

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

- (a) Our Company was incorporated under the laws of British Columbia, Canada pursuant to the Company Act (British Columbia) (the predecessor statute to the BCBCA) under the name Pacific Minerals Inc. on May 31, 2000. On March 8, 2004, our name was changed to Jinshan Gold Mines Inc., and subsequently on July 9, 2010, to China Gold International Resource Corp. Ltd. Our Company has established its principal place of business in Hong Kong at 8/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Ms. Ma, Sau Kuen Gloria has been appointed as our agent for acceptance of service of process and notices on our Company in Hong Kong under the same address.
- (b) As our Company was incorporated in British Columbia, Canada, our corporate structure and our Notice of Articles and Articles are subject to the relevant laws of British Columbia, Canada. A summary of the relevant provisions of our Notice of Articles and Articles and certain relevant aspects of the BCBCA is set out in "Appendix VI — Summary of Articles, Canadian Corporate and Securities Laws, Certain TSX Listing Policies and Shareholder Protection Matters" to this prospectus.

2. Changes in share capital of our Company and Skyland

The authorised share capital of our Company as of the date of its incorporation consisted of two classes of equity securities, being 1 billion Shares without par value, and 1 billion preferred shares without par value. On May 20, 2004, the authorized share capital of each class of the Company's shares was increased from 1 billion to an unlimited number of shares pursuant to a resolution in writing passed by the Shareholders. Pursuant to the resolution passed by the Shareholders on October 14, 2010, the class of preferred shares was cancelled. See "— Resolutions of our Shareholders" below for further information. Save as disclosed above, there has been no alteration in the authorised share capital of our Company within the two years immediately preceding the date of this prospectus.

Skyland was incorporated with an authorised share capital of US\$1.0 million divided into 1,000,000 shares of US\$1.0 each. On July 7, 2009, its authorised share capital was increased to US\$50.0 million divided into 50,000,000 shares of US\$1.0 each pursuant to a special resolution passed by its shareholders. Save as disclosed above, there has been no alteration in the share capital of Skyland within the two years immediately preceding the date of this prospectus.

Assuming that the Global Offering and the Skyland Acquisition becomes unconditional, and the Offer Shares and the Shares under the Skyland Acquisition are issued, immediately upon completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised, the total number of issued Shares will be 395,931,753 Shares.

3. Changes in share capital of our subsidiaries and the subsidiaries of the Skyland Group

The subsidiaries of our Company are referred to in the Accountants' Report as set out in "Appendix I-A — Accountants' Report" to this prospectus. The following alterations in the share

capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this prospectus.

- (a) On April 7, 2008, 20,000 new common shares, at a price of US\$1.00 per share, in Pacific PGM were allotted and issued to Pacific PGM BVI for US\$20,000.
- (b) On July 14, 2009, 5,000 new common shares, at a price of US\$1.00 per share, in Pacific PGM were allotted and issued to Pacific PGM BVI for US\$5,000.
- (c) On July 14, 2009, 5,000 new common shares, at a price of US\$1.00 per share, in Gansu Mining were allotted and issued to Pacific PGM BVI for US\$5,000.
- (d) On July 14, 2009, 5,000 new common shares, at a price of US\$1.00 per share, in Yunnan Southern Copper were allotted and issued to Pacific PGM BVI for US\$5,000.
- (e) On April 23, 2007, the registered capital of CSH CJV was increased from US\$20 million to US\$45 million. The outstanding registered capital in the sum of US\$7.5 million has not been paid up. Pursuant to the approval of the relevant PRC authority on May 22, 2010, the due date of payment of the outstanding registered capital has been deferred to December 28, 2010.
- (f) On September 18, 2006, Dadiangou CJV was established in the PRC by Gansu Gold Mining Company Ltd. (incorporated in the BVI) and NINETC as a limited liability company with a registered capital of RMB52.5 million. The outstanding registered capital in the sum of RMB22.1 million has not been paid up. Upon the approval of the relevant PRC authority on November 18, 2009, the due date of payment of the outstanding registered capital has been deferred to December 31, 2010.

