TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1.0 SUMMARY

This Independent Technical Report ("ITR") is prepared for China Gold International Resources Corporation Limited ("China Gold International" or the "Company", formerly Jinshan Gold Mines Inc. ("Jinshan")), a Canadian company whose shares are listed on the Toronto Stock Exchange ("TSX"), to support its filings under Canadian securities laws. This ITR covers the operating Changshanhao gold mine (the "CSH Mine") in Inner Mongolia Autonomous Region of the People's Republic of China ("PRC" or "China"), which is currently 96.5%-owned by China Gold International.

This ITR is an update of the ITR with the same title dated March 30, 2010 and filed on www.sedar.com. Resources, reserves and other project information have an effective date of December 31, 2009 for the March 30, 2010 ITR and an effective date of June 30, 2010 for the current updated ITR.

1.1 The CSH Mine

The CSH Mine is currently China Gold International's primary mining asset. It is owned and operated by Inner Mongolia Pacific Mining Company Limited ("IMP", formerly Ningxia Pacific Mining Company Limited), which is a joint venture ("JV") company between China Gold International (96.5%) and the 217 Brigade (3.5%) of Northwest Geology and Exploration Bureau of China National Nuclear Corporation ("CNNC") in Yinchuan, Ningxia Hui Autonomous Region, located west of Inner Mongolia. The CSH Mine is a conventional open-pit mining, heap-leach processing, gold-mining operation, mining a large, bulk-tonnage, low-grade gold deposit. It is currently one of the largest operating gold mines in China in terms of mineral resources considered compliant to the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1999 and revised in 2004 and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards — for Mineral Resources and Mineral Reserves prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on December 11, 2005.

The CSH Mine started mining operation in April 2007. It loaded 7.5 million tonnes ("Mt") of run-of-mine ("ROM", uncrushed) ore with an average gold grade of 0.63 grams per tonne ("g/t") and 2.2 Mt of crushed ore with an average gold grade of 0.60 g/t on the leach pad and produced approximately 2,599 kilograms ("kg") or 83,570 ounces ("oz") of gold in doré bars in 2009. A three-stage crushing plant with a designed production capacity of 30,000 tonnes per day ("tpd") of ore was installed in August 2009, which ramped up to its designed production capacity in March 2010. The mine plans to increase its ore production to 12.00 million tonnes per annum ("Mtpa") of mostly crushed ore with an average gold grade of 0.63 g/t and gold production to approximately 3,604 kg or 116,000 oz in 2010. The CSH Mine produced 2,392 kg or 75,707 oz of gold in doré bars from January to September 2010 with September 2010 month production of 445 kg or 14,307 oz of gold.

The basic infrastructure for the mining operation at the CSH Mine has been well established. Access road conditions are excellent. Power and water supplies to the mining operation and mining camp are sufficient.

1.2 Resource and Reserves

Gold mineralization in the CSH Mine area occurs as numerous sub-parallel, quartz/sulfide veinlets/stringers hosted by a sub-vertical, ductile-brittle shear zone in Proterozoic meta-sediments.

These gold-bearing quartz/sulfide veinlets/stringers form a large near-surface bulk-tonnage, low-grade gold deposit. Gold mineralization at the mine is divided into a Northeast Zone and a Southwest Zone. The two zones are offset by a fault structure.

Surface work and diamond core drilling have defined the mineralized zone over a strike length of 4.8 kilometers ("km") trending east-northeasterly across the CSH Mine area, with drilling to a maximum vertical depth of 375 meters ("m"). Width of the mineralized zone varies, and a maximum width of approximately 300 m was found in the eastern part of the deposit.

The Northeast Zone has a strike of N55°E. It is approximately 1,650-m long along strike and 20-m to over 300-m wide. The Southwest Zone is located 400 m to the southwest of the Northeast Zone and has a strike of N75°E. The zone is approximately 2,250-m long and 40-m to 100-m wide. The two mineralized zones are generally open at depth.

Gold occurs as native gold and/or electrum associated with sulfide minerals in seams and within the quartz vein material. Mineralogical work done by SGS Lakefield in Canada in 2002 on composite weathered (oxide and mixed) and fresh (sulfide) mineralization samples found 77% of the gold was free in the sulfide composite and 100% of the gold was free in the weathered composite. Sulfide minerals are mostly pyrite with some pyrrhotite; trace amounts of arsenopyrite, chalcopyrite, sphalerite, and galena have also been reported.

Alteration related to gold mineralization is generally weak, with only chlorite and silica alterations noticed in the drill logs. The host sediments have been moderately to strongly metamorphosed to phyllite and schist, with abundant sericite. Andalusite crystals up to 3-centimeters ("cm") in length are prominently developed in some of the schists, and andalusite schists host a significant portion of the gold mineralization in both the Northeast Zone and the Southwest Zone.

IMP holds a valid mining license with an area of 10.0892 square kilometers ("km^2") and a mean sea level ("MSL") elevation range from 1,436 m to 1,696 m, covering most of the mineralization in the Northeast Zone and Southwest Zone; it also holds an exploration license with an area of 25.91 km^2 and with no elevation limit for the surrounding area of the mining license. IMP is in the process to apply for an adjustment for the lower elevation limit of the current mining license to the relevant governmental agencies to cover all the defined mineral resources and mineral reserves in the deposit.

Mineral resources of the CSH Mine were estimated by Qualified Person, Mr. Mario Rossi, of Geosystems International Inc. in Delray Beach, Florida, USA, in 2006 and 2008 using the MineSight computer mining software system; these resource estimates were summarized in NI43-101 reports filed on Sedar in Canada. The current mineral resource estimate was also produced by Mr. Rossi using similar procedures and the drill hole database as of the end of 2008, and the estimate was summarized in a February 5, 2010 internal company report and have been reviewed by BDASIA in this ITR. The drill hole database used for the resource estimation consists of 185 inclined drill holes with a total drilled length of 41,483 m. BDASIA's Qualified Person, Dr. Qingping Deng, has reviewed the geology interpretation, drilling database, procedures and parameters used for the resource estimation as well as the estimation result and considers the resource estimation conforms to the industry standard.

Mineral resources, inclusive of mineral reserves, as of June 30, 2010 under the CIM Standards and estimated by Mr. Mario Rossi in a February 5, 2010 internal company report for the CSH Mine and revised by the Company using the June 30, 2010 pit topography as adopted by BDASIA are shown in Table 1.1.

Table 1.1
Resource Estimates as of June 30, 2010 under the CIM Standards for the CSH Mine

(inclusive of mineral reserves)

Cutoff	Measured			Indicated			Measured + Indicated			Inferred		
g Au/t	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz
Northeast Zone Resources												
0.26	72.8	0.67	1.570	107.0	0.60	2.059	179.8	0.63	3.629	0.7	0.39	0.009
0.28	70.8	0.68	1.553	102.9	0.61	2.023	173.7	0.64	3.577	0.6	0.41	0.008
0.30	**68.7**	**0.69**	**1.533**	**98.4**	**0.63**	**1.982**	**167.1**	**0.65**	**3.515**	**0.5**	**0.43**	**0.007**
0.40	56.9	0.77	1.400	75.0	0.71	1.719	131.9	0.74	3.119	0.2	0.54	0.004
0.50	45.6	0.84	1.238	56.3	0.80	1.450	101.9	0.82	2.687	0.1	0.62	0.002
0.60	35.5	0.93	1.060	41.9	0.89	1.197	77.4	0.91	2.257	0.1	0.74	0.001
Southwest Zone Resources												
0.26	34.7	0.61	0.686	40.8	0.54	0.710	75.5	0.58	1.396	0.0	—	0.000
0.28	33.4	0.63	0.674	39.1	0.55	0.696	72.5	0.59	1.370	0.0	—	0.000
0.30	**32.1**	**0.64**	**0.662**	**37.5**	**0.56**	**0.681**	**69.6**	**0.60**	**1.343**	**0.0**	—	**0.000**
0.40	25.4	0.72	0.587	28.0	0.64	0.574	53.4	0.68	1.161	0.0	—	0.000
0.50	18.8	0.81	0.492	19.3	0.72	0.449	38.1	0.77	0.941	0.0	—	0.000
0.60	13.9	0.91	0.405	12.6	0.82	0.331	26.5	0.86	0.736	0.0	—	0.000
Total Resources												
0.26	107.5	0.65	2.255	147.8	0.58	2.770	255.2	0.61	5.025	0.7	0.39	0.009
0.28	104.3	0.66	2.228	142.0	0.60	2.719	246.3	0.62	4.947	0.6	0.41	0.008
0.30	**100.8**	**0.68**	**2.196**	**135.9**	**0.61**	**2.663**	**236.7**	**0.64**	**4.858**	**0.5**	**0.43**	**0.007**
0.40	82.2	0.75	1.987	103.0	0.69	2.293	185.3	0.72	4.280	0.2	0.54	0.004
0.50	64.4	0.84	1.730	75.6	0.78	1.898	140.0	0.81	3.628	0.1	0.62	0.002
0.60	49.4	0.92	1.465	54.5	0.87	1.528	103.9	0.90	2.993	0.1	0.73	0.001

BDASIA's review indicates that drilling, sampling, sample preparation and analysis, quality control, and resource estimation have followed standard industry practice. Comparison between the current resource model and pit blast hole assay data for the period from January 2007 to June 2010 generally supports the current resource estimation, but it also showed that the current resource model may have slightly overestimated the tonnage and contained gold . Crushing plant sampling results for the first half of 2010 showed an average gold grade of 0.58 g/t for ore placed on the leach pads, approximately 18% lower than the pit blast hole sampling average gold grade of 0.71 g/t and approximately 5% lower than the reserve gold grade of 0.61 g/t. The mine management believes that the crushing plant sampling for the first half of 2010 was not representative as only the coarser fraction of the ore on the top of the conveyor belt was collected whereas the finer fraction of the crushed ore may have a higher gold grade based on CSH Mine's preliminary screen analysis. The mine management is in the process of modifying the crushing plant sampling system, and the future crushing plant sampling results will confirm if the resource and reserve estimates for the CSH Mine are appropriate.

Open-pit mining started in April 2007 at the CSH Mine. The current mine design and mineral reserve estimation were conducted by Nilsson Mine Service ("NMS") in Vancouver, Canada based on the resource model developed using the 2008 year-end drill hole database in February 2010. A mine plan was prepared for a 30,000-tpd crushed ore heap leach production.

Pit optimization of the CSH Mine was undertaken using MineSight mining software. A complex wall slope Lerchs Grossman algorithm was used to develop the unsmoothed ultimate pit limits utilizing appropriate technical and economic parameters.

Final pit design was accomplished by smoothing the pit walls in the optimized ultimate pit shells and by incorporating a ramp system. The mining bench height is 6 m, with triple benching and a berm width varying from 7.8 m to 10.25 m, depending on the design sector. The haul road was designed to be 25-m wide to include a running surface, ditches and berms, with a maximum slope of 10%. The final pit design includes one large pit for the Northeast Zone and one elongated pit for the Southwest Zone. Waste dumps were located to the north and east of the open pits. The north waste dump will accommodate 94 million cubic meters (“m^3”) of waste rock to the 1,700-m MSL elevation, which is sufficient for all the waste from both the Northeast Zone and Southwest Zone pits.

Table 1.2 summarizes the mineral reserves, waste, and strip ratio within the final pit designs, using a gold cutoff grade of 0.30 g/t, under the pit topography as of June 30, 2010 for the CSH Mine. The measured resource and the indicated resource above the cutoff grade within the pits were converted to proven reserve and probable reserve, respectively. BDASIA has reviewed the reserve estimates completed by NMS, considers them reasonable at this stage, and has adopted the reserve estimates in this ITR. However, there is a possibility that the reserve tonnage and contained gold is slightly overestimated. Detailed production reconciliation based on appropriate sampling results from the crushing plant in the future will be used to confirm the reserve estimates. Should there be a significant discrepancy between the reserve estimate and the accrual production based on appropriate crushing plant sampling results, the ore reserves of the CSH Mine would need to be reestimated in the future.

Table 1.2
CIM Compliant Mineral Reserve Summary for the CSH Mine as of June 30, 2010

Reserve Class	M tonnes	g Au/t	Au (k ounce)
Northeast Pit			
Proven	58.2	0.71	1,325
Probable	41.9	0.64	856
Subtotal	100.1	0.68	2,182
Southwest Pit			
Proven	21.5	0.66	459
Probable	10.3	0.61	203
Subtotal	31.8	0.65	661
Total Ore			
Proven	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	131.9	0.67	2,843
Total Waste in Pits	173.7		
Strip Ratio	1.32		

Drilling for gold mineralization at the CSH Mine is largely limited to within the MSL elevation range of the mining license from 1,436 m to 1,696 m. The deepest drilling intercept is at the depth of 375 m. The gold mineralization zone is generally open at depth, and gold grade has a tendency to increase with depth. Therefore, there is a significant additional exploration potential at depth.

1.3 Mining Operation

Mining in the large Northeast pit and the elongate Southwest pit is carried out by a contractor utilizing an equipment fleet of thirty-two, 50-tonne (“t”) Euclid off-highway haulage trucks, six, 4.5-m^3 Hitachi backhoes and five blasthole drills that drill 180-milimeter (“mm”) diameter holes 6.6-m deep. The lower benches are below the water table and require mainly wet-hole blasting using slurry. The mining is performed under a 10-year contract, signed in November 2008. The contract provides for additional payment by the mine owner for one-way haulage distances above 2.5 km and for the higher cost of wet-hole explosives, but it does not contain a diesel fuel escalator. The contractor performs all required maintenance on his fleet in his own building. The owner provides and supervises the separation of ore and waste and does a monthly survey of the cubic meters of each of these materials mined, and this is the basis of the monthly payments to the contractor. Material is hauled to one of three destinations: the primary crusher, the heap leach pads, or the waste dumps. No low-grade material is stockpiled. The remaining life-of-mine waste-to-ore strip ratio is 1.32 to 1. Dilution of the ore by waste, a common problem when a mining contractor is doing the mining, is not a major problem at the CSH Mine, because the ore zones are wide and ore waste interfaces are small in number. There have been no significant pit slope failures since the start of operations.

1.4 Processing

The processing method is conventional heap leaching, widely and successfully used for the recovery of gold from large tonnage, low-grade deposits around the world. At the CSH operation, it comprises crushing, heap leaching, and gold extraction, the three interdependent phases of the process.

A crushing plant at a designed production capacity of 30,000 tpd to 80% -9 mm was installed in August 2009 to process the fresh (sulfide) ore. The plant includes two primary jaw crushers in open circuit; two HP800 standard, coarse bowl crushers in closed circuit with screens; and four HP800 standard, fine bowl crushers also in closed circuit with screens. The early trial runs demonstrated design problems related to ore chutes feeding the crushers and the conveyor belts. These difficulties did not allow the plant to function properly, and it was shut down to modify and correct the critical areas during BDASIA's site visit in October 2009. The plant modifications were completed at the end of October 2009 and it is now in operation. The crushing plant ramped up gradually to its designed capacity of 30,000 tpd in March 2010. The crushed ore is currently transported to the leach pads by highway trucks. An overland conveyor system is in the planning stage to transport the ore from the crushing plant to the leach pads.

The leaching operation involves ore stacking, irrigation with leaching solution, and recovery of gold pregnant leach solution ("PLS"). Initially, the leach pad was loaded mostly with the coarse ROM ore from the upper portion of the CSH deposit. The leach pad has been 100% stacked with the crushed or since July 2010. The leaching of the ROM ore was not satisfactory, as its leaching kinetics was slow and the resulting gold recovery was low. The upper portion of the CSH deposit was not oxidized as predicted originally, resulting in a significantly lower than predicted gold recovery. Once the crushing section is in full operation, it is expected that the rate of leaching as well as gold recovery will improve.

The gold extraction from the PLS involves Carbon-in-Column ("CIC") adsorption, carbon elution, stripping, refining and smelting. Namely, the PLS from the leaching pad is passed through carbon-filled columns, where the dissolved gold is adsorbed on the carbon grains. Then, the gold from the loaded carbon is stripped, followed by electro-winning. The gold-bearing product, now deposited on the cathodes, is water washed, filtered, dried, and then subjected to smelting in an induction furnace. The furnace product is gold doré assaying about 90% to 95% gold plus silver, with an average silver-to-gold ratio of 0.375 by weight to the end of 2009.

The process selection and plant design were the result of a comprehensive testwork on numerous samples performed in China, Canada and the USA. The earlier testwork was on two major ore types, i.e.

the near-surface weathered (oxide and mixed) ore and the fresh (sulfide) ore, below the weathered zone. Gravity concentration, flotation, agitation leaching and column leaching were evaluated alone or in various combinations. Heap leaching was selected as the most economical approach.

The originally classified weathered (oxide and mixed) ore appeared not to need crushing prior to leaching to yield an overall gold recovery (the gold recovery rate achieved when gold leaching process is completed for ore loaded on the leach pad) of about 80%. Crushing the fresh (sulfide) ore to 80% -9 mm was estimated to yield about 70% overall gold recovery after a leaching time of 5 years. The uncrushed ROM fresh ore was expected to yield an overall gold recovery of only 40%.

Actual production from 2007 to 2009 yielded an overall gold recovery of only 37.3% for the ROM ore from the zone originally defined as weathered. As the total leach time is expected to be at least 5 years, the eventual total gold recovery may reach 53%, but still much less than the 80% recovery initially expected. The primary reason for such low recovery was inadequate definition of the ore as “weathered” and not requiring crushing when it was actually a mixture of oxide and sulfide material and required crushing.

As the “weathered” ore being depleted, the most recent column leach testwork conducted by METCON used ore samples composited from the drill core in the fresh zone of the CSH deposit and representative of the ore to be mined and leached in the coming years. The test results were reported in “On-site Open Cycle Column Leach Tests” dated November 13, 2009. Two composites were subjected to the testwork: Northeast and Southwest. There were nine sets of tests on the Northeast and six sets on the Southwest composites at different head grades. Most importantly, the effect of ore size on gold extraction was recognized and each set was run on two crush sizes: 80% passing 9 mm and 80% passing 6 mm. Some of the tests were run in duplicate. BDASIA considers these tests results as significant and reliable. Based on the column leach test results, KD Engineering (“KDE”) has developed gold recovery formulas for the 80% -9-mm crushing size for the Northeast Zone and Southwest Zone, respectively. These formulas will be used to calculate gold recoveries of the crushed fresh ore to be stacked on the leach pads in the remaining years of mine life of the CSH Mine. The gold recovery formulas and the corresponding gold recoveries at certain relevant gold grades are summarized in Table 1.3 below.

Table 1.3
Gold Recovery Rate Estimates for the 80% -9-mm Crushed Ore of the CSH Mine

Head Grade (g Au/t)	Gold Extraction Rate (%)	
	Northeast Zone	Southwest Zone
0.4	—	62.1
0.5	66.2	65.4
0.6	68.7	68.6
0.7	71.1	71.9
0.8	73.6	75.2
0.9	76.0	—
1.0	78.5	—
1.1	80.9	—
Gold Recovery Rate Formula	$y = 24.539x + 53.932$	$y = 32.871x + 48.926$

The above recovery rates are modified values obtained by subtracting five percent from the trend line equations which were derived from the test results. The five percent deduction was applied to make correction for the strictly controlled laboratory test conditions as compared to the less controllable industrial conditions.

Overall heap leach gold recoveries, based on the above estimates and calculated from average annual gold grades, are estimated to be 71.08% for the Northeast ore assaying averagely 0.68 g/t of gold, and 70.34% for the Southwest ore assaying averagely 0.65 g/t gold. These recoveries are expected to be achieved in the period of 5 years after having placed the ore on the pad.

The 2008 drilling increased the mineable reserves to 138.8 Mt at an average grade of 0.67 g/t gold for the CSH Mine as of December 31, 2009. The mine production schedule was developed to provide 10.65 Mtpa of ore to the leaching facility. This required a revision and expansion of the earlier conceived Heap Leaching Facilities ("HLF"). The earlier plans, reported on March 28, 2008 called for the total heap leach capacity of 105 Mt of ore. In November 2009 this capacity was increased to a total of 166 Mt by increasing:

- Rate of stacking from 20,000 tpd to 30,000 tpd;
- Rate of PLS processing from 1,050 cubic meters per hour ("m^3/hr") to 1,400 m^3/hr; and
- Phase 2 leach pad area from 353,000 m^2 to 473,000 m^2.

As of December 31, 2009, the leach pad capacities are envisaged as follows:

- The South HLF: Phase 1 leach pad area of 406,000 m^2 is completed and is stacking. Phase 2 is 64% completed. Combined Phases 1 and 2 will have the capacity of 71 Mt;
- The North HLF (Phases 3 to 5), with the total pad area of 698,000 m^2 and the capacity of 49 Mt, is in the preliminary design stage;
- Phases 6 and 7, which will have combined pad areas of 471,000 m^2 and the capacity of 46 Mt, are in the conceptual design phase; and
- When all 7 phases are completed, the total life-of-mine leach pad area will be 2,048,000 m^2 and the capacity 166 Mt.

1.5 Production

Historical and forecast life-of-mine production for the CSH Mine is summarized by Table 1.4. The projected overall gold recovery for each type of ore is expected to be reached in at least five years. BDASIA considers that the mine production targets of 30,000 tpd are readily achievable; however, the crushing production target may not always be achievable because a single large crushing system is used. Equipment breakdown at the crushing plant could cause some delays in crushing production. Actual gold production from the mine for the first half of 2010 was only 1,157 kg, significantly lower than half of the originally planned gold production of 4,112 kg for 2010. The explanation from the mine management for the short fall in production is primarily due to the unusually long and harsh cold winter, added by the mine management's decision to test not burying by ore but just covering by plastic films the drip emitters during the winter months. Considerable measures have been taken recently by the mine management to improve the gold recovery from the leach pads and gold recovery for the last couple of months improved significantly. The mine management informed BDASIA that actual gold production was 340 kg, 438 kg and 445 kg in July, August and September 2010, respectively and believes that the 2010 reduced gold production target of 3,604 kg can be reached, which BDASIA considers possible. Gold production targets will largely depend on the crusher production and heap leach gold recovery rate. At this moment, gold recoveries for the crushed ore are based on projection according to the column leach test results and have not yet been proved by actual heap leach operation. Heap leach operations in the next couple of years will provide more definite heap leach gold recoveries for the CSH Mine.

Historically, the CSH Mine used the pit blast hole assay gold grades as the gold grades of actual produced ore placed on the lead pads. The March 30, 2010 BDASIA ITR also used the same mine production gold grades. However, crushing plant sampling results in the first half of 2010 and more detailed analysis indicates that the pit blast hole gold grades could be significantly higher than the actual mine production ore grades because of mining dilution and misclassification. In this version of the ITR, the historical mine production gold grades are revised to the gold grades in the resource model, which reduced the gold contents in the ore placed on the leach pads to date. As gold recovery is expected to be a five-year process, forecast total gold production in the next several years have also been reduced slightly.

Table 1.4

Historical and Life-of-Mine Forecast Production for the CSH Mine

(The Company's attributable share of the following production from the CSH Mine is 96.5%.)

	Historical Production				Forecast Production																	
ITEM	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**Total Jul 2010-Dec 2026**
Heap Leached Ore																						
ROM Ore, Northeast Pit (kt)	4,613	5,786	3,930	1,830																		
Average Gold Grade (g/t)	0.59	0.59	0.59	0.55																		
Contained Gold (kg)	2,722	3,414	2,319	1,014																		
ROM Ore, Southwest Pit (kt)			3,611																			
Average Gold Grade (g/t)			0.59																			
Contained Gold (kg)			2,130																			
Crushed Ore, Northeast Pit (kt)				4,840	5,117	10,650	10,650	10,650	10,522	9,947	7,810	7,112	6,207	4,314	4,049	6,544	6,537					**100,109**
Average Gold Grade (g/t)				0.63	0.65	0.61	0.56	0.53	0.64	0.65	0.67	0.68	0.70	0.75	0.81	0.91	0.97					**0.68**
Contained Gold (kg)				3,049	3,337	6,507	5,998	5,607	6,690	6,511	5,239	4,837	4,350	3,214	3,292	5,969	6,314					**67,865**
Crushed Ore, Southwest Pit (kt)			2,158	213					128	703	2,840	3,538	4,443	6,336	6,600	4,106	3,119					**31,813**
Average Gold Grade (g/t)			0.60	0.51					0.56	0.56	0.59	0.60	0.61	0.63	0.66	0.72	0.76					**0.65**
Contained Gold (kg)			1,303	109					71	391	1,663	2,123	2,708	3,965	4,343	2,943	2,364					**20,572**
Total Ore	**4,613**	**5,786**	**9,699**	**6,883**	**5,117**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**9,656**					**131,923**
Average Gold Grade (g/t)	**0.59**	**0.59**	**0.59**	**0.61**	**0.65**	**0.61**	**0.56**	**0.53**	**0.63**	**0.65**	**0.65**	**0.65**	**0.66**	**0.67**	**0.72**	**0.84**	**0.90**					**0.67**
Contained Gold (kg)	**2,722**	**3,414**	**5,752**	**4,171**	**3,337**	**6,507**	**5,998**	**5,607**	**6,761**	**6,902**	**6,902**	**6,960**	**7,058**	**7,179**	**7,635**	**8,912**	**8,678**					**88,437**
Contained Gold (koz)	**87.50**	**109.75**	**184.92**	**134.11**	**107.29**	**209.20**	**192.84**	**180.28**	**217.39**	**221.90**	**221.90**	**223.76**	**226.93**	**230.82**	**245.49**	**286.53**	**279.00**					**2,843.30**
Cumulative Contained Gold (kg)	**2,722**	**6,135**	**11,887**	**16,058**	**19,395**	**25,902**	**31,900**	**37,507**	**44,268**	**51,170**	**58,072**	**65,032**	**72,090**	**79,269**	**86,905**	**95,817**	**104,495**	**104,495**	**104,495**	**104,495**	**104,495**	
Cumulative Contained Gold (koz)	**87.50**	**197.26**	**382.17**	**516.28**	**623.57**	**832.76**	**1,025.60**	**1,205.88**	**1,423.26**	**1,645.16**	**1,867.06**	**2,090.82**	**2,317.75**	**2,548.57**	**2,794.05**	**3,080.58**	**3,359.58**	**3,359.58**	**3,359.58**	**3,359.58**	**3,359.58**	
Projected Total Gold Recovery (%)[(1)]																						
ROM Ore, Northeast Pit	53.0%	53.0%	53.0%	40.0%																		
ROM Ore, Southeast Pit	53.0%	53.0%	53.0%																			
Crushed Ore, Northeast Pit	53.0%	53.0%	53.0%	69.4%	69.9%	68.9%	67.8%	66.9%	69.5%	70.0%	70.4%	70.6%	71.1%	72.2%	73.9%	76.3%	77.6%					**71.09%**
Crushed Ore, Southeast Pit	53.0%	53.0%	53.0%						67.3%	67.2%	68.2%	68.7%	69.0%	69.5%	70.6%	72.5%	73.8%	48.9%				**70.33%**
Cumulative Gold Recovery (%)[(2)]	**25.1%**	**40.3%**	**42.7%**	**38.6%**	**44.7%**	**51.1%**	**54.8%**	**56.9%**	**58.5%**	**59.9%**	**61.0%**	**61.9%**	**62.7%**	**63.4%**	**64.0%**	**64.8%**	**65.7%**	**67.3%**	**67.8%**	**68.0%**	**68.1%**	
Gold Production in Doré (kg)	**684**	**1,789**	**2,599**	**1,126**	**2,479**	**4,559**	**4,238**	**3,874**	**4,546**	**4,738**	**4,789**	**4,845**	**4,938**	**5,045**	**5,398**	**6,407**	**6,552**	**1,848**	**487**	**191**	**95**	**64,944**
Gold Production in Doré (koz)	**21.99**	**57.51**	**83.57**	**36.19**	**79.69**	**146.57**	**136.25**	**124.54**	**146.17**	**152.34**	**153.99**	**155.78**	**158.76**	**162.20**	**173.56**	**205.99**	**210.65**	**59.42**	**15.67**	**6.13**	**3.05**	**2,088.01**
Cumulative Gold Production (kg)	**684**	**2,473**	**5,072**	**6,198**	**8,676**	**13,235**	**17,473**	**21,347**	**25,893**	**30,631**	**35,421**	**40,266**	**45,204**	**50,249**	**55,647**	**62,054**	**68,606**	**70,369**	**70,856**	**71,047**	**71,142**	
Cumulative Gold Production (koz)	**21.99**	**79.50**	**163.07**	**199.26**	**278.95**	**425.52**	**561.77**	**686.31**	**832.48**	**984.82**	**1,138.81**	**1,294.59**	**1,453.35**	**1,615.54**	**1,789.11**	**1,995.10**	**2,205.75**	**2,262.42**	**2,278.09**	**2,284.21**	**2,287.27**	
Silver Production in Doré (kg)[(3)]	**262**	**718**	**926**	**479**	**867**	**1,596**	**1,483**	**1,356**	**1,591**	**1,658**	**1,676**	**1,696**	**1,728**	**1,766**	**1,889**	**2,242**	**2,293**	**647**	**171**	**67**	**33**	**22,730**
Silver Production in Doré (koz)	**8.42**	**23.09**	**29.76**	**15.39**	**27.89**	**51.30**	**47.69**	**43.59**	**51.16**	**53.32**	**53.89**	**54.52**	**55.57**	**56.77**	**60.75**	**72.10**	**73.73**	**20.80**	**5.49**	**2.14**	**1.07**	**730.80**

Notes:

(1) Total gold recovery for all types of ore on the leach pad as of December 31, 2009 is projected to be 53% based on a recovery model produced by IMP. Historical gold recovery for the first half of 2010 as well and forecast total gold recovery is 40% for the ROM ore and calculated from the recovery formulas developed by KDE in February 2010 for the crushed ore.

