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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

中國黃金國際資源有限公司

(a company incorporated under the laws of British Columbia, Canada with limited liability)

(Hong Kong Stock code: 2099)

(Toronto Stock code: CGG)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL HIGHLIGHTS

	2014	2013
	For the Year ended December 31,	
	US\$'000	US\$'000
Revenues	277,783	302,608
Net income	41,867	57,182
Basic earnings per share (cents)	10.02	13.88
Diluted earnings per share(cents)	10.02	13.88
Net cash flows from operations	2,972	93,793
Property, plant and equipment	1,274,334	1,027,393
Property, plant and equipment capital expenditures	263,845	458,739
Cash and cash equivalents	565,578	105,887
Working capital	57,747	(171,803)

RESULTS

The board of directors (the “Board”) of China Gold International Resources Corp. Ltd. (the “Company”) together with its subsidiaries, referred hereto as the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2014 with comparative figures for the comparable period in 2013, as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

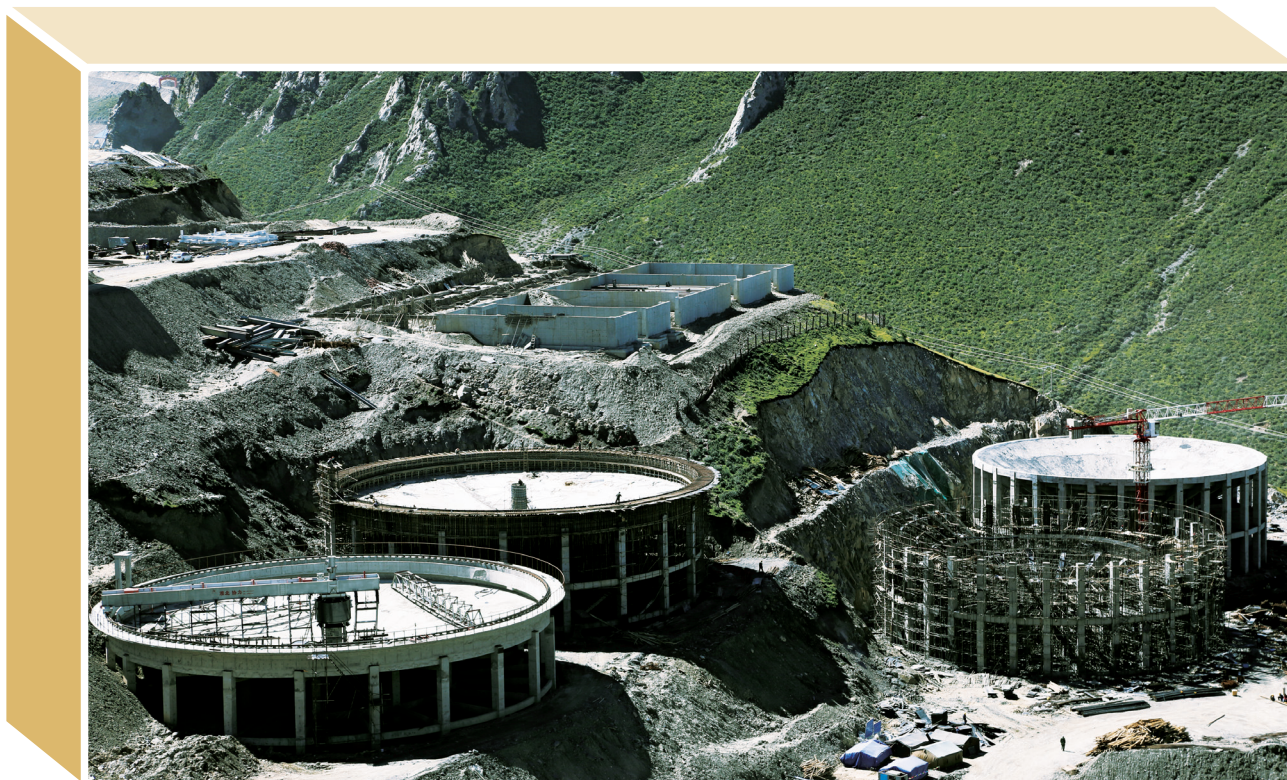
The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of March 25, 2015. It should be read in conjunction with the consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as "China Gold International", the "Company", "we" or "our" as the context may require) for the year ended December 31, 2014 and the year ended December 31, 2013, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to the Company's plans, objectives, expectations and intentions, which are based on the Company's current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in the Company's Annual Information Form ("Annual Information Form" or "AIF") dated March 25, 2015 on SEDAR at www.sedar.com. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled "Forward-Looking Statements" and "Risk Factors" and to discussions elsewhere within this MD&A. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD-LOOKING STATEMENTS

Certain statements made herein, other than statements of historical fact relating to the Company, represent forward-looking information. In some cases, this forward-looking information can be identified by words or phrases such as "may", "will", "expect", "anticipate", "contemplates", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should" or the negative of these terms, or other similar expressions intended to identify forward-looking information. This forward-looking information includes, among other things; China Gold International's production estimates, business strategies and capital expenditure plans; the development and expansion plans and schedules for the CSH Mine and the Jiama Mine; China Gold International's financial condition; the regulatory environment as well as the general industry outlook; general economic trends in China; and statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, and other statements that are not historical facts.

By their nature, forward-looking information involves numerous assumptions, both general and specific, which may cause the actual results, performance or achievements of China Gold International and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of the key assumptions include, among others, the absence of any material change in China Gold International's operations or in foreign exchange rates, the prevailing price of gold, copper and other non-ferrous metal products; the absence of lower-than-anticipated mineral recovery or other production problems; effective income and other tax rates and other assumptions underlying China Gold International's financial performance as stated in the Company's technical reports for its CSH Mine and Jiama Mine; China Gold International's ability to obtain regulatory confirmations and approvals on a timely basis; continuing positive labor relations; the absence of any material adverse effects as a result of political instability, terrorism, natural disasters, litigation or arbitration and adverse changes in government regulation; the availability and accessibility of financing to China Gold International; and the performance by counterparties of the terms and conditions of all contracts to which China Gold International and its subsidiaries are a party. The forward-looking information is also based on the assumption that none of the risk factors identified in this MD&A or in the AIF that could cause actual results to differ materially from the forward-looking information actually occurs.



Forward-looking information contained herein as of the date of this MD&A is based on the opinions, estimates and assumptions of management. There are a number of important risks, uncertainties and other factors that could cause actual actions, events or results to differ materially from those described as forward-looking information. China Gold International disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates, opinions or assumptions, future events or results, or otherwise except to the extent required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking information in this MD&A is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

THE COMPANY

Overview

China Gold International is a gold and base metal mining company based in Vancouver, Canada. The Company's main business involves the operation, acquisition, development and exploration of gold and base metal properties.