The subsidiaries of Skyland are referred to in the Accountants' Report of Skyland as set out in "Appendix I-B — Accountants' Report of Skyland" to this prospectus. The following alterations in the share capital (or registered capital, as the case may be) of the subsidiaries of Skyland have taken place within the two years preceding the dates of this prospectus:

- (a) On June 30, 2008, the registered capital of Jia Ertong was increased from US\$5.0 million to US\$55.0 million, which has been fully paid up.
- (b) On January 24, 2007, Huatailong was established in the PRC by Beijing Honglu and Brigade 6 as a limited liability company with a registered capital of RMB3.0 million, which has been fully paid up.
- (c) On November 10, 2007, the registered capital of Huatailong was increased from RMB3.0 million to RMB18.0 million, which has been fully paid up.
- (d) On July 30, 2008, the registered capital of Huatailong was increased from RMB18.0 million to approximately RMB371.8 million, and the registered capital was fully paid up.
- (e) On October 11, 2009, the registered capital of Huatailong was increased from approximately RMB371.8 million to approximately RMB531.8 million, which has been fully paid up.
- (f) On May 19, 2010, the registered capital of Huatailong was increased from approximately RMB531.8 million to approximately RMB551.8 million, which has been fully paid up.
- (g) On December 1, 2009, Metrorkongka County Jiama Industry and Trade Co., Ltd. was established in the PRC by Huatailong and Metrorkongka County Jiama Economic

Cooperative, with a registered capital of RMB5.0 million, which has been fully paid up on November 26, 2009.

4. Resolutions of our Shareholders

Under the resolutions of our Shareholders passed at a special meeting held on October 14, 2010, it was resolved, inter alia that:

- (a) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require the Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise that under (i) a Rights Issue (as defined below); (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles; or (iii) any specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering;
- (b) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding Shares which may be allotted and issued under the Over-allotment Option); and
- (c) the general unconditional mandate as mentioned in paragraph (a) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company under the mandate to repurchase Shares referred to in paragraph (b) above.

For the purposes of paragraph (a) above, “Rights Issue” means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares open for a period fixed by our Directors to holders of Shares whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company).

Each of the general mandates referred to in paragraphs (a), (b) and (c) above will remain in effect until whichever is the earliest of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; or (3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

Under the resolutions of our Shareholders passed at the annual and special meeting held on June 17, 2010, it was resolved that the Articles of the Company be altered to the effect that the name of the Company be changed to “China Gold International Resources Corp. Ltd.”.

Under the resolutions of our Shareholders passed at the special meeting held on October 14, 2010, it was further resolved that, inter alia, the amendments to the Articles were approved and adopted, to the effect that the class of preferred shares be cancelled from the share capital of our Company. Such amendments have become effective on October 15, 2010.

5. Skyland Acquisition

The Skyland Acquisition is conditional upon, and will be completed concurrently with the completion of the Global Offering. For further information about the Skyland Acquisition, see “History and Corporate Structure — Acquisition of Skyland”. The corporate structure of our Group upon completion of the Global Offering and the Skyland Acquisition, and assuming the Over-allotment Option and the Pre-IPO Share Options are not exercised, see “History and Corporate Structure — Our Corporate Structure”.

6. Repurchase of our own securities

This paragraph includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) Shareholders’ approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

This mandate will expire at the earliest of (i) the conclusion of our next annual Shareholders’ general meeting, (ii) the date by which our next Shareholders’ general meeting is required by applicable laws and our Articles to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting.

(c) Source of funds

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Articles and the BCBCA. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases out of our profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of our Shares to be repurchased must be out of

profits of our Company or out of our Company's share premium account. If authorised by our Articles and subject to the BCBCA, repurchase may also be made out of capital.

(d) *Reasons for repurchases*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit us and our Shareholders.

(e) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Articles, the BCBCA and any other applicable securities laws of Canada.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person as defined by the Listing Rules has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

In addition, the repurchase of our Shares are subject to Canadian corporate and securities laws. See "Appendix VI — Summary of Articles, Canadian Corporate and Securities Laws, Certain TSX Listing Policies and Shareholder Protection Matters" for further information.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