(2) Cumulative gold recovery is the ratio of cumulatively recovered gold from the heap leach process to the cumulative gold loaded on the leach pad.

(3) Forecast silver production is based on a silver/gold production ratio of 0.35 for the period from July 2010 to December 2026, which is slightly lower than the actual average silver/gold production ratio of approximately 0.39 from January 2007 to June 2010.

1.6 Operating Costs and Capital Costs

Historical and forecast operating costs and capital costs for the CSH Mine are summarized in Tables 1.5 and 1.6, respectively. Forecast operating costs are generally based on either existing contracts or past operating expenditures and are considered reasonable by BDASIA. However, BDASIA notes that no inflation has been factored into the operating cost estimates. Future increase in costs for labor, fuel, and other materials can have a large impact on the mining operation.

Most capital expenditures for the mine have already been spent. Any sustaining mining capital expenditures will be the responsibility of the mining contractor. The remaining capital expenditures consist primarily of costs for leach pad expansion and construction of a conveyor belt system from the crushing plant to the leach pads. BDASIA considers that a sustaining capital (2% per year) will be needed for the crushing plant and the gold recovery plant.

The unit gold-equivalent ("AuEq", i.e. silver production is converted to equivalent gold based on the silver to gold revenue ratio based on actual and/or forecast gold and silver prices as well as refining charges as listed in Table 1.7) production operating (cash) cost and the total production costs have been calculated and are expressed in US dollars per troy ounce ("US$/oz").

Table 1.5

Historical and Life-of-Mine Forecast Operating Costs for the CSH Mine

	Historical Cost				Forecast Cost												
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Mining Cost (US$/t of ore)																	
Mining Ore	1.35	1.80	1.41	1.19	1.27	1.27	1.30	1.28	1.30	1.30	1.30	1.31	1.31	1.31	1.31	1.36	1.38
Mining Waste	1.34	3.04	1.39	1.51	4.04	3.17	3.27	2.76	2.37	2.21	1.92	1.66	1.40	1.07	0.82	0.82	0.25
Mining Overhead	0.27	0.37	0.54	0.04	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Total Mining	**2.96**	**5.21**	**3.34**	**2.75**	**5.59**	**4.73**	**4.85**	**4.33**	**3.96**	**3.80**	**3.51**	**3.25**	**3.00**	**2.66**	**2.42**	**2.46**	**1.91**
Processing Cost (US$/t of ore)																	
Processing ROM Ore	0.48	0.97	0.99	0.93													
Processing Crushed Ore			0.99	0.74	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.92	0.91	0.86	1.82	1.82
Average Processing	**0.48**	**0.97**	**0.99**	**0.79**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.92**	**0.91**	**0.86**	**1.82**	**1.82**
G&A and Other Cost (US$/t of ore)	**0.97**	**1.86**	**1.19**	**0.69**	**1.77**	**1.38**	**1.33**	**1.24**	**1.27**	**1.25**	**1.26**	**1.27**	**1.22**	**1.14**	**1.16**	**1.21**	**1.25**
Total Operating Cost (US$/t of ore)	**4.41**	**8.04**	**5.52**	**4.24**	**9.18**	**7.93**	**8.00**	**7.38**	**7.05**	**6.87**	**6.59**	**6.34**	**6.14**	**4.71**	**4.43**	**5.49**	**4.98**
Deprec/Amort Cost (US$/t of ore)	**0.58**	**1.26**	**1.00**	**2.98**	**4.01**	**1.93**	**1.71**	**1.37**	**1.32**	**1.27**	**1.25**	**1.14**	**0.76**	**0.76**	**0.21**	**0.12**	**0.07**
Total Production Cost (US$/t of ore)	**4.99**	**9.30**	**6.52**	**7.22**	**13.19**	**9.86**	**9.71**	**8.75**	**8.37**	**8.14**	**7.84**	**7.48**	**6.90**	**5.46**	**4.64**	**5.61**	**5.04**
AuEq Operating (Cash) Cost (US$/oz)	**921**	**805**	**638**	**800**	**586**	**573**	**621**	**628**	**510**	**477**	**453**	**431**	**409**	**307**	**270**	**282**	**227**
AuEq Total Production Cost (US$/oz)	**1,042**	**931**	**753**	**1,364**	**843**	**712**	**755**	**744**	**606**	**566**	**538**	**508**	**460**	**356**	**283**	**288**	**230**

Note: AuEq is calculated using the following formula: AuEq = Au + Ag × (Ag price-Ag Refining Charge)/1.03/(Au price-Au Refining Charge) based on actual and/or forecast gold and silver prices and refining charges listed in Table 1.7. The reason for dividing the silver revenue by 1.03 is because the silver price includes a 3% VAT.

Table 1.6
Historical and Life-of-Mine Forecast Capital Costs for the CSH Mine

Item	Historical Cost				Forecast Cost													
	2007	2008	2009	2010 Jan-Jun	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total Jul 2010-Dec 2022
Capital Cost in US$ (×10^3)																		
Mining		1,837	11,552															
Heap Leach	5,498		3,434	4,613				7,467	5,407	5,226								18,099
Processing	23,117	406	1,179	2,212														
Crusher		25,524	32,979		5,852													5,852
Infrastructure and G&A	6,503		83	737														
Exploration	18,797	654																
Closing																		
Land	1,593		732															
Property Acquisition																		
Other																		
Total	**55,508**	**28,421**	**49,958**	**7,563**	**5,852**	–	–	**7,467**	**5,407**	**5,226**	–	–	–	–	–	–	–	**23,951**

1.7 Project Economics

BDASIA conducted a base case economic analysis for the CSH Mine using the technical and economic parameters discussed in the ITR (Table 1.7). The gold price is variable over the life of the mine and represents the projected average price estimated by 18 international financial institutions. The discount rate of 9% for the net present value ("NPV") calculation was provided by Citi, China Gold International's financial adviser, which BDASIA considers generally reasonable for the CSH Mine. The middle year discount method was used in calculation the NPV.

Based on the assumptions listed in Table 1.7, the CSH Mine has a total pre-tax NPV of US$486.05M and a total after-tax NPV of US$377.89M as of June 30, 2010.

Sensitivity analyses indicate that the NPV of the CSH Mine is very sensitive to the variation in the gold price and heap leach gold recovery, moderately sensitive to variation in operating costs, and less sensitive to variation in capital costs.

Table 1.7

Base Case Cash Flow Analysis at June 30, 2010 for the CSH Mine

	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Revenue																		
Gold Production in Doré (koz)	79.69	146.57	136.25	124.54	146.17	152.34	153.99	155.78	158.76	162.20	173.56	205.99	210.65	59.42	15.67	6.13	3.05	**2,088.01**
Silver Production in Doré (koz)	27.89	51.30	47.69	43.59	51.16	53.32	53.89	54.52	55.57	56.77	60.75	72.10	73.73	20.80	5.49	2.14	1.07	**730.80**
Gold Price (US$/oz)	1033.00	1033.00	955.00	970.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	
Silver Price (US$/oz)[(1)]	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	
Gold Refining Charge (US$/oz)	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	
Silver Refining Charge (US$/oz)	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	
Gold Sales Revenue (US$ M)	81.97	150.78	129.54	120.27	123.47	128.68	130.07	131.59	134.10	137.01	146.61	174.00	177.94	50.20	13.24	5.17	2.58	**1,834.88**
Silver Sales Revenue (US$ M)[(1)]	0.43	0.79	0.74	0.67	0.79	0.83	0.83	0.84	0.86	0.88	0.94	1.12	1.14	0.32	0.08	0.03	0.02	**11.31**
Total Sales Income (US$ M)	**82.40**	**151.57**	**130.27**	**120.95**	**124.26**	**129.51**	**130.91**	**132.43**	**134.96**	**137.89**	**147.55**	**175.12**	**179.08**	**50.52**	**13.32**	**5.21**	**2.60**	**1,846.19**
Operating Costs (US$ M)																		
Mining	28.61	50.38	51.65	46.07	42.19	40.49	37.37	34.66	31.96	28.36	25.73	26.24	18.46					**462.16**
Processing	9.30	19.36	19.36	19.36	19.36	19.36	19.36	19.36	20.45	9.64	9.16	19.36	17.55					**220.95**
G&A and Others	9.05	14.71	14.16	13.18	13.52	13.36	13.44	13.52	13.00	12.12	12.30	12.84	12.04	0.99	0.26	0.10	0.05	**168.59**
Total Operating Cost	**46.96**	**84.44**	**85.16**	**78.61**	**75.07**	**73.20**	**70.16**	**67.53**	**65.41**	**50.11**	**47.20**	**58.44**	**48.05**	**0.99**	**0.26**	**0.10**	**0.05**	**851.71**
Depreciation/Amortization (US$ M)	20.53	20.53	18.24	14.59	14.07	13.52	13.29	12.14	8.09	8.05	2.26	1.33	0.65					**147.29**
Taxable Income (US$ M)	14.91	46.60	26.87	27.75	35.13	42.78	47.46	52.76	61.46	79.73	98.09	115.34	130.37	49.53	13.06	5.11	2.54	**847.19**
Income Tax @25% (US$ M)	3.73	11.65	6.72	6.94	8.78	10.70	11.86	13.19	15.37	19.93	24.52	28.84	32.59	12.38	3.27	1.28	0.64	**211.80**
After-Tax Income (US$ M)	**31.72**	**55.48**	**38.39**	**35.40**	**40.41**	**45.61**	**48.88**	**51.71**	**54.19**	**67.84**	**75.83**	**87.83**	**98.43**	**37.15**	**9.80**	**3.83**	**1.91**	**782.69**
Total Capital Costs (US$ M)	8.80			7.47	5.41	5.23												**26.90**
Loan Principle Payment (US$ M)	1.47	1.47	8.85	17.70	13.27													**42.77**
After-Tax Cash Flow (US$ M)	**21.44**	**54.01**	**29.54**	**10.24**	**21.73**	**40.38**	**48.88**	**51.71**	**54.19**	**67.84**	**75.83**	**87.83**	**98.43**	**37.15**	**9.80**	**3.83**	**1.91**	**713.01**
Years to discount to Jun 30, 2010	0.25	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	
Discount Factor at 9%	0.979	0.917	0.842	0.772	0.708	0.650	0.596	0.547	0.502	0.460	0.422	0.388	0.356	0.326	0.299	0.275	0.252	
After-Tax NPV (US$ M)	**20.98**	**49.55**	**24.87**	**7.90**	**15.39**	**26.24**	**29.15**	**28.29**	**27.19**	**31.24**	**32.03**	**34.04**	**35.00**	**11.55**	**2.93**	**1.05**	**0.48**	**377.89**
Pre-Tax Cash Flow (US$ M)	**25.17**	**65.65**	**36.26**	**17.17**	**30.51**	**51.08**	**60.75**	**64.90**	**69.55**	**87.77**	**100.35**	**116.67**	**131.03**	**49.53**	**13.06**	**5.11**	**2.54**	**924.81**
Pre-Tax NPV (US$ M)	**24.63**	**60.23**	**30.52**	**13.26**	**21.62**	**33.20**	**36.22**	**35.50**	**34.91**	**40.41**	**42.39**	**45.21**	**46.58**	**16.15**	**3.91**	**1.40**	**0.64**	**486.05**

1.8 Environmental, Occupational Health and Safety Issues

Mine management at CSH has sought to comply not only with Chinese environment protection requirements but also with international norms for the mining industry. An Environmental and Social Impact Assessment for the CSH Mine was conducted by internationally recognized consultants Environmental Resources Management utilizing World Bank Group Environmental and Social Guidelines. The mine has a current environmental approval and a valid Water Permit, enabling it to obtain an adequate and reliable source of water for the mine and processing operations. China Gold International has designed the site to be a zero water discharge site, recycling all process water back into the process circuit. An Environmental and Social Management Program is being implemented and a Closure Plan has been approved as a component of the Soil and Water Plan.

China Gold International has a policy of protection of local social heritage and culture, community assistance and contribution towards community development, financially supporting local education, medical and social initiatives, and providing support to poor local families living near the mine site.

The Company seeks to conduct its operations in accordance with both national and international safety standards and has an occupational health and safety system in place. The mine has maintained a good safety record to date.

1.9 Conclusions and Recommendation

Based on our analysis, BDASIA believes that the CSH Mine will be a profitable, low-grade, bulk-tonnage open-pit mining, heap leach processing operation under current economic conditions, provided that the predicted heap leach gold recoveries for the crushed fresh (sulfide) ore can be realized and reserve gold grade estimates can be confirmed by the detailed crushing plant sampling program in actual production.

Historically stacked ore (mostly ROM) to the leach pads from 2007 to 2009 is expected to yield a final gold recovery of approximately 53%, significantly less than the 80% ROM recovery for weathered (oxidized) ore as projected originally before the start of the mining operation. The primary reason for the lower than expected historical recovery was that the original weathered (oxidized) zone was incorrectly defined and significantly sulfide material are present at the lower portion of the originally-defined weathered zone. Gold recovery for the uncrushed sulfide material is low and slow, resulting in significantly lower total gold recovery for the historical ore stacked to the leach pad before 2009. Currently predicted gold recoveries for the crushed ore are based on recent comprehensive column leach test results, but these recoveries will need to be proved by actual heap leach operation.

Ore placed on the leach pads are primarily crushed material starting from the beginning of 2010. However, gold production from the CSH Mine for the first half of 2010 was only 1,157 kg, significantly lower than half of the originally planned gold production of 4,112 kg for 2010. The explanation from the mine management for the short fall in production is primarily due to the unusually long and harsh cold winter, added by the mine management's decision to test not burying by ore but just covering by plastic films the drip emitters during the winter months. In order to improve the gold recovery from the leach pads, the CSH Mine built five new CIC columns (each with a volume of approximately 353 m^3) and a new 4,192-m^3 PLS pond from March to July 2010. Significantly more water will be pumped into the leaching system and significantly more PLS solution will be processed starting in August, 2010. Gold recovery improved significantly in August and September. The mine management expects that gold recovery will improve further in the next several months before December and the reduced gold production target of 3,604 kg could be reached in 2010. BDASIA considers that the mine management's expectation is possible, but it needs to be confirmed by the actual gold production from the mine in the remaining of 2010.

BDASIA recommends continuing the mining operation of the CSH Mine.

BDASIA recommends the Company to construct the overland conveyer system between the crushing plant and the leach pads and to expand the current leach pad for accommodate future ore production. BDASIA understands that the Company has completed the current phase of the leach pad expansion by the end of June 2010 but the overland conveyer system is in the planning stage.

BDASIA recommends collecting accurate ore production tonnage and grade data from the crushing plant, allowing accurate production reconciliation to be performed, which will be used as a guide for future resource modeling and reserve estimation of the deposit.

2.0 INTRODUCTION

China Gold International Resources Corporation Limited (formerly Jinshan Gold Mines Inc.) is a Canadian mining company whose shares are listed on the TSX with a trading symbol CGG. China National Gold Group Hong Kong Limited ("China Gold Group HK") currently owns approximately 39% of the listed shares of China Gold International and is the largest shareholder. Through its subsidiaries, China Gold International owns 96.5% of the operating CSH Mine in Wulatezhong Banner, Inner Mongolia Autonomous Region of China.

The CSH Mine is currently China Gold International's primary mining asset. It is owned and operated by IMP (formerly Ningxia Pacific Mining Company Limited), which is a JV company between China Gold International (96.5%) and the 217 Brigade (3.5%) of Northwest Geology and Exploration Bureau of CNNC in Yinchuan, Ningxia Hui Autonomous Region, located west of Inner Mongolia. The CSH Mine is a conventional open-pit mining, heap-leach processing gold mining operation, mining a large, bulk-tonnage, low-grade gold deposit, and is currently one of the largest operating gold mines in China in terms of mineral resources considered compliant to the JORC Code and the CIM Standards. The mine started mining operation in April 2007. It loaded 7.5 Mt of ROM ore with an average gold grade of 0.63 g/t and 2.2 Mt of crushed ore with an average gold grade of 0.60 g/t on the leach pad and produced approximately 2,599 kg or 83,570 oz of gold in doré bars in 2009. A three-stage crushing plant with a designed production capacity of 30,000 tpd of ore to 80% -9 mm was installed in August 2009 and the plant ramped up to its designed production capacity in March 2010. The Company now plans to increase the mine's ore production to 12.00 Mt of mostly crushed ore, with an average gold grade of 0.63 g/t, and to increase gold production to approximately 3,604 kg or 116,000 oz in 2010.

The Company engaged Behre Dolbear Asia, Inc. ("BDASIA"), a wholly owned subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), as their independent technical adviser to undertake an independent technical review of the Company's CSH Mine and to prepare an ITR for filing as a technical report in Canada pursuant to applicable securities reporting requirements.

Mineral resources and mineral reserves of the CSH Mine have been reviewed in accordance with the CIM Standards, and have been reconciled with mineral resources and ore reserves under the

Australasian JORC Code. The report format follows the requirements under the Canadian National Instrument 43-101 ("NI 43-101").

BDASIA's project team for this technical review consists of senior-level professionals from Behre Dolbear's offices in Denver, Colorado in the United States; Sydney, Australia; and London in the United Kingdom. Behre Dolbear personnel contributing to the study and to this ITR include:

- **Dr. Qingping Deng (B.S., M.S. and Ph.D.),** a senior associate of Behre Dolbear's Denver office, was BDASIA's **Project Manager** and **Project Geologist** for this technical review. Dr. Deng is a geologist with more than 26 years of professional experience in the areas of exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geostatistics, cash-flow analysis, project evaluation/valuation, and feasibility studies in North, Central, and South America, Asia, Australia, Europe and Africa. Dr. Deng is a Certified Professional Geologist with the American Institute of Professional Geologists, a Qualified Professional Member of Mining and Metallurgical Society of America, and a Registered Member of The Society of Mining, Metallurgy, Exploration, Inc. ("SME") and meets all the requirements for "Competent Person" as defined in the 2004 Australasian JORC Code and all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101. Dr. Deng is fluent in both English and Chinese. He was the president and chairman of BDASIA before June 30, 2010.
- **Mr. Michael Martin (B.S. and M.A.),** a senior associate of Behre Dolbear's Denver, Colorado office, was BDASIA's **Project Mining Engineer** for this review. Mr. Martin has over 30 years of experience in the areas of engineering, operations, management, exploration, acquisitions, and development in the mineral industry, principally in the open-pit mining of gold, copper, molybdenum, and iron. He has had responsibility for capital and operating costs, infrastructure, and organization. He has been involved in many feasibility and due diligence studies, property evaluations, operational audits and optimizations, and mine equipment selection and costing. In addition, Mr. Martin has been responsible for all mining related items, including mine schedules, ore control, mine equipment, cash flow forecast reviews, and site management assessment. His consulting activities have included work in the United States and more than 17 foreign countries. Mr. Martin is a Qualified Professional Member of Mining and Metallurgical Society of America and meets all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101.
- **Mr. Vuko M. Lepetic (B.S. and M.S.),** a senior associate of Behre Dolbear's London office, was BDASIA's **Project Metallurgist**. Mr. Lepetic has over 30 years of worldwide experience in mineral processing and metallurgy. He has worked with and has extensive knowledge of processes employed and products produced by the Company. Mr. Lepetic holds patents for stibnite and cassiterite flotation (both industrially employed) as well as records of invention for the processing of iron, lead and zinc oxide minerals, rare earths, and phosphates. Mr. Lepetic is a Qualified Professional Member of Mining and Metallurgical Society of America and meets all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101.
- **Ms. Janet Epps (B.S. and M.S.),** a senior associate of Behre Dolbear's Sydney, Australia office, was BDASIA's **Project Environmental and Occupational Health and Safety Specialist**. She has over 30 years experience in environmental and community issues management, sustainability, policy development, and regulatory consultancy services.

Ms. Epps has worked extensively with the private sector, governments, and the United Nations, the World Bank, the IFC, and the Multilateral Investment Guarantee Agency ("MIGA"), as well as with the mining industry. She has provided policy advice to governments of developing countries on designated projects and contributed toward sustainable development and environmental management strategies. She has completed assignments in Australasia, the Pacific, Asia, the Middle East, the CIS countries, Africa, Eastern Europe, South America, and the Caribbean. Ms. Epps is a Fellow of the Australasian Institute of Mining and Metallurgy and meets all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101.

- **Mr. Bernard J. Guarnera (B.S. and M.S.),** president and chairman of the Behre Dolbear Group Inc., the parent company of Behre Dolbear & Company, Inc., was BDASIA's **Project Adviser**. He is a Certified Mineral Appraiser, with extensive experience in the valuation of mineral properties and mining companies. He is a registered Professional Engineer, a Registered Professional Geologist, and a Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy. Mr. Guarnera has over 30 years of professional experience, and his career has included senior-level positions in exploration and development at a number of major U.S. natural resource companies. Mr. Guarnera meets all the requirements for "Competent Person" in Australia and "Qualified Person" in Canada.

BDASIA's project team, with the exception of Mr. Guarnera, traveled to China and visited the Company's CSH property. Dr. Deng visited the CSH Mine from August 12 to August 13, 2009. Dr. Deng, Messrs Martin and Lepetic, and Ms. Epps visited the CSH Mine from October 24 to October 26, 2009. During BDASIA's visit, discussions were held with technical and managerial staff at the mine and plant sites. Operating performance from 2007 to the first 9 months of 2009 and life-of-mine production schedules, budgets, and forecasts were reviewed.

The source of information for this ITR includes published technical reports for the CSH Mine by KDE in Tucson, Arizona, USA, in 2006 and 2008 and an unpublished internal company technical report prepared by KDE in February 2010, technical and financial information provided by China Gold International, and BDASIA professionals' site visit to the CSH Mine and interviews with the CSH Mine management and technical personnel as well as outside consultants.

This ITR contains forecasts and projections prepared by BDASIA based on information provided by the Company. BDASIA's assessment of the projected production schedules and capital and operating costs is based on technical reviews of project data and project site visits.

The metric system is used throughout this ITR. The currency used is the Chinese Yuan ("RMB") and/or the United States dollar ("US$"). The exchange rate used in the ITR is RMB6.78 for US$1.00, the rate of the People's Bank of China prevailing on June 30, 2010.

3.0 RELIANCE ON OTHER EXPERTS

BDASIA has relied on certain technical and financial information for the CSH Mine prepared by the Company and KDE.

4.0 PROPERTY DESCRIPTION AND LOCATION

The CSH Mine is located in Wulatezhong Banner, Inner Mongolia Autonomous Region in China (Figure 4.1). The nearest major city is Baotou, located approximately 126 km (road distance approximately 210 km) to the south-southeast. Baotou has a population of approximately 1.5 million ("M") and is the most important industrial city in Inner Mongolia.

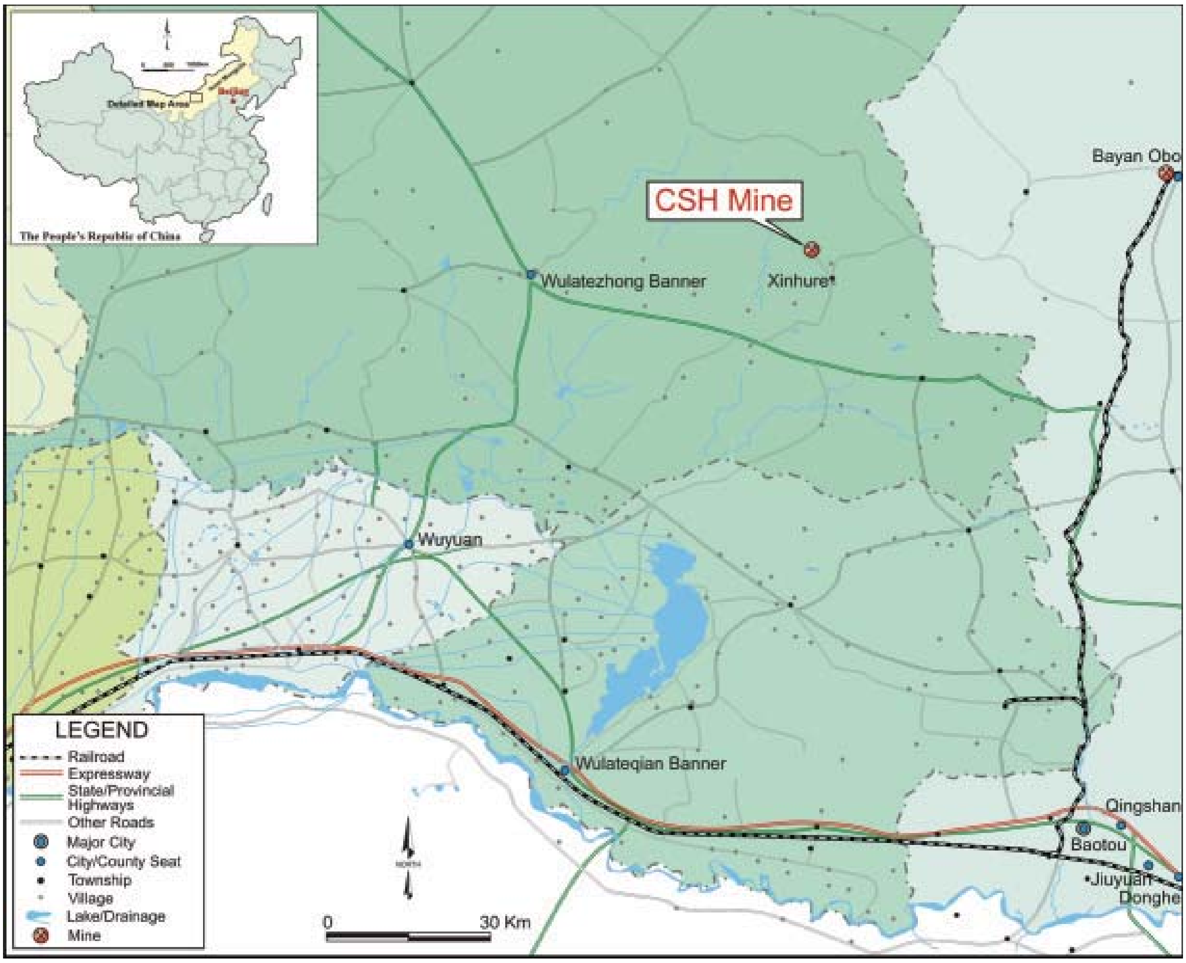

Figure 4.1 Location of the CSH Mine

The CSH Mine is currently owned and operated by IMP which is a JV company between China Gold International (96.5%) and the 217 Brigade (3.5%). The property was originally held by the 217 Brigade. Under the terms of the JV Agreement dated April 5, 2002, Jinshan (the former name for China Gold International) can earn a 96.5% interest in the JV by making three staged payments totaling US$750,000 to the 217 Brigade over a 3-year period. An additional payment of US$1M to the 217 Brigade is due within 30 days of the decision to commence construction and installation of a commercial mining operation and a further additional payment of US$1M to the 217 Brigade was due after the commencement of commercial mining. Jinshan has completed all these payments to the 217 Brigade on schedule.