The Company's principal mining operations are the Chang Shan Hao Gold Mine ("CSH Mine" or "CSH"), located in Inner Mongolia, China and the Jiama Copper-Gold Polymetallic Mine ("Jiama Mine" or "Jiama"), located in Tibet, China. China Gold International holds a 96.5% interest in the CSH Mine, while its Chinese joint venture ("CJV") partner holds the remaining 3.5% interest. The CSH Mine commenced commercial production on July 1, 2008. The Company owns a 100% interest in the Jiama Mine, which hosts a large scale copper-gold polymetallic deposit containing copper, gold, molybdenum, silver, lead and zinc metals. The Jiama Mine commenced commercial production in September 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

China Gold International's common shares are listed on the Toronto Stock Exchange ("TSX") and The Stock Exchange of Hong Kong Limited ("HKSE") under the symbol CGG and the stock code 2099, respectively. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR at sedar.com as well as Hong Kong Exchange News at hkexnews.hk.

Performance Highlights

Three months ended December 31, 2014

- Revenue increased by 51% to US\$103.3 million from US\$68.5 million for the same period in 2013.
- Net profit after income taxes increased by 136% to US\$15.7 million from US\$6.7 million for the same period in 2013.
- Gold production from the CSH Mine increased by 101% to 63,631 ounces from 31,608 ounces for the same period in 2013.
- Copper production from the Jiama Mine increased by 89% to 4,650 tonnes (approximately 10.3 million pounds) from 2,462 tonnes (approximately 5.4 million pounds) for the same period in 2013.

Year ended December 31, 2014

- Revenue decreased by 8% to US\$277.8 million from US\$302.6 million for the same period in 2013.
- Net profit after income taxes decreased by 27% to US\$41.9 million from US\$57.2 million for the same period in 2013.
- Gold production from the CSH Mine increased by 24% to 163,443 ounces from 131,418 ounces for the same period in 2013.
- Copper production from the Jiama Mine increased by 9% to 13,992 tonnes (approximately 30.8 million pounds) from 12,847 tonnes (approximately 28.3 million pounds) for the same period in 2013.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Annual Information

		Year ended December 31			
	2014	2013	2012	2011	2010
US\$ Millions except for per share					
Total revenue	278	303	332	311	133
Profit from continuing operations	73	76	99	110	58
Net profit	42	57	74	82	27
Basic earnings per share (cents)	10.02	13.88	17.90	20.04	13.82
Diluted earnings per share (cents)	10.02	13.88	17.90	20.04	13.76
Total assets	3,013	2,219	1,806	1,745	1,656
Total non-current liabilities	850	431	279	321	322
Distribution or cash dividends declared per share	—	—	—	—	—

OUTLOOK

- Expected production of 226,000 ounces of gold in 2015.
- Expected production of 53 million pounds of copper in 2015.
- Jiama's Phase II expansion is on schedule. Stage one of the processing plant has undergone a load-free test run at the end of 2014. After some troubleshooting efforts, the plant is basically ready for loaded test run and plans to carry on a loaded test run in the second quarter of 2015. Now the two open pits are well prepared for mining. The Stage two of the processing plant will be completed in 2016, along with the completion of underground development system.
- The Company will continue to leverage the technical and operating experience of the Company's controlling shareholder, China National Gold Group Corporation ("CNG"), to improve operations at its mines. In addition, the Company continues to focus its efforts on increasing production while minimizing costs at both mines.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining acquisition opportunities, namely projects outside of China, which can be readily and quickly brought into production with the possibility of further expansion through continued exploration.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

(US\$ in thousands except per share)	31-Dec	Quarter ended 2014			31-Dec	Quarter ended 2013		
		30-Sep	30-Jun	31-Mar		30-Sep	30-Jun	31-Mar
Revenues	103,326	89,257	48,541	36,659	68,507	75,733	81,622	76,746
Cost of sales	70,763	56,687	29,084	22,285	50,990	48,478	53,809	47,456
Mine operating earnings	32,563	32,570	19,457	14,374	17,517	27,255	27,813	29,290
General and administrative expenses	7,631	5,523	5,892	6,015	5,471	7,410	5,665	7,157
Exploration and evaluation expenses	319	129	53	45	83	45	50	69
Income from operations	24,613	26,918	13,512	8,314	11,962	19,800	22,098	22,064
Foreign exchange gain (loss)	5,631	(300)	182	752	(216)	894	684	152
Finance costs	8,913	7,826	3,781	3,398	2,916	2,665	2,500	2,573
Profit before income tax	24,485	21,221	11,147	5,863	8,861	19,162	24,769	20,755
Income tax expense	8,802	4,790	2,759	4,498	2,202	3,279	5,208	5,676
Net income	15,683	16,431	8,388	1,365	6,659	15,883	19,561	15,079
Basic earnings per share (cents)	3.78	4.02	1.93	0.29	1.60	3.84	4.78	3.66
Diluted earnings per share (cents)	3.78	4.02	1.93	0.29	1.60	3.84	4.78	3.66

Selected Quarterly and Annual Production Data and Analysis

CSH Mine	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Gold sales (US\$ million)	72.34	41.41	185.91	178.14
Realized average price ¹ (US\$) of gold per ounce	1,155	1,242	1,209	1,362
Gold produced (ounces)	63,631	31,608	163,443	131,418
Gold sold (ounces)	62,641	33,340	153,736	130,772
Total production cost ² (US\$) of gold per ounce	799	854	768	866
Cash production cost ² (US\$) of gold per ounce	665	664	590	707

¹ Net of resource compensation fees that is based on revenue and paid to the PRC government

² Non-IFRS measure. See 'Non-IFRS measures' section of this MD&A

Gold production at the CSH Mine increased by 101% from 31,608 ounces for the three months ended December 31, 2013 to 63,631 ounces for the three months ended December 31, 2014. The significant increase in gold production is mainly due to the successful commissioning of the mine expansion program doubling the mine capacity from 30,000 tpd to 60,000 tpd, in October 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The cash production cost of gold per ounce for the three months ended December 31, 2014 remains unchanged compared with the same period in 2013. The total production cost of gold per ounce for the three months ended December 31, 2014 decreased compared with the same period in 2013, mainly due to the economies of scale and high efficiency achieved through the commercial production of the additional 30,000 tpd heap leaching and processing system.