We have entered into the following contracts (excluding contracts which were entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) a shareholders' agreement dated July 7, 2009 and entered into by and among China National Gold Hong Kong, Rapid Result and Skyland in relation to the matters among the shareholders of Skyland;
- (b) a memorandum of understanding dated September 15, 2009 and entered into among our Company, China National Gold Hong Kong and Rapid Result in relation to the Skyland Acquisition;
- (c) a supplemental agreement dated November 24, 2009 and entered into between Gansu Mining and NINETC supplementing the terms of the supplement agreement to cooperative joint venture contract of Dadiangou CJV in relation to the cessation and disposal of the Dadiangou Project;
- (d) a purchase and sale agreement dated April 26, 2010 and entered into between Pacific PGM BVI and Red Harvest Limited in relation to the transfer of the entire issued share capital of Yunnan Southern Copper from Pacific PGM BVI to Red Harvest Limited for a consideration of US\$20,000;
- (e) a transfer contract dated April 28, 2010 and entered into among Dadiangou CJV, NINETC and Gansu Zhongjin Gold Mining Co. Ltd. (the third party appointed by Shanxi Taibai Gold Mining Co. Ltd.) in relation to the transfer of the exploration permit and the relevant exploration data to the Dadiangou Project from Dadianguo CJV and NINETC to Gansu Zhongjin Gold Mining Co. Ltd. for a consideration of RMB88,000,000;
- (f) a supplementary agreement dated May 25, 2010 and entered into between Pacific PGM BVI and Red Harvest Limited supplementing the terms of the purchase and sale agreement dated April 26, 2010 in relation to the transfer of the entire issued share capital of Yunnan Southern Copper;
- (g) a share purchase agreement dated August 30, 2010 and entered into among our Company, Rapid Result and China National Gold Hong Kong in relation to the Skyland Acquisition;
- (h) the Non-Competition Undertaking dated November 5, 2010 executed by China National Gold in favor of our Company regarding the non-competition undertakings as more particularly set out in the section headed "Relationship with Controlling Shareholder — Non-Competition Undertaking from China National Gold to our Company" in this prospectus;
- (i) a cornerstone investment agreement dated November 8, 2010 and entered into among Chow Tai Fook Nominee Limited, the Joint Bookrunners and our Company pursuant to which Chow Tai Fook Nominee Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US\$15 million;
- (j) a cornerstone investment agreement dated November 9, 2010 and entered into among Surewit Finance Limited, the Joint Bookrunners and our Company pursuant to which Surewit Finance Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US\$10 million;

- (k) a cornerstone investment agreement dated November 9, 2010 and entered into among ICBC International Strategic Investment Limited, the Joint Bookrunners and our Company pursuant to which ICBC International Strategic Investment Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US\$10 million;
- (l) a cornerstone investment agreement dated November 9, 2010 and entered into between Golden Eagle International Retail Group Limited, the Joint Bookrunners and our Company pursuant to which Golden Eagle International Retail Group Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US\$10 million;
- (m) a cornerstone investment agreement dated November 9, 2010 and entered into among Winkey Limited, the Joint Bookrunners and our Company pursuant to which Winkey Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US\$10 million;
- (n) a cornerstone investment agreement dated November 9, 2010 and entered into among Jinchuan Group (Hong Kong) Resources Holdings Limited, the Joint Bookrunners and our Company pursuant to which Jinchuan Group (Hong Kong) Resources Holdings Limited agreed to subscribe for the Offer Shares in the amount of the Hong Kong Dollar equivalent of US\$10 million; and
- (o) the Hong Kong Underwriting Agreement dated November 16, 2010 and entered into by, among others, our Company, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters in relation to the underwriting of the Hong Kong Public Offer by the Hong Kong Underwriters as referred to in the section headed “Underwriting” in this prospectus.

2. Intellectual property rights

(a) Trademark

Trademark:

As of the Latest Practicable Date, our Group had been the registrant of the following trademark:

<u>Trademark</u>	<u>Place of registration</u>	<u>Class</u>	<u>Registration number</u>	<u>Validity Period</u>
 中国黄金国际资源有限公司 China Gold International Resources Corp. Ltd	Hong Kong	1, 6, 14, 37, 39, 40, 42 ⁽¹⁾	301496656	August 16, 2010 to December 10, 2019

- (1) Class 1: Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry; chemical preparations for facilitating the alloying of metals; chemical preparations for scientific purposes other than for medical or veterinary use; chemical reagents other than for medical or veterinary purposes; chemical products for use in mining; chemical additives to drilling muds; gold salts and plating solution; all included in Class 1.

Class 6: Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores; all included in Class 6.

Class 14: Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments; gold; gold (unwrought or beaten); gold and silver bullion; gold and silver ware, other than cutlery, forks and spoons; alloys of golds, and goods made therefrom or coated therewith; all included in Class 14.

