090		—	1,991,004
Total owners' equity	<u>60,205,606</u>	<u>7,439,741</u>		<u>785,833,562</u>	<u>853,478,909</u>
Total liabilities and owners' equity	<u>195,353,727</u>	<u>253,523,011</u>		<u>869,296,330</u>	<u>1,318,173,068</u>

APPENDIX I-C

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP

(4) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED JUNE 30,
2010

	The Group	Skyland Group	Note	Pro forma adjustments	Enlarged Group
	\$	\$		\$	\$
Revenues	37,679,906	917,250		—	38,597,156
Cost of sales	18,638,434	710,348	b(iv)	—	19,348,782
Mine operating earnings	19,041,472	206,902		—	19,248,374
Expenses					
General and administrative	2,116,293	2,213,672		—	4,329,965
Exploration and evaluation expenditure . . .	93,477	—		—	93,477
	2,209,770	2,213,672		—	4,423,442
Income (loss) from operations	16,831,702	(2,006,770)		—	14,824,932
Other (expenses) income					
Gain on disposal of subsidiaries	20,000	—		—	20,000
Foreign exchange loss	(253,306)	—	(b)(i)	157,580	(95,726)
Interest income	1,885	—	(b)(i)	19,677	21,562
Listing expenses	(1,544,558)	—	(b)(i)	(1,544,558)	(3,089,116)
Finance costs	(2,228,167)	(1,935,580)	(b)(iii)	1,022,504	(3,141,243)
Fair value change on warrant liabilities . . .	(7,155,807)	—		—	(7,155,807)
Other expenses	—	(4,745,850)	(b)(i)	1,544,558	(5,401,292)
			(a)(iv)	(2,200,000)	
Other income	—	183,590	(b)(i)	(177,257)	6,333
	(11,159,953)	(6,497,840)		(1,177,496)	(18,835,289)
Income (loss) before income tax	5,671,749	(8,504,610)		(1,177,496)	(4,010,357)
Income tax expense	4,887,012	24,113		—	4,911,125
Net income (loss) for the period	784,737	(8,528,723)		(1,177,496)	(8,921,482)
Other comprehensive income representing exchange difference arising on translation . . .	—	49,760		—	49,760
Net income (loss) and comprehensive income (loss) for the period	784,737	(8,478,963)		(1,177,496)	(8,871,722)
Income (loss) for the period attributable to					
Non-controlling interest	323,702	34,163		—	357,865
Owners of the Company	461,035	(8,562,886)		(1,177,496)	(9,279,347)
	784,737	(8,528,723)		(1,177,496)	(8,921,482)
Total comprehensive income (loss) for the period attributable to					
Non-controlling interest	323,702	36,284		—	359,986
Owners of the Company	461,035	(8,515,247)		(1,177,496)	(9,231,708)
	784,737	(8,478,963)		(1,177,496)	(8,871,722)

APPENDIX I-C

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP

(5) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF
THE ENLARGED GROUP FOR THE SIX MONTHS ENDED JUNE 30, 2010

	The Group	Skyland Group	Notes	Pro forma adjustments	The Enlarged Group
	\$	\$		\$	\$
Operating activities					
Income (loss) before income tax for the period	5,671,749	(8,504,610)	(a)(iv) (b)(iii)	(2,200,000) 1,022,504	(4,010,357)
Items not requiring use of cash and cash equivalents					
Depreciation and depletion	3,857,736	427,616		—	4,285,352
Amortisation of intangibles assets	—	11,027		—	11,027
Fair value change on warrant liabilities	7,155,807	—		—	7,155,807
Bank interest income	—	(19,677)		—	(19,677)
Finance costs	2,228,167	1,935,580	(b)(iii)	(1,022,504)	3,141,243
Share-based compensation	37,915	—		—	37,915
Unrealized foreign exchange gain	253,306	—		—	253,306
Gain on disposal of subsidiary	(20,000)	—		—	(20,000)
Impairment loss on other receivables	—	175,075		—	175,075
Changes in operating assets and liabilities:					
Accounts receivable	(388,318)	(1,654,593)		—	(2,042,911)
Prepaid expenses and deposits	(594,747)	—		—	(594,747)
Inventory	(16,851,379)	(1,207)		—	(16,852,586)
Accounts payable and accrued liabilities	(10,488,106)	(7,779,422)		—	(18,267,528)
Advance received from a customer	—	36,813,972		—	36,813,972
Amounts due to related companies	—	(4,799)		—	(4,799)
Cash used in operations	(9,137,870)	21,398,962		(2,200,000)	10,061,092
Interest paid	(2,649,982)	—		—	(2,649,982)
Income taxes paid	(2,467,566)	(2,999)		—	(2,470,565)
Net cash flows from operating activities	<u>(14,255,418)</u>	<u>21,395,963</u>		<u>(2,200,000)</u>	<u>4,940,545</u>
Investing activities					
Property plant and equipment additions	(9,294,368)	(31,012,388)		—	(40,306,756)
Disposal of subsidiaries	20,000	—		—	20,000
Restricted cash deposits received	10,756,703	—		—	10,756,703
Deposits for acquisition of property, plant and equipment	—	(4,250,067)		—	(4,250,067)
Intangible assets additions	—	(43,026)		—	(43,026)
Advance to PRC local government/land administrative bureau	—	(220,884)		—	(220,884)
Interest received	—	19,677		—	19,677
Advance to a non-controlling shareholder	—	(48,594)		—	(48,594)
Government grant received	—	3,475,239		—	3,475,239
Acquisition of subsidiaries	—	—	(b)(v)	5,584,297	5,584,297
Net cash flows from investing activities	<u>1,482,335</u>	<u>(32,080,043)</u>		<u>5,584,297</u>	<u>(25,013,411)</u>
Financing activities					
Issuance of common shares	8,829,650	—		—	8,829,650
Repayments of borrowings	(3,931,026)	—		—	(3,931,026)
Advance from related companies	—	31,233,291		—	31,233,291
Repayment to related companies	—	(23,457,315)		—	(23,457,315)
New bank loan	—	36,143,958		—	36,143,958
Interest paid	—	(2,024,733)		—	(2,024,733)
Net cash flows from financing activities	<u>4,898,624</u>	<u>41,895,201</u>		<u>—</u>	<u>46,793,825</u>
Effect of foreign exchange rate changes on cash and cash equivalents	221,051	(7,004)		—	214,047
Net (decrease) increase in cash and cash equivalents	(7,653,408)	31,204,117		3,384,297	26,935,006
Cash and cash equivalents, beginning of the year	23,984,660	5,584,297	(b)(v)	(5,584,297)	23,984,660
Cash and cash equivalents, end of the period	<u>16,331,252</u>	<u>36,788,414</u>		<u>(2,200,000)</u>	<u>50,919,666</u>
Cash and cash equivalents comprised of					
Cash in bank	<u>16,331,252</u>	<u>36,788,414</u>		<u>(2,200,000)</u>	<u>50,919,666</u>