Jiama Mine	Three months ended		Year ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Copper sales ¹ (US\$ in millions)	22.90	19.32	68.64	85.12
Realized average price ² (US\$) of copper per pound after smelting fee discount	2.40	2.54	2.51	2.75
Copper produced (tonnes)	4,650	2,462	13,992	12,847
Copper produced (pounds)	10,251,814	5,427,554	30,847,753	28,323,626
Copper sold (tonnes)	4,089	3,452	12,362	14,035
Copper sold (pounds)	9,014,784	7,610,436	27,254,214	30,941,765
Gold produced (ounces)	6,015	3,893	17,231	16,908
Gold sold (ounces)	4,622	4,494	14,557	17,600
Silver produced (ounces)	387,783	197,231	1,072,218	1,010,966
Silver sold (ounces)	328,871	302,868	901,335	1,118,311
Total production cost ³ (US\$) of copper per pound	2.99	3.36	2.97	3.55
Total production cost ³ (US\$) of copper per pound after by-products credits ⁵	2.02	2.37	2.01	2.30
Cash production cost ⁴ (US\$) per pound of copper	2.39	2.74	2.33	2.90
Cash production cost ⁴ (US\$) of copper per pound after by-products credits ⁵	1.42	1.75	1.37	1.65

¹ Net of resource compensation fees that is based on revenue and paid to PRC government agency

² a discount factor of 15-17% is applied to the copper bench mark price to compensate the refinery costs incurred by the buyers

³ Production costs include expenditures incurred at the mine sites for the activities related to production including mining, processing, mine site G&A and royalties etc.

⁴ Non-IFRS measure. See 'Non-IFRS measures' section of this MD&A

⁵ By-products credit refers to the sales of gold and silver during the corresponding period.

During the three months ended December 31, 2014, the Jiama Mine produced 4,650 tonnes (approximately 10.3 million pounds) of copper in concentrate, an increase by 89% compared with the three months ended December 31, 2013 (2,462 tonnes, or 5.4 million pounds). The increase in production was mainly due to the stable power supply in December 2014 compared with the power shortage in December 2013 and higher grade of ores mined during the period.

Both cash production cost and total production cost of copper per pound were decreased, mainly because of the higher ore grade mined and processed, the higher equipment utilization rates, and stable power supply during the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Quarterly and Annual Data

Three months ended December 31, 2014 compared to three months ended December 31, 2013

Revenue of US\$103.3 million for the fourth quarter of 2014 increased by US\$34.8 million or 51%, from US\$68.5 million for the same period in 2013.

Revenue from the CSH Mine was US\$72.3 million (2013: US\$41.4 million), an increase of US\$30.9 million compared to the same period in 2013, due to a 101% increase in gold sales volume. Gold produced by the CSH Mine was 63,630 ounces (gold sold: 62,640), compared to 31,608 ounces (gold sold: 33,340 ounces) for the same period in 2013. The significant increase is directly attributed to the commencement of commercial production of the new heap leaching and processing system in October 2014. The completion of CSH's phase II expansion has increased its processing capacity from 30,000 tpd to 60,000 tpd.

Revenue from the Jiama Mine was US\$31 million compared to US\$27.1 million for the same period in 2013. Total copper sold was 4,089 tonnes (9 million pounds) for the three months ended December 31, 2014, an increase of 18% from 3,452 tonnes (7.6 million pounds) for the same period in 2013, primarily due to higher grades of ore mined and restored access to the power supply which was temporarily limited during December 2013.

Cost of sales of US\$70.8 million for the quarter ended December 31, 2014, an increase of US\$19.8 million or 39% from US\$51 million for the same period in 2013. The increase in cost of sales was primarily due to the substantial increase in CSH's sales volume. Cost of sales as a percentage of revenue for the Company decreased from 74% to 68% for the three months ended December 31, 2013 and 2014, respectively.

Mine operating earnings of US\$32.6 million for the three months ended December 31, 2014 an increase of 86%, or US\$15.1 million, from US\$17.5 million for the same period in 2013. Mine operating earnings as a percentage of revenue increased from 26% to 32% for the three months ended December 31, 2013 and 2014, respectively.

General and administrative expenses increased by US\$2.1 million, from US\$5.5 million for the quarter ended December 31, 2013 to US\$7.6 million for the quarter ended December 31, 2014. The increase is consistent with the growth during the quarter.

Income from operations for the fourth quarter of 2014 of US\$24.6 million, an increase of US\$12.6 million from US\$12 million for the same period in 2013.

Finance costs of US\$8.9 million for the three months ended December 31, 2014, an increase of US\$6 million, from US\$2.9 million for the same period in 2013. The increase is due to interest expense incurred from short-term loans obtained by CSH in addition to the interest expense of the US\$500 million bonds issued in July 2014. During the three months ended December 31, 2014, interest payments of US\$4.8 million (2013: US\$2.4 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US\$5.6 million for the three months ended December 31, 2014 from US\$0.2 million loss for the same period in 2013. The 2014 gain is related to the revaluation of monetary items held in Chinese RMB and Hong Kong Dollars, which was based on changes in the RMB/HKD/USD exchange rates.

Interest and other income of US\$3.1 million for the three months ended December 31, 2014 increased from US\$31,000 for the three months ended December 31, 2013, due to an increase in interest income earned on term deposits.

Income tax expense of US\$8.8 million for the fourth quarter of 2014, an increase of US\$6.6 million from US\$2.2 million for the comparative 2013 period, primarily due to increased profit from the CSH mine. During the current quarter, the Company had US\$2.5 million of deferred tax expense compared to US\$5.9 million in 2013.

Net income of the Company increased by US\$9.0 million from US\$6.7 million for the three months ended December 31, 2013 to US\$15.7 million for the three months ended December 31, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2014 compared to Year ended December 31, 2013

Revenue of US\$277.8 million for the year ended December 31, 2014 decreased by US\$24.8 million or 8%, from US\$302.6 million for the same period in 2013.

Revenue from the CSH Mine was US\$185.9 million (2013: US\$178.1 million), an increase of US\$7.8 million, due to an 18% increase in gold sales volume. Gold produced by the CSH Mine was 163,443 ounces (gold sold: 153,736), compared to 131,418 ounces (gold sold: 130,772 ounces) for the same period in 2013. Increased production and sales volumes during 2014 are attributed to the completion of the phase II expansion which has doubled CSH's processing capacity as of October, in addition to higher grades of ore mined during the year.

Revenue from the Jiama Mine was US\$91.9 million compared to US\$124.5 million for the same period in 2013. Total copper sold was 12,362 tonnes (27.3 million pounds) for the year ended December 31, 2014, a decrease of 12% from 14,035 tonnes (30.9 million pounds) for the same period in 2013. The decrease in revenue is attributed to interruption decrease in copper production during the first quarter of 2014 caused by a seasonal power shortage which has since been restored, in addition to lower copper prices.