Class 37: Building construction; repair; installation services; maintenance, installation and repair of machinery and equipments; mining extraction; quarrying services; drilling of wells; mineral extraction services; mining and extraction services of gold, silver, ores, precious and common metals; advisory, consultancy and provision of information in relation to the aforesaid services; all included in Class 37.

Class 39: Transport; packaging and storage of goods; travel arrangement; collection, transport and storage of gold, silver, ores, precious and common metals; advisory, consultancy and provision of information in relation to the aforesaid services; all included in class 39.

Class 40: Treatment of materials; production and processing of gold, silver, ores, precious and common metals; advisory, consultancy and provision of information in relation to the aforesaid services; all included in class 40.

Class 42: Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; research development, technological consultation, engineering and technical services for the mining and metallurgical industries; mining and mineral exploration services; geological and mineralogical prospecting, exploration research and survey; advisory, consultancy and provision of information in relation to the aforesaid services; all included in Class 42.

(b) Domain name

As of the Latest Practicable Date, our Group had registered the following domain name:

<u>Domain name</u>	<u>Term</u>
JINSHANMINES.COM	October 20, 2009 to February 9, 2012
CHINAGOLDINTL.COM	June 8, 2010 to June 8, 2011

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Shareholding interest of Directors

Immediately following completion of the Global Offering and the Skyland Acquisition, and assuming that the none of Over-allotment Option and the Pre-IPO Share Options is exercised, the interests of our Directors and the chief executive of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Stock Exchange and us under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 347 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Stock Exchange and us, or which will be required, under section 352 of the SFO, to be entered in the register referred to therein, in each case, once the Shares are listed on the Stock Exchange, will be as follows:

Long positions in the Shares and underlying Shares

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of interest in the Shares immediately upon completion of the Global Offering and the Skyland Acquisition⁽²⁾</u>
Jiang, Xiang Dong	Personal Interest	200,000	0.051%
He, Ying Bin Ian	Personal Interest	200,000	0.051%
Hall, Gregory Clifton	Personal Interest	100,000	0.025%
Chen, Yunfei	Personal Interest	200,000	0.051%
Burns, John King	Personal Interest	100,000	0.025%

(1) Number of Shares which may be issued pursuant to the exercise of the outstanding Pre-IPO Share Options.

(2) Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement.

2. Substantial shareholders

So far as our Directors are aware, immediately following completion of the Global Offering and the Skyland Acquisition, and assuming that none of the Over-allotment Option and the Pre-IPO Share Options is exercised, the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company:

Long positions in the Shares and underlying Shares

<u>Name of Shareholders</u>	<u>Nature of Interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of interest in the Shares immediately upon completion of the Global Offering and the Skyland Acquisition⁽³⁾</u>
China National Gold	Interest in a controlled corporation, deemed interest	154,348,730	38.98%
China National Gold Hong Kong ⁽¹⁾	Corporate interest	154,348,730	38.98%
Rapid Result ⁽²⁾	Corporate interest	83,423,624	21.07%

- (1) China National Gold is the beneficial owner of 100% of the issued share capital of China National Gold Hong Kong and is deemed to be interested in the Shares held by China National Gold Hong Kong by virtue of China National Gold being entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of China National Gold Hong Kong.
- (2) Rapid Result is beneficially owned by various individuals and a family trust, each of whom is an independent third party to our Group and no such individual/family trust holds one-third or more of the equity interest of Rapid Result, and therefore none of the individuals/family trust will be deemed to be interested in the Shares held by Rapid Result under the SFO.
- (3) Assuming no adjustment has been made to the Consideration Shares issuable pursuant to the working capital adjustment under the Sale and Purchase Agreement. If all of our Shares under the working capital adjustment to the maximum set by the TSX approval, amounting to 4,747,706 additional Consideration Shares, are issued, the number of Consideration Shares held by China National Gold Hong Kong and Rapid Result will be 89,250,000 and 85,750,000, respectively. In such event, China National Gold Hong Kong and Rapid Result will hold 39.13% and 21.40% of the issued share capital of our Company, respectively, immediately upon completion of the Global Offering and the Skyland Acquisition.

3. Remuneration of Directors

- (1) The aggregate amount of compensation paid (including basic salary, stock-based compensation and retirement based contribution) to our Directors in respect of the three years ended December 31, 2007, 2008 and 2009 were approximately US\$725,447, US\$897,607 and US\$85,917 respectively.
- (2) Under the existing arrangements currently in force, the estimated aggregate amount of compensation payable by us to our Directors in respect of the year ending December 31, 2010 are estimated to be approximately US\$1,752,000, excluding management bonuses and stock-based compensation which are payable at the Company's discretion.