The CSH Mine currently holds a permit for a mining right and a permit for an exploration right. The mining license, with an area of 10.0892 square kilometers ("km^2"), for the CSH Mine is currently held by IMP. The license is valid until August 2013 and extendable thereafter. The license number is

C10000020091041024, which was issued by the MOLAR. The horizontal license boundary is defined by 19 corner points, and the vertical boundaries are at the mean sea level ("MSL") elevations of 1,436 m and 1,696 m. The production rate specified on the mining license is 6.6 Mtpa (or 20,000 tpd based on 330 working days per annum). BDASIA notes that a portion of the currently defined mineral resources and mineral reserves are located below the current mining license lower MSL elevation limit. Based on a interview with the Development Division of the MOLAR by the Company's legal counsel on December 15, 2009, this portion of the mineral resources and mineral reserves located below the mining license lower boundary should also belong to the Company; however, the Company will need to go through the revision process to adjust the mining license lower boundary before mining this portion of the mineral reserves. BDASIA understands that IMP is in the process of applying for an adjustment to the lower elevation limit of the mining license from relevant governmental agencies to cover all the defined mineral resources and mineral reserves.

The exploration license surrounding the mining license, with an area of 25.91 km^2 and with no vertical elevation limits, is also held by Ningxia Pacific Mining Company Limited (the former name for IMP) and is in the process of being assigned to IMP. The license number is T01120081102018362, which is issued by the MOLAR. This license is valid until August 2010 and is extendable thereafter. The license area is defined by 10 corner points, excluding the CSH Mine mining license area inside the exploration license boundary. The license area is located between longitudes from 109°11'00"E to 109°17'00"E and latitudes from 41°38'00"N to 41°41'00"N.

BDASIA has reviewed the copies of the mining license and exploration license provided by the Company and consider that they are valid and typical of mining and exploration licenses issued by relevant governmental agencies in China.

China Gold International has secured sufficient surface land areas through leases for current mining operation and planned expansion.

The CSH Mine has obtained all necessary permits and licenses to conduct current open pit mining, heap leaching processing at the CSH Mine. In order to retain the CSH property, the Company is obligated to conduct all the mining and processing activities at the CSH Mine site in accordance with the state and local laws and regulations, and pay any license fees and taxes to the relevant governmental agencies on a timely basis.

Mining operation at the CSH Mine is subject to a resource tax of RMB3.00 per tonne of processed ore and a resource compensation levy of 2.8% for 70% of the sales revenue. The corporate income tax rate for IMP is 25%.

To renew an exploration license, all exploration permit fees must be paid and the minimum exploration expenditure should have been made for the area designated under the exploration permit. To renew a mining permit, all mining permit fees and resource compensation levies must be paid to the state for the area designated under the mining permit. The renewal application should be submitted to the relevant state or provincial authorities at least 30 days before the expiration of a permit.

There are no recognized environmental problems that might preclude or inhibit mining operations in the CSH Mine area, although given the past artisanal and/or illegal mining activities environmental baseline studies are underway to clearly identify potential environmental issues.

Figure 4.2 shows the mining license boundary, the open pit mine, waste dumps, leach pads, processing facilities, and infrastructure items of the CSH Mine. Waste dumps must accommodate a further 174 Mt of waste rock from the Northeast and Southwest pits as of June 30, 2010.

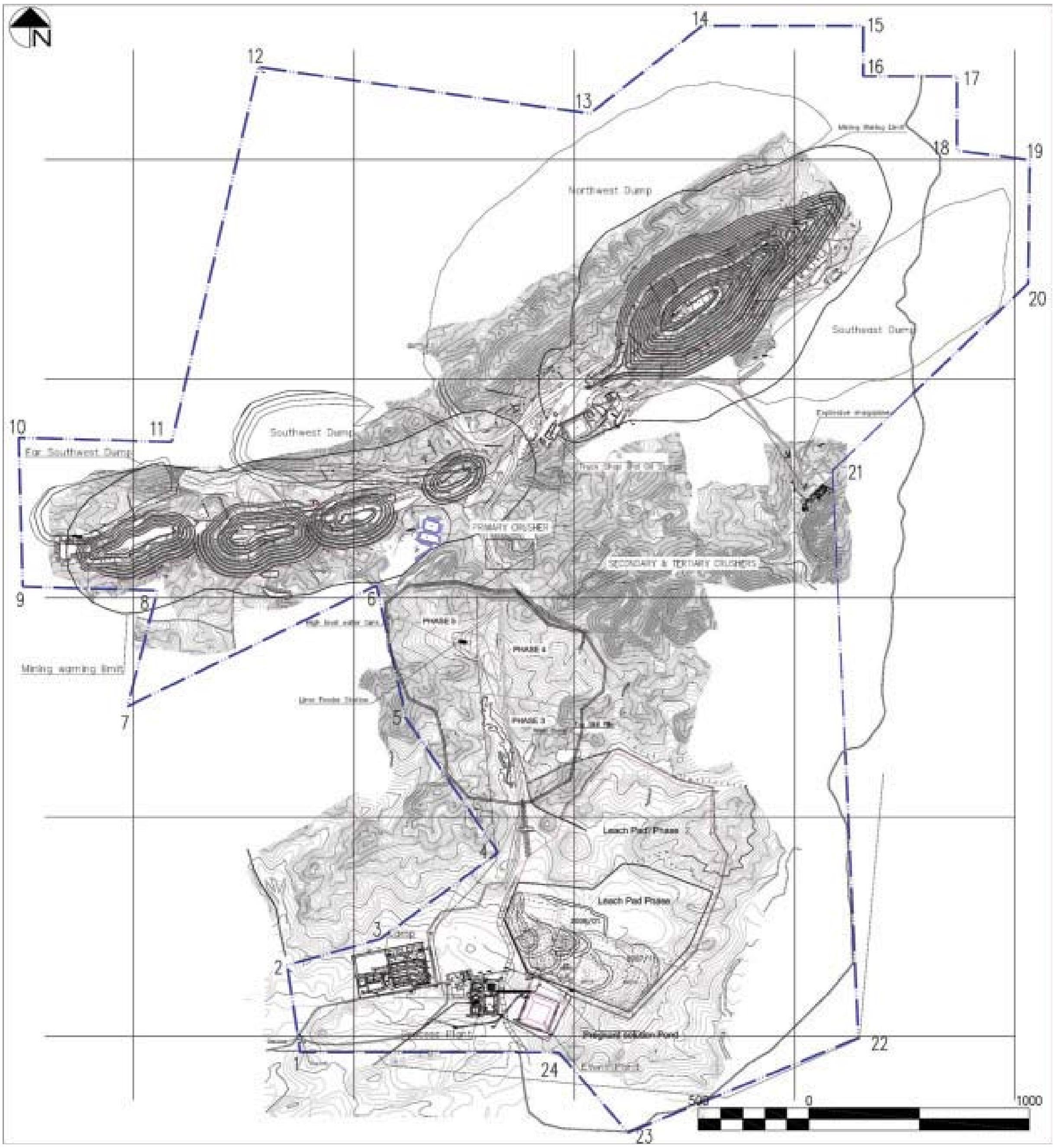

Figure 4.2 CSH Mine site map

5.0 PHYSIOGRAPHY, CLIMATE, ACCESSIBILITY, LOCAL RESOURCES AND INFRASTRUCTURE

The CSH Mine is located in an area of gently rolling hills with MSL elevations ranging from 1,550 m to 1,750 m in a semi-desert on the Inner Mongolian Plateau. Vegetation in the area consists of sparse desert grasses with shrub bushes. Outcrop exposure is abundant. There are few inhabitants within the general area of the mine with most of the land being used only for low-intensity sheep and goats grazing.

The area has a typical continental interior climate in semi-desert conditions. The summers are dry and comfortable with temperatures rarely exceeding 30°C. The winters are cold and windy, with cold spells down to -25°C. Winter conditions prevail from early October through mid-March, but snowfall is minimal. Average annual precipitation is approximately 230 millimeters ("mm"), which is far less than the estimated annual evaporation rate of 2,500 mm. Most of the precipitation occurs as rains in July to September.

Access to the CSH Mine area from Baotou is via 210 km of mostly paved two-lane highways, with a driving time of about 3 hours. The road distance from Baotou to Beijing is approximately 657 km on a national expressway, with a driving time of about 6 hours. There are a number of daily flights from Baotou to Beijing and other cities in China. Baotou is a major steel-making center in north China and is the central service and supply point for the general area of the mine. Many of the skilled laborers at the CSH Mine are from this center.

With the open, rolling terrain, an abundance of land is available for mine infrastructure purposes, including open pits, waste dumps, heap-leach pads, and processing plant, as well as office buildings and living facilities. The Company has secured sufficient surface lands through leases for current mining operation and planned expansion, such as additional leach pads.

Electricity for the CSH Mine is supplied by a 30-km-long, 35-kV power transmission line from the Chulutu substation south of the mine, where electricity is provided by the 110-kV district power grid. Two substations were constructed in the mine area to convert the electricity from 35 kV to the appropriate voltages for the production equipment and other applications. The CSH Mine management has stated that power supply for production is sufficient, as the area in general is in surplus for electric power. The mine also has a backup diesel generator to supply sufficient electricity for the gold recovery plant and the mining camp in case of an electricity breakdown.

Water for production and the mine camp is supplied by the Molen River located 5.2-km west of the mine. The mine has received appropriate water usage permits to pump a maximum of 980,000 m^3 of water from the river and nearby aquifers, which is sufficient for the mine production and the mining camp usage.

In addition to the mining and processing facilities, a 550-person mining camp was also constructed for the CSH Mine. Currently, IMP has 314 employees, including six in the senior management team, 11 as middle level managers, and 35 technical personnel. In addition, the mining contractor has approximately 230 people working in the mine area.

6.0 HISTORY

Gold mineralization associated with extremely narrow quartz veins at the CSH Mine area was discovered by the 512 Brigade of the Bureau of Geology and Mineral Resources of Inner Mongolia in the 1970s. However, the mineralization was considered too small and discontinuous to be of interest and consequently was abandoned. The 217 Brigade acquired the prospect in 1991 and explored the property from 1992 to 1998. Exploration work completed by the 217 Brigade included soil and rock geochemical sampling, surface trenching, the driving of a 188-m-long decline, and the heap leaching of a 30,000-t test sample on site.

In 1998, the 217 Brigade entered into a JV with Mr. Wang Kong, a Chinese individual resident in Vancouver, Canada, who agreed to finance a drilling program. However, the program was abandoned when the rig failed to drill beyond 80 m in the first hole, and further funding was withheld.

In 1999, the 217 Brigade entered into another JV with a Canadian consortium, Southwestern — Global Pacific Joint Venture (“SWGP”). This JV covered not only the 36-km^2 area of the CSH property held by the 217 Brigade but also the approximately 342-km^2 area surrounding the CSH property controlled by Inner Mongolia Exploration Bureau of China National Non-ferrous Metals Corporation. The combined areas were operated as a single project known as the Haoya Project. Work completed in 1999 included satellite imagery, geological mapping, extensive trenching and rock geochemistry (more than 3,000 samples), and the drilling of ten widely-spaced diamond drill holes (“DDH”), with a total drilled length of 2,797 m. The 1999 work confirmed the presence of a major low-grade gold mineralization system and suggested a significant potential for a bulk-tonnage, low-grade, open-pit gold target. The SWGP JV agreement was terminated in 2000 largely due to the downturn in the mining industry as a consequence of low gold prices.

In 2002, the 217 Brigade formed the current JV with Pacific Minerals Inc. (“PMI”, renamed as Jinshan Gold Mines Inc. in 2004, then renamed as China Gold International Resources Corporation Limited in July 2010), and a major drilling program comprising 4,997 m of drilling in 23 DDH holes was completed in the same year. In addition, a 750-kg bulk sample from core and surface trenches was sent to SGS Lakefield Research in Canada for preliminary metallurgical test work.

Several additional phases of drilling and metallurgical testing were completed by PMI/Jinshan from 2003 to 2005. A positive feasibility study for a conventional open-pit mining, heap-leach processing operation was completed by KDE in Tucson, Arizona, USA in May 2006.

The CSH Mine started construction in January 2006 and mining operation in April 2007. In July 2007, Jinshan completed the construction of the 20,000-tpd gold recovery facility, consisting of ROM heap leaching, carbon-in-column (“CIC”) gold absorption, carbon stripping, carbon regeneration and acid washing, bullion smelting, and reagent systems, along with the necessary ancillaries such as plant-site electrical systems, water system, shops, camp facilities, and access roads. By the end of July 2007, Jinshan successfully produced its first 500-oz gold doré bar.

Initial production was from the heap leaching of the ROM ore from the weathered (oxide and mixed) zone of the CSH deposit. A major 30,000-tpd crushing plant was completed in August 2009 and was in the process of commissioning and adjustment during BDASIA’s site visit in late October 2009. The production of the crushed ore ramped up gradually to the designed production capacity in March 2010 and the ore will be mostly crushed before stacking onto the leach pad starting in 2010.

Before the current mining operation, four types of historical gold mining activities occurred in the CSH Mine area, including historical small-scale alluvial or placer gold mining in the nearby CSH creek, small-scale artisanal mining on small gold-bearing quartz veins and sulfide stringers from mineralized zones worked on by the 217 Brigade from 1993 to 1998, unlicensed small open-pit mining — heap leaching operation on the Southwest Zone by the 208 Brigade of the CNNC in the periods of 1997-1999 and 2002-2004, and limited trial-mining and test-leaching from the Northeast Zone by the 217 Brigade from 1995 to 1997. Total gold production from these historical mining activities is estimated to be approximately 15,000 oz. These historical mining activities were generally confined to the near-surface zones of the mineralization and do not have any significant impact on the current mining operation.

7.0 GEOLOGICAL SETTING

7.1 Regional Geological Setting

The CSH Mine area is located within the North China gold belt extending along the northern margin of the North China craton. The area has undergone a complex geological history and tectonic evolution.

7.2 Local Geology

Gold mineralization of the CSH Mine is hosted by the Middle to Upper Proterozoic metasedimentary rocks of the Bayan Obo Group, which is also the host for the famous world-class rare earth-iron deposits at Bayan Obo some 50 km east-northeast of the CSH Mine. The Bayan Obo Group is divided, in a stratigraphically ascending order, into the Duhala Formation meta-conglomerates, meta-feldspathic quartzose sandstones, and meta-feldspathic wackes; Jianshan Formation slates, andalusite hornfels, meta-siltstones, and meta-quartzose wackes; Halabougete Formation dolomitic limestones intercalated with cherty slates and siliceous, calcareous clastic units, including sandstones, siltstones, and slates; Bilute Formation phyllites, schists, meta-sandstones, meta-siltstones, and meta-wackes; Baiyinbaolage Formation meta-sandstones, slates, and meta-siltstones; and Hujirtu Formation limestones, hornfels, skarns, slates, and meta-sandstones.

Only the middle portion of the Bayan Obo Group is present at the CSH Mine area, including the Jianshan, Halabougete and Bilute Formations. The second member of the Bilute Formation is the host for all significant gold mineralization on the property, and it consists of carbonaceous intercalated phyllites and andalusite-garnet schists, with minor meta-siltstones and meta-wackes. Schistosity of this unit dips quite uniformly to the north at 82°±10° but noticeably steepens and is even slightly overturned in the western part of the property. The metasedimentary rocks have been folded into a tight syncline in the mine area.

Intrusive rocks emplaced during the Late Caledonian, Hercynian, and Indosinian orogenies (413 to 205 Ma) are widely distributed in the CSH Mine area. Major granitoid batholiths outcrop to the north and south of the CSH gold deposit. Within the area of gold mineralization, numerous igneous bodies, traditionally described as dikes of various compositions, are present within the metasedimentary sequence. These bodies include diabase, lamprophyre, diorite, alpines, and pegmatite. The pegmatite and some diorite and lamprophyre bodies appear concordant with the bedding, as indicated by the drill cores. These bodies are generally barren of gold values.

7.3 Deposit Geology

Gold mineralization is controlled by an east-northeast-trending ductile-brittle shear zone located in the second member of the Bilute Formation in the south limb of the syncline. The shear zone is generally parallel to the foliation of the regional metamorphism but with a small cutting angle of around 10° to the foliation.

Figure 7.1 is a geology map of the CSH Mine area.

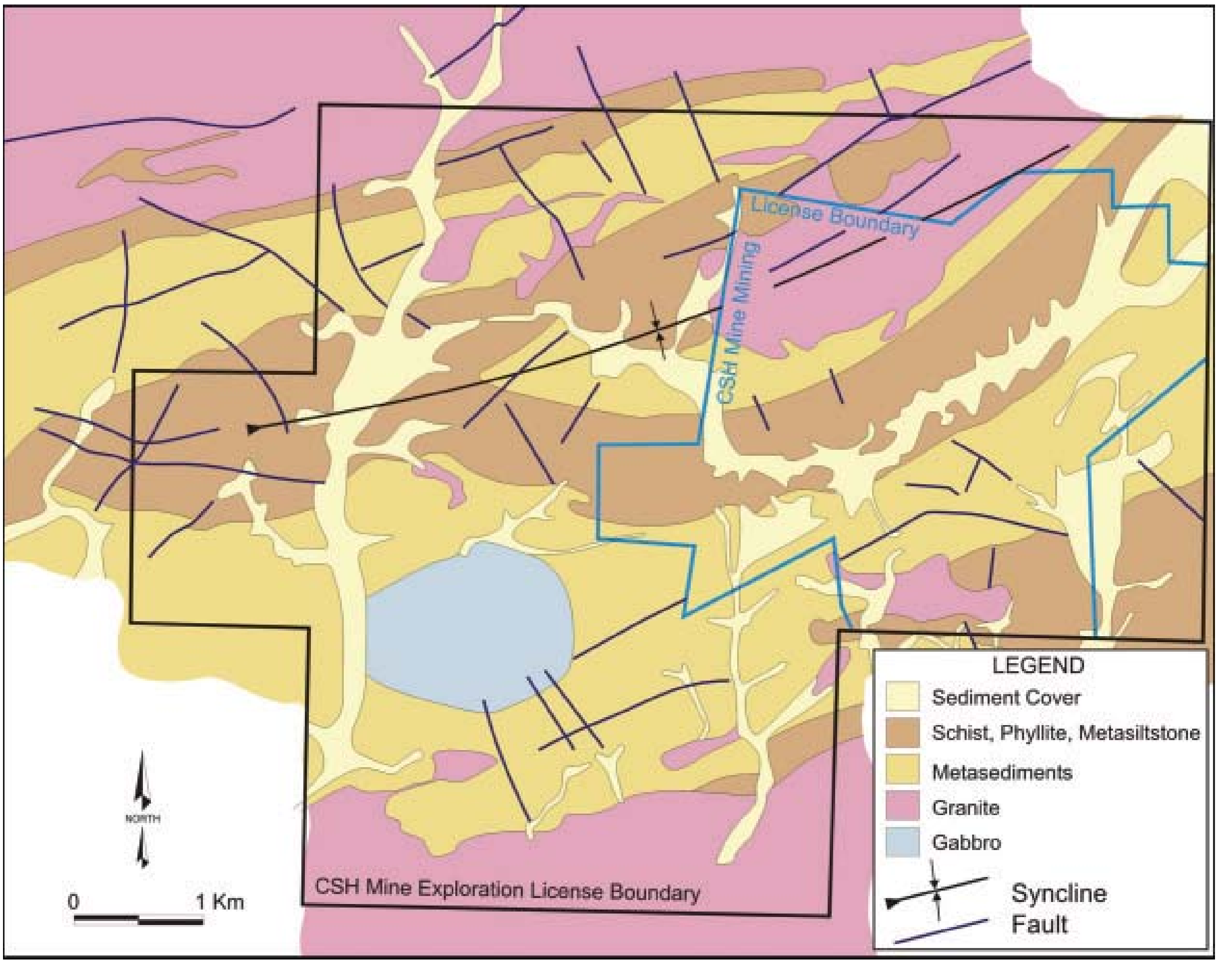

Figure 7.1 Geology of the CSH Mine area

8.0 DEPOSIT TYPES

Gold mineralization in the CSH Mine area occurs as numerous sub-parallel quartz/sulfide veinlets/stringers hosted by a sub-vertical ductile-brittle shear zone in Proterozoic meta-sediments. These gold-bearing quartz/sulfide veinlets/stringers form a large, near-surface, bulk-tonnage, low-grade gold deposit.

9.0 MINERALIZATION

Gold mineralization at the CSH Mine is divided into a Northeast Zone and a Southwest Zone (Figure 9.1). The two zones are offset by a fault structure.

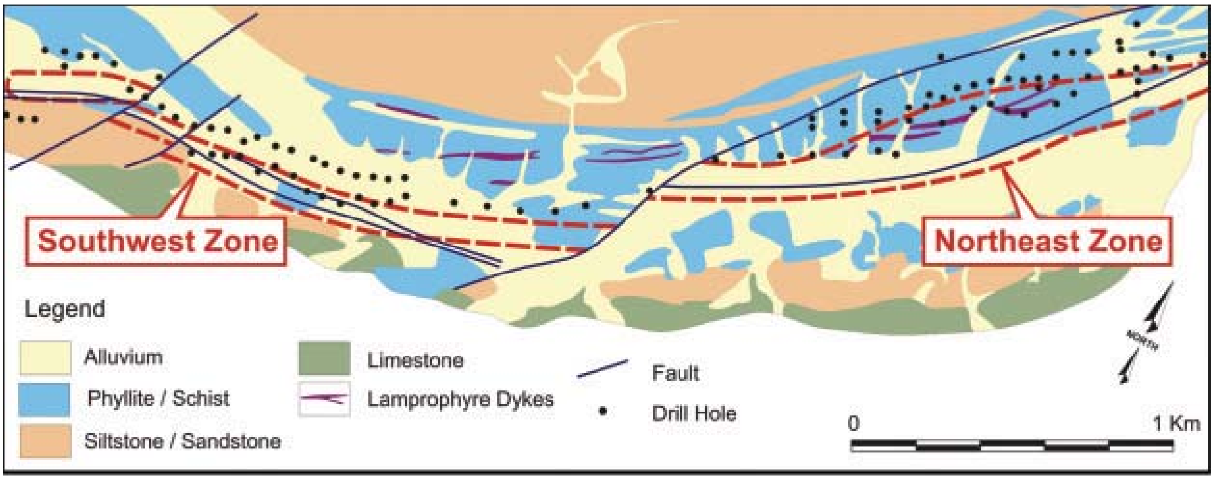

Figure 9.1 Distribution of drill holes and mineralized zones for the CSH Mine

Gold mineralization is composed of thin (typically 1 mm to 10 mm) sulfide and quartz-sulfide seams/veinlets, stringers, and boudinaged lenses, which are generally concordant with the bedding and/or schistosity of the host rock and trend along the shear structure. Much quartz vein material has been logged in the drill holes associated with the higher-grade gold sections. Most of the "veins" are probably derived from remobilization of siliceous exhalative layers in the hydrothermal process, perhaps related to basin dewatering during regional deformation and metamorphism. The higher-grade gold zones are parallel or sub-parallel to the regional metamorphic foliation texture. In most sections, connecting of the higher-grade intervals shows relatively consistent dip angle of the mineralized zones ranging from 82°-85° to the north in the Northeast Zone and from 87°-89° to the south in the Southwest Zone.

Three distinctive styles of mineralization are noted within the target stratigraphy:

- In the upper third of the sequence, the mineralization is dominantly quartz-rich, with only minor sulfide seams;
- In the lower third of the sequence, the mineralization is dominantly of the sulfide seam type, with only rare scattered quartz material; and
- In the middle third of the sequence, the mineralization is an even mixture of the above two types.

Gold occurs as native gold or electrum associated with the sulfide in seams and with the quartz vein material. Mineralogical work done by SGS Lakefield in Canada in 2002 on composite weathered (oxide and mixed) and fresh (sulfide) mineralization samples found 77% of the gold was free in the sulfide composite and 100% of the gold was free in the weathered composite. Sulfide minerals are mostly pyrite with some pyrrhotite; trace amounts of arsenopyrite, chalcopyrite, sphalerite, and galena have also been reported.

Alteration related to gold mineralization is generally weak, with only chlorite and silica alterations noticed in the drill logs. The host sediments have been moderately to strongly metamorphosed to phyllite and schist, with abundant sericite. Andalusite crystals up to 3 cm in length are prominently developed in some of the schists, and andalusite schists host a significant portion of the gold mineralization in both the Northeast Zone and the Southwest Zone.

Surface work and diamond core drilling have defined the mineralized zone over a continuous strike length of 4.8 km trending east-northeasterly across the CSH Mine area, with drilling to a maximum vertical depth of 375 m. Width of the mineralized zone varies, and a maximum width of approximately 300 m was found in the eastern part of the deposit.

The Northeast Zone has a strike of N55°E. It is approximately 1,650-m long along strike and 20-m to over 300-m wide. The Southwest Zone is located 400 m to the southwest of the Northeast Zone and has a strike of N75°E. The zone is 2,250-m long and 40-m to 100-m wide. The two mineralized zones are generally open at depth.

In addition to the fault that offsets the two mineralized zones, there is also a major fault parallel to the mineralization longitudinally. There are also several other small-scale, cross-cutting faults with limited offset within the mineralized zone.

The upper part of the mineralized zone has been weathered (or oxidized) to a depth of generally between 40 m to 70 m; however, the sulfide minerals have not been completely oxidized at the lower portion of the weathered zone. Therefore, the weathered zone actually consists of both oxide and mixed materials.

BDASIA has reviewed the interpretation of the geology and gold distribution of the CSH Mine by China Gold International geologists and considers that the interpretation is reasonable.

10.0 EXPLORATION

Several phases of drilling and exploration work have been conducted by China Gold International (previously PMI then Jinshan) in the CSH Mine area since signing the JV agreement in 2002.

In 2002, Jinshan completed magnetic and electromagnetic surveys along the length of the shear structure, which were used to guide the follow-up drilling program. A 750-kg bulk sample was shipped to SGS-Lakefield in Canada for preliminary metallurgical testing. A total of 4,997 m in 23 DDH holes was completed, with most of this drilling concentrated on the Northeast Zone. This drilling program demonstrated the wide, low-grade intervals that support the potential for a low-grade, bulk-tonnage gold deposit. These results justified a further drilling campaign in 2003.

In 2003, Jinshan shipped a further one-t sample to SGS-Lakefield for leach testing and drilled an additional 33 DDH holes totaling 6,056 m. Some of these holes in-filled the previous drilling in the Northeast Zone, but most were drilled on sections at 200-m intervals to test the structure along strike to the southwest. Additional holes were completed on 100-m sections in the Southwest Zone. The 2003 drilling confirmed the presence of extensive low-grade gold mineralization that justified more detailed drilling in 2004.

In 2004, 35 DDH holes with a total drilled length of 6,598 m were completed as 50-m-spaced in-fill holes in the Northeast Zone and the eastern part of the Southwest Zone. This drilling further confirmed the continuity of the gold mineralization in the deposit. A 310-m decline with a 101.8-m crosscut was driven to the center of the Northeast Zone below the weathered/fresh interface for metallurgical sampling. As a pilot mining program, a total of 100,000 t of oxide ore were mined from the Northeast Zone for heap-leach testing at the site, which was completed in 2005.

In 2005, 20 DDH holes totaling 4,630 m were drilled as 25-m spaced in-fill drilling in the Northeast Zone, as 50-m-spaced infill drilling in the western part of the Southwest Zone, and as step-out holes for the Southwest Zone. A western extension to Southwest Zone mineralization has been indicated by three 50-m-spaced step-out holes, expanding the open-ended zone further to the west. The 2005 drilling brought the total drilling at the CSH Mine area to 25,078 m in 121 holes, which was the drill hole database used for the 2006 feasibility study resource model.

In 2007, a total of 11,432 m in 41 DDH holes was drilled on the property, including 3,073 m in 14 in-fill and step-out holes for the Southwest Zone, 8,147 m in 25 holes for the deeper extension of the mineralized zone in the Northeast Zone, and two short prospecting holes further west along the mineralization trend. The drilling database as of the end of 2007 was used to generate the resource model for the March 2008 KDE NI 43-101 technical report.