Cost of sales of US\$178.8 million for the year ended December 31, 2014, decreased by US\$21.9 million or 11% from US\$200.7 million for the same period in 2013. The decrease in cost of sales is attributable to Jiama's higher ore grades mined combined with higher equipment utilization rates. Cost of sales as a percentage of revenue for the Company decreased to 64% from 66% for the year ended December 31, 2014 compared to 2013.

Mine operating earnings of US\$99 million for the year ended December 31, 2014 decreased by 3%, or US\$2.9 million, from US\$101.9 million for the comparative 2013 period. Mine operating earnings as a percentage of revenue increased to 36% from 34% for the year ended December 31, 2014 compared to 2013.

General and administrative expenses decreased by US\$0.6 million, from US\$25.7 million for the year ended December 31, 2013 to US\$25.1 million for the comparative period in 2014. The decrease is due to the Company's implementation of an overall cost reduction program.

Income from operations for the year ended December 31, 2014 of US\$73.4 million, decreased by US\$2.5 million from US\$75.9 million for the same period in 2013.

Finance costs of US\$23.9 million for the year ended December 31, 2014 increased by US\$13.3 million, from US\$10.6 million for the same period in 2013. The increase is due to interest expense incurred from short-term loans obtained by CSH in addition to the interest expense of the US\$500 million bonds issued in July 2014. During the year ended December 31, 2014, US\$16.4 million (2013: US\$6.1 million) of interest payments were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US\$6.3 million for the year ended December 31, 2014 from US\$1.5 million for the same 2013 period. The 2014 gain is related to the revaluation of monetary items held in Chinese RMB and Hong Kong Dollars, which was based on changes in the RMB/HKD/USD exchange rates.

Interest and other income of US\$7 million for the year ended December 31, 2014 increased from US\$6.8 million for the year ended December 31, 2013, due to increased interest income earned on term deposits.

Income tax expense of US\$20.8 million for the year ended December 31, 2014 increased by 27%, from US\$16.4 million for the comparative 2013 period, primarily due to CSH's increased sales and income tax. During the current period, the Company had US\$4.8 million of deferred income tax expense compared to US\$11.4 million deferred income tax credit in 2013, the change is attributed to the depreciation of the RMB.

Net income of the Company decreased by US\$15.2 million from US\$57.1 million for the year ended December 31, 2013 to US\$41.9 million for the year ended December 31, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NON-IFRS MEASURES

The following table provides certain unit cost information on a cash cost of production per ounce (non-IFRS) basis for the CSH Mine for the three months and the year ended December 31, 2014 and 2013:

	CSH Mine			
	Three months ended December 31,		Year ended December 31	
	2014	2013	2014	2013
	US\$	US\$	US\$	US\$
Cost of mining per tonne of ore	1.38	1.39	1.44	1.43
Cost of mining waste per tonne of ore	4.48	1.80	2.38	2.01
Other mining costs per tonne of ore	0.43	0.15	0.36	0.38
Total mining costs per tonne of ore	6.29	3.34	4.18	3.82
Cost of reagents per tonne of ore	1.21	1.01	0.89	1.25
Other processing costs per tonne of ore	0.87	1.01	1.06	1.07
Total processing cost per tonne of ore	2.08	2.02	1.95	2.32

The cash cost of production is a measure that is not in accordance with IFRS.

The Company has included cash production cost per ounce gold data to supplement its consolidated financial statements, which are presented in accordance with IFRS. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance, operating results or financial condition prepared in accordance with IFRS. The Company has included cash production cost per ounce data and non-IFRS measures because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flow. The measure is not necessarily indicative of operating results, cash flow from operations, or financial condition as determined under IFRS. Cash production costs are determined in accordance with the Gold Institute's Production Cost Standard.

The following table provides a reconciliation of cost of sales to the cash costs of production in total dollars and in dollars per gold ounce for the CSH Mine or per copper pound for the Jiama Mine:

	CSH Mine (Gold)							
	Three months ended December 31,				Year ended December 31,			
	2014		2013		2014		2013	
	US\$		US\$		US\$		US\$	
	US\$	Per ounce	US\$	Per ounce	US\$	Per ounce	US\$	Per ounce
Total production costs	50,064,541	799	28,470,677	854	118,131,730	768	113,216,814	866
Adjustments	(8,426,071)	(135)	(6,329,451)	(190)	(27,391,303)	(178)	(20,806,070)	(159)
Total cash production costs	41,638,470	665	22,141,226	664	90,740,427	590	92,410,743	707

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jiama Mine (Copper with by-products)								
	Three months ended December 31,				Year ended December 31,			
	2014		2013		2014		2013	
	US\$	US\$ Per Pound	US\$	US\$ Per pound	US\$	US\$ Per pound	US\$	US\$ Per pound
Total production costs	26,979,486	2.99	25,541,823	3.36	80,998,195	2.97	109,716,739	3.55
Adjustments	(5,421,694)	(0.60)	(4,722,802)	(0.62)	(17,392,981)	(0.64)	(20,020,753)	(0.65)
Total cash productions costs	21,557,792	2.39	20,819,020	2.74	63,605,214	2.33	89,695,986	2.90
By-products credits	(8,788,445)	(0.97)	(7,471,099)	(0.98)	(26,175,464)	(0.96)	(38,602,653)	(1.25)
Total cash production costs after by-products credits	12,769,347	1.42	13,347,922	1.75	37,429,750	1.37	51,093,334	1.65

The adjustments above include depreciation and depletion, amortization of intangible assets, and selling expenses included in total production costs.

MINERAL PROPERTIES

The CSH Mine

The CSH Mine is located in Inner Mongolia Autonomous Region of China (Inner Mongolia). The property hosts two low-grade, near surface gold deposits, along with other mineralized prospects. The main deposit is called the Northeast Zone (the "Northeast Zone"), while the second, smaller deposit is called the Southwest Zone (the "Southwest Zone").

The CSH Mine is owned and operated by Inner Mongolia Pacific Mining Co. Limited, a Chinese Joint Venture in which China Gold International holds a 96.5% interest and Ningxia Nuclear Industry Geological Exploration Institution (formerly known as Brigade 217) holds the remaining 3.5%.