4. Service contracts of Directors

None of our Directors has or is proposed to have a service contract with any member of our Group or the Skyland Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

5. Fees or commissions received

Save as disclosed in this prospectus, none of our Directors nor any of the persons whose names are listed in "— Other Information — Consents" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries from our Company within the two years preceding the date of this prospectus.

6. Related party transactions

During the two years preceding that date of this prospectus, we were engaged in related party transactions as described under note 27 of the Accountants' Report set out in "Appendix I-A — Accountants' Report" to this prospectus.

7. Interest in our largest suppliers or customers

Save as disclosed in this prospectus, as of the Latest Practicable Date, none of our Directors nor their associates, nor any Shareholder (which to the knowledge of our Director owned more than 5% of our Company's share capital) has any interest in our five largest suppliers or our five largest customers.

D. PRE-IPO SHARE OPTIONS

The purpose of the 2006 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme are to provide incentive to the Directors and our employees who, in the judgment of the Board, will contribute to our future growth and are critical to the success of our Company's operation. The Directors are of the view that the schemes would also help retaining employees and directors of exceptional ability to stay with our Company.

2006 Pre-IPO Share Option Scheme

The principal terms of the 2006 Pre-IPO Share Option Scheme, approved by a resolution of our Shareholders passed at the annual general meeting held on May 25, 2006 are:

- (a) the exercise price per Share under the 2006 Pre-IPO Share Option Scheme shall be subject to the restrictions imposed by the TSX Listing Policies, including, the following restrictions:
 - i. the minimum exercise price must not be less than the "Discounted Market Price", as defined under the TSX Listing Policies;
 - ii. if 2006 Pre-IPO Share Options are issued without vesting periods, the exercise price must not be less than the "Market Price", as defined under the TSX Listing Policies;
 - iii. the minimum exercise price may only be established after the 2006 Pre-IPO Share Options have been allocated to a particular person; and
 - iv. if 2006 Pre-IPO Share Options are granted within 90 days of a distribution of Shares by prospectus, the minimum exercise price of the 2006 Pre-IPO Share Options will be the greater of the "Discounted Market Price" and the per Share price paid by the public investors for Share acquired under the prospectus. Such 90-day period will begin on the earlier of (1) the date a final receipt is issued for the prospectus, (2) the date of the special warrant private placement in the case of a prospectus which qualifies Shares issuable upon the exercise of special warrants and (3) if the prospectus is part of an initial public offering, the date of listing of the Shares;
- (b) the total number of Shares which may be issued upon the exercise of the 2006 Pre-IPO Share Options granted under the 2006 Pre-IPO Share Option Scheme is 10% of the issued Share of the Company;
- (c) the 2006 Pre-IPO Share Options granted to former directors, senior management and employees expire (i) 90 calendar days after the date of termination of such individual's employment with the Company or (ii) another date approved by the Board;
- (d) the 2006 Pre-IPO Share Options granted are valid for a term to be determined by the Board which shall, so long as the Company remains a Tier 1 issuer on the TSX, not be later than 10 years from the date of grant of the 2006 Pre-IPO Share Options and if the Company becomes a Tier 2 issuer on the TSX, not later than five years from the date of grant of the 2006 Pre-IPO Share Options, or such longer period as may be prescribed by the TSX; and
- (e) the Board may determine the vesting schedule of the 2006 Pre-IPO Share Options subject to certain limitations.

As of the Latest Practicable Date, options to subscribe for an aggregate of 25,000 Shares at an exercise price of CAD1.05 have been granted to one participant under the 2006 Pre-IPO Share Option Scheme and remained outstanding. The outstanding 2006 Pre-IPO Share Options were granted on June 29, 2006, and are exercisable upon vesting until June 29, 2011. No option will be granted pursuant to the 2006 Pre-IPO Share Option Scheme.