In 2008, a total of 4,973 m in 23 DDH holes were drilled on the property, including 2,584 m in 10 DDH holes for the Northeast Zone, 1,639 m in 10 holes for the Southwest Zone and 750 m in 3 holes to test the western extension of the Southwest Zone. These 2008 DDH holes, together with the pre-2008 drilling database, were used by KDE to produce an updated resource model for the CSH Mine in an internal company report dated February 5, 2010. This resource model is reviewed by BDASIA and has been adopted by this ITR.

11.0 DRILLING

All of the drilling to date has been completed using the Chinese-equivalent of HQ core equipment, producing cores approximately 60 mm in diameter.

The first 10 holes drilled by Southwestern Gold in 1999 were completed by a conventional Chinese drilling contractor using antiquated equipment, with poor productivity, low core recovery (generally ranging from 60% to 90%, averaging about 80%), and numerous breakdowns. These 10 holes were drilled from north of the mineralized zone to the east-southeast direction at dip angles of between -74° and -76°.

However, all the follow-up holes drilled by Jinshan were completed by two different Chinese contractors using modern Longyear, Atlas Copco, and Boyles Bros. equipment with wire line, mudding systems, and double or triple wall rods. Core recoveries were very good, averaging more than 98% with output averaging 30 m to 40 m per rig per 24-hour day.

All holes were down-hole surveyed using a Sperry-Sun type single-shot survey instrument providing a photographic record of the hole angle and direction at 50-m intervals. The collar locations of the holes were surveyed using a laser total station and tied to survey control points established with differential GPS.

Most of the Jinshan holes were drilled from the north side of the mineralized zone toward the east-southeast direction at a dip angle of -45° (sometimes increasing to -60°). A small portion of the holes were drilled from the south side of the zone toward the west-northwest direction at similar dip angles.

All cores were logged by geologists and sampled at the core logging, sampling, and storage facility on site. The procedures for core logging and sampling were as follows:

- fitting the core together in the trays, then measuring core recovery and RQD of each run;
- estimating percentage of quartz veinlets and sulfide or oxide content, and identifying weathered rock and fresh rock interface;
- marking sample intervals by the geologist;
- cutting the core into two halves using a diamond saw. Half of the core was sent to the laboratory for preparation, and the other half was returned to the original core box and then stored in the core storage facility;
- measuring the angle between core axis and bedding, foliation, dikes, and other structures; and
- describing lithology, mineralogy, structure, and mineralization.

The topography surface used for resource modeling and mine planning was based on a survey completed by the Baogang team in the summer of 2005 and an additional patch to the southwest of the mineralized zone. Topographic surface for the operating pit area was constantly surveyed by Total Stations and was merged into the larger topographic surface. The topographic surface used for the current resource model was dated June 30, 2010.

Figures 11.1 and 11.2 shows the drill hole traces and the defined mineralized zones for the Northeast Zone and Southwest Zone of the CSH Mine, respectively.

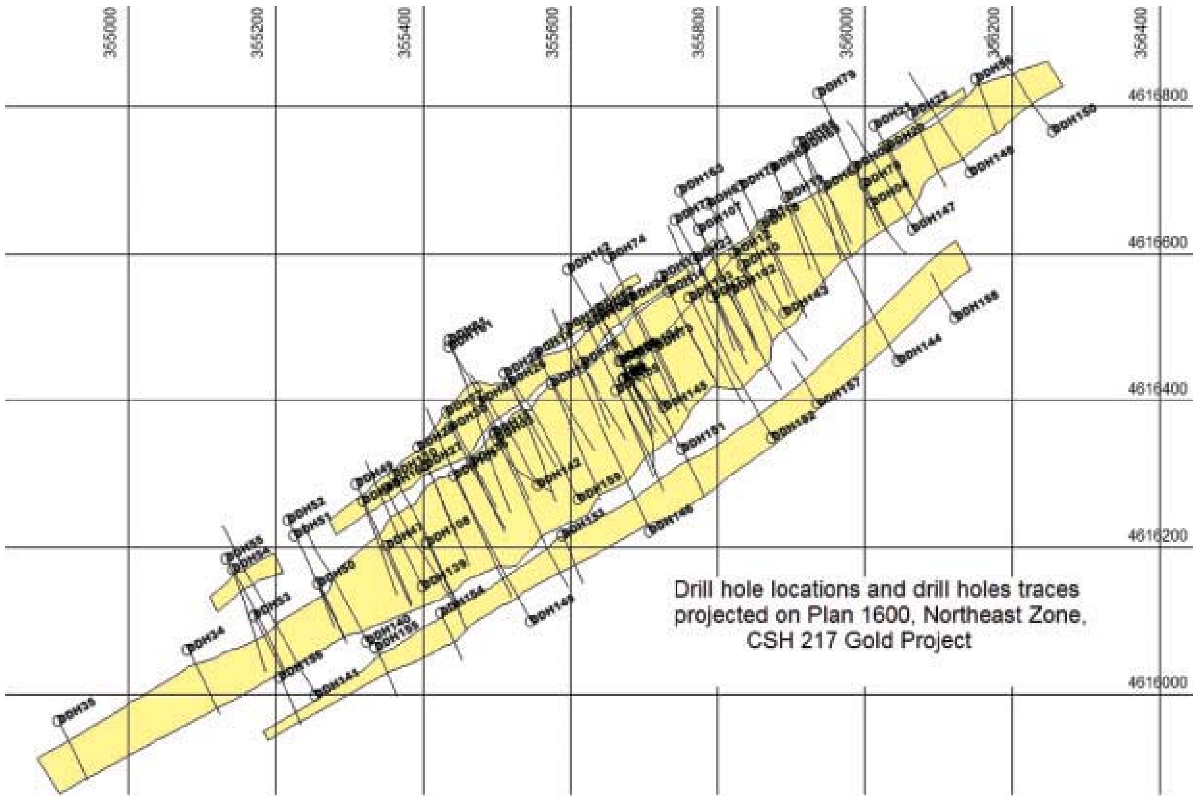

Figure 11.1 Drill hole traces and the mineralized zones in the Northeast Zone

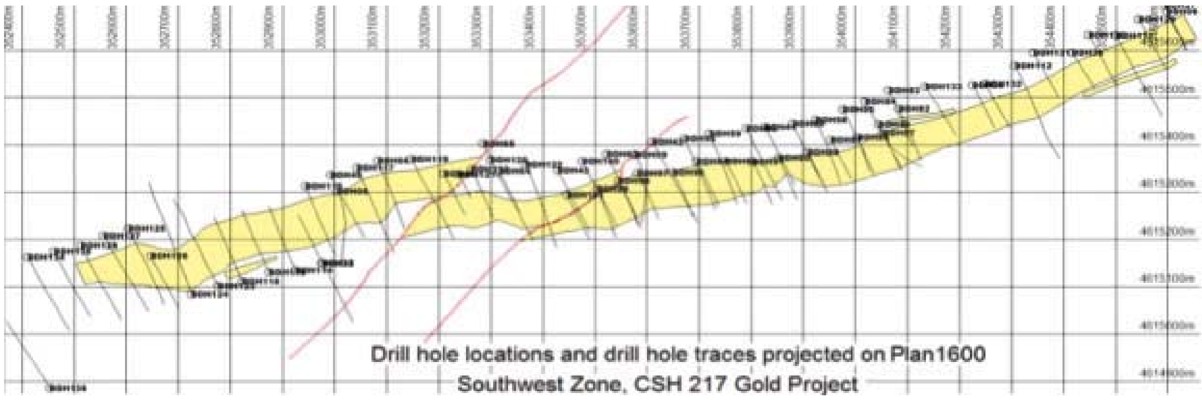

Figure 11.2 Drill hole traces and the mineralized zones in the Southwest Zone

The details of the drill hole information for holes completed prior to 2006 can be found in a NI 43-101 report titled "Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Final Feasibility Study" by KDE for Jinshan in 2006; the details of the drill hole information for drill holes completed in 2007 can be found in a NI 43-101 report titled "Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Throughput Expansion Technical Report" by KDE for Jinshan in 2008; and the details of the drill hole information for drill holes completed in 2008 are summarized in Tables 11.1 to 11.3.

Table 11.1
2008 Northeast Zone Drill Holes

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery	No. of Samples
DDH167	4,616,348	355,700.9	1,636.3	-60°	155°	210.3	100%	88
DDH169	4,616,396	355,776.5	1,636.2	-50°	155°	180.0	100%	81
DDH170	4,616,458	355,863.6	1,635.9	-45°	155°	135.1	100%	60
DDH171	4,616,018	354,984.7	1,647.7	-45°	155°	144.2	100%	64
DDH173	4,615,913	354,805.1	1,644.8	-45°	155°	150.1	99%	68
DDH175	4,616,116	355,087.4	1,655.1	-55°	155°	228.0	99%	98
DDH177	4,616,241	355,166.7	1,659.2	-45°	155°	303.7	99%	135
DDH179	4,616,342	355,280.0	1,653.9	-60°	155°	391.0	99%	163
DDH181	4,616,409	355,366.4	1,647.7	-63°	155°	381.4	100%	93
DDH183	4,616,505	355,427.4	1,659.9	-65°	155°	460.1	100%	118
Total						**2,583.9**	**100%**	**968**

Table 11.2
2008 Southwest Zone Drill Holes

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery	No. of Samples
DDH164	4,615,471	354,377.9	1,632.6	-45°	335°	107.8	93%	40
DDH165	4,615,750	354,683.9	1,647.3	-45°	155°	199.5	98%	83
DDH166	4,615,402	354,270.5	1,639.3	-45°	335°	135.2	96%	60
DDH168	4,615,372	354,181.6	1,637.0	-45°	335°	135.1	97%	58
DDH172	4,615,316	353,982.5	1,633.4	-50°	335°	125.4	95%	51
DDH174	4,615,271	353,702.5	1,632.4	-45°	335°	130.2	91%	56
DDH176	4,615,212	353,450.2	1,643.8	-55°	335°	181.0	93%	70
DDH178	4,615,208	353,395.9	1,654.2	-47°	335°	155.0	92%	58
DDH180	4,615,218	353,292.6	1,667.6	-50°	335°	240.2	96%	109
DDH182	4,615,227	353,193.8	1,641.7	-50°	335°	230.0	99%	92
Total						**1,639.3**	**95%**	**677**

Table 11.3
2008 Exploration Drill Holes

(under the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system)

Hole ID	Easting	Northing	Elevation	Dip	Azimuth	Depth (m)	Core Recovery	No. of Samples
DDH184	4,615,519	352,083.9	1,618.2	-45°	180°	252.0	97%	70
DDH185	4,615,628	351,373.8	1,600.1	-45°	180°	247.7	100%	77
DDH186	4,615,541	351,716.0	1,613.7	-45°	180°	250.0	99%	68
Total						**749.7**	**99%**	**215**

As the mineralized zones are subvertical at the CSH Mine, and as the drill holes were drilled at -45° and -65°, the true thickness of the mineralized zone at the location of a drill hole is only 0.707 and 0.423 times of the drilled intercepted mineralized zone length, respectively.

These drilling results defined the lateral extents and gold grade distribution of the mineralization for the Northeast Zone and Southwest Zone, and formed a solid basis for the mineral resource and mineral reserve estimates for the CSH Mine.

12.0 SAMPLING METHOD AND APPROACH

Gold mineralization in the Northeast Zone and the Southwest Zone of the CSH Mine is sampled by DDH drill holes. Resource database used for the resource estimates in this ITR consists of 185 inclined DDH holes with a total drilled length of 41,483 m. Drill hole spacing in the central portion of the mineralized zones ranges from 25 m to 50 m, and drill hole spacing in the peripheral zones generally ranges from 50 m to 100 m. The drill core samples from the Northeast Zone cover an area of 1,600-m long and 350-m wide while the Southwest Zone, an area of 2,300-m long and 150-m wide.

Core recovery is generally good, averaging over 98% for the Jinshan DDH holes completed from 2002 to 2008. The 10 DDH holes completed in 1999 have a lower average core recovery of approximately 80%, but they only represent less than 8% of the drill hole database.

As gold mineralization in the CSH deposit is low-grade and gradational, with the exception of a few metallurgical holes, all drill cores were split in half by a diamond saw, with half of the core sent for assay and the other half retained on site for reference. Sample length was generally 2 m, unless geological breaks dictated otherwise, with a maximum length of 3 m and minimum of 0.22 m. The average sample weight for a 2-m interval is approximately 7 kg, which is a large weight that ensures sample representativeness. As the mineralized zones are subvertical at the CSH Mine, and as the drill holes were drilled at -45° and -65°, the true thickness for a 2-m long core sample is 1.4 m and 0.85 m, respectively.

From 2002 to 2007, a total of 18,601 core samples were shipped to the assay laboratory, with an average sample length of 1.83 m and average sample weight of 7.1 kg. In 2008, a total of 1,860 samples with similar average length and weight were shipped for assays.

The following information was recorded by the field geologist for all geological samples collected for analysis and for reference samples: field sample numbers; laboratory sample numbers where samples, standards and duplicates were numbers in the same consecutive numbering system; drill hole numbers and sample intervals; date of sample collection.

BDASIA's review indicates that the drilling and sampling for the CSH Mine have been performed by the industry standards, the core samples are representative of the gold mineralization in the deposit and should not produce any material bias for gold distribution.

A detailed list of the mineralized intervals in drill holes completed prior to 2006 can be found in a NI 43-101 report titled "Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Final Feasibility Study" by KDE for Jinshan in 2006, and a detailed list of the mineralized intervals in drill holes completed in 2007 can be found in a NI 43-101 report titled "Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Throughput Expansion Technical Report" by KDE for Jinshan in 2008.

13.0 SAMPLE PREPARATION, ANALYSIS AND SECURITY

Sample preparation was conducted by the Langfang Laboratory at the Institute of Geophysical and Geochemical Exploration located at the Langfang Research Center, Hebei Province, about a 1-hour drive south of Beijing, from 2002 to 2004. This laboratory is certified by the Chinese government. Since 2005, sample preparation has been conducted by the Baotou Laboratory in Baotou, Inner Mongolia, another Chinese government certified laboratory.

The entire received sample was crushed to -10 mesh (approximately 2 mm), then split to produce a 500-gram ("g") sample for shipment to Canada for gold assay by ALS Chemex in North Vancouver from 2002 to 2005 and to the SGS laboratory ("SGS") in Tianjin, China since 2007. SGS in Tianjin is part of the SGS Group and is ISO 9001-2000 certified as well as Chinese National Accreditation Board for Laboratories ("CNAL") accredited.

At ALS Chemex, the samples were pulverized to -100 mesh (0.15 mm), and gold grade of the samples was determined using the standard ALS Chemex metallic screen fire assays on one-assay-tonne (30 g) samples. This assay procedure involves screening the sample using a 100-mesh sieve and assaying the entire portion of the sample above the sieve and two 30-g sub-samples for the portion of the sample below the sieve using the fire assay-atomic absorption spectrometry ("AAS") finish method. The sample gold grade is calculated from these three assays, and the weights of the plus and under sized portions of the sample.

At SGS in Tianjin, the samples were dried, pulverized to approximately 95% -200 mesh (0.075 mm), and sieved at 200 mesh, and the weights were recorded for the plus and minus fractions. Sample gold grade was determined from one fire assay — AAS finish for all the plus portion of the sample and two assays of the under sized portion of the sample, and the respective weights were recorded for the plus and minus fractions.

Sample security was sound. Core samples were delivered to the sample preparation laboratories by a Jinshan employee by truck. However, none of the Jinshan employees, officers, directors or associates were involved to conduct the sample preparation.

BDASIA considers the sample preparation procedures and analytic method utilized are appropriate for this type of gold deposit.

14.0 DATA VERIFICATION

Quality assurance and quality control ("QAQC") of assay results for China Gold International's drill hole database was carried out by inserting standard reference material samples and blanks and by conducting duplicate assays.

The blank sample was collected from a quartzite outcrop located southeast of the CSH Mine or from barren or almost barren material from some of the formations that are wall rock to the mineralized zones in the mine area.

Standard reference material used for the QAQC included a number of commercial standards purchased by China Gold International from Rocklabs, Ltd. in New Zealand, with gold grades ranging from 0.098 g/t to 2.77 g/t.

The samples assayed by ALS Chemex included approximately 5% blank samples, 7.5% duplicate samples, and 7.3% commercial standards.

Of the blank samples assayed by ALS Chemex, only a few returned gold grades above the detection limit of 0.05 g/t. One of the 2005 assays was 0.24 g/t, indicating a possible bag or tag swap. This implies that there is a probability of cross contamination from one sample to the other, but it is considered as a low-risk factor. Significantly more blank samples returned gold assay grades above detection limit in 2007, as the blank samples were sourced within the mine area and were not true blanks. The highest grade blank assay was only 0.1 g/t for the Southwest Zone, but there were 12 assays with gold grades ranging from 0.10 g/t to 0.16 g/t for the Northeast Zone. In 2008, there were 4 assays with gold grades ranging from 0.10 g/t to 0.21 g/t for blank samples. As the 2007 and 2008 blanks were not true blanks, it is difficult to evaluate the assay quality from these results. Therefore, BDASAI believes that true blank samples should be used for the project.

Most of the assay results for the standard reference materials were reported by ALS Chemex and SGS within the certified value ± two times of standard deviation, indicating the assay quality is generally good. However, there were also some assay results located below or above this grade range.

Assay results for duplicate samples generally show relatively large variation, indicating the heterogeneity of gold distribution in the deposit. A heterogeneity test indicated a confidence level for individual samples above 0.20 g/t gold at ±25%. This poor precision has an impact on the expected accuracy of the individual estimated grades on a block-by-block basis, but it is not considered significant when larger volumes are considered.

China Gold International geologists and the Qualified Person, Mr. Mario Rossi, who prepared the resource estimation for the CSH Mine, consider that the drilling, surveying, sampling, sample preparation and analysis, and QAQC of the CSH Mine have generally been conducted in accordance with the industry standards. BDASIA concurs with this statement based on reviewing the QAQC data provided by the Company.

BDASIA has verified the gold mineralization by observing the mineralized drill cores and exposures in the open pits, ores loaded on the leach pads, and gold doré bars produced by the CSH Mine.

15.0 ADJACENT PROPERTIES

No information is publically available for any relevant mining properties in the adjacent area of the CSH Mine.

16.0 METALLURGICAL TESTING AND MINERAL PROCESSING

16.1 Metallurgical Testing

For the purpose of this ITR the whole body of the testwork is divided into three groups. The first group of tests deals with exploratory and initial testwork and encompasses the 1995 to 2003 period. The second group includes comprehensive testwork on large samples in 2004 and 2005. The third group of tests, completed most recently in 2009, investigated the effects of feed head grade and crush size on the extraction of gold by leaching.

The third group tests were conducted on representative composites prepared from the drill cores in the fresh zone of the CSH deposit. This group of tests is considered to have produced the most reliable results so far because of the representativeness of the test feed and the comprehensive testing approach.

The testwork samples originated from drill cores, trenches, and pits which were dug for this purpose. In the course of the initial group one of the tests, the head gold values varied widely. For the weathered (oxide and mixed) ore, the average head gold grade for all samples was 1.07 g/t, while the range was from 0.65 g/t to 1.8 g/t. The average head gold assay for the fresh (sulfide) ore was 0.95 g/t, while the range of the heads for various samples was between 0.6 g/t and 1.2 g/t. The later, group two, comprehensive testwork used weathered (oxide and mixed) and fresh (sulfide) samples that averaged 0.71 g/t gold (0.52 g/t to 0.87 g/t gold range of calculated heads) and 0.56 g/t gold (0.46 to 0.68 g/t gold range), respectively. The recent, 2009, testwork was conducted on representative composites prepared from the drill cores. These composites assayed, on the average, 0.81 g/t gold for the Northeast ore and 0.60 g/t gold for the Southwest ore.

ICP scan analyses of various testwork samples indicated the presence of small amounts of deleterious and/or potential "preg robbing" elements, i.e. those which increase cyanide consumption (copper and zinc), precipitate the gold from the cyanide solution (nickel), and use up oxygen required for gold dissolution (arsenic and antimony). Some graphite (adsorbing gold onto its surface) was identified as well. However, the tests indicated that "preg robbing" is not a significant problem and that it will not adversely affect the extraction of gold.

Mineralogical investigations indicated that gold occurs as native gold or in electrum. Both may be associated with sulfide in seams and with quartz in veins. About 77% of the gold is free. Sulfides are mostly pyrite and pyrrhotite. There are traces of arsenopyrite, chalcopyrite, sphalerite and galena. The host sediments have been moderately to strongly metamorphosed to phyllite and schist, with abundant sericite. Andalusite schist carries significant portions of gold. In general, the results of the quantitative chemical analyses, ICP analyses, and mineralogical examinations indicated that these ores are clean and have low concentrations of detrimental impurities that might adversely affect the processing.

16.1.1 Exploratory and Initial Testwork, 1995-2004

Exploratory and initial testwork are summarized in Table 16.1. The test results showed that both ore types are amenable to cyanide leaching and that the most significant factor affecting the gold recovery is the size of the feed. This same behavior is evident in both agitation and column leach tests.

Table 16.1
Summary of Exploratory and Initial Testwork

Year	Testwork By	Ore Type	Head g/t Au	Recovery Method	Feed Size	Days (Hours)	Recovery % Au
1995	Brigade 217	Oxide	0.90	Test Heaps	ROM	32	64.7
1999	IME(1)	Oxide(2)	0.65-1.8(3)	Bottle Roll	80%-0.6mm	4	80.2
		Sulfide	0.6-1.2(3)				74.8
2001	Brigade 217	Oxide	2.95	Agitation	75%-200mesh	(36)	91.9
				Column	-5 mm	17	90.6
2002-2003	SGS Lakefield	Oxide	1.04(3)	Metallic	Screen	Analyses	
		Sulfide	0.97(3)				
		Oxide(4)	0.73	Agitated	80%-325mesh	(48)	87.7
		Sulfide(4)	0.93	Leach	80%-200mesh	(48)	97.9
2003-2004	SGS Lakefield	Oxide	1.22(3)	Metallic	Screen	Analyses	
		Sulfide	0.97(3)				
		Oxide	1.17(3)		-1 inch	83	47.0
		Oxide	1.08(3)	Column	-¼ inch	83	84.2
		Sulfide	1.05(3)	Leach	-1 inch	83	45.1
		Sulfide	0.94(3)		-¼ inch	83	73.0
2003	Yinchuan	Oxide	N/A	Bottle Roll	200 mesh	(36)	95
		Sulfide				(36)	92
		Oxide	N/A	Column Leach	80%-10mm	66	79.9
					80%-25mm	66	75.1
					80%-50mm	66	65.6
		Sulfide	N/A	Column	80%-10mm	41	74.0
				Leach	80%-25mm	66	67.6

Notes:

(1) International Metallurgical and Environmental Inc.

(2) From surface trench

(3) Calculated

(4) Whole ore

16.1.2 Comprehensive Testwork on Large Samples, 2004-2005

The comprehensive testwork aimed at providing design parameters was conducted on large samples. It comprised column leaching and pilot heap leaching experiments. Some cursory evaluation of gravity + flotation followed by agitation leaching was also performed. The results of the comprehensive testwork are summarized in Table 16.2.

Table 16.2
Summary of Comprehensive Testwork on Large Samples

Year	Testwork By	Ore Type	Head % Au	Recovery Method	Feed Size	Days (Hours)	Recovery % Au
2004-2005	Metcon	Oxide	0.76(1)	Column Leach	80%-55mm	90	78.5(1)
			0.87(1)		80%-25mm		77.9(1)
	Baogang		0.85(1)		80%-6mm		84.1(1)
		Sulfide	0.58(1)		80%-75mm	120	46.3(1)
			0.60(1)		80%-25mm		59.0
			0.55(1)		80%-6mm		71.3
2004-2005	Metcon	Oxide	0.66(2)	Gravity + Flotation	80%-65mesh	N/A	~81
			0.52(2)		80%-100mesh		~79
			0.57(2)		80%-150mesh		~83
			0.71(2)		80%-200mesh		~87
		Sulfide	0.46(2)		80%-65mesh		~78
			0.68(2)		80%-100mesh		~86
			0.54(2)		80%-150mesh		~79
			0.51(2)		80%-200mesh		~81
2004-2005	China Gold International	Oxide		Pilot Heap Leach	ROM	90	63.3(3)
					Crushed	80	67(3)
					ROM	240	80(4)
					Crushed	240	85(4)

Notes:

(1) Average

(2) Calculated

(3) Actual

(4) Predicted

This testwork confirmed that the gold recovery is a function of the feed size, all other variables remaining essentially the same.

In the Metcon-Baogang 2004-2005 column leach testwork, the gold recovery from the oxide ore rose from 78% to 84% when the feed size was reduced from 80% -55 mm to 80% -6 mm. The recovery from the sulfide ore rose from 46% to 71% when the feed size was reduced from 80% -75 mm to 80% -6 mm. In the China Gold International 2004-2005 pilot heap leach tests on oxide ore, the crushed ore gold recovery after 80 days of leaching was 67% as compared to 63% for 90 days leach of the ROM ore. This portion of the testwork confirmed again, along with the whole body of testwork results, that the gold recovery from either ore type is closely related to the size of feed. Consequently, the ores must be subjected to crushing as fine as economically feasible. This is valid for the fresh sulfide as well as for the transitional ore being mined now. The true weathered, oxide ore appears to have been limited to the area very close to the surface and was exhausted at the early stage of mining operation. Most of ore loaded on the leach pad is transitional in nature with a much lower heap leach gold recovery than the true weathered, oxide ore.

The comprehensive testwork, in addition to generating required design parameters, had the objective of estimating gold recoveries and its production. For this reason, a series of column leach tests were performed, all in duplicate on different feed sizes for each weathered (oxide and mixed) and fresh (sulphide) ore sample. These results are summarized in Table 16.3 showing the actual and predicted gold recoveries for the two ore types.

Table 16.3
Actual and Predicted Gold Recovery for Weathered Oxide and Fresh Sulfide Ores

	Weathered Oxide Ore					
Leaching Days	80%-55 mm		80%-25 mm		80%-6 mm	
	Actual	Predicted	Actual	Predicted	Actual	Predicted
15	55.7%	53.1%	56.1%	54.4%	67.6%	61.9%
30	63.9%	63.8%	65.2%	64.1%	73.7%	69.6%
45	70.0%	70.0%	70.9%	69.8%	78.6%	74.2%
60	73.7%	74.4%	73.9%	73.9%	80.4%	77.4%
75	76.0%	77.8%	75.6%	77.0%	82.3%	79.9%
90	77.8%	80.6%	77.3%	79.6%	83.5%	82.0%
105		83.0%		81.8%		83.7%
120		85.0%		83.6%		85.2%

	Fresh Sulfide Ore					
Leaching Days	80%-75 mm		80%-25 mm		80%-6 mm	
	Actual	Predicted	Actual	Predicted	Actual	Predicted
30	33.3%	33.0%	45.7%	44.3%	44.9%	45.2%
60	37.4%	38.4%	49.4%	50.5%	54.9%	55.8%
90	41.4%	41.5%	53.7%	54.2%	62.0%	62.0%
120	45.3%	43.8%	57.9%	56.7%	69.5%	66.4%
150		45.5%		58.7%		69.8%
180		46.9%		60.4%		72.6%

Recovery dependence on the feed size was again clearly demonstrated, particularly for the fresh (sulfide) ore. In this case reducing the leach feed size from 80% -75 mm to 80% -6 mm resulted in an actual increase of 24 recovery points, i.e. from 45.3% to 69.5% for 120 days of leaching. Predictions for the 180 days of PLS production indicated 72.6% gold recovery if the feed is crushed to 80% -6 mm and under laboratory conditions. KDE believed that under commercial production conditions this recovery would be 70% gold.

Gold recovery estimates for the two ore types at ROM or tertiary crushed feeds ore in the March 2008 KDE NI 43-101 report are tabulated in Table 16.4.

Table 16.4
KDE's Ultimate Gold Extraction Estimates by Ore Type in 2008

Ore Type	Estimated Gold Recovery
ROM Weathered (Oxide and Mixed)	80%
Tertiary Crushed Weathered (Oxide and Mixed)	85%
ROM Fresh (Sulfide)	40%
Tertiary Crushed Fresh (Sulfide)	70%

BDASIA notes that the KDE predicted heap leach gold recoveries for the weathered (oxide and mixed) ore are for the truly weathered or oxidized material. However, a large portion of the material in the currently defined weathered (oxide and mixed) zone, now depleted, was actually a mixed ore with significant amount of fresh (sulfide) material. Therefore, the actual ROM weathered ore heap leach gold recovery is significantly lower than the 80% gold recovery predicted by KDE in Table 16.4.