CSH Mine Expansion

The CSH Mine was operating at a 30,000 tpd capacity, producing over 133,000 ounces of gold per annum. A NI 43-101 compliant Technical Report Expansion Feasibility Study for the CSH Gold Project ("CSH Technical Report") was completed by a group of Qualified Persons ("QP"), which supported an expansion plan to increase the mining and processing capacity from 30,000 tpd to 60,000 tpd with a mine life of 11 years. The CSH Technical Report delineates the ore reserves at the CSH Mine at over 213 million tonnes containing about 4.08 million ounces gold. The expansion program consists of a 30,000 tpd three stage closed circuit crushing system, a heap leach pad, an ADR (Adsorption, Desorption and Refining) plant, and a 80 kilometer long 110 kilovolt ("KV") power line. The report estimated capital expenditures of US\$212.9 million, After-Tax Net Present Value (NPV) of US\$642 million using a discount rate of 9% and an assumed gold price of \$1,380/oz. Based on the report, the expansion plan expects gold production to increase from the current 163,000 ounces per annum to about 260,000 ounces per annum by 2016.

The CSH Technical Report is available at sedar.com and hkexnews.hk.

The Company completed expansion construction and entered into commercial production in the fourth quarter of 2014. Since the commencement of commercial production, CSH has increased its processing capacity to 60,000 tpd, and produced 63,631 ounces of gold dore bars in the fourth quarter of 2014.

The capital expenditure incurred in the CSH Mine for the year ended December 31, 2014 was US\$25.05 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Major new contracts entered into during the year ended December 31, 2014 are as follows:

Item No.	Contact Name	Counterpart	Subject Amount (US\$ millions)	Contract Period (effective and expiration date)	Contract Date
1	Geomembrane Laying Contract of Remaining Heap Leaching of 2B, 2A	Beijing LAN Environment Engineering Co., LTD	3.6	3/11/2014 – 3/10/2015	3/20/2014
2	Sodium Cyanide Purchase and Sales Contract	Hebei Integrity Co., LTD	15.6	3/1/2014 – 12/30/2014	3/1/2014
3	Carriage Contract of Crushing Finished Products from Crushing Plants to Heap Leaching	Baotou TED Earthwork Engineering Co., LTD	16.5	1/16/2014 – 1/15/2017	2/27/2014
4	Earthwork Engineering Contract of Remaining Heap Leaching of 2B, 2A	Changchun Xinxingyu Building Installation co., LTD	3.1	2/16/2014 – 2/16/2015	2/25/2014

Production Update

CSH Mine	Three months ended December 31, 2014		Year ended December 31, 2014	
		2013		2013
Ore mined and placed on pad (tonnes)	5,440,309	4,893,016	22,941,216	15,002,686
Average ore grade (g/t)	0.57	0.50	0.56	0.47
Recoverable gold (ounces)	77,112	46,142	259,607	155,219
Ending ore inventory (ounces)	167,258	61,386	167,258	61,386
Waste rock mined (tonnes)	30,285,304	14,592,377	91,387,853	74,203,141

For the three months ended December 31, 2014, the total amount of ore placed on the leach pad was 5.5 million tonnes, with total contained gold of 77,112 ounces (2,398 kilograms). The accumulative project-to-date gold recovery rate has slightly increased from approximately 50.05% at the end of September 2014 to 50.82% at the end of December 2014.

Exploration

The Company conducted a three-hole diamond drilling program to test the western extension of mineralization at CSH in 2014. Abundant pyritic slate, phyllite and schist were intersected, however, no significant mineralization were found. The best intersection returned 2.17 grams per tonne gold over 2.64 meters. The Company continues to conduct surface reconnaissance and exploration for expansion opportunities around the CSH Mine, with specific focus for 2015 on the mineralization below the current open pit to explore for possible future large scale underground natural block cave mining when the open pit is finished by the end of 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral Reserves Update

A mine expansion plan for CSH to expand from its current 30,000 tpd to 60,000 tpd annual capacity has been prepared by the Changchun Gold Design Institute ("CGDI"). In support of this study a new mine development plan has been completed using the current resource model and a long term gold price estimate of US\$1,380/ounce. Pit optimization and design was undertaken by CGDI using Micromine software. The pit limits and reserves were validated by Nilsson Mine Services Ltd. ("NMS"). Mining is carried out by the contractor China Railway 19th Bureau.

The ore reserves reported using the 2011-year end topographic surface and a cutoff grade of 0.28 g/t are increased to 213.5 million tonnes with an average diluted grade of 0.59 g/t Au. The stripping ratio is 3.31 with a total 707.4 million tonnes of waste stripped. Total material moved from the pit will be 920.9 million tonnes.

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2014 under NI 43-101:

Type	Quantity Mt	Au g/t	Contained Gold tonne	Moz
Measured	50.67	0.65	32.90	1.06
Indicated	152.10	0.60	90.65	2.91
M+I	202.77	0.61	123.55	3.97
Inferred	85.40	0.51	43.38	1.39

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2014 under NI 43-101:

Type	Quantity Mt	Au g/t	Contained Gold tonne	Moz
Proven	49.83	0.65	32.55	1.05
Probable	108.82	0.61	66.64	2.14
Total	158.65	0.63	99.19	3.19

The Jiama Mine

The Company acquired the Jiama Mine on December 1, 2010. Jiama is a large copper-gold polymetallic deposit containing copper, gold, silver, molybdenum, and other metals located in the Gandise metallogenic belt in Tibet Autonomous Region of China.

The Jiama Mine has both underground mining and open-pit mining operations. The open-pit mining operation consists of the smaller Tongqianshan Pit and the larger Niumatang Pit. The underground mining operation consists of two shafts which will extend from an initial depth of 355 metres to a final depth of 600 metres.

Phase I of the Jiama Mine commenced mining operations in the latter half of 2010 and reached its design capacity of 6,000 tpd in early 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Phase II Expansion

The Jiama Expansion Program

The Company retained Mining One Pty Ltd, an engineering firm, in conjunction with independent consulting engineers and management to conduct a feasibility study on the Jiama Mine expansion program. On December 20, 2013, Mining One Pty Ltd produced an NI 43-101 Technical report – Phase II Expansion Project (“Jiama Technical Report”) based on the “Feasibility Study for the Phase II Expansion Project” as prepared by the Changchun Gold Design Institute. The Jiama Technical Report was filed on sedar.com and hkexnews.hk on February 4, 2014. The Jiama Technical Report proposes to expand the Jiama Mine from its initial mining and processing capacity of 6,000 tpd to 50,000 tpd of ore. The expansion program includes the development of four open pit mines and one underground mine, and construction of a new flotation plant with a processing capacity of 44,000 tpd. The annual mill processing capacity will be increased from the current 1.8 million tonnes of ore per year to 16.5 million tonnes of ore per year, producing approximately 67,000 tonnes (148 million pounds) of copper, 2,400 tonnes (5.3 million pounds) of molybdenum, 42,000 ounces of gold, 2.8 million ounces of silver, 10,400 tonnes of lead and 4,000 tonnes of zinc annually over a 35 year mine life. The estimated capital expenditure is US\$716.2 million. The project has after-tax Net Present Value (NPV) of US\$1.3 billion at a discount rate of 9% at metal price assumptions of US\$2.90/lb copper, US\$15.5/lb molybdenum, US\$1,300/oz gold, and US\$20/oz silver. The project has after-tax Internal Rate of Return (IRR) of 24% and payback period of 6.7 years.