Particulars of the outstanding 2006 Pre-IPO Share Options as of the Latest Practicable Date were set out below:

<u>Name of grantee and position in the Company</u>	<u>Residential address</u>	<u>Exercise Price (CAD)</u>	<u>Number of Shares issuable under the outstanding 2006 Pre-IPO Share Options</u>	<u>Expiry date</u>	<u>Approximate percentage of interest held upon exercise of all the outstanding 2006 Pre-IPO Share Options held by the grantee⁽¹⁾</u>
Bo, David	Suite 1030 ⁽²⁾ One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	1.05	25,000	June 29, 2011	0.006%
			<u>25,000</u>		0.006%

(1) The percentage is calculated by reference to the number of Shares in issue immediately following the completion of the Global Offering and the Skyland Acquisition and on the assumption that no Share is allotted and issued pursuant to the exercise of the Over-allotment Option or the outstanding Pre-IPO Share Options. Consequently, this is based on 395,931,753 Shares in issue on the Listing Date assuming that the Offer Shares and Consideration Shares are allotted and issued.

(2) See “— Pre-IPO Share Options — Exemption” below.

2007 Pre-IPO Share Option Scheme

The principal terms of the 2007 Pre-IPO Share Option Scheme, approved by a resolution of our Shareholders passed at the annual general meeting held on May 9, 2007 are:

- (a) the exercise price per Share under the 2007 Pre-IPO Share Option Scheme cannot be less than 100% of the trading price of the Shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant;
- (b) the total number of Shares which may be issued upon the exercise of the 2007 Pre-IPO Share Options granted under the 2007 Pre-IPO Share Option Scheme is 10% of the issued Shares of the Company;
- (c) the 2007 Pre-IPO Share Options granted to former directors, senior management and employees expire (i) 12 months after the date of termination of such individual’s employment with the Company or (ii) another date approved by the Board;
- (d) the 2007 Pre-IPO Share Options granted are valid for five years commencing from the date of grant of such options or such greater or lesser duration as the Board may determine; and
- (e) the 2007 Pre-IPO Share Options may be exercised (i) at any time during the first year from the grant date for up to 20% of the total number of Shares reserved for issuance pursuant

to the 2007 Pre-IPO Share Options granted to the grantee, and (ii) at any time during each additional year an additional 20% of the total number of Shares reserved for the issuance pursuant to the 2007 Pre-IPO Share Options granted to the grantee plus any Shares not purchased in accordance with (i) until, the fifth year from the grant date, 100% of the 2007 Pre-IPO Share Options will be exercisable.

As of the Latest Practicable Date, options to subscribe for an aggregate of 950,000 Shares at the exercise price in the range of CAD2.20 to CAD6.09 had been granted to 10 participants under the 2007 Pre-IPO Share Option Scheme and remained outstanding. The outstanding 2007 Pre-IPO Share Options were granted on July 20, 2007 and June 1, 2010, respectively, and are exercisable upon vesting until July 20, 2013 and July 1, 2015, respectively. No further option will be granted pursuant to the 2007 Pre-IPO Share Option Scheme upon the Listing.

Particulars of the outstanding 2007 Pre-IPO Share Options as of the Latest Practicable Date were set out below:

Name of grantee (Position in the Company)	Residential address	Exercise Price (CAD)	Number of Shares issuable under the outstanding 2007 Pre-IPO Share Options	Expiry date	Approximate percentage of interest held upon exercise of all the outstanding 2007 Pre-IPO Share Options held by the relevant grantee ⁽¹⁾
Jiang, Xiang Dong (Executive Director and vice president of production)	Suite 1030 ⁽³⁾ One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	2.20	200,000	July 20, 2013	0.051%
He, Ying Bin Ian (Independent non-executive Director)	Suite 1030 ⁽³⁾ One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	2.20	200,000	July 20, 2013	0.051%
Hall, Gregory Clifton (Independent non-executive Director)	Suite 1030 ⁽³⁾ One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	4.35 to 6.09 ⁽²⁾	100,000	July 1, 2015	0.025%
Chen, Yunfei (Independent non-executive Director)	Flat 40A, Tower 1, Robinson Place 70 Robinson Road Hong Kong	4.35 to 6.09 ⁽²⁾	200,000	July 1, 2015	0.051%
Burns, John King (Independent non-executive Director)	Suite 1030 ⁽³⁾ One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	4.35 to 6.09 ⁽²⁾	100,000	July 1, 2015	0.025%