16.1.3 The 2009 On-Site Column Leaching Testwork

This investigation was conducted on the drill cores from the fresh zone of the CSH deposit and examined, in detail, the effect of feed size and feed gold grade on the extraction of gold from the ore which will be mined and leached in the future. The results of the tests on Northeast and Southwest composites are presented in Tables 16.5 and 16.6, respectively.

The Northeast composite was subjected to 9 sets of tests or 22 tests in total. The purpose was to evaluate gold and silver extraction against the feed size. The leaching time was held nearly constant, i.e. between 120 and 121 days. The reagent consumption was held within the leaching process chemical requirements.

Table 16.5
On Site Column Leach Test Results, Northeast Composite Samples

Test Number	Composite Sample ID	Feed Crush Size 80%-mm	Head Screen Assay (g/t)		Calc. Head Assay (g/t)		Extraction (%)	
			Au	Ag	Au	Ag	Au	Ag
1	NE09-A	9	0.52	0.36	0.58	0.36	67.22	37.86
24		6	0.65	0.34	0.71	0.31	77.11	64.76
2	NE09-B	9	0.68	0.26	0.72	0.27	81.37	63.43
3		9(1)	0.68	0.26	0.77	0.22	82.49	77.56
25		6	0.84	0.31	0.89	0.22	82.41	55.21
4	NE09-C	9	0.68	0.33	0.77	0.29	85.29	83.32
5		9(1)	0.68	0.33	0.72	0.28	81.60	84.68
26		6	0.68	0.34	0.77	0.30	89.72	60.87
6	NE09-D	9	0.86	0.30	0.94	0.32	80.17	72.15
7		9(1)	0.86	0.30	0.87	0.29	81.40	76.95
27		6	0.93	0.32	0.95	0.32	86.75	70.52
8	NE09-E	9	0.75	0.31	0.74	0.36	73.27	83.67
9		9(1)	0.75	0.31	0.74	0.28	75.75	69.51
28		6	0.76	0.26	0.83	0.28	88.00	54.73
10	NE09-F	9	0.83	0.24	0.80	0.23	79.98	54.59
29		6	0.88	0.27	0.71	0.26	80.29	56.62
11	NE09-G	9	0.77	0.25	0.85	0.22	79.16	56.82
30		6	0.67	0.24	0.71	0.26	90.19	52.02
12	NE09-H	9	0.55	0.33	0.51	0.24	66.92	54.15
31		6	0.54	0.26	0.55	0.21	79.21	45.18
13	NE09-I	9	1.04	0.30	1.03	0.28	77.46	76.67
32		6	0.92	0.27	0.91	0.28	83.57	67.42

Note:
(1) Duplicate column leach test

The test results in Table 16.5 show:

- The gold extraction rate was higher at the 6 mm crush size than at the 9 mm size.
- The silver extraction, unexpectedly, was higher at the 9 mm size than 6 mm size in eight out of nine sets of tests.

The data and the results of the six sets of tests on the Southwest composite are shown in the table below.

Table 16.6
On Site Column Leach Test Results, Southwest Composite Samples

Test Number	Composite Sample ID	Feed Crush Size 80%-(mm)	Head Screen Assay (g/t)		Calc. Head Assay (g/t)		Extraction (%)	
			Au	Ag	Au	Ag	Au	Ag
14	SW09-J	9	0.45	0.21	0.47	0.17	74.72	61.10
33		6	0.50	0.25	0.45	0.24	76.61	39.41
15	SW09-K	9	0.71	0.20	0.77	0.17	75.79	70.14
34		6	0.74	0.27	0.82	0.24	86.89	37.01
16	SW09-L	9	0.46	0.27	0.49	0.30	68.60	69.26
17		9(1)	0.46	0.27	0.49	0.28	69.18	62.08
35		6	0.55	0.22	0.56	0.20	65.75	20.39
18	SW09-M	9	0.58	0.10	0.57	0.12	73.51	72.50
19		9(1)	0.58	0.10	0.59	0.12	74.56	83.31
36		6	0.53	0.11	0.56	0.12	71.34	61.33
20	SW09-N	9	0.67	0.10	0.73	0.10	83.56	48.65
21		9(1)	0.67	0.10	0.72	0.12	78.89	56.45
37		6	0.72	0.10	0.79	0.10	78.06	36.28
22	SW09-O	9	0.65	0.10	0.59	0.11	66.70	52.65
23		9(1)	0.65	0.10	0.58	0.10	70.91	47.93
38		6	0.54	0.19	0.55	0.16	78.02	24.30

Note:
(1) Duplicate column leach test

The test results show:

- The gold extraction rate was higher at 9 mm in three sets and higher at 6 mm in another three sets.
- The silver extraction was higher at 9 mm feed size for all 6 sets of tests.

Based on the test data the relationships between gold head assay values and gold extraction were plotted for each Northeast and Southwest ore zones, for 80% passing 6 mm and 9 mm sizes. From the obtained linear trend lines, the relevant equations were derived. The trend line equations formulae were modified by subtracting five percent from the equations constant to obtain an estimate of gold extraction under the industrial leaching operation conditions. These estimates are shown in Table 16.7.

Table 16.7
Gold Extraction Rate Estimates for the 80% -9 mm Crushed Ore of the CSH Mine

Head Assay (g Au/t)	Northeast Zone		Southwest Zone	
	Trend Formula % Au Extraction	Modified Formula % Au Extraction	Trend Formula % Au Extraction	Modified Formula % Au Extraction
0.4	—	—	67.1	62.1
0.5	71.2	66.2	70.4	65.4
0.6	73.6	68.7	73.6	68.6
0.7	76.1	71.1	76.9	71.9
0.8	78.6	73.6	80.2	75.2
0.9	81.0	76.0	—	—
1.0	83.5	78.5	—	—
1.1	85.9	80.9	—	—
	Trend	$y = 24.539x + 58.932$	Trend	$y = 32.871x + 53.926$
	Modified	$y = 24.539x + 53.932$	Modified	$y = 32.871x + 48.926$

Similar exercises were conducted for the 6 mm crush size. However, there is a very high probability that the 6 mm crush would not be employed as the crushing plant may be not able to crush 30,000 tpd thus fine. Also, additional ore fines generated while crushing, may adversely affect the leaching operation. Consequently, it is recommended that the 9 mm data be used for gold extraction estimates.

16.2 Processing

KDE designed the CSH project as a heap leaching operation using a multiple lift, single-use leach pads. The 2008 drilling increased the mineable reserves to 138.8 Mt at an average gold grade of 0.67 g/t as of the end of 2009. The mine production schedule was developed to provide 10.65 Mtpa of ore to the leaching facility. This required a revision and expansion of the earlier conceived HLF. The earlier plans, reported on March 28, 2008, called for the total heap leach capacity of 105 Mt of ore. In November 2009 this was increased to a total of 166 Mt by increasing:

- Rate of stacking from 20,000 tpd to 30,000 tpd;
- Rate of PLS processing from 1,050 m^3/hr to1,400 m^3/hr; and
- Phase 2 leach pad area from 353,000 m^2 to 473,000 m^2.

As of June 30, 2010, the leach pad capacities are envisaged as follows:

- The South HLF: Phase 1 leach pad area of 406,000 m^2 is completed and is stacking. Phase 2 is 64% completed. Combined Phases 1 and 2 will have the capacity of 71 Mt.
- The North HLF (Phases 3 to 5), with the total pad area of 698,000 m^2 and the capacity of 49 Mt, is in the preliminary design stage.
- Phases 6 and 7, which will have combined pad areas of 471,000 m^2 and the capacity of 46 Mt are in the conceptual design phase.

When all 7 phases are completed, the total life-of-mine leach pad area will be 2,048,000 m^2 and the pad capacity will be 166 Mt. The ore fed to the leaching operation is crushed to 80% -9 mm prior to leaching.

The crushing plant was fully operational in March 2010; after that, the ROM ore is dumped into the crusher dump pocket and fed by an apron feeder to a grizzly screen. Grizzly oversize is crushed in one of two jaw crushers operating in parallel. Grizzly undersize and crusher discharge are conveyed to the coarse ore surge bin. Coarse ore is reclaimed and fed to a closed circuit secondary and tertiary crushing circuit. The crushed ore, at 80% -9 mm, is discharged to a surge bin before it is transferred to the leach pad by conveyer or loaded into trucks and hauled to the pad for leaching. Lime is added to the crushed ore before it is trucked or conveyed to the crushed ore surge bin. Currently the crushed ore is transported to the leach pads by highway trucks. An overland conveyor system, designed to transport the ore from the crushing plant to the leach pads, is in the planning stage. The crushing plant flowsheet is presented in Figure 16.1.

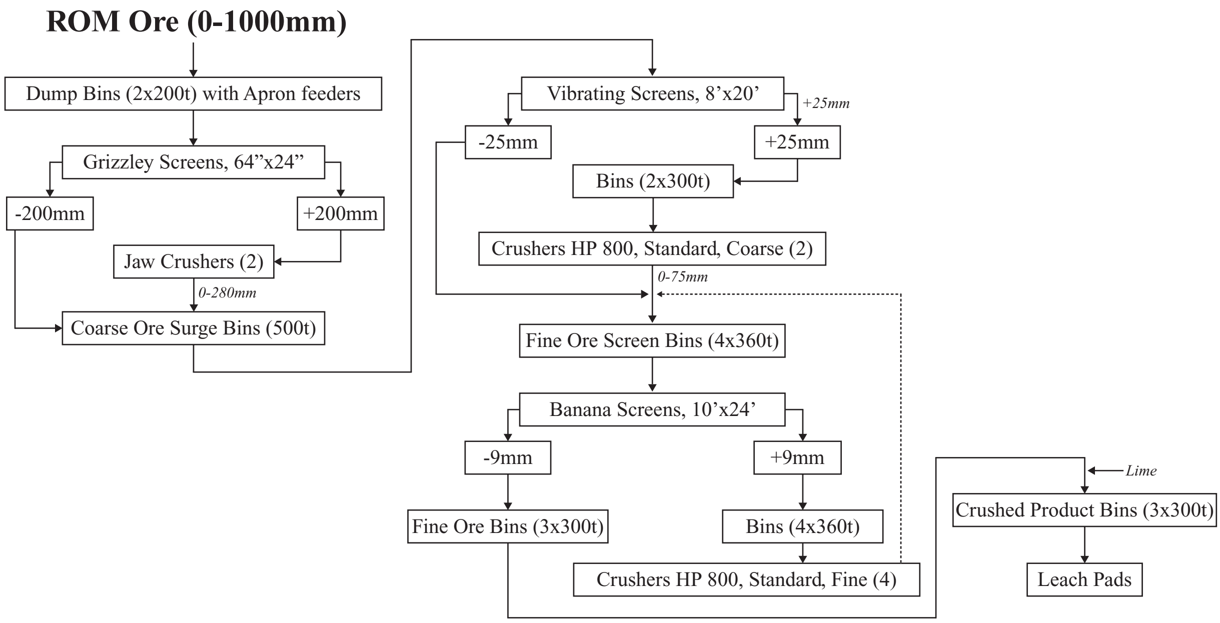

Figure 16.1 Crushing plant flowsheet at the CSH Mine

The crushed ore may be stacked on the pad using trucks and bulldozers. A conveyor stacking system is planned to be built in the second half of 2010 or 2011. The ore is placed on the pad in 10-m lifts. Barren solution is applied to the newly stacked ore to begin the leaching process. Leach solution is applied using buried drip emitters during the winter months and using drip emitters placed on top of the stacked ore during the remaining months. The buried drip emitters facilitate cold weather operation in northern China and reduce water loss due to evaporation. PLS flows to the PLS pond through a drainage system placed above the synthetic pad liner. The solution ponds associated with the heap leach facility are designed for cold weather operation and are sized to contain projected rainfall amounts. An additional external solution pond is included to contain leach solution in excess of that required for normal operations. The flowsheet describing leaching is provided in Figure 16.2.

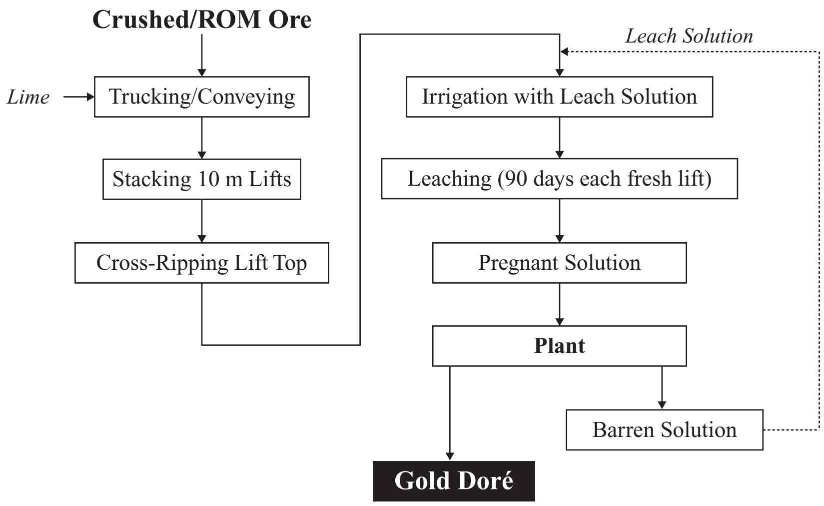

Figure 16.2 Heap leaching flowsheet at the CSH Mine

PLS from the leach is pumped from the PLS pond to a carbon adsorption-desorption-recovery ("ADR") plant to recover the gold and silver from solution. The flow rate for the increased production scenario is increased accordingly. Adsorption takes place in five carbon adsorption columns in series. For the increased production, an additional series of five columns is added. Solution flows from each adsorption stage to the next stage by gravity. Carbon is advanced countercurrent to the solution flow by a carbon advance pump. Each carbon column is approximately 3.8 m in diameter and 4.5-m high and is sized to contain 2 t of carbon. Barren solution discharging from adsorption flows to a barren tank from which it is pumped to the ore heap for further leaching. High-strength cyanide solution is injected into the barren solution to maintain the cyanide concentration at the desired level.

Loaded carbon from the adsorption circuit is transferred to the acid wash vessel and washed with dilute (3%) hydrochloric acid before elution. The acid is removed from the carbon by washing with fresh water. After acid washing, the carbon is pumped to the elution vessel. The process used for gold elution is proprietary in China. It does not require heat, and the strip solution containing about 2% sodium hydroxide and some unknown regents is circulated through the carbon elution vessel to recover the precious metals from the carbon.

Precious metals are recovered from the strip solution by electro-winning. When the electro-winning cell is appropriately loaded with gold, the stainless steel wool cathodes are washed with high-pressure water inside the cells to flush the gold and silver from the cathodes. The gold mud slurry then flows to a holding tank and to a pressure filter. The stripped cathodes are returned to the electro-winning cells. The filter cake is then treated in a retort to dry the cake and recover any mercury that has dissolved from the ore and has precipitated during electrolysis. The dried product from the retort is melted in an induction furnace and poured into 500-oz to 1,000-oz doré bars. Doré assaying approximately 90 to 95 percent combined gold and silver and 5 to 10 percent impurities is produced and shipped to commercial facilities for refining. The silver-to-gold ratio in the doré bars averages 0.375 by weight to the end of 2009.

The stripped carbon is transferred by pressure eduction from the elution column over a screen and into the reactivation furnace feed tank. Carbon reactivation is accomplished in an electric rotary kiln-type furnace. Facilities for mixing and adding reagents to the process and elution circuits, and facilities for adding new carbon and short-term storage of stripped and regenerated carbon, are included in the process design. Additional elution vessels and electro-winning cells can also be added in the future, if required, to increase production.

The ADR plant flowsheet is shown in Figure 16.3.

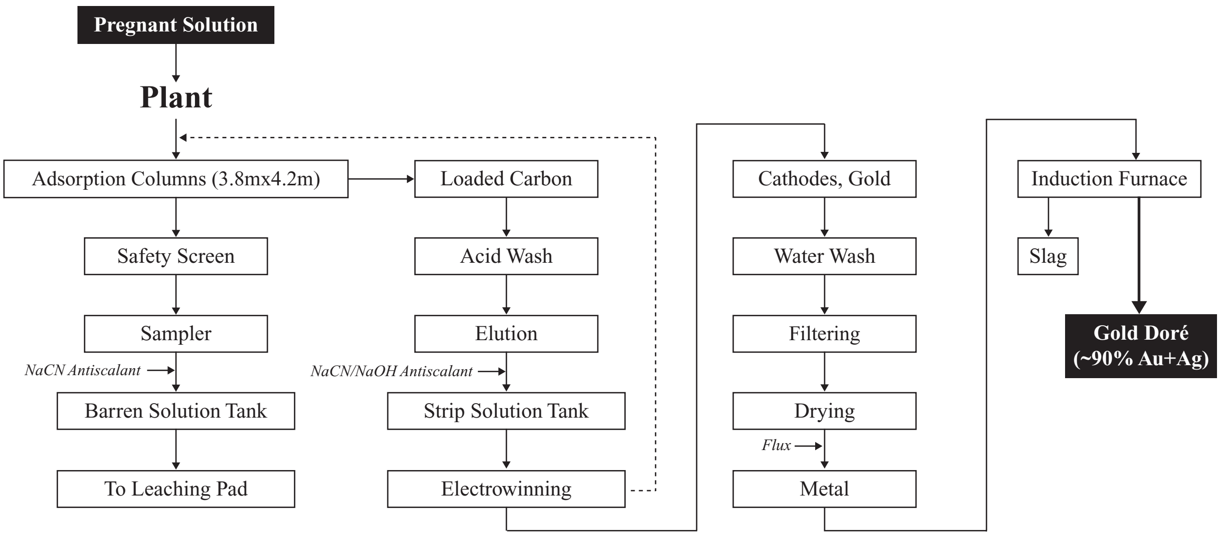

Figure 16.3 Gold recovery plant flowsheet at the CSH Mine

16.3 Discussions

Processing of the CSH ore types was diligently studied by metallurgical laboratories in Canada, China, and the USA over a period of 14 years, beginning in 1995 and is still continuing to this time.

Leaching with cyanide, agitation or heap; gravity plus flotation followed by the leaching of the concentrates; and gravity concentration alone, were all examined. Cyanide heap leaching was determined to be the most economically feasible approach. Crushing of the heap leach feed was firmly established as necessary. The initial commercial heap leaching recoveries from the so-called weathered (oxide and mixed) ROM ore appeared to have been significantly lower (only around 53%) than the 80% predicted in the KDE March 2008 NI 43-101 report. After careful consideration of the testwork results and the visit to the open pit, it appeared probable that the so-called weathered ore was actually mostly a mixed ore with significant amounts of fresh (sulfide) material. This was probably the primary reason for the lower gold recovery experienced over the past 3 years. BDASIA believes that the remaining, so-called weathered (oxide and mixed) ore should be basically treated as fresh (sulfide) material when predicting heap leach gold recoveries.

To ensure satisfactory recovery from the fresh (sulfide) ore, a crushing plant encompassing primary, secondary, and tertiary crushing was added. This plant, after several trial runs in 2009, was found to require modifications. These modifications were on the ore chutes feeding the crushers and on the conveyor belts. The crushing plant was not functioning at the time of BDASIA's visit. The crushing plant repair was completed and limited crushing resumed in early November 2009. The crushing plant was ramped up to its full capacity of 30,000 tpd in March 2010.

Crushing the ore is expected to substantially improve the extraction of gold and the profitability of the operation. However, this was not reflected by the gold production data from the mine for the first half of 2010. The mine placed 6.883 Mt of ore with an average gold grade of 0.61 g/t (including 5.053 Mt of crushed ore with an average gold grade of 0.62 g/t and 1.830 Mt of ROM ore with an average gold grade of 0.55 g/t) on the leach pads, significantly more than originally planned (4.895 Mt of crushed ore and 0.430 Mt of ROM ore, both with an average gold grade of 0.65 g/t). However, gold production from the mine was only 1,126 kg, significantly lower than half of the originally planned gold production of 4,112 kg for 2010. The explanation from the mine management for the short fall in production is primarily due to the unusually long and harsh cold winter, added by the mine management's decision to test not burying by ore but just covering by plastic films the drip emitters during the winter months.

BDASIA agrees that the unusually long and harsh cold winter and the mine management's experiment could have severely affected the gold recovery for the first half of the year. However, information provided by the CSH Mine indicates that the ore placed on the leach pad could also have a lower gold grade. The ore placed on the leach pads was never directly sampled and assayed before 2010 and gold grade based on pit blast hole assays for the ore before mining was assumed to be the gold grade for ore placed on the leach pads. BDASIA believes that the pit blast hole average gold grade should be higher than the actual average gold grade for ore placed on the leach pads because of mining dilution and blast hole misclassification.

The installation of the crushing plant made the direct sampling of the ore to be placed on the leach pads possible. The CSH Mine was testing different ways to sample the crushed ore at the crushing plant. From January to early May 2010, a manual grab sample was taken every hour from the crushed ore on the conveyor belt; and from middle May on, a mechanic sampler was installed over the conveyor belt. Average gold grade obtained from the conveyor belt sampling for the first half of 2010 was 0.58 g/t, approximately 18% lower than the average blast hole assay gold grade of 0.71 g/t and approximately 5% lower than the resource block model gold grade of 0.61 g/t. In order to explain the difference of these gold grades, the mine management reviewed the crushing plant sampling system closely and found that both the manual grab sampling from January to early May and the mechanical sampling from middle May to June took only the coarser ore fragments on top of the conveyor belt, whereas the finer ore fragments may have a higher gold grades based on CSH Mine's preliminary screen analysis. Therefore, the crushing plant sampling results for the first half of 2010 might be biased low as only the coarser ore fragments were sampled. The mine management is in the process of modifying the crushing plant sampling procedures to collect more representative samples from the end of the conveyor belt so that an entire section of the crushed ore can be sampled each time. BDASIA considers that the crushing plant sampling procedures for the first half of 2010 may partially explain the gold grade difference between the pit blast hole samples and crushing plant samples. However, the actual ore placed on the leach pads should still be lower in gold grade than the pit blast hole samples because of mining dilution and blast hole misclassification. Because of the gold grade difference between the pit blast holes and the crushing plant samples for the first half of 2010, the original block model grade was assumed for the ore placed on the leach pads for the historical mine production from

January 2007 to June 2010 in this ITR. The average block model gold grade is approximately 5% higher than the average crushing plant sampling gold grade and approximately 14% lower than the average pit blast hole sampling gold grade. The improved CSH Mine crushing plant sampling will confirm if this treatment is appropriate.

In order to improve the gold recovery from the leach pads, the CSH Mine built five new CIC columns (each with a volume of approximately 353 m^3) and a new 4,192-m^3 PLS pond from March to July 2010. Significantly more water will be pumped into the leaching system and significantly more PLS solution will be processed starting in August. Gold recovery improved significantly in August and September 2010. The mine management expects that gold recovery will further improve in the next several months before December and the reduced gold production target of 3,604 kg could be reached in 2010. BDASIA considers that the mine management's expectation is possible, but it needs to be confirmed by the actual gold production from the mine in the remaining of 2010.

17.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

Mineral resources and mineral reserves of the CSH Mine were estimated under the CIM Standards.

17.1 Mineral Resource Estimates

Mineral resources of the CSH Mine were estimated by Qualified Person, Mr. Mario Rossi, of Geosystems International Inc. in Delray Beach, Florida, USA, in 2006 and 2008 using the MineSight computer mining software system and the results were included in NI43-101 reports filed on Sedar in Canada. The current resource estimates were also generated by Mr. Rossi using drill hole database as of the end of 2008, and the estimate was summarized in an internal company technical report dated February 5, 2010. BDASIA's Qualified Person, Dr. Qingping Deng, has reviewed the geology interpretation, drilling database, procedures and parameters used for the resource estimation as well as the estimation result, considers the resource estimation conforms to the industry standard, and has adopted the resource estimates in this ITR. The following description of the database, procedures and parameters, and results of the resource estimation was summarized from the February 5, 2010 internal company KDE technical report based on BDASIA's review.

17.1.1 Database Used for Resource Modeling

The drill hole database used for the current CSH Mine resource model is summarized in Table 17.1. It consists of a total of 185 DDH holes, with a total drilled length of 41,483 m. All holes are inclined DDH holes drilled from the surface.

Table 17.1
Drill Hole Database used for CSH Mine Resource Estimation

Drilling Campaign	Number	Total Meters
1999 Southwestern Gold	10	2,797
2002 PMI	23	4,997
2003 PMI	33	6,056
2004 Jinshan	35	6,598
2005 Jinshan	20	4,630
2007 Jinshan	41	11,432
2007 Jinshan	23	4,973
Total	**185**	**41,483**

The drill hole database used for the resource estimation consists of 181 inclined surface DDH holes with 20,647 gold assays. Apparently, four holes listed in Table 17.1 were not used for resource estimation as they are located outside the mineralized zones.

Topography used for the resource estimation was based on a 2005 topographic survey completed by the Baogang team as well as an additional patch to the southwest of the mineralized zones. Additional lateral topography was derived from an IKONOS satellite image. The open-pit surface as of December 31, 2009 was surveyed with Total Stations, and this survey was used originally to report the in-situ mineral resource estimate as of December 31, 2009. The June 30, 2010 open-pit surface was then used by the CSH Mine to update the resource estimate to the date of June 30, 2010.

Bulk density measurements were conducted on selected drill core samples. A total of 361 core samples were measured using the industry standard wax-coating displacement method by the 217 Brigade laboratory in Yinchuan, Ningxia Hui Autonomous Region, and SGS Lakefield Research in Canada. The average bulk density of 81 measurements for samples in the weathered zone is 2.72 tonnes per cubic meter ("t/m^3") and the average bulk density of 280 measurements for samples from the fresh zone is 2.79 t/m^3. These bulk densities have been used for the resource modeling for the CSH deposit.

17.1.2 Procedures and Parameters Used for Resource Modeling

The following procedures and parameters were used in the current resource estimation for the CSH Mine:

- **Geological Modeling**: Geological modeling was performed by China Gold International's geologist. The mineralized zone was modeled by a gold grade envelope at the cutoff grade of 0.20 g/t. The minimum mineralized zone width and the maximum waste inclusion width are 6 m. The 0.20 g/t gold mineralization envelopes can be traced from section to section as a consistent zone, 150-m to 200-m wide in the Northeast Zone and 60-m to 90-m wide in the Southwest Zone. A weathered/fresh interface surface was modeled and used to separate the weathered and fresh material in the deposit in the previous resource models. However, all mineralized materials are considered as fresh (sulfide) materials in the current resource model.
- **Compositing**: Original gold assays were composited to 2-m fixed-length composites. The minimum composite length was 1 m. Composites with length less than 1 m were discarded from the database. The 0.20-g/t grade envelope boundary was used as hard boundaries in compositing. A total of 8,590 composites were produced inside the Northeast Zone envelop, and a total of 3,262 composites were from inside the Southwest Zone envelope.
- **Gold Grade Statistical Analysis**: The undeclusted average gold grade for 2-m length composites inside the 0.20-g/t gold mineral envelope in the Northeast Zone is 0.64 g/t. The standard deviation of the composites within the envelope is 0.62, resulting in a coefficient of variation ("CV") of 0.97. The maximum gold grade is 15.63 g/t. For the Southwest Zone, the undeclusted average 2-m composite gold grade is 0.57 g/t for composites inside the mineralized envelope. The standard deviation is 0.70, resulting in a CV of 1.22. The maximum sample gold grade is 13.82 g/t.
- **Grade Capping**: The impact of high-grade samples for the mineral resources in the CSH deposit is expected to be limited because of the relatively small CVs for the composite. However, the capping gold grade determined based on the grade probability distribution was 7.0 g/t for the Northeast Zone and 6.5 g/t for the Southwest Zone. Grade capping was only applied to the second and third kriging passes in grade estimation.