The expansion program is implemented in two stages, adding 22,000 tpd mineral processing capacity in each stage. Stage one of the expansion has undergone a wholistic load-free test run at the end of 2014, with its two source pits ready to provide ore feed. After some troubleshooting efforts, stage one is also ready for loaded test run, which is scheduled in the second quarter of 2015. Stage two of the expansion has been started and the construction is expected to be completed in 2016, along with the completion of underground development system.

The capital expenditure incurred for the Jiama Mine expansion for the year ended December 31, 2014 was US\$196.48 million.

Major new contracts entered into during the year ended December 31, 2014 are as follows:

Item No.	Contact Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective and expiration date)	Contract Date
1	High Chromium Ball Purchase and Sales Contract	Anhui Province Fengxing Wear-resisting Material co., LTD	2.6	2014.2.26 to 2014.12.31.	2/16/2014
2	South Pit Outdoor Campaign Stripping Engineering Contract (China Railway 17th Bureau)	China Railway 17th Bureau Group Second Engineering Co., Ltd.	38.4	2014.8.1 to 2015.12.31	6/2/2014
3	Second Phase of Underground Mining Engineering bid (4400 m the second bid section)	China Nonferrous Metals Industry 14th Metallurgical Construction Company	198.4	2014.9.1 to 2024.8.31	4/28/2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production Update

	Jiama Mine			
	Three months ended		Year ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Ore mined (tonnes)	615,763	388,459	1,674,612	2,104,167
Waste mined (tonnes)	—	—	—	958,453
Average copper ore grade (%)	0.88	0.80	0.82	0.70
Copper recovery rate (%)	91	91	91	90
Average gold ore grade (g/t)	0.40	0.48	0.40	0.39
Gold recovery rate (%)	69	67	67	66
Average silver ore grade (g/t)	25.62	22.33	25.37	21.30
Silver recovery rate (%)	70	65	67	64

Power Shortage

During the entire first quarter of 2014, the Jiama Mine experienced reduced power supply that affected the central Tibet region during the winter months. Copper production in the first quarter of 2014 decreased by 77% due to the power shortage.

Jiama's mineral processing plant was shut down for most of the first quarter. However, the stripping work for the Phase II expansion was not affected.

On March 31, 2014, full power supply was re-established, and production reached the designed 6,000 tpd capacity level in April 2014. The Company achieved record copper production in April 2014 and sustained the production level throughout the remainder of the year. There have been no additional power shortage occurrences since the first quarter of 2014.

In November 2014, a large hydro power plant in Tibet was put into production, and has significantly improved the power supply throughout the region. Several additional hydro power plants in Tibet are also currently under construction and will contribute more power supply in the region, meeting the local demand and neighboring regions.

Exploration

The Company has not carried out any additional exploration at the Jiama Mine in 2014 as it has been focusing on the phase II expansion program.

Mineral Resources Estimate

An NI 43-101 compliant mineral resource estimate was independently completed by Mining One Pty Ltd. in November 2013, based on information collected up to November 12, 2012. The drilling program subsequent to November 2012, including an extensive drill program conducted in 2013, will be included in future updates of the Mineral Resources and Reserves.

Mining One Pty Ltd. noted that gold and silver mineralization within the ore body had a significantly higher spatial variability than the other elements, and as a result, classified the Au and Ag resource presented in Table 2 separately. This classification takes into account the proposed large scale mining techniques where Au and Ag will only be credits to the overall products from the operations. Mining One Pty Ltd has assumed that Au and Ag will not be assigned a single cut-off grade for a selected mining block and will be mined in conjunction with the other elements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jiama Project – Cu, Mo, Pb, Zn, Au, and Ag Mineral Resources under NI 43-101 Reported at a 0.3% Cu Equivalent Cut off grade*, as of December 31, 2014

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Measured	99.0	0.41	0.04	0.04	0.02	0.11	6.53	405	35	43	23	0.306	19.526
Indicated	1385.0	0.41	0.03	0.05	0.03	0.11	6.11	5716	468	751	471	4.985	272.349
M+I	1484.1	0.41	0.03	0.05	0.03	0.11	6.14	6121	503	794	494	5.334	293.389
Inferred	406.1	0.31	0.03	0.08	0.04	0.1	5.13	1247	123	311	175	1.317	66.926

Note: Figures reported are rounded which may result in small tabulation errors.

The Copper Equivalent basis for the reporting of resources has been compiled on the following basis:

CuEq Resources: = (Ag Grade * Ag Price + Au Grade * Au Price + Cu Grade * Cu Price + Pb Grade * Pb Price + Zn Grade * Zn Price + Mo Grade * Mo Price)/Copper Price

Mineral Reserves Estimate

A Mineral Reserve estimate, dated November 20, 2013, has been independently verified by Mining One Pty Ltd. in accordance with the CIM Definitions Standards under NI 43-101.

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2014

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Proven	23.76	0.63	0.04	0.05	0.03	0.24	10.72	150	10	11	8	0.185	8.192
Probable	415.07	0.61	0.03	0.13	0.08	0.19	11.50	2541	133	551	319	2.490	153.495
P+P	438.83	0.61	0.03	0.13	0.07	0.19	11.46	2692	143	562	326	2.674	161.686

Notes:

- All Mineral Reserves have been estimated in accordance with the JORC code and have been reconciled to CIM standards as prescribed by the NI 43-101.
- Mineral Reserves were estimated using the following mining and economic factors:

Open Pits:

 - 5% dilution factor and 95% recovery were applied to the mining method;
 - overall slope angles of 43 degrees;
 - a copper price of US\$2.9/lbs;
 - an overall processing recovery of 88 – 90% for copper

Underground:

 - 10% dilution added to all Sub-Level Open Stopping;
 - Stope recovery is 87% for Sub-Level Open Stopping;
 - An overall processing recovery of 88 – 90% for copper.
- The cut-off grade for Mineral Reserves has been estimated at copper equivalent grades of 0.3% Cu (NSR) for the open pits and 0.45%Cu (NSR) for the underground mine.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in a capital intensive industry. The Company's liquidity requirements arise principally from the need for financing the expansion of its mining and processing operations, exploration activities and acquisition of exploration and mining rights. The Company's principal sources of funds have been proceeds from borrowing from commercial banks in China, equity financings, and cash generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

At December 31, 2014, the Company had an accumulated surplus of US\$195 million, working capital of US\$57.7 million and borrowings of US\$1,186 million. The Company's cash balance at December 31, 2014 was US\$566 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US\$498.5 million of 3.5% unsecured bonds maturing on July 17, 2017 and US\$497.1 million of short term debt facilities with interests rates ranging from 3.62% to 6.00% per annum arranged through various banks in China. The Company has utilized short term debt facilities to fund part of its expansions for its CSH Mine and Jiama Mine. The Company believes that it has been able to achieve more favourable rates and terms through this strategy, and has not encountered any difficulty in rolling over such debt facilities through its lenders in China. The Company believes that the availability of debt financing in China at favourable rates will continue for the foreseeable future.