Name of grantee (Position in the Company)	Residential address	Exercise Price (CAD)	Number of Shares issuable under the outstanding 2007 Pre-IPO Share Options	Expiry date	Approximate percentage of interest held upon exercise of all the outstanding 2007 Pre-IPO Share Options held by the relevant grantee ⁽¹⁾
Chen, Terry	Room 14 Unit 1 Building 88 Wang Jiang Qiao Wu Hua District Kunming City Yunnan Province PRC	2.20	20,000	July 20, 2013	0.005%
Guo, Tony	660 West 70th Avenue Vancouver British Columbia Canada	2.20	75,000	July 20, 2013	0.019%
He, Annie	Suite 1030 ⁽³⁾ One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	2.20	5,000	July 20, 2013	0.001%
Sun, Linda	Suite 1030 ⁽³⁾ One Bentall Centre 505 Burrard Street Box 31 Vancouver British Columbia V7X 1M5 Canada	2.20	20,000	July 20, 2013	0.005%
Zhang, Jin	321-5777 Birney Avenue Vancouver British Columbia Canada	2.20	30,000	July 20, 2013	0.008%
			950,000		0.240% ⁽⁴⁾

(1) The percentage is calculated by reference to the number of Shares in issue immediately following the completion of the Global Offering and the Skyland Acquisition and on the assumption that no Share is allotted and issued pursuant to the exercise of the Over-allotment Option or the Outstanding Pre-IPO Share Options. Consequently, this is based on 395,931,753 Shares in issue on the Listing Date assuming that the Offer Shares and Consideration Shares are allotted and issued.

(2) Details of the exercise price (CAD) and expiry date are as follows:
from June 1, 2010 to June 1, 2011: \$4.35
from June 2, 2011 to June 1, 2012: \$4.78
from June 2, 2012 to June 1, 2013: \$5.21
from June 2, 2013 to June 1, 2014: \$5.64
from June 2, 2014 to June 1, 2015: \$6.09

(3) See “— Pre-IPO Share Options — Exemption” below.

(4) Discrepancies between totals set out above are due to rounding.

The following table shows a breakdown of the outstanding Pre-IPO Share Options granted to our Directors, employees and consultant:

<u>Position</u>	<u>Number of grantees</u>	<u>Number of outstanding Pre-IPO Share Options</u>
Directors	5	800,000
Consultant	1	25,000
Employees	5	150,000
	<u>11</u>	<u>975,000</u>

Save as set out above, no option has been granted or agreed to be granted by us under the Pre-IPO Share Option Schemes. It is intended that no further option will be granted before the Listing apart from those disclosed above.

Assuming that all the outstanding Pre-IPO Share Options are exercised in full on the Listing Date, the total issued share capital of our Company immediately after completion of the Global Offering and the Skyland Acquisition (assuming the Over-allotment Option is not exercised), would be diluted by approximately 0.25%.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued under the exercise of the outstanding Pre-IPO Share Options.

The Directors will not exercise any option if as a result of which our Company will not be able to comply with the public float requirements of the Listing Rules.

Exemption

We have applied for, and the SFC has granted, an exemption from strict compliance with the requirements under Paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in relation to the disclosure of the residential addresses of certain grantees under the Pre-IPO Share Option Schemes who currently reside in Canada, including (i) four directors, namely, Mr. Jiang, Xiaodong, Mr. He, Ying Bin Ian, Mr. Hall, Gregory Clifton and Mr. Burns, John King; (ii) one consultant, namely, Mr. Bo, David; and (iii) two employees who are on extended sick leave, namely, Ms. He, Annie and Ms. Linda Sun (the “Canadian Resident Grantees”), for the following reasons:

- (a) As advised by our Canadian legal adviser, disclosure in the prospectus of the names and residential addresses of the Canadian Resident Grantees will breach the Personal Information Protection and Electronic Documents Act. Therefore, the privacy legislation in Canada limits our ability to strictly comply with such disclosure requirements and consents from them are required to override such restriction;
- (b) We have requested consents from the Canadian Resident Grantees for full disclosure of all details required in order to comply with the requirements under Paragraph 10(d) of Part I and Paragraph 45 of Part III of the Third Schedule to the Companies Ordinance. However, the Canadian Resident Grantees have refused to give their consents to the disclosure of their residential address in a public document (such as this prospectus) due to concerns of personal safety and harassment from demonstrators who have in the past held a series of protests at our offices in Canada relating to our mining operations in Tibet; and

- (c) Based on the foregoing, our Board as a whole is of the view that the disclosure of the residential addresses of the Canadian Resident Grantees in this prospectus would be inappropriate and unduly burdensome, as the disclosure of such information may expose them to potential safety risks and could lead to severe disruptions to their personal lives. Furthermore, non-disclosure of the residential addresses of such grantees in this prospectus will not hinder us from providing an informed assessment of our activities, assets, liabilities, financial position, management and prospects to our potential investors, or cause any prejudice to the interests of the public.