- **Variography**: Correlograms were modeled for the 2-m length composite gold grades above and below 0.20 g/t, as well as for all composites inside the 0.20 g/t gold grade envelopes. A global correlogram model outside the 0.20 g/t envelope was also obtained for the limited estimation of grades outside the envelope. In addition, an indicator variogram model at 0.20 g/t was obtained, which provides an indication of how continuous the mineralized zones are. The correlogram models show that the grade correlation of the 2-m composites is generally 50 m to 75 m for the Northeast Zone and 30 m to 50 m for the Southwest Zone, if considering ranges that correspond to about 60% and 80% of the total variance. Relative nugget effects are 40%. Grade continuity is much better along the strike and down-dip directions than along the across strike direction.

- **Block Model Definition**: Separate 3-dimensional block models were defined for the Northeast Zone and the Southwest Zone. The Northeast Zone block model used a parent block size of 12.5×12.5×6 m and sub-block size of 6.25×6.25×3 m. A reblocked model with 12.5×12.5×6 m blocks with an estimation of proportion of the block above 0.20 g/t and the grade of that material was delivered for mine planning. The Southwest Zone block model used a parent block size of 12.5×12.5×6 m and sub-block size of 3.125×3.125×3 m. A reblocked model with 6.25×6.25×6 m blocks was used for mine planning.

- **Grade Estimation**: Block grade estimation was done using the Indicator-modified Ordinary Kriging method ("IOK"). In this method, a model block was used to estimate the proportion of the block above 0.20 g/t using indicator variables for all blocks within the envelope. Block gold grade of the proportion above and below the 0.20 g/t cutoff grade was estimated by Ordinary Kriging ("OK"), using composites above or below the 2.0 g/t cutoff grade, by a three-pass procedure. The block grade then was calculated from the two OK grades, using the proportions as weights. A three-pass search strategy was used for OK grade estimation inside the grade envelopes; the search ellipsoids were oriented with the grade envelope, and search distances were 40×28×16 m (strike×dip×direction perpendicular to the mineralized plane) for pass one, 100×70×40 m for pass two, and 150×105×60 m for pass three for the Northeast Zone. Search distances used for the Southwest Zone were 35×35×17.5 m for pass one, 95×95×47.5 m for pass two, and 175×175×87.5 m for pass three. The number of composites used for block grade estimation ranged from five to eight for pass one, 5 to 10 for pass two, and 3 (Southwest Zone) or 4 (Northeast Zone) to 12 for pass three. Octant search was used. The maximum number of composites per octant was two for the first and second passes in the Northeast Zone and three for the third pass in the Northeast Zone and all three passes in the Southwest Zone. Composite gold grades for pass two and pass three were capped at 7.0 g/t for the Northeast Zone and 6.5 g/t for the Southwest Zone.

- **Validation**: The resource model was checked statistically and graphically to ensure that there is no global grade bias and that the amount of grade smoothing is reasonable.

- **Resource Classification**: Model blocks were classified into Measured, Indicated, and Inferred resources under the CIM Standards. All blocks with a pass-one grade estimation were classified as Measured; all blocks with a pass-two grade estimation were classified as Indicated; and all blocks with a pass-three grade estimation were classified as Inferred.

BDASIA has reviewed the procedures and parameters used by Mr. Rossi in the resource model for the CSH Mine and found they have generally been performed using normal industry practice.

17.1.3 Production Reconciliation

Global production reconciliation from 2007 to 2009 as well as for the first half of 2010 was compiled by BDASIA for the CSH mining operation based on data provided by the Company (Table 17.2). Historically, the mine production was estimated from the pit blast hole assay data and survey results by the CSH mine, which might be different from the actual mine production delivered to the leach pads because of mining dilution and blast hole misclassification. Cutoff gold grade used in January 2007-June 2010 mining operation was between 0.26 and 0.28 g/t. The resource model tonnage and grade at a cutoff gold grade of 0.28 g/t between the original topography and the pit surfaces as of December 31, 2009 and June 30, 2010 were summarized from the current resource model by Mr. Rossi. Comparison in Table 17.2 shows that the 2007-2009 mine production based on pit blast hole assays is 18.6% lower in tonnage, 16.7% higher in gold grade, and 5.1% lower in total contained ounces than the current resource model. For the first half of 2010, mine production based on pit blast hole assays was 1.0% lower in tonnage, 16.7% higher in gold grade, and 14.4% higher in total contained ounces than the current resource model.

Table 17.2
Comparison of Resource Model and Blast Hole Mine Production for the CSH Mine

	Resource Model			Mine Production based on Blast Holes			Percentage Difference		
Period	**k tonnes**	**g Au/t**	**Au kg**	**k tonnes**	**g Au/t**	**Au kg**	**k tonnes**	**g Au/t**	**Au kg**
2007 – 2009	24,698	0.57	14,177	20,098	0.67	13,461	-18.6%	+16.7%	-5.1%
Jan. – June 2010	6,954	0.61	4,271	6,883	0.71	4,887	-1.0%	+15.6%	+14.4%
Total	31,652	0.58	18,449	26,981	0.68	18,348	-14.8%	+16.7%	-0.5%

As discussed previously in this ITR, the crushing plant sampling results showed an average gold grade of 0.58 g/t for ore placed on the leach pad for the first half of 2010, approximately 18% lower than the average pit blast hole assay gold grade of 0.71 g/t and approximately 5% lower than the resource model gold grade of 0.61 g/t. The mine management believes that the primary reason for the lower gold grade for the crushing plant sampling is that the samples taken from the top of the conveyor belt were only the coarser fraction of the crushed ore, whereas the finer fraction of the crushed ore tends to have a higher gold grade based on CSH Mine's preliminary screen analysis. Therefore, the crushing plant sampling results for the first half of 2010 may not represent the true gold grade of the crushed ore. The mine management is in the process of modifying the crushing plant sampling system to collect more representative samples. BDASIA agrees that there might be some problem with the crushing plant sampling results for the first half of 2010, but BDASIA would expect that the crushing plant sampling gold grade still be somewhat lower than the pit blast hole sampling gold grade because of mining dilution and blast hole misclassification.

Based on the above discussion, BDASIA considers that overall the current resource model is reasonable, but the tonnage and contained gold of the resource model might be slightly overestimated from the actual mineral resources of the CSH Mine.

The improved crushing plant sampling results in the future will be crucial to confirm the actual ore tonnage and gold grade of the ore placed on the leached pads, allowing the compilation of better production reconciliation.

17.1.4 Resource Estimation Results under the CIM Standards

Mineral resources, inclusive of mineral reserves, as of June 30, 2010 under the CIM Standards estimated by Mr. Rossi in February 2010 and revised by the Company using the pit topography as of June 30, 2010 for the CSH Mine as adopted by BDASIA in this ITR are shown in Table 17.3.

Table 17.3
Resource Estimates as of June 30, 2010 under the CIM Standards for the CSH Mine

(inclusive of mineral reserves)

Cutoff	Measured			Indicated			Measured + Indicated			Inferred		
g Au/t	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz
Northeast Zone Resources												
0.26	72.8	0.67	1.570	107.0	0.60	2.059	179.8	0.63	3.629	0.7	0.39	0.009
0.28	70.8	0.68	1.553	102.9	0.61	2.023	173.7	0.64	3.577	0.6	0.41	0.008
0.30	68.7	0.69	1.533	98.4	0.63	1.982	167.1	0.65	3.515	0.5	0.43	0.007
0.40	56.9	0.77	1.400	75.0	0.71	1.719	131.9	0.74	3.119	0.2	0.54	0.004
0.50	45.6	0.84	1.238	56.3	0.80	1.450	101.9	0.82	2.687	0.1	0.62	0.002
0.60	35.5	0.93	1.060	41.9	0.89	1.197	77.4	0.91	2.257	0.1	0.74	0.001
Southwest Zone Resources												
0.26	34.7	0.61	0.686	40.8	0.54	0.710	75.5	0.58	1.396	0.0	—	0.000
0.28	33.4	0.63	0.674	39.1	0.55	0.696	72.5	0.59	1.370	0.0	—	0.000
0.30	32.1	0.64	0.662	37.5	0.56	0.681	69.6	0.60	1.343	0.0	—	0.000
0.40	25.4	0.72	0.587	28.0	0.64	0.574	53.4	0.68	1.161	0.0	—	0.000
0.50	18.8	0.81	0.492	19.3	0.72	0.449	38.1	0.77	0.941	0.0	—	0.000
0.60	13.9	0.91	0.405	12.6	0.82	0.331	26.5	0.86	0.736	0.0	—	0.000
Total Resources												
0.26	107.5	0.65	2.255	147.8	0.58	2.770	255.2	0.61	5.025	0.7	0.39	0.009
0.28	104.3	0.66	2.228	142.0	0.60	2.719	246.3	0.62	4.947	0.6	0.41	0.008
0.30	100.8	0.68	2.196	135.9	0.61	2.663	236.7	0.64	4.858	0.5	0.43	0.007
0.40	82.2	0.75	1.987	103.0	0.69	2.293	185.3	0.72	4.280	0.2	0.54	0.004
0.50	64.4	0.84	1.730	75.6	0.78	1.898	140.0	0.81	3.628	0.1	0.62	0.002
0.60	49.4	0.92	1.465	54.5	0.87	1.528	103.9	0.90	2.993	0.1	0.73	0.001

17.2 Mineral Reserve Estimates

Open-pit mining started in April 2007 at the CSH Mine. The current mine design and mineral reserve estimation were conducted by NMS in Vancouver Canada based on the resource model developed using the 2008 year-end drill hole database in February 2010. A mine plan was prepared for a 30,000-tpd of crushed ore, heap leach operation.

Pit optimization of the CSH Mine was undertaken using MineSight mining software. A complex wall slope Lerchs Grossman algorithm was used to develop the unsmoothed ultimate pit limits. Technical and economic parameters used for pit optimization are summarized in Table 17.4.

Table 17.4
Technical and Economic Parameters Used for Pit Optimization of the CSH Mine

Item	Unit	Parameter
Ore production rate	×1,000t/day	30.0
Waste mining cost by contractor	RMB/t (US$/t)	9.34 (1.366)
Ore mining cost by contractor	RMB/t (US$/t) ore	9.21 (1.347)
Mining engineering	RMB/t (US$/t) ore	0.38 (0.055)
Processing cost	RMB/t (US$/t) ore	12.43 (1.819)
Pad construction	RMB/t (US$/t) ore	2.52 (0.368)
G&A expenses	RMB/t (US$/t) ore	2.35 (0.343)
Royalties and compensation	RMB/t (US$/t) ore	6.53 (0.955)
Plant, leach and G&A	RMB/t (US$/t) ore	22.83 (3.485)
All ore related onsite costs	RMB/t (US$/t) ore	33.42 (4.887)
Pit slope (inter-ramp)	degree	44 - 55
Gold price	RMB/oz (US$/oz)	186.8 (850.00)
Refining/off-site costs	RMB/oz (US$/oz)	0.77 (3.50)
Exchange rate	RMB/US$	6.835

Gold heap leach recoveries used for pit optimization were based on the results of recent column leach tests. Gold recovery is a function of gold grade. Formulas used to calculate block gold recovery as well as gold recoveries at some typical gold grades in the Northeast Zone and Southwest Zone of the CSH deposit is listed in Table 17.5. Gold grade used to calculate gold recovery was capped at 1.0 g/t, i.e. any blocks with gold grade higher than 1.0 g/t used the gold recovery when gold grade equals 1.0 g/t.

Table 17.5
Gold Heap Leach Recoveries used for Pit Optimization

Northeast Zone		Southwest Zone	
Gold Grade (g/t)	Gold Recovery (%)	Gold Grade (g/t)	Gold Recovery (%)
0.50	66.2	0.40	62.1
0.60	68.7	0.50	65.4
0.70	71.1	0.60	68.6
0.80	73.6	0.70	71.9
0.90	76.0	0.80	75.2
1.00	78.5		
1.10	80.9		
Formula: Recovery (%) = 24.539×Gold Grade (g/t) + 53.932		Formula: Recovery (%) = 32.871×Gold Grade (g/t) + 48.926	

In addition, block values were discounted to reflect impact of the time value of pit development. Only the measured and indicated resource blocks were used as potential ore in the pit optimization.

Based on the cost parameters in Table 17.4 and the gold heap leach recovery formulas in 17.5, a break-even cutoff gold grade to recover all ore related onsite costs was calculated at approximately 0.3 g/t for both the Northeast Zone and the Southwest Zone. This cutoff gold grade of 0.3 g/t is used for reserve estimation and mine planning.

Final pit design was accomplished by smoothing the pit walls in the optimized ultimate pit shells and by incorporating a ramp system. The mining bench height is 6 m, with triple benching and berm width varying from 7.8 m to 10.25 m, depending on the design sector. The haul road was designed to be 25-m wide, with a maximum slope of 10%. The final pit design includes one large pit for the Northeast Zone and one elongated pit for the Southwest Zone (Figure 17.1). Waste dumps were located to the north and east of the open pits. The north waste dump can accommodate 94 million m^3 of waste rock to the 1,700-m MSL elevation, which is sufficient for waste from both the designed Northeast Zone and Southwest Zone pits

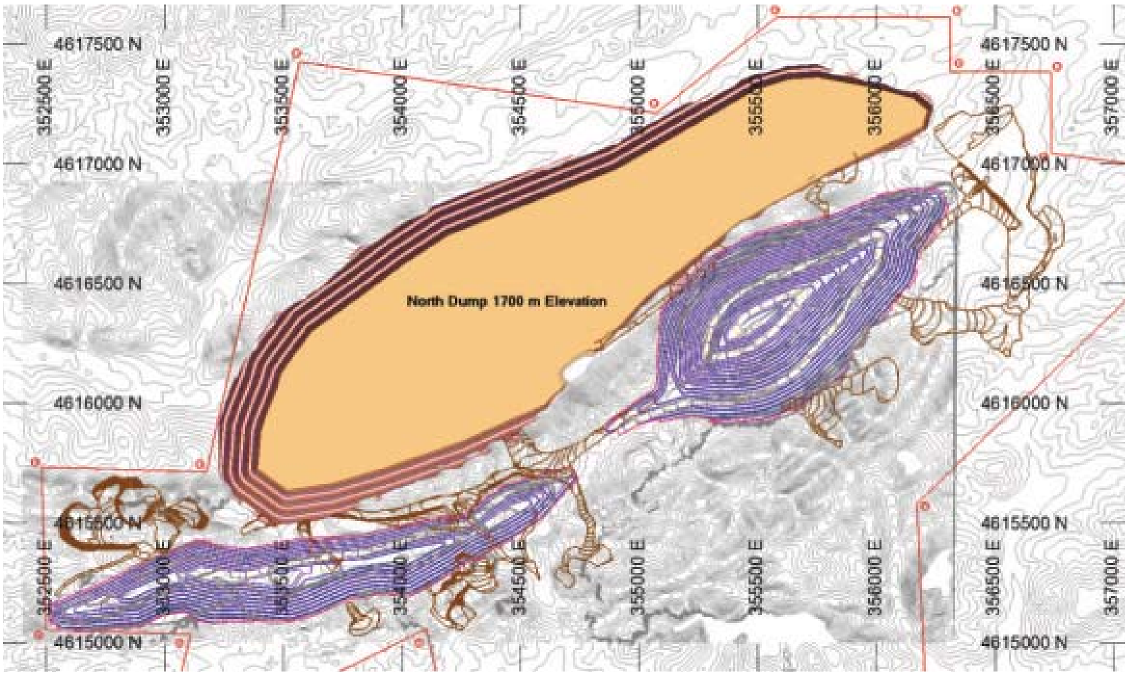

Figure 17.1 Open-pit and waste dump design for the Northeast Zone and Southwest Zone

Table 17.6 summarize the mineral reserves, waste, and strip ratio within the final pit designs using a gold cutoff grade of 0.30 g/t, under the pit topography as of June 30, 2010 for the CSH Mine. The measured resource and the indicated resource above the cutoff grade within the pit were converted to proven reserve and probable reserve, respectively. BDASIA noted that no additional mining dilution and mining losses other than those included in the resource block model have been incorporated into the mineral reserve estimate. BDASIA agrees that certain mining dilution and mining losses have been built into the resource model because of the grade smoothing in the kriging process; however, BDASIA considers that these built-in mining dilution and mining losses may not be sufficient to account for all the mining dilution and mining losses and suggests the inclusion of an additional mining dilution factor and mining loss factor in the order of 2% to 5% on the resource model. Available production reconciliation result is inconclusive because of the incomplete information.

BDASIA has reviewed the reserve estimates in Table 17.6 below, considers them generally reasonable at this stage, and has adopted the reserve estimates in this ITR. However, there is a possibility that the reserve tonnage and contained gold is slightly overestimated. Detailed production reconciliation based on good sampling results from the crushing plant in the future will be used to confirm the reserve estimates. Should there be a significant discrepancy between the reserve estimate and the accrual production based on appropriate crushing plant sampling results, the ore reserves of the CSH Mine would need to be reestimated in the future.

Table 17.6
CIM Compliant Mineral Reserve Summary for the CSH Mine as of June 30, 2010

Reserve Type and Class	M tonnes	g Au/t	Au (k ounce)
Northeast Zone			
Proven	58.2	0.71	1,325
Probable	41.9	0.64	856
Subtotal	100.1	0.68	2,182
Southwest Zone			
Proven	21.5	0.66	459
Probable	10.3	0.61	203
Subtotal	31.8	0.65	661
Total Ore			
Proven	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	131.9	0.67	2,843
Total Waste in Pits	173.7		
Strip Ratio	1.32		

17.3 Additional Exploration Potential

Drilling for gold mineralization at the CSH Mine is largely limited within the MSL elevation range of the mining license from 1,436 m to 1,696 m. The deepest drilling intercept is at a depth of 375 m. The gold mineralization zone is generally open at depth, and there is a tendency for the gold grade to get higher with depth. Therefore, there is significant additional exploration potential at depth.

Exploration potential along the northeastern and southwestern extensions of the mineralized zone seems limited as the mineralized zone has been well closed by drilling along the strike direction.

Within the exploration license, gold anomalies have been identified in other areas that have similar stratigraphic and structural background, representing additional exploration potential.

17.4 Mine Life Analysis

Based on the June 30, 2010 mineral reserve estimates of 131.9 Mt and the long-term production rate of 10.65 Mtpa, the remaining mine life of the CSH Mine as of June 30, 2010 is approximately 12.4 years. This mineral reserve mine life may change significantly in the future due to the following reasons:

- The mineralization is generally open to depth, and additional exploration may increase the mineral resources significantly. Depending on economic conditions, some of the increased mineral resources could be converted into mineral reserves, increasing the mine life; and
- Changes in the production rate would also change the mine life. The mine life would be shortened if the production rate is increased to a level higher than the anticipated long-term production level.

17.5 Resource/Reserve Reconciliation under the JORC Code

The Australasian JORC Code is a resource/reserve classification system very similar to the CIM Standards. There is basically no material difference between the two classification systems. Resource/reserve estimates under the CIM Standards can be easily converted to resource/reserve estimates under the JORC Code. However, it should be noted that under the CIM Standards, the inferred mineral resource cannot be combined with measured and indicated mineral resources, whereas under the JORC Code, the three categories may be combined in resource statements. Accordingly, as this ITR follows the NI 43-101 report disclosure guidelines, the inferred resource has not been added to the measured and indicated resources under the JORC Code in this ITR.

The mineral resource estimate, inclusive of ore reserves, and ore reserve estimate under the JORC Code for the CSH Mine as of June 30, 2010 are the same as those estimated under the CIM Standards, as summarized in Tables 17.7 and 17.8, respectively.

Table 17.7
Resource Estimates as of June 30, 2010 under the JORC Code for the CSH Mine

(inclusive of mineral reserves)

Cutoff	Measured			Indicated			Measured + Indicated			Inferred		
g Au/t	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz	Mt	g Au/t	Moz
Northeast Zone Resources												
0.26	72.8	0.67	1.570	107.0	0.60	2.059	179.8	0.63	3.629	0.7	0.39	0.009
0.28	70.8	0.68	1.553	102.9	0.61	2.023	173.7	0.64	3.577	0.6	0.41	0.008
0.30	68.7	0.69	1.533	98.4	0.63	1.982	167.1	0.65	3.515	0.5	0.43	0.007
0.40	56.9	0.77	1.400	75.0	0.71	1.719	131.9	0.74	3.119	0.2	0.54	0.004
0.50	45.6	0.84	1.238	56.3	0.80	1.450	101.9	0.82	2.687	0.1	0.62	0.002
0.60	35.5	0.93	1.060	41.9	0.89	1.197	77.4	0.91	2.257	0.1	0.74	0.001
Southwest Zone Resources												
0.26	34.7	0.61	0.686	40.8	0.54	0.710	75.5	0.58	1.396	0.0	—	0.000
0.28	33.4	0.63	0.674	39.1	0.55	0.696	72.5	0.59	1.370	0.0	—	0.000
0.30	32.1	0.64	0.662	37.5	0.56	0.681	69.6	0.60	1.343	0.0	—	0.000
0.40	25.4	0.72	0.587	28.0	0.64	0.574	53.4	0.68	1.161	0.0	—	0.000
0.50	18.8	0.81	0.492	19.3	0.72	0.449	38.1	0.77	0.941	0.0	—	0.000
0.60	13.9	0.91	0.405	12.6	0.82	0.331	26.5	0.86	0.736	0.0	—	0.000
Total Resources												
0.26	107.5	0.65	2.255	147.8	0.58	2.770	255.2	0.61	5.025	0.7	0.39	0.009
0.28	104.3	0.66	2.228	142.0	0.60	2.719	246.3	0.62	4.947	0.6	0.41	0.008
0.30	100.8	0.68	2.196	135.9	0.61	2.663	236.7	0.64	4.858	0.5	0.43	0.007
0.40	82.2	0.75	1.987	103.0	0.69	2.293	185.3	0.72	4.280	0.2	0.54	0.004
0.50	64.4	0.84	1.730	75.6	0.78	1.898	140.0	0.81	3.628	0.1	0.62	0.002
0.60	49.4	0.92	1.465	54.5	0.87	1.528	103.9	0.90	2.993	0.1	0.73	0.001

Table 17.8
Mineral Reserves under the JORC Code for the CSH Mine as of June 30, 2010

Reserve Type and Class	M tonnes	g Au/t	Au (k ounce)
Northeast Zone			
Proven	58.2	0.71	1,325
Probable	41.9	0.64	856
Subtotal	100.1	0.68	2,182
Southwest Zone			
Proven	21.5	0.66	459
Probable	10.3	0.61	203
Subtotal	31.8	0.65	661
Total Ore			
Proven	79.7	0.70	1,784
Probable	52.2	0.63	1,059
Total	131.9	0.67	2,843
Total Waste in Pits	173.7		
Strip Ratio	1.32		

18.0 INTERPRETATION AND CONCLUSIONS

Based on our analysis, BDASIA believes that the CSH Mine will be a profitable, low-grade, bulk-tonnage open-pit mining, heap leach processing operation under current economic conditions, provided that the predicted heap leach gold recoveries for the crushed fresh (sulfide) ore can be realized and reserve gold grade estimates can be confirmed by the detailed crushing plant sampling program in actual production.

Historically stacked ore (mostly ROM) to the leach pads from 2007 to 2009 is expected to yield a final gold recovery of approximately 53%, significantly less than the 80% ROM recovery for weathered (oxidized) ore as projected originally before the mining operation. The primary reason for the lower than expected historical recovery was that the original weathered (oxidized) zone was incorrectly defined and significantly sulfide material are present at the lower portion of the originally-defined weathered zone. Gold recovery for the uncrushed sulfide material is low and slow, resulting in significantly lower total gold recovery for the historical ore stacked to the leach pad before 2009. Currently predicted gold recoveries for the crushed ore are based on recent comprehensive column leach test results, but these recoveries will need to be proved by actual heap leach operation.

Ore placed on the leach pads are primarily crushed material starting from the beginning of 2010. However, gold production from the CSH Mine for the first half of 2010 was only 1,157 kg, significantly lower than half of the originally planned gold production of 4,112 kg for 2010. The explanation from the mine management for the short fall in gold production is primarily due to the unusually long and harsh cold winter, added by the mine management's decision to test not burying by ore but just covering by plastic films the drip emitters during the winter months. In order to improve the gold recovery from the leach pads, the CSH Mine built five new CIC columns (each with a volume of approximately 353 m^3) and a new 4,192-m^3 PLS pond from March to July 2010. Significantly more water will be pumped into the leaching system and significantly more PLS solution will be processed starting in August, 2010. Gold recovery improved significantly in August and September. The mine management expects that gold recovery will improve further in the next several months before December and the overall gold production could still reach 3,604 kg in 2010. BDASIA considers that the mine management's expectation is possible, but it needs to be confirmed by the actual gold production from the mine in the remaining of 2010.

19.0 RECOMMENDATIONS

BDASIA recommends continuing the mining operation of the CSH Mine.

BDASIA recommends the Company to construct the overland conveyer system between the crushing plant and the leach pads and to expand the current leach pad for accommodate future ore production. BDASIA understands that the Company is currently working on the leach pad expansion and the overland conveyer system is in the planning stage.

BDASIA recommends collecting accurate tonnage and grade data from the crushing plant, allowing accurate production reconciliation to be performed, which will be used as a guide for future resource modeling and reserve estimation of the deposit.

20.0 REFERENCES

Keane, J. M. of KD Engineering, 2006: Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Final Feasibility Study. (a NI43-101 report filed on Sedar in Canada) 249p. May 2006.

Keane, J. M., Rossi, M., Nilsson, J., and Browne, R. of KD Engineering, 2008: Chang Shan Hao (CSH) Gold Project, Inner Mongolia, PRC, Throughput Expansion Technical Report. (a NI 43-101 report filed on Sedar in Canada) 229p. March 2008.

Keane, J. M., Rossi, M., Nilsson, J., and Browne, R. of KD Engineering, 2010: Chang Shan Hao (CSH) Gold Project, Inner Mongolia, People's Republic of China, Throughput Expansion Update Technical Report. (an internal company report) 158p. February 5, 2010.

Deng, Q., Martin, M. D., Lepetic V. M., and Epps, J. M. of Behre Dolbear Asia, Inc., 2010: Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia Autonomous Region, the People's Republic of China. (a NI 43-101 report filed on Sedar in Canada) 67p. March 30, 2010.

21.0 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES

21.1 Mining Operations

A mine plan and production schedule for the CSH mine were developed in February 2010 by NMS based on drilling completed through 2008 and a gold price of $850 per ounce. This mine plan and production schedule was updated to the date of June 30, 2010 by the CSH Mine based on the actual production results of the first half of 2010. BDASIA has reviewed the mine plan and production schedule and used them as the basis for the economic analysis of the CSH Mine in this ITR. The historical mine production from 2007 to 2009 was generally by open-pit mining and heap leach processing at a rate of approximately 20,000 tpd of ROM weathered (oxide and mixed) ore; the mine historical production for the first half of 2010 was mostly crushed fresh (sulfide) ore with a small portion of the uncrushed ROM ore and at a rate higher than the planned 30,000-tpd rate. Forecast production from the second half of 2010 on is at a 30,000-tpd heap leach processing rate for crushed fresh (sulfide) ore. The three-stage crushing plant, designed to produce a product of 80% passing 9 mm, reached its designed production capacity in March 2010.

21.1.1 Historical and Forecast Mine Production

Table 21.1 lists the historical and forecast ore production and waste stripping for the CSH Mine for the period from 2007 through the end of mine life in 2022.

Table 21.1

Historical and Forecast Ore Mining and Waste Stripping for the CSH Mine

(The Company's attributable share of the following production from the CSH Mine is 96.5%.)