CASH FLOWS

The following table sets out selected cash flow data from the Company's condensed consolidated interim cash flow statements for the periods ended December 31, 2014 and December 31, 2013.

	Year ended December 31,	
	2014	2013
	US\$'000	US\$'000
Net cash from operating activities	2,972	93,793
Net cash used in investing activities	(266,203)	(453,776)
Net cash from (used in) financing activities	724,212	286,077
Net increase (decrease) in cash and cash equivalents	460,981	(73,906)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,290)	(1,947)
Cash and cash equivalents, beginning of period	105,887	181,740
Cash and cash equivalents, end of period	565,578	105,887

Operating cash flow

For the year ended December 31, 2014, the net cash inflow from operating activities was US\$3.0 million which is primarily attributable to (i) profit before income tax of US\$62.7 million, (ii) depreciation and depletion of US\$53.6 million, and (iii) increase in accounts payable and accrued liabilities of US\$ 23.0 million, partially offset by (i) increase in inventory of US\$ 96.5million, (ii) interest paid of US \$37.7million and (iii) income tax paid of US\$ 14.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investing cash flow

For the year ended December 31, 2014, the net cash outflow from investing activities was US\$266.2 million, which is primarily attributable to payment for the acquisition of property, plant and equipment of US\$263.8 million and deposits paid for acquisition of property, plant and equipment of US\$1.7 million, partially offset by receipt of government grants of US\$0.42 million.

Financing cash flow

For the year ended December 31, 2014, the net cash inflow from financing activities was US\$724.2 million, which is primarily attributable to proceeds from borrowings of US\$922.5 million, partially offset by repayments of borrowings of US\$230.3 million.

Expenditures Incurred

For the year ended December 31, 2014, the Company incurred mining costs of US\$79.6 million, processing costs of US\$40.4 million, transportation costs of US\$8.3 million and resource compensation fee, which was paid to the PRC government, of US\$8.6 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at December 31, 2014, the Company's total debt was US\$1,548 million and the total equity was US\$1,465 million. The Company's gearing ratio was therefore 1.06 as at December 31, 2014 and 0.35 as at December 31, 2013.

Restrictive covenants

The Company is subject to various customary conditions and covenants under the terms of its financing agreements.

Under the loan agreement between Jiama and the various banks providing the syndicated loan facility, Jiama is prohibited from distributing dividends before offsetting accumulated losses of the prior accounting year, repaying the principal, interest, and other expenses due under the loan agreement in the current fiscal year, and repaying the principal, interest and other expenses due under the loan agreement in the next fiscal year. In addition, Jiama is required to obtain the lender's written approval prior to reducing registered capital, processing one or more transactions or a series of transactions in the form of a sale, lease, transfer or other way leading to the disposal of assets that together total over RMB5.0 million, entering into any merger or acquisition, providing a guarantee or creating charges over its material assets in favor of third parties. The Syndicate loan facility is secured by the relevant mining rights and assets of the Jiama Mine.

COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include principal payments on the Company's bank loans and syndicated loan facility, material future aggregate minimum operating lease payments required under operating leases and capital commitments in respect of the future acquisition of property, plant and equipment and construction for both the CSH Mine and the Jiama Mine.

The Company has leased certain properties in China and Canada, which are all under operating lease arrangements and are negotiated for terms of between one and seventeen years. The Company is required to pay a fixed rental amount under the terms of these leases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's capital commitments relate primarily to the payments for purchase of equipment and machinery for both mines and payments to third-party contractors for the provision of mining and exploration engineering work and mine construction work for both mines. The Company has entered into contracts that prescribe such capital commitments; however, liabilities relating to them have not yet been incurred. Therefore, capital commitments are not included in the Company's consolidated financial statements.

The following table outlines payments for commitments for the periods indicated:

	Total	Within One year	Within Two to five years	Over 5 years
	US\$'000	US\$'000	US\$'000	US\$'000
Principal repayment of bank loans	682,444	498,783	183,661	–
Repayment of bonds	503,331	28,056	475,275	–
Operating lease commitments (a)	2,282	1,329	661	292
Capital commitments (b)	211,217	211,217	–	–
Total	1,399,274	739,385	659,597	292

(a) Operating leases are primarily for premises and production.

(b) Capital commitments relate to contracts signed for construction and equipment supply.

In addition to the table set forth above, the Company has entered into service agreements with third-party contractors such as China Railway and China Metallurgical for the provision of mining and exploration engineering work and mine construction work for the CSH Mine. The fees for such work performed and to be performed each year varies depending on the amount of work performed. The Company has similar agreements with third party contractors for the Jiamia Mine.

RELATED PARTY TRANSACTIONS

CNG owned 39.3 percent of the outstanding common shares of the Company as at December 31, 2014 and December 31, 2013.

The Company had major related party transactions with the following companies related by way of shareholders and shareholder in common:

On October 24, 2008, the Company's subsidiary, Inner Mongolia Pacific entered into a non-exclusive contract for the purchase and sale of doré with CNG (the "2008 Contract") pursuant to which Inner Mongolia Pacific occasionally sold gold doré bars to CNG through to December 31, 2011. The pricing was based on the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of No. 2 silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. On January 27, 2012, Inner Mongolia Pacific entered into a contract with CNG in order to regulate the sale and purchase of gold doré that was to be carried out between them for the three years ending December 31, 2012, 2013 and 2014, for the purpose of keeping the same pricing terms as the 2008 Contract. Revenue from sales of gold doré bars to CNG increased from US\$174 million for the year ended December 31, 2013 to US\$186 million for the year ended December 31, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On April 26, 2013, Huatailong, an indirectly wholly-owned subsidiary of the Company, entered into the Contract for Purchase and Sale of Copper Concentrate with China National Gold Group International Trading Co. Ltd, which is ultimately controlled by CNG, for the purpose of governing the sale and purchase of copper concentrates produced at the Jiama Mine for the two years ending December 31, 2013 and 2014, with pricing referenced to the prescribed figures disclosed in the contract, based on the monthly average bench mark prices of copper, gold and silver. The first sales transaction under the contract occurred in July 2013. Revenue from sales of copper and other products to CNG was US\$5.8 million for the year ended December 31, 2014, compared with US\$55.8 million in the same period in 2013.