(6) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS OF THE ENLARGED GROUP

Notes:

The pro forma consolidated financial statements incorporate the following pro forma adjustments:

(a) China Gold assumption

- (i) The assumption that China Gold acquired all the issued and outstanding common shares of Skyland and assumes the Skyland shareholders' loan of \$42,300,000 from the Vendors as a result of the transaction. This gives rise to an increase to fair value of assets and related deferred tax liabilities as follows:

	\$
Property, plant and equipment	873,245,086
Deferred tax liabilities	<u>(130,986,763)</u>
	742,258,323
Book value of Skyland	7,044,651
Deferred income eliminated	3,475,239
Skyland shareholders' loan	<u>42,300,000</u>
Adjusted book value of net assets attributable to China National and Rapid Results	<u>52,819,890</u>
Total purchase consideration	<u><u>795,078,213</u></u>

- (ii) These pro forma adjustments eliminate the historical equity accounts of Skyland;
- (iii) This pro forma adjustment reflects the issuance of consideration shares in connection with the acquisition of all the issued and outstanding common shares of Skyland and the assumption of the Skyland's shareholders' loan of \$42,300,000 from the Vendors with a assumed value of \$795,078,213;
- (iv) This pro forma adjustment provides for the recording of China Gold's expenses of the transaction totaling \$2,200,000;
- (v) This pro forma adjustment represents the preliminary fair value adjustment of approximately \$873,245,086 allocated to the Jiama Mine. China Gold has not completed an assessment of the fair values of assets and liabilities and the related business integration plans and synergies of Skyland Group. The ultimate purchase price allocation will include possible adjustments to the fair values of depreciable tangible assets, proven and probable reserves, reserves related to current development projects, value beyond proven and probable reserve and intangible assets after a full review has been completed; and
- (vi) The pro forma statement of financial position reflects adjustments for deferred taxes based on temporary differences between assumed fair values of assets and liabilities acquired and of estimated tax basis.

(b) Other assumption

- (i) These pro forma adjustments reflect the reclassification of Skyland balances and expenses to conform with China Gold's financial statements presentation;

- (ii) These pro forma adjustments eliminate the balances between China Gold and Skyland;
- (iii) These pro forma adjustments eliminate the interest expenses between Skyland and the Vendors as if the transaction was completed (i.e. the amounts due to the Vendors were acquired by the Group) on January 1, 2010;
- (iv) The Jiama Mine has not yet commenced production as of June 30, 2010, hence no pro forma adjustments are made on depreciation and depletion in the pro forma consolidated statement of comprehensive income for the six months ended June 30, 2010.
- (v) The amount represents net cash inflow arising from the Acquisition, which comprised bank balances and cash of approximately \$5,584,297 arising from the acquisition of Skyland.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



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**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

We report on the unaudited pro forma financial information of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of all the issued shares of Skyland Mining Limited by the Group might have affected the financial information presented, for inclusion in appendix I-C of the prospectus dated November 17, 2010 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Section A of appendix I-C to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that

the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as of June 30, 2010 or any future date; or
- the results and cash flows of the Group for the six months ended June 30, 2010 or any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

November 17, 2010