	Historical Production				Forecast Production													
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total Jul 2010-Dec 2022**
ROM Ore Mining (kt)																		
Northeast Pit	4,613	5,786	3,930	1,830														
Southwest Pit			3,611															
Subtotal (kt)	4,613	5,786	7,540	1,830														
Crushed Ore Mining (kt)																		
Northeast Pit				4,840	5,117	10,650	10,650	10,650	10,522	9,947	7,810	7,112	6,207	4,314	4,049	6,544	6,537	**100,109**
Southwest Pit			2,158	213					128	703	2,840	3,538	4,443	6,336	6,600	4,106	3,119	**31,813**
Subtotal (kt)			2,158	5,053	5,117	10,650	10,650	10,650	10,650	10,650	10,650	10,650	10,650	10,650	10,650	10,650	9,656	**131,923**
Total Ore Mining (kt)																		
Northeast Pit	**4,613**	**5,786**	**3,930**	**6,670**	**5,117**	**10,650**	**10,650**	**10,650**	**10,522**	**9,947**	**7,810**	**7,112**	**6,207**	**4,314**	**4,049**	**6,544**	**6,537**	**100,109**
Southwest Pit			**5,769**	**213**					**128**	**703**	**2,840**	**3,538**	**4,443**	**6,336**	**6,600**	**4,106**	**3,119**	**31,813**
Total	**4,613**	**5,786**	**9,699**	**6,883**	**5,117**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**9,656**	**131,923**
Waste Stripping (kt) . . .	**5,628**	**11,327**	**17,686**	**7,575**	**14,505**	**23,747**	**24,451**	**20,447**	**17,879**	**16,564**	**13,911**	**11,855**	**9,851**	**7,538**	**5,707**	**5,705**	**1,523**	**173,683**
Strip Ratio	**1.22**	**1.96**	**1.82**	**1.10**	**2.83**	**2.23**	**2.30**	**1.92**	**1.68**	**1.56**	**1.31**	**1.11**	**0.92**	**0.71**	**0.54**	**0.54**	**0.16**	**1.32**

21.1.2 Pit Design

There are two mineralized zones, the Northeast Zone and the Southwest Zone, separated by a barren zone of about 400 m. The Northeast Zone strikes approximately N55°E, whereas the Southwest Zone strikes nearly N75°E. The dip of both zones is sub-vertical. The down-dip extent of the mineralization has not yet been established by drilling but is in excess of 400 m in the Northeast Zone. The width of the mineralization averages approximately 200 m in the Northeast Zone and approximately 80 m in the Southwest Zone.

The newly-designed final Northeast pit, which will mine 77% of the total reserve tonnage, measures at surface 1,725-m long by 700-m wide and has a total depth of 378 m. The dimensions at the pit bottom are 365-m long by 60-m wide. The Southwest mineralization will be mined by an elongate pit with a surface length of 2,300 m, surface width up to 200 m, and a depth of 180 m. The combined strip ratio of the two pits is 1.32 to 1 as of June 30, 2010. The land surface MSL elevation varies from 1,636 m to 1,720 m along the rims of the two pits.

The mining bench height is 6 m, and the final pit walls are to be triple-benched with berm widths varying between 7.8 m and 10.25 m, depending on the final slope design factors. Haul road grades are a maximum of 10%, and widths are 25 m. Final pit slopes were based on Golder Associates' recommendations in 2006. Inter-ramp hanging wall slopes vary from 44° to 47°, and inter-ramp footwall slopes are 55°. The overall footwall slope was flattened by 3° degrees to accommodate the main haulage ramp.

Current average one-way haulage distances from the current pit centers are approximately 1.5 km to the waste dumps, 1.7 km to the primary crusher, and 4.5 km to the leach pad. The primary crusher dump MSL elevation is 1,672 m, and the MSL elevations of the four pit throats are 1,642 m, 1,636 m, 1,624 m, and 1,630 m, from northeast to southwest.

21.1.3 Contract Mining

All mining is carried out by a mining contractor, China Railway No. 19 Bureau Group Corporation, as directed by company personnel. A 10-year contract, commencing on November 25, 2008, sets out the terms, which do not include provisions for fuel or other cost escalation but do allow cost increases for haul distances and for increased explosive costs due to wet blasting. Specifically, there is a basic cost of RMB24.1 (US$3.53)/$m^3$ of ore or waste for one-way haulage distances that do not exceed 2.5 km. Above this distance, costs increase by RMB2.00 (US$0.293)/$m^3$ for each 1-km increase (and fractions proportionately) in one-way haul distances. Below 2.5 km, costs decrease by RMB0.80 (US$0.117)/$m^3$ for each 1-km decrease (and fractions proportionally). The contractor's haul trucks carry 50 t, but they are neither weighed nor counted. Payment to the contractor is based on the monthly pit survey of cubic meters of ore and waste and a specific gravity of 2.72 t/m^3 for the weathered material and 2.79 t/m^3 for the fresh material, respectively.

The contractor's loading and hauling fleet is comprised of six 4.5-m^3 Hitachi backhoes and thirty-two 50-t Euclid rear-dump off-highway trucks. Blasthole drilling is done with three Chinese electric-powered and two Atlas Copco diesel-powered machines drilling 6.6-m-deep, 180-mm-diameter, vertical holes. Drilling patterns average 5-m by 5-m spacing for waste and 4-m by 4-m to 4.5-m by 4.5-m spacing for ore. Powder factors are 0.60 kilograms per tonne ("kg/t") of ore and 0.45 kg/t of waste.

The contractor maintains its equipment in a mine maintenance shop that it owns. While water inflow to the pit is low, mining is now below the water table in the lower benches and the contractor does the pit de-watering through two pipelines out of the pit. Total contractor manpower is currently approximately 230 persons.

21.1.4 Discussions

- **Mining Dilution:** As is customary, the block model necessarily includes some dilution and some ore loss. During mining operations some additional dilution and some ore loss will occur at all ore/waste interfaces. Because of the wide ore zones at the CSH Mine, both dilution and ore loss will be low, and close supervision of the mining contractor should not be necessary. The CSH Mine is currently crushing all the ore to be placed on the leach pads, an appropriate crushing plant sampling system will provide good actual mine production data, allowing detailed production reconciliation to be carried out for the mine. BDASIA believes that the mining dilution factor and mining loss factor obtained from the detailed production reconciliation should be used to adjust the reserve estimate of the mine in the future.
- **Waste Dumps:** Waste dumps must accommodate 174 Mt of waste rock from both the Northeast and Southwest pits as of June 30, 2010. The newly designed waste dump on north side of the Northeast pit and the Southwest pit has sufficient storage capacity for the planned waste. The dump is relatively close to the pit throats, making for short hauls, and the dump is relatively low, with final top MSL elevations at 1,700 m (versus the primary crusher MSL elevation of 1,672 m).
- **Slope Stability:** No significant slope failures have been experienced to date, although the pits are still relatively shallow. The final pit slope design is reasonable but needs to be monitored as the pits get deeper.
- **Company Mine Personnel and Vehicles:** Company mine personnel number 21, including four pit supervisors who cover the round-the-clock operations. Vehicles assigned to company mine personnel are one SUV and two pickup trucks, all 4-wheel drive.

BDASIA believes that the final pit designs have been correctly done at the assumed technical and economic conditions and should not present operational problems. The mining contractor has a good selection of major mining equipment and adequate units to carry out the currently required tonnages of ore and waste. BDASIA does note that working benches are not always being kept at design elevations by the mining contractor, and company management should insist that this be corrected. The effect of this lapse on the overall performance of the mine is small.

Should management decide that an increase in ore production to the crusher is desirable, for the purpose of increasing gold production from the pads, the mining contractor should readily be able to accommodate such an increase.

21.2 Markets, Contracts and Taxes

Based on an agreement between China Gold International and China National Gold Group Corporation, all gold and silver in doré bars produced from the CSH Mine will be sold to China National Gold Group Corporation based on the Shanghai Gold Exchange spot market prices less refining charge of RMB0.95/g or RMB29.55/oz (US$4.36/oz) of gold and RMB0.50/g or RMB15.55/oz (US$2.29/oz) for silver. Gold sales price does not contain VAT, but silver sales price does contain a VAT, which is 3% for IMP as it is a small silver producer.

The CSH Mine does not have any gold and silver hedging contracts. Mining operation is conducted by a mining contractor and the mining contract is discussed in Section 21.1 of this ITR.

The CSH Mine production is subject to a resource tax of RMB3.00/t of actual processed ore, a resource compensation levy of 2.8% for 70% of the sales revenue, and a corporate income tax rate of 25%.

21.3 Production

Historical heap leached ore, processing recoveries, and gold production in doré from January 2007 through June 2010 and production forecasts from July 2010 to the end of mine life for the CSH Mine are summarized in Table 21.2.

Historically, the CSH Mine used the pit blast hole assay gold grades as the gold grades of actual produced ore placed on the lead pads. The March 30, 2010 BDASIA ITR also used the same mine production gold grades. However, crushing plant sampling results in the first half of 2010 and more detailed analysis indicates that the pit blast hole gold grades could be significantly higher than the actual mine production ore grades because of mining dilution and misclassification. In this version of the ITR, the historical mine production gold grades were revised to the gold grades in the resource model, which reduced the gold contents in the ore placed on the leach pads to date. As gold recovery is expected to be a five-year process, forecast total gold production in the next several years have also been reduced slightly.

Table 21.2

Historical and Life-of-Mine Forecast Production for the CSH Mine

(The Company's attributable share of the following production from the CSH Mine is 96.5%.)

	Historical Production			Forecast Production																		
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**Total Jul 2010-Dec 2026**
Heap Leached Ore																						
ROM Ore, Northeast Pit (kt)	4,613	5,786	3,930	1,830																		
Average Gold Grade (g/t)	0.59	0.59	0.59	0.55																		
Contained Gold (kg)	2,722	3,414	2,319	1,014																		
ROM Ore, Southwest Pit (kt)			3,611																			
Average Gold Grade (g/t)			0.59																			
Contained Gold (kg)			2,130																			
Crushed Ore, Northeast Pit (kt)				4,840	5,117	10,650	10,650	10,650	10,522	9,947	7,810	7,112	6,207	4,314	4,049	6,544	6,537					**100,109**
Average Gold Grade (g/t)				0.63	0.65	0.61	0.56	0.53	0.64	0.65	0.67	0.68	0.70	0.75	0.81	0.91	0.97					**0.68**
Contained Gold (kg)				3,049	3,337	6,507	5,998	5,607	6,690	6,511	5,239	4,837	4,350	3,214	3,292	5,969	6,314					**67,865**
Crushed Ore, Southwest Pit (kt)			2,158	213					128	703	2,840	3,538	4,443	6,336	6,600	4,106	3,119					**31,813**
Average Gold Grade (g/t)			0.60	0.51					0.56	0.56	0.59	0.60	0.61	0.63	0.66	0.72	0.76					**0.65**
Contained Gold (kg)			1,303	109					71	391	1,663	2,123	2,708	3,965	4,343	2,943	2,364					**20,572**
Total Ore	**4,613**	**5,786**	**9,699**	**6,883**	**5,117**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**10,650**	**9,656**					**131,923**
Average Gold Grade (g/t)	**0.59**	**0.59**	**0.59**	**0.61**	**0.65**	**0.61**	**0.56**	**0.53**	**0.63**	**0.65**	**0.65**	**0.65**	**0.66**	**0.67**	**0.72**	**0.84**	**0.90**					**0.67**
Contained Gold (kg)	**2,722**	**3,414**	**5,752**	**4,171**	**3,337**	**6,507**	**5,998**	**5,607**	**6,761**	**6,902**	**6,902**	**6,960**	**7,058**	**7,179**	**7,635**	**8,912**	**8,678**					**88,437**
Contained Gold (koz)	**87.50**	**109.75**	**184.92**	**134.11**	**107.29**	**209.20**	**192.84**	**180.28**	**217.39**	**221.90**	**221.90**	**223.76**	**226.93**	**230.82**	**245.49**	**286.53**	**279.00**					**2,843.30**
Cumulative Contained Gold (kg)	**2,722**	**6,135**	**11,887**	**16,058**	**19,395**	**25,902**	**31,900**	**37,507**	**44,268**	**51,170**	**58,072**	**65,032**	**72,090**	**79,269**	**86,905**	**95,817**	**104,495**	**104,495**	**104,495**	**104,495**	**104,495**	
Cumulative Contained Gold (koz)	**87.50**	**197.26**	**382.17**	**516.28**	**623.57**	**832.76**	**1,025.60**	**1,205.88**	**1,423.26**	**1,645.16**	**1,867.06**	**2,090.82**	**2,317.75**	**2,548.57**	**2,794.05**	**3,080.58**	**3,359.58**	**3,359.58**	**3,359.58**	**3,359.58**	**3,359.58**	
Projected Total Gold Recovery (%)(1)																						
ROM Ore, Northeast Pit	53.0%	53.0%	53.0%	40.0%																		
ROM Ore, Southeast Pit	53.0%	53.0%	53.0%																			
Crushed Ore, Northeast Pit	53.0%	53.0%	53.0%	69.4%	69.9%	68.9%	67.8%	66.9%	69.5%	70.0%	70.4%	70.6%	71.1%	72.2%	73.9%	76.3%	77.6%					**71.09%**
Crushed Ore, Southeast Pit	53.0%	53.0%	53.0%						67.3%	67.2%	68.2%	68.7%	69.0%	69.5%	70.6%	72.5%	73.8%	48.9%				**70.33%**
Cumulative Gold Recovery (%)(2)	**25.1%**	**40.3%**	**42.7%**	**38.6%**	**44.7%**	**51.1%**	**54.8%**	**56.9%**	**58.5%**	**59.9%**	**61.0%**	**61.9%**	**62.7%**	**63.4%**	**64.0%**	**64.8%**	**65.7%**	**67.3%**	**67.8%**	**68.0%**	**68.1%**	
Gold Production in Doré (kg)	**684**	**1,789**	**2,599**	**1,126**	**2,479**	**4,559**	**4,238**	**3,874**	**4,546**	**4,738**	**4,789**	**4,845**	**4,938**	**5,045**	**5,398**	**6,407**	**6,552**	**1,848**	**487**	**191**	**95**	**64,944**
Gold Production in Doré (koz)	**21.99**	**57.51**	**83.57**	**36.19**	**79.69**	**146.57**	**136.25**	**124.54**	**146.17**	**152.34**	**153.99**	**155.78**	**158.76**	**162.20**	**173.56**	**205.99**	**210.65**	**59.42**	**15.67**	**6.13**	**3.05**	**2,088.01**
Cumulative Gold Production (kg)	**684**	**2,473**	**5,072**	**6,198**	**8,676**	**13,235**	**17,473**	**21,347**	**25,893**	**30,631**	**35,421**	**40,266**	**45,204**	**50,249**	**55,647**	**62,054**	**68,606**	**70,369**	**70,856**	**71,047**	**71,142**	
Cumulative Gold Production (koz)	**21.99**	**79.50**	**163.07**	**199.26**	**278.95**	**425.52**	**561.77**	**686.31**	**832.48**	**984.82**	**1,138.81**	**1,294.59**	**1,453.35**	**1,615.54**	**1,789.11**	**1,995.10**	**2,205.75**	**2,262.42**	**2,278.09**	**2,284.21**	**2,287.27**	
Silver Production in Doré (kg)(3)	**262**	**718**	**926**	**479**	**867**	**1,596**	**1,483**	**1,356**	**1,591**	**1,658**	**1,676**	**1,696**	**1,728**	**1,766**	**1,889**	**2,242**	**2,293**	**647**	**171**	**67**	**33**	**22,730**
Silver Production in Doré (koz)	**8.42**	**23.09**	**29.76**	**15.39**	**27.89**	**51.30**	**47.69**	**43.59**	**51.16**	**53.32**	**53.89**	**54.52**	**55.57**	**56.77**	**60.75**	**72.10**	**73.73**	**20.80**	**5.49**	**2.14**	**1.07**	**730.80**

Notes:

(1) Total gold recovery for all types of ore on the leach pad as of December 31, 2009 is projected to be 53% based on a recovery model produced by IMP. Historical gold recovery for the first half of 2010 as well and forecast total gold recovery is 40% for the ROM ore and calculated from the recovery formulas developed by KDE in February 2010 for the crushed ore.

(2) Cumulative gold recovery is the ratio of cumulatively recovered gold from the heap leach process to the cumulative gold loaded on the leach pad.

(3) Forecast silver production is based on a silver/gold production ratio of 0.35 for the period from July 2010 to December 2026, which is slightly lower than the actual average silver/gold production ratio of approximately 0.39 from January 2007 to June 2010.

Current mining capacity for the CSH Mine has reached 30,000 tpd. The 30,000-tpd crushing plant was installed in August 2009 and reached its designed production capacity in March 2010.

As recoverable gold loaded on the leach pads is expected to be recovered in approximately 5 years, cumulative gold loaded on leach pads, cumulative gold recovery, and cumulative recovered gold are used in Table 21.2 for the calculation of gold production. Actual cumulative recovery for the ore, mostly ROM ore with a small portion of crushed ore from the weathered zone, loaded to the leach pads was only approximately 42.3% as of December 31, 2009. As heap leach is a long recovery process, several years are generally needed to fully recover the recoverable gold in the ore loaded on the leach pad. The CSH Mine management has estimated a total recovery of 53% for the ore already loaded on the leach pad as of December 31, 2009 and has estimated that a total of 5 years will be needed to achieve this total recovery, with an average yearly recovery of 37.5%, 7.5%, 4.0%, 2.5%, and 1.5% for year 1 through year 5, respectively. BDASIA considers that the management's estimates are reasonable. It should be noted that this recovery distribution has been revised from the March 30, 2010 ITR as the historical mine production gold grades have been revised to the resource model grades instead of the pit blast hole grades.

Forecast production for the CSH Mine will be mostly from the fresh (sulfide) zone of the deposit. Based on the metallurgical test work, heap leach recovery of the fresh or sulfide material is very sensitive to the grain size as well as the average gold grade of the ore hauled to the leach pads. It was expected by the KDE February 2010 technical report that the gold recovery is a function of the ore gold grade, and the expected gold recovery for fresh ore crushed to 80% passing 9 mm at a gold grade of 0.7 g/t would be 71.1% for the Northeast Zone and 71.9% for the Southwest Zone, whereas gold recovery for fresh ROM ore would be only 40%.

Forecast production for the CSH Mine will be all crushed, fresh (sulfide) ore. Forecast gold recoveries are based on the KDE report. Gold recovery for the crushed fresh ore will be calculated from the formulas developed by KDE. The total gold recovery will be achieved in 5 years, with a yearly recovery percentage of 79.43%, 13.00%, 4.71%, 1.43%, and 1.43% for year 1 through year 5. Because of the unusually long and harsh cold winter and the mine management's experiment to cover the drip emitters during the winter months in a different way, gold recovery was extremely slow for the first half 2010. Therefore, gold recovery based on the above recovery rate distribution was delayed for two months in the production schedule for 2010 and the following years in Table 21.2.

Gold recovery from the leach pads will continue for another 4 years after mining operations cease in 2022 at the CSH Mine.

The forecast ore grade is based on detailed production scheduling from the resource block model and is in line with the mineral reserve estimates of the deposit. The forecast annual feed gold grades increase gradually from 0.65 g/t in 2010 to 0.90 g/t for the last partial year of mine life in 2022, reflecting the general gradual increase of gold grade with depth.

In addition to gold, some silver is also recovered in the gold doré bars produced by the CSH mine. The CSH Mine forecasts that the silver to gold ratio in the produced gold doré bars will be 0.35, which is slightly lower than the average silver-to-gold ratio of 0.375 in gold doré bars produced from 2007 to 2009.

BDASIA considers that these production targets are generally achievable. However, BDASIA also needs to point out that the gold recovery of the crushed fresh ore is based only on column leach tests, which have not yet been proved by actual mine production. And also, reserve gold grade estimates need to be confirmed by an appropriate crushing plant sampling program.

21.4 Operating Costs

Based on information provided by the Company, BDASIA has calculated historical unit mining, processing and G&A and others costs on a per-tonne basis for ore hauled to the leach pads during the period from January 2007 through June 2010 and has developed forecast unit costs from July 2010 to the end of mine life for the CSH Mine. BDASIA has also calculated a unit gold-equivalent ("AuEq", i.e. silver production is converted to equivalent gold based on silver and gold revenue ratio based on actual and forecast gold and silver prices as well as refining charges listed in Table 21.6) operating cash cost and a total production cost (Table 21.3). Operating costs by categories are summarized in Table 21.4.

The operating cash costs include mining costs, processing costs, G&A costs, selling costs, environmental protection costs, production taxes, resource compensation levy, interests on loans, and other cash cost items. The total production costs comprise the operating cash costs and depreciation/amortization costs.

The mining cost consists of ore mining cost, waste mining cost, and mining overhead. The forecast ore mining cost and waste mining cost are based on a mining contract signed with the mining contractor in November 2008 and the expected hauling distance for ore and waste from different pits to different destinations, as well as the yearly strip ratio. The gradual increase of unit ore mining costs generally reflects the increase in hauling distance resulting from the deepening of the open pits. The unit waste mining cost on a per tonne of ore hauled to the leach pad basis decreases gradually over the mine life, as the strip ratio is decreasing gradually. The forecast unit mining cost is generally lower than the actual mining cost from 2007 to 2009 as the current mining contract has lowered the unit mining cost.

The processing costs include crushing cost (including hauling of the crushed ore to the leach pads by highway trucks or conveying the crushed ore to the leach pads after an overland conveyor system is constructed in 2010), heap leach cost, and gold recovery costs.

The unit AuEq production cash cost and the total production costs are expressed in RMB per gram ("RMB/g") and US dollars per troy ounce ("US$/oz") using an exchange rate of RMB6.78 to US$1.00.

BDASIA would note that inflation is generally not factored into the forecast operating costs in Tables 21.3 and 21.4. Increases in costs for labor, fuel, and other materials can have a large impact on the mining operation.

Table 21.3
Historical and Life-of-Mine Forecast Operating Costs for the CSH Mine

	Historical Cost				Forecast Cost												
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Mining Cost (US$/t of ore)																	
Mining Ore	1.35	1.80	1.41	1.19	1.27	1.27	1.30	1.28	1.30	1.30	1.30	1.31	1.31	1.31	1.31	1.36	1.38
Mining Waste	1.34	3.04	1.39	1.51	4.04	3.17	3.27	2.76	2.37	2.21	1.92	1.66	1.40	1.07	0.82	0.82	0.25
Mining Overhead	0.27	0.37	0.54	0.04	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Total Mining	**2.96**	**5.21**	**3.34**	**2.75**	**5.59**	**4.73**	**4.85**	**4.33**	**3.96**	**3.80**	**3.51**	**3.25**	**3.00**	**2.66**	**2.42**	**2.46**	**1.91**
Processing Cost (US$/t of ore)																	
Processing ROM Ore	0.48	0.97	0.99	0.93													
Processing Crushed Ore			0.99	0.74	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.92	0.91	0.86	1.82	1.82
Average Processing	**0.48**	**0.97**	**0.99**	**0.79**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.82**	**1.92**	**0.91**	**0.86**	**1.82**	**1.82**
G&A and Other Cost (US$/t of ore)	**0.97**	**1.86**	**1.19**	**0.69**	**1.77**	**1.38**	**1.33**	**1.24**	**1.27**	**1.25**	**1.26**	**1.27**	**1.22**	**1.14**	**1.16**	**1.21**	**1.25**
Total Operating Cost (US$/t of ore)	**4.41**	**8.04**	**5.52**	**4.24**	**9.18**	**7.93**	**8.00**	**7.38**	**7.05**	**6.87**	**6.59**	**6.34**	**6.14**	**4.71**	**4.43**	**5.49**	**4.98**
Deprec/Amort Cost (US$/t of ore)	0.58	1.26	1.00	2.98	4.01	1.93	1.71	1.37	1.32	1.27	1.25	1.14	0.76	0.76	0.21	0.12	0.07
Total Production Cost (US$/t of ore)	**4.99**	**9.30**	**6.52**	**7.22**	**13.19**	**9.86**	**9.71**	**8.75**	**8.37**	**8.14**	**7.84**	**7.48**	**6.90**	**5.46**	**4.64**	**5.61**	**5.04**
AuEq Operating (Cash) Cost (US$/oz)	**921**	**805**	**638**	**800**	**586**	**573**	**621**	**628**	**510**	**477**	**453**	**431**	**409**	**307**	**270**	**282**	**227**
AuEq Total Production Cost (US$/oz)	**1,042**	**931**	**753**	**1,364**	**843**	**712**	**755**	**744**	**606**	**566**	**538**	**508**	**460**	**356**	**283**	**288**	**230**

Note: AuEq is calculated using the following formula: AuEq = Au + Ag × (Ag price-Ag Refining Charge)/1.03/(Au price-Au Refining Charge) based on actual and/or forecast gold and silver prices and refining charges listed in Table 21.6. The reason for dividing the silver revenue by 1.03 is because the silver price includes a 3% VAT.

Table 21.4
Historical and Life-of-Mine Forecast Operating Costs by Categories for the CSH Mine

	Historical Cost				Forecast Cost												
Item	**2007**	**2008**	**2009**	**2010 Jan-Jun**	**2010 Jul-Dec**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Contract Mining (US$/t of ore)	2.69	4.84	2.80	2.71	5.31	4.44	4.56	4.04	3.68	3.52	3.22	2.97	2.72	2.38	2.13	2.18	1.63
Workforce Employment and Transportation of Workforce[1] (US$/t of ore)	0.27	0.37	0.54	0.04	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Consumables (US$/t of ore)	0.37	0.85	0.88	0.68	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.66	0.65	0.60	1.56	1.56
Fuel, Electricity and Water (US$/t of ore)	0.11	0.11	0.11	0.11	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
On and Off-Site Management (US$/t of ore)	0.55	0.99	0.47	0.26	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Environmental Protection and Monitoring (US$/t of ore)	0.04	0.03	0.02	0.01	0.02	0.02	0.02	0.02	0.13	0.13	0.14	0.14	0.09	0.00	0.00	0.00	0.00
Product Marketing and Transport (US$/t of ore)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-Income Taxes, Royalties and Other Governmental Charges (US$/t of ore)	0.33	0.74	0.64	0.42	0.77	0.73	0.69	0.67	0.68	0.68	0.69	0.69	0.69	0.70	0.72	0.77	0.81
Interest Expense (US$/t of ore)	0.05	0.11	0.06	0.41	0.42	0.20	0.19	0.11	0.03	—	—	—	—	—	—	—	—
Contingency Allowances[2] (US$/t of ore)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Operating Cost (US$/t of ore)	**4.41**	**8.04**	**5.52**	**4.64**	**9.05**	**7.93**	**8.00**	**7.38**	**7.05**	**6.87**	**6.59**	**6.34**	**6.14**	**4.71**	**4.43**	**5.49**	**4.98**

Notes:

(1) *Cost for transport of workforce was included in the workforce employment cost in the feasibility study report.*

(2) *Contingency allowance was not separated from other cost items in the feasibility study report.*

21.5 Capital Costs

Historical capital costs from January 2007 to June 2010 and forecast capital costs from July 2010 to the end of mine life for the CSH Mine are shown in Table 21.5. Costs for mining equipment are the responsibility of the mining contractors. It can be seen that most capital expenditures have been incurred in the last 3 and half years, and the remaining capital expenditures for the mine are not significant. The remaining capital expenditures consist primarily of costs for the construction of additional leach pads and a conveyor belt system between the crushing plant and the leach pads.

BDASIA notes that no sustaining capital was budgeted in the forecast capital expenditures and suggests that equipment replacement costs of approximately 2% of the total equipment costs for the crushing and gold recovery plants be budgeted for each year, except the last two or three, following the completion of the construction.

Table 21.5

Historical and Life-of-Mine Forecast Capital Costs for the CSH Mine

Item	Historical Cost				Forecast Cost													
	2007	2008	2009	2010 Jan-Jun	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total Jul 2010-Dec 2023
Capital Cost in US$ (×10^3)																		
Mining		1,837	11,552															
Heap Leach	5,498		3,434	4,613				7,467	5,407	5,226								18,099
Processing	23,117	406	1,179	2,212														
Crusher		25,524	32,979		5,852													5,852
Infrastructure and G&A	6,503		83	737														
Exploration	18,797	654																
Closing																		
Land	1,593		732															
Property Acquisition																		
Other																		
Total	**55,508**	**28,421**	**49,958**	**7,563**	**5,852**			**7,467**	**5,407**	**5,226**								**23,951**

21.6 Base Case Economic Analysis

BDASIA conducted a base case economic analysis for the CSH Mine using the technical and economic parameters discussed in this ITR (Table 21.6). The forecast gold price is variable over the life of the mine and represents the average price projected by 18 international financial institutions. The discount rate of 9% for the net present value ("NPV") calculation was provided by Citi, China Gold International's financial adviser, which BDASIA considers generally reasonable for the CSH Mine. The middle of the year discount method was used in calculation of the NPV.

Based on the assumptions listed above, the CSH Mine has a total pre-tax NPV of US$486.05 M and a total after-tax NPV of US$377.89 M as of June 30, 2010.