The exemption from the SFC has granted on the condition that full details of all outstanding Pre-IPO Share Options as required under Paragraph 10 of Part I of the Third Schedule to the Companies Ordinance are clearly disclosed in this prospectus save for the residential addresses of the relevant grantees. The business address of our headquarters in Canada is disclosed in place of the residential addresses of the Canadian Resident Grantees. Furthermore, a full list of all the grantees in respect of all the outstanding Pre-IPO Share Options, containing all the details as required under Paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, will be included in the documents available for public inspection as set out under Appendix X to the Prospectus.

E. OTHER INFORMATION

1. Tax

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business — Legal proceedings and compliances” in this prospectus, we are not involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

As of the Latest Practicable Date, save as disclosed in the section headed “Business — Legal proceedings and compliances” in this prospectus, the Directors are not aware that the Skyland Group is involved in any litigation or arbitration of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Skyland Group.

3. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in (i) the Shares in issue, (ii) the Offer Shares, (iii) the Shares to be issued to China National Gold Hong Kong and Rapid Result pursuant to the Sale and Purchase Agreement, and (iv) the Shares to be issued upon the exercise of the Pre-IPO Share Options.

4. Preliminary expenses

Our preliminary expenses are approximately CAD1,000. All preliminary expenses, and all expenses relating to the Global Offering which are estimated to be approximately US\$20 million, are paid or payable by us.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding to the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to, any promoter in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

<u>Name</u>	<u>Qualifications</u>
Citigroup Global Markets Asia Limited	Licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading service) activities as defined under the SFO
Haiwen & Partners	Legal advisers on PRC Law
Goodmans	Legal advisers on Canadian law
Deloitte Touche Tohmatsu	Certified public accountants
Jones Lang LaSalle Sallmanns	Professional property valuer
Behre Dolbear Asia, Inc.	Independent technical expert
Hatch Management Consulting	Market Consultant

7. Consents

Each of Citigroup Global Markets Asia Limited, Haiwen & Partners, Goodmans, Deloitte Touche Tohmatsu, Jones Lang LaSalle Sallmanns Limited, Behre Dolbear Asia, Inc. and Hatch Management Consulting has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Share register

The register of members of our Company will be maintained in the Province of British Columbia by our Canadian Share Registrar and a branch register of members will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title to Shares for the purpose of trading on the Stock Exchange must be lodged for registration with, and registered by, our Hong Kong Share Registrar and may not be lodged with our Canadian Share Registrar.

9. Disclosure of information released in Canada

Pursuant to Rule 13.09(3) of the Listing Rules, our Company will inform the Stock Exchange simultaneously of any information disclosed to the public pursuant to Canadian securities laws and ensure that such information is released to the market in Hong Kong in both English and Chinese at the same time as it is released to the market in Canada.

10. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) none of our Directors or the chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered into the register referred to in that section, or will be required, under the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;
- (ii) none of our Directors nor any of the parties listed in “— Other Information — Consents” above has any direct or indirect interest in the promotion of our Company, any of our subsidiaries, Skyland or any of the subsidiaries of Skyland or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, any of our subsidiaries, Skyland or any of the subsidiaries of Skyland or are proposed to be acquired or disposed of by or leased to our Company, any of our subsidiaries, Skyland or any of the subsidiaries of Skyland;
- (iii) none of our Directors nor any of the parties listed in “— Other Information — Consents” above is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business or the business of the Skyland Group;
- (iv) save for the Underwriting Agreements, none of the parties listed in “— Other Information — Consents” above:
 - is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or
 - has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribed for our securities;
- (v) within the two years preceding the date of this prospectus, no share or loan capital of our Company or Skyland is under option or is agreed conditionally or unconditionally to be put under option;
- (vi) within the two years preceding the date of this prospectus, we have not issued or agreed to issue any founder shares, management shares or deferred shares;
- (vii) we have no outstanding convertible debt securities;

- (viii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Group or the Skyland Group and we have not nor the Skyland Group has issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
 - (ix) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;
 - (x) there is no arrangement under which future dividends are waived or agreed to be waived;
 - (xi) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
 - (xii) as of the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong; and
 - (xiii) the English text of this prospectus shall prevail over the Chinese text.
- (b) There has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).