Table 21.6
Base Case Cash Flow Analysis at June 30, 2010 for the CSH Mine

	2010 Jul-Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Revenue																		
Gold Production in Doré (koz)	79.69	146.57	136.25	124.54	146.17	152.34	153.99	155.78	158.76	162.20	173.56	205.99	210.65	59.42	15.67	6.13	3.05	**2,088.01**
Silver Production in Doré (koz)	27.89	51.30	47.69	43.59	51.16	53.32	53.89	54.52	55.57	56.77	60.75	72.10	73.73	20.80	5.49	2.14	1.07	**730.80**
Gold Price (US$/oz)	1033.00	1033.00	955.00	970.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	
Silver Price (US$/oz)[1]	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	
Gold Refining Charge (US$/oz)	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	
Silver Refining Charge (US$/oz)	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	
Gold Sales Revenue (US$ M)	81.97	150.78	129.54	120.27	123.47	128.68	130.07	131.59	134.10	137.01	146.61	174.00	177.94	50.20	13.24	5.17	2.58	**1,834.88**
Silver Sales Revenue (US$ M)[1]	0.43	0.79	0.74	0.67	0.79	0.83	0.83	0.84	0.86	0.88	0.94	1.12	1.14	0.32	0.08	0.03	0.02	**11.31**
Total Sales Income (US$ M)	**82.40**	**151.57**	**130.27**	**120.95**	**124.26**	**129.51**	**130.91**	**132.43**	**134.96**	**137.89**	**147.55**	**175.12**	**179.08**	**50.52**	**13.32**	**5.21**	**2.60**	**1,846.19**
Operating Costs (US$ M)																		
Mining	28.61	50.38	51.65	46.07	42.19	40.49	37.37	34.66	31.96	28.36	25.73	26.24	18.46					**462.16**
Processing	9.30	19.36	19.36	19.36	19.36	19.36	19.36	19.36	20.45	9.64	9.16	19.36	17.55					**220.95**
G&A and Others	9.05	14.71	14.16	13.18	13.52	13.36	13.44	13.52	13.00	12.12	12.30	12.84	12.04	0.99	0.26	0.10	0.05	**168.59**
Total Operating Cost	**46.96**	**84.44**	**85.16**	**78.61**	**75.07**	**73.20**	**70.16**	**67.53**	**65.41**	**50.11**	**47.20**	**58.44**	**48.05**	**0.99**	**0.26**	**0.10**	**0.05**	**851.71**
Depreciation/Amortization (US$ M)	20.53	20.53	18.24	14.59	14.07	13.52	13.29	12.14	8.09	8.05	2.26	1.33	0.65					**147.29**
Taxable Income (US$ M)	14.91	46.60	26.87	27.75	35.13	42.78	47.46	52.76	61.46	79.73	98.09	115.34	130.37	49.53	13.06	5.11	2.54	**847.19**
Income Tax @25% (US$ M)	3.73	11.65	6.72	6.94	8.78	10.70	11.86	13.19	15.37	19.93	24.52	28.84	32.59	12.38	3.27	1.28	0.64	**211.80**
After-Tax Income (US$ M)	**31.72**	**55.48**	**38.39**	**35.40**	**40.41**	**45.61**	**48.88**	**51.71**	**54.19**	**67.84**	**75.83**	**87.83**	**98.43**	**37.15**	**9.80**	**3.83**	**1.91**	**782.69**
Total Capital Costs (US$ M)	8.80			7.47	5.41	5.23												**26.90**
Loan Principle Payment (US$ M)	1.47	1.47	8.85	17.70	13.27													**42.77**
After-Tax Cash Flow (US$ M)	**21.44**	**54.01**	**29.54**	**10.24**	**21.73**	**40.38**	**48.88**	**51.71**	**54.19**	**67.84**	**75.83**	**87.83**	**98.43**	**37.15**	**9.80**	**3.83**	**1.91**	**713.01**
Years to discount to Jun 30, 2010	0.25	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	
Discount Factor at 9%	0.979	0.917	0.842	0.772	0.708	0.650	0.596	0.547	0.502	0.460	0.422	0.388	0.356	0.326	0.299	0.275	0.252	
After-Tax NPV (US$ M)	**20.98**	**49.55**	**24.87**	**7.90**	**15.39**	**26.24**	**29.15**	**28.29**	**27.19**	**31.24**	**32.03**	**34.04**	**35.00**	**11.55**	**2.93**	**1.05**	**0.48**	**377.89**
Pre-Tax Cash Flow (US$ M)	**25.17**	**65.65**	**36.26**	**17.17**	**30.51**	**51.08**	**60.75**	**64.90**	**69.55**	**87.77**	**100.35**	**116.67**	**131.03**	**49.53**	**13.06**	**5.11**	**2.54**	**924.81**
Pre-Tax NPV (US$ M)	**24.63**	**60.23**	**30.52**	**13.26**	**21.62**	**33.20**	**36.22**	**35.50**	**34.91**	**40.41**	**42.39**	**45.21**	**46.58**	**16.15**	**3.91**	**1.40**	**0.64**	**486.05**

Sensitivity analyses (Table 21.7 and Figure 21.1) indicate that the NPV of the CSH Mine is very sensitive to variation in the gold price and heap leach gold recovery, moderately sensitive to variation in operating costs, and less sensitive to variation in capital costs.

Table 21.7
Sensitivity analysis for after-tax NPV as of June 30, 2010 for the CSH Mine

	After-Tax NPV Variation (US$M)				
Sensitivity Item Variation	**-20%**	**-10%**	**Base Case**	**+10%**	**+20%**
Gold/Silver Price	214.0	296.0	377.9	459.8	541.7
Gold/Silver Recovery	214.2	296.1	377.9	459.7	541.5
Operating Costs	460.6	419.2	377.9	336.5	295.2
Capital Costs	382.2	380.0	377.9	375.7	373.6

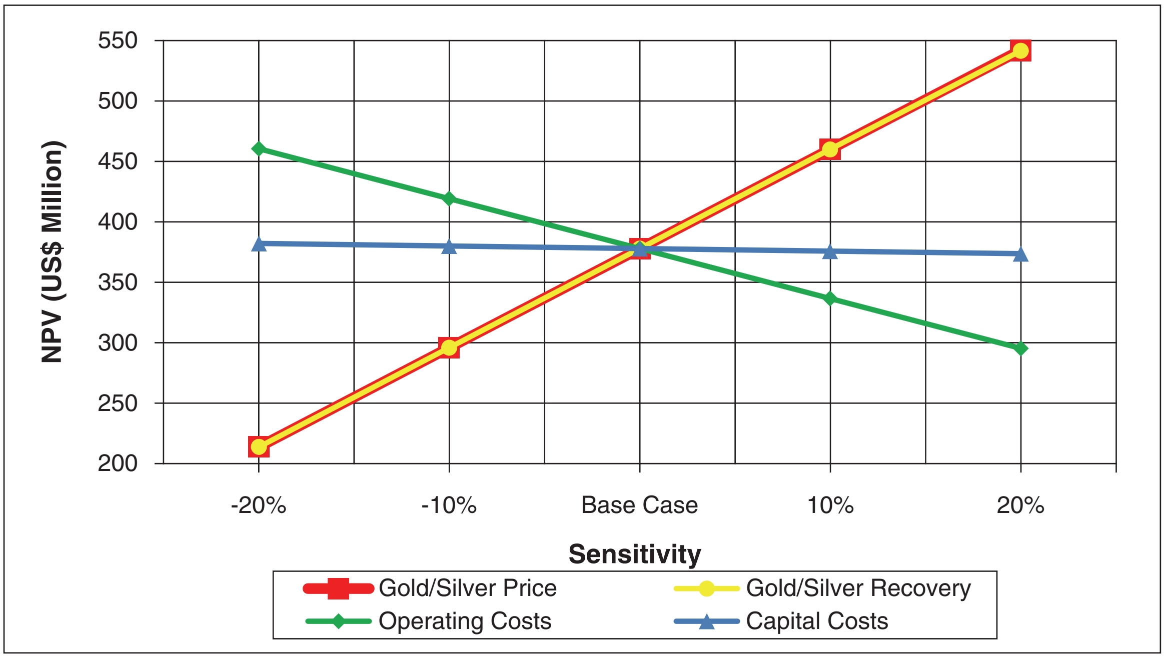

Figure 21.1 After-tax NPV sensitivity analysis for the CSH Mine

21.7 Environmental and Community Considerations

Environmental protection has been taken seriously by mine management at the CSH Mine, which has sought to comply not only with Chinese requirements but also with international norms for the industry as a demonstration of their commitment to a high standard of environmental protection.

In 2006, an Environmental Impact Study ("EIS") was submitted to the Inner Mongolian Environment Protection Bureau ("EPB") to comply with local (Chinese) requirements, including industrial policies and regional economic development plans, and an Environmental and Social Impact Assessment for the CSH Mine was conducted by internationally recognized consultants Environmental Resources Management ("ERM") utilizing both Chinese EIA requirements as well as World Bank Group Environmental and Social Guidelines. A key aspect of this ERM assessment concerned minimization of community impact as a result of water use by the mine, and it has also been used to provide the basis for an Environmental Management Plan for the site. Various social issues were addressed in the study. This has contributed towards protection of local social heritage and culture, employment of local people (currently approximately 60% of the workforce), employment of women (currently approximately 32% of the workforce) as well as contributions towards local education, medical equipment, various community activities and support of poor families with food and coal (which collectively have been cost at approximately RMB1.6 M to date) having been implemented by the Company.

In November 2007, the CSH Mine project received its environmental approval from the Mongolian EPB following review of the documents and a site inspection by an expert panel. Environmental Approval, which requires approval of both the EIS and a Soil and Water Conservation Plan, is required to obtain a mining license, thereby enabling the mining operation to commence production.

Due to the semi-desert conditions and scarce water supply in the area, the project is being developed as a zero discharge site, hence it only requires a Water Supply (and not a Discharge) Permit, to be issued by the regulatory authorities. A comprehensive Water Resource Estimation by the Baogang Engineering Investigation and Survey Institute in Baotou was followed by a similar independent study by international experts Golder Associates, and a further hydrogeology and water resources study was conducted by the Baogang Institute. The objective of the mine project in securing its water supply is to balance the extraction of water from local sources with the capacity for recharge of these sources. The collective studies have determined that a sustainable water extraction rate would be 4,000 m^3/day in average years and 3,000 m^3/day in dry years, which is sufficient to meet the demand of the mining operation. The current Water Permit allows water to be pumped from the Molen River and Xinhure alluvial aquifer as well as the Hushaogou bedrock aquifer, at a rate of up to approximately 1 Mm^3/year.

Water is extracted from two wells in the river alluvium and pumped via a 10-km pipeline to the process plant area. In addition to these water resources there is an additional water resource in the CSH mining area that must be extracted to keep the mine pit from flooding.

The CSH Mine has a current Water Permit from the Autonomous Region Water Resources Department and the Bayannaoer City Water Bureau to enable it to undertake mining and processing activities at the site.

China Gold International has a policy of protection of local social heritage and culture, community assistance and social development, financially supporting local education, medical and social initiatives, and providing food and fuel to poor local families living near the mine site. The closest village to the mine site is Xinhure, which is located 10 km south of the mine. Local people are hired by China Gold International whenever possible. Approximately 60% of the workforce are hired locally, at least half of whom are females.

An Environmental and Social Management Program is being implemented. Environment protection measures for the mine site include:

- **Water management**: the site is being developed as a zero discharge site, recycling all used process water, which is cycled to the carbon columns then returned to the heap. Rainfall runoff is either added to process water or is used for dust suppression. The Company holds a current Water Permit for top up and domestic water, which is taken from the nearby Molen River and local aquifers, which provide reliable water supplies. The risk of cyanide-bearing water moving beyond the heap leach area is minimized by the use of diversion channels and ditches to direct rainfall away from the heap leach pads and installation of an Event Pond (capacity of 80,000 m^3) to accommodate maximum process flow plus a 1 in 100 year, 24-hour rainfall event all at the one time. The leach pads are sited outside any significant drainage lines to minimize the impact from storm flows, both during operations and after closure. The leach pad is lined with a synthetic liner to both maximize solution recovery and minimize any impact on groundwater from the heap leach process. A 300-mm liner bedding subgrade consisting of a high clay content material, taken from a local source, provides an impermeable layer for the leach pad below the HDPE membrane liner. A 300-mm layer of sand in the base and a non-woven geotextile (filter fabric) on the side slopes of the Preg Pond provide a leak detector mechanism. Groundwater monitoring is conducted on a regular basis to ensure there is no contamination of groundwater sources. Waste water treatment includes sewage treatment and reuse in the replanting and revegetation program and for dust mitigation purposes. While there is potential for some acid mine drainage, the low sulfide levels of the ore and the dry climate minimize this potential hazard;

- **Solid waste rock**: surplus waste material is being placed on designed waste dumps;
- **Dust mitigation**: including use of dust collectors and baghouses for the boiler houses and the crushing and screening plant, and exhaust fan for the reagent preparation area. Mitigation measures include the use of water sprays, water trucks, and road aggregate to reduce dust generated from mining and truck transport activities. Personal protection devices ("PPE") are issued to workers to provide additional personal protection from dust;
- **Noise control:** methods of noise control include use of silencers, noise and vibration dampening on mobile equipment, enclosure of noisy equipment, and regular equipment maintenance. Company policy requires PPE use, such as ear muffs or ear plugs, for noise-affected workers;
- **Environmental monitoring**: a comprehensive air, water (both surface and groundwater), and climatic monitoring plan is in place to build up an environmental baseline database, and also databases specific to groundwater levels and any indications of chemical contamination in soil or water. Ground water monitoring wells have been installed upstream and downstream from the leach pad. Old leach pads from historical operations are also monitored. All analytical results are to comply with Chinese National Standard GB-5749-85 for drinking water, with the exception of nitrate, which is locally elevated due to agricultural influences;
- **Rehabilitation**: a mine closure plan has been produced and approved as part of the Soil and Water Conservation Plan. The plan will be continually updated as the operation progresses; however, revegetation to reduce windblown dust and stabilize slopes is ongoing. Heap leach pads and waste rock dumps are to be properly rehabilitated upon mine closure; and
- **Seismic and flood risk:** structures are being designed to withstand a 1 in 100 year flood event and are designed to withstand a seismic event using a 0.10-g peak acceleration, in keeping with the Earthquake Zone 7 rating of the area.

21.8 Occupational Health and Safety

The CSH Mine has been operating since 2007 and is conducting its operations in accordance with specific national laws and regulations covering occupational health and safety ("OH&S") in mining, production blasting and explosives handling, mineral processing, hazardous wastes, environmental noise, construction, fire protection and fire extinguishment, sanitary provisions, power provision, lightning and seismic protection, and labor and supervision.

To manage the health and safety of the workforce the mine is implementing a comprehensive OH&S management system in line with national and international standards, with a full-time safety administration department, safety induction, safety training of workers, and regular checks. There is very good use of safety signs and personal and engineered protective measures. The housekeeping level is good. There is a medical clinic on site, and workers receive annual medical checks. Safety statistics for the mine over the last 3 and half years demonstrate a good safety record. There has been one fatality (of a contractor) and no significant injuries.

The mine holds a current Safety Permit, valid to February 1, 2011, issued by the Inner Mongolian Safety Bureau. An Emergency Response Plan is in place, including an Environmental Emergency Response Plan for the management of chemical spill, flood, fire, etc.

21.9 Risk Analysis

When compared with many industrial and commercial operations, mining is a relatively high-risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behavior during mining and processing can never be accurately predicted.

Estimations of the tonnes, grade, and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling or channel sampling, which, even at close sample spacing, remain very small samples of the entire orebody. There is always a potential error in the projection of sampling data when estimating the tonnes and grade of the surrounding rock, and significant variations may occur. Reconciliations of past production and ore reserves can confirm the reasonableness of past estimates but cannot categorically confirm the accuracy of future predictions.

Estimations of project capital and operating costs are rarely more accurate than ±10% and will be at least ±15% for projects in the planning stages. Mining project revenues are subject to variations in metal prices and exchange rates, though some of this uncertainty can be removed with hedging programs and long-term contracts.

The Company's CSH Mine reviewed in this ITR has been in operation for over 2 years and the risks are reduced by the knowledge and experience gained from the ongoing operations. The life-of-mine production projections are largely based on recent production and planned upgrading. Forecast cost parameters are considered generally reasonable.

In reviewing the CSH Mine, BDASIA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected production and resulting cash flows. The assessment is necessarily subjective and qualitative. Risk has been classified as low, moderate, or high based on the following definitions:

- High Risk: the factor poses an immediate danger of a failure, which if uncorrected, could have a material impact (>15%) on the project cash flow and performance and could potentially lead to project failure.
- Moderate Risk: the factor, if uncorrected, could have a significant impact (>10%) on the project cash flow and performance unless mitigated by some corrective action.
- Low Risk: the factor, if uncorrected, could have little or no effect on project cash flow and performance.

Risk Component	Comments
Mineral Resources *Low to moderate Risk*	The measured and indicated mineral resources at the CSH Mine are generally defined using DDH holes spaced from 25-m to 50-m. Procedures and parameters used for resource estimation generally conform to the industry standard. Comparison between pit blast hole sampling results and the resource block model to date generally confirms the resource model; however, the tonnage and contained gold may have been slightly overestimated. The crushing plant sampling results indicated a lower average gold grade for the ore placed on the leach pads than the pit blast hole samples and the resource block model for the first half of 2010, but the results is inconclusive as the mine management believes that the crushing plant sampling for the first half of 2010 was not representative because only the coarser fraction of the crushed ore on the conveyor belt was collected for analysis. The CSH Mine is in the process of modifying the crushing plant sampling system to collect more representative samples, which should provide a more accurate tonnage and gold grade for the ore placed on the leach pads. BDASIA believes that it is very important to collect actual tonnage and grade data from the crushing plant in the future, allowing accurate production reconciliation to be performed.
Ore Reserves *Moderate Risk*	Current mineral reserves were defined using generally appropriate technical and economic parameters. However, no mining dilution factor was used on the resource model for reserve estimation, and there is a possibility that actual mining dilution is higher than that has been built into the resource model and the actual reserve gold grade is lower than that in the current reserve estimation. Detailed production reconciliation based on appropriate crushing plant sampling results will confirm what is the appropriate dilution factor and mining loss factor for reserve estimation from the current resource model. All reserves are assumed to fresh (sulfide) material and will mostly crushed before stacking on the leach pads.
Open-Pit Mining *Low Risk*	BDASIA sees only low risks in all aspects of the mining process, with the possible exception of future slope failures as the Northeast pit deepens considerably and undiscovered zones of rock weakness might appear. Slope designs are reasonable, however, and overall mining risk remains low.
Ore Processing *Moderate Risk*	There is moderate risk that the gold recovery may not reach the expected level of around and above 70% for the crushed fresh (sulfide) ore. This may occur should the crushing plant fail to perform as required. Also, there is a minor to moderate risk that the heap leach feed may have different processing characteristics than the testwork samples.
Infrastructure *Low Risk*	The basic infrastructure for mining operation at the CSH Mine has been well established. Access road conditions are excellent. Power and water supplies to the mining operation and mining camp are sufficient.

Risk Component	Comments
Production Targets *Moderate Risk*	The mining target of 30,000 tpd can be easily achieved from the various pits by the mining contractor. The crushing production target can also be achieved as the crushing plant has reached its designed production capacity. Equipment breakdown at the crushing plant could cause some delays in crushing production. Gold production from the mine was significantly less than planned for the first half of 2010 because of an unusually long and harsh cold winter and the mine management's decision to test a different method to cover the drip emitters during the winter months. The mine management has taken considerable measures to improve gold recoveries from the leach pads and gold production was improving for the last couples of months. The mine management believes that the entire 2010 production target can still be reached, which needs to be confirmed by actual gold production from the mine in the next several months. Heap leach operations in the next couple of years will provide more definite heap leach recoveries for the crushed fresh (sulfide) ore and the actual gold grade of the ore placed on the leach pads.
Operating Cost *Low to Moderate Risk*	Forecast operating costs are generally based on either existing contracts or past operating experience and are generally considered reasonable by BDASIA. However, BDASIA notes that no inflation has been factored into the cost estimates. Increase in costs for labor, fuel, and other materials can have a large impact on the mining operation. BDASIA notes that no provision for higher oil prices has been allowed for in the mining contract, which has 8 years left to run. It is likely that either at the end of the 8 years, or even before then if oil prices rise steeply, contract mining costs can be expected to increase.
Capital Cost *Low Risk*	Most capital expenditures for the mine have already been incurred. Mining capital expenditures will be the responsibility of the mining contractor. The remaining capital expenditures consist primarily of costs for leach pad expansion and construction of a conveyor belt from the crushing plant to the leach pads. BDASIA believes that some sustaining capital (2% per year) will be needed for the crushing plant and the gold recovery plant.
Environment *Low Risk*	Mitigation measures are being put in place to ensure that environmental and social risks are minimized and regulatory environmental requirements are satisfied. The heap leach pads are designed to withstand potential flood and seismic impact, while all structures and infrastructure have been designed to withstand a Level 7 seismic event. An Environmental and Social Management Program is being implemented. Some risk to the CSH Mine results from its water requirement in such a dry barren area. Dust generation through the dry, cold, windy period from October to April is a risk particularly due to its impact on the local community; however, appropriate dust mitigation measures are being taken.

Risk Component	Comments
Occupational Health and Safety *Low Risk*	The Company seeks to conduct its operations in accordance with both national and international safety standards and has an OH&S system in place. The mine has maintained a good safety record to date.

22.0 DATE PAGE AND CERTIFICATES

The effective date of this ITR is November 17, 2010.

Signatures of the Qualified Persons for the ITR are as follows:

"ORIGINAL SIGNED BY AUTHOR"

Qingping Deng, Ph.D., C.P.G.
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Michael D. Martin Q.P.Mining of MMSA
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Vuko M. Lepetic Q.P.Metallurgy of MMSA
November 17, 2010

"ORIGINAL SIGNED BY AUTHOR"

Janet M. Epps, FAusIMM
November 17, 2010

Qingping Deng, Ph.D., C.P.G.
Behre Dolbear Asia, Inc.
999 Eighteenth Street, Suite 1500, Denver, CO 80202 USA
Phone: +1.303.620.0020 Fax: +1.303.620.0024
Email: qdeng@aol.com

I, Qingping Deng, Ph.D., C.P.G., do hereby certify that:

1. I am currently a senior associate of Behre Dolbear Asia, Inc., which is a member of the minerals industry advisory firm, Behre Dolbear Group Inc.
2. I graduated with a degree of B.Sc. in Geology and a degree of M.Sc. in Geology from the Central South Institute of Mining and Metallurgy in China in 1981 and 1984. I graduated with a degree of Ph.D. in Geology from the University of Texas at El Paso 1990.
3. I am a Certified Professional Geologist in good standing with the American Institute of Professional Geologists (certification number: 10515). I am a Qualified Professional Member (Geology and Ore Reserves) in good standing with the Mining and Metallurgical Society of America (certification number 01135QP). I am a Founding Registered Member in good standing with the Society for Mining, Metallurgy, and Exploration, Inc. (certification number 785284RM).
4. I have worked as a geologist, ore reserve specialist and project manager for a total of 26 years since my graduation from university. I have been involved in exploration and mining projects in North, Central and South Americas, Asia, Australia, Africa and Europe.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for the overall supervision and preparation of the report titled of "Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia Autonomous Region, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property two times in conjunction with the Technical Report. The first visit was from August 12 to August 13, 2009 and the second visit was from October 24 to October 26, 2009.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of National Instrument 43-101.
10. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"**ORIGINAL SIGNED BY AUTHOR**"

Qingping Deng, Ph.D., C.P.G.

Michael D. Martin, M.A., B.Sc., Q.P.Mining
Behre Dolbear & Company, (USA) Inc.
999 Eighteenth Street, Suite 1500, Denver, CO 80202 USA
Phone: +1.303.620.0020 Fax: +1.303.620.0024
Email: michael.martin@dolbear.com

I, Michael D. Martin, Q.P.Mining, do hereby certify that:

1. I am currently a Senior Associate of Behre Dolbear & Company, (USA) Inc. with an address of 999 Eighteenth Street, Suite 1500, Denver, CO 80202 USA.
2. I graduated with a degree of M.A. (Natural Science) from Cambridge University, England in 1950, and a degree of B.Sc. in Mining Engineering from The Royal School of Mines, London University, England in 1953.
3. I am a Qualified Professional Member (Mining) in good standing with the Mining and Metallurgical Society of America (certification number 01326QP). I am a Legion of Honor Registered Member in good standing with the Society for Mining, Metallurgy, and Exploration, Inc.
4. I have worked as a mining engineer and in various sub-managerial and managerial positions in the corporate mining industry, and as a consultant to the mining industry for a total of 56 years since my graduation from university.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for Section 21.1 Mining Operations and other mining-related statements in the report entitled "Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property from October 24 to October 26, 2009 in conjunction with the Technical Report.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the mining sections of the Technical Report contain all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of National Instrument 43-101.
10. I have read National Instrument 43-101 and Form 43-101F1, and the mining sections of the Technical Report have been prepared in compliance with that instrument and form.

Dated this 17th day of November, 2010

Signature of Qualified Person

"**ORIGINAL SIGNED BY AUTHOR**"

Michael D. Martin Q.P.Mining

Vuko M. Lepetic, Q.P.Metallurgy
Behre Dolbear International Ltd.
Winchester House, 259.269 Old Marylebone Road, London, NW 1 5RA, UK
Phone: +4420.7170.4034
Email: vl_carpediem@yahoo.com

I, Vuko M. Lepetic, Dipl.Ing., M.SC., Q.P.Metallurgy, do hereby certify that:

1. I am currently a Senior Associate of Behre Dolbear International Ltd. With an address of Winchester House, 259.269 Old Marylebone Road, London, NW 1 5RA, United Kingdom.
2. I graduated with a degree of Dipl.Ing. in Mining Engineering at the School of Mining and Geology, University of Belgrade, Yugoslavia in 1961. I received a M.Sc. degree in Mineral Engineering from the Henry Krumb School of Mines, Columbia University, New York, USA in 1964.
3. I am a Qualified Professional Member (Metallurgy) in good standing with the Mining and Metallurgical Society of America (certification number 01382QP).
4. I have worked as a mineral processing specialist for 45 years in the mining industry since my graduation. I have been involved in mineral processing and mining projects in North, Central and South Americas, Asia, Australia, Africa and Europe.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for Section 16.0 Metallurgical Testing and Mineral Processing and other mineral processing-related statements in the report titled "Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property one time in conjunction with the Technical Report. The visit was from October 24 to October 26, 2009.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of National Instrument 43-101.
10. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"ORIGINAL SIGNED BY AUTHOR"

Vuko M. Lepetic Q.P.Metallurgy

Janet M. Epps, M.Env.Stud., B.Sc., FAusIMM
Behre Dolbear Australia
Level 9, 80 Mount Street, North Sydney, NSW, 2090 Australia
Phone: +61 2 9954 4988 Fax: +61 2 9929 2549
Email: emcint@bigpond.com

I, Janet M. Epps, M.Env.Stud., FAusIMM, do hereby certify that:

1. I am a Senior Associate of Behre Dolbear Australia Pty Limited of Level 9, 80 Mount Street, North Sydney, NSW 2060, Australia.
2. I graduated with degrees in Bachelor of Science in Geology (1971) from the University of New England, Armidale, and Master of Environmental Studies (1980) from Macquarie University, Sydney, both in NSW, Australia.
3. I am a Fellow of the Australasian Institute of Mining and Metallurgy (Member number 101317).
4. I have worked as a professional Environmental Specialist for 35 years and previously worked as a geoscientist for a further three years.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for Section 21.7 Environmental Considerations and Section 21.8 Occupational Health & Safety, together with the section concerning risk relating to these two areas of the report titled "Independent Technical Report on the Changshanhao Gold Mine in Inner Mongolia, the People's Republic of China" (the "Technical Report") dated November 17, 2010. I visited the property from October 24 to October 26, 2009 in conjunction with producing the Technical Report.
7. I have not had prior involvement with the property that is the subject of the Technical Report.
8. As of the date hereof, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
9. I am independent of the issuer applying all of the tests in Section 1.4 of National Instrument 43-101.
10. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 17th day of November 2010.

Signature of Qualified Person

"ORIGINAL SIGNED BY AUTHOR"

Janet M. Epps, FAusIMM