For the year ended December 31, 2014, construction and engineering services of US\$119.3 million were provided to the Company by subsidiaries of CNG (US\$237.8 million for the year ended December 31, 2013).

In addition to the three aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business. Further detailed information regarding such services is disclosed in the Company's annual directors' report.

PROPOSED TRANSACTIONS

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Group did not have any material acquisition and disposal of subsidiaries and associated companies in the year ended December 31, 2014.

CRITICAL ACCOUNTING ESTIMATES

In the process of applying the Company's accounting policies, the Directors of the Company have identified accounting judgments and key sources of estimation uncertainty that have a significant effect on the amounts recognized in the audited annual consolidated financial statements.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2014.

CHANGE IN ACCOUNTING POLICIES

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the audited annual consolidated financial statements as at December 31, 2014.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds a number of financial instruments, the most significant of which are available-for-sale investments, accounts receivable, accounts payable, cash and loans. The financial instruments are recorded at either fair values or amortized amount on the balance sheet.

The Company did not have any financial derivatives or outstanding hedging contracts as at December 31, 2014.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2014, the Company had not entered into any off-balance sheet arrangements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DIVIDEND AND DIVIDEND POLICY

The Company has not paid any dividends since incorporation and does not currently have a fixed dividend policy. The Board of Directors will determine any future dividend policy on the basis of, among others things, the results of operations, cash flows and financial conditions, operating and capital requirements, the rules promulgated by the regulators affecting dividends in both Canada and Hong Kong and at both the TSX and HKSE, and the amount of distributable profits and other relevant factors.

Subject to the British Columbia Business Corporations Act, the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and the time and method of payment provided that the record date for the purpose of determining shareholders entitled to receive payment of the dividend must not precede the date on which the dividend is to be paid by more than two months.

A dividend may be paid wholly or partly by the distribution of cash, specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways. No dividend may be declared or paid in money or assets if there are reasonable grounds for believing that the Company is insolvent or the payment of the dividend would render the Company insolvent.

OUTSTANDING SHARES

As of December 31, 2014 the Company had 396,413,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the Company's DC&P and ICFR as of December 31, 2014 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as December 31, 2014, and provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework of Year 2013 to evaluate the Company's ICFR as of December 31, 2014 and have concluded that these controls and procedures were effective as of December 31, 2014 and provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the year ended December 31, 2014, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RISK FACTORS

There are certain risks involved in the Company's operations, some of which are beyond the Company's control. Aside from risks relating to business and industry, the Company's principal operations are located within the People's Republic of China and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Readers of this MD&A should give careful consideration to the information included in this document and the Company's audited annual consolidated financial statements and related notes. Significant risk factors for the Company are metal prices, government regulations, foreign operations, environmental compliance, the ability to obtain additional financing, risk relating to recent acquisitions, dependence on management, title to the Company's mineral properties, and litigation. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks. For details of risk factors, please refer to the Company's annual audited consolidated financial statements, and Annual Information Form filed from time to time on SEDAR at www.sedar.com.

QUALIFIED PERSON

Disclosure of a scientific or technical nature in this section of the MD&A in respect of updates at the CSH Gold Project was prepared by or under the supervision of Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

Disclosure of a scientific or technical nature in this MD&A in respect of the Jiama Mine for the Mineral Resources, Mineral Reserves and Phase II Expansion was prepared by or under the supervision of Mr. Bin Guo and Anthony R Cameron, both qualified person for the purposes of NI 43-101; all remaining information in regards to the Jiama project contained in this MD&A was prepared by or under the supervision of Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

March 25, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

	NOTES	2014 US\$'000	2013 US\$'000
Revenues	28	277,783	302,608
Cost of sales		(178,819)	(200,733)
Mine operating earnings		98,964	101,875
Expenses			
General and administrative expenses	5	(25,061)	(25,703)
Exploration and evaluation expenditure	6	(546)	(247)
		(25,607)	(25,950)
Income from operations		73,357	75,925
Other income (expenses)			
Foreign exchange gain, net		6,265	1,514
Interest and other income		7,012	6,762
Finance costs	7	(23,918)	(10,654)
		(10,641)	(2,378)
Profit before income tax		62,716	73,547
Income tax expense	8	(20,849)	(16,365)
Profit for the year	9	41,867	57,182
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		(7,127)	6,882
Fair value loss on available-for-sale investments	18	(909)	(372)
Total comprehensive income for the year		33,831	63,692

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

	NOTES	2014 US\$'000	2013 US\$'000
Profit for the year attributable to:			
Non-controlling interests		2,138	2,150
Owners of the Company		<u>39,729</u>	<u>55,032</u>
		<u>41,867</u>	<u>57,182</u>
Total comprehensive income for the year attributable to:			
Non-controlling interests		2,279	2,167
Owners of the Company		<u>31,552</u>	<u>61,525</u>
		<u>33,831</u>	<u>63,692</u>
Basic earnings per share	12	<u>10.02 cents</u>	<u>13.88 cents</u>
Diluted earnings per share	12	<u>10.02 cents</u>	<u>13.88 cents</u>
Basic weighted average number of common shares outstanding	12	<u>396,413,753</u>	<u>396,384,055</u>
Diluted weighted average number of common shares outstanding	12	<u>396,413,753</u>	<u>396,400,505</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014

	NOTES	2014 US\$'000	2013 US\$'000
Current assets			
Cash and cash equivalents	13	565,578	105,887
Accounts receivable and other receivables	14	13,058	9,714
Prepaid expenses and deposits	15	17,719	6,987
Prepaid lease payments	16	232	235
Inventory	17	159,580	61,245
		<u>756,167</u>	<u>184,068</u>
Non-current assets			
Prepaid expense and deposits	15	6,466	16,706
Prepaid lease payments	16	8,140	8,425
Inventory	17	–	2,001
Deferred tax assets	8	9,037	14,501
Available-for-sale investments	18	21,544	21,850
Property, plant and equipment	19	1,274,334	1,027,393
Mining rights	20	937,806	943,557
		<u>2,257,327</u>	<u>2,034,433</u>
Total assets		<u>3,013,494</u>	<u>2,218,501</u>
Current liabilities			
Accounts payable and accrued expenses	21	162,669	115,952
Borrowings	22	526,839	232,432
Tax liabilities		8,912	7,487
		<u>698,420</u>	<u>355,871</u>
Net current assets (liabilities)		<u>57,747</u>	<u>(171,803)</u>
Total assets less current liabilities		<u>2,315,074</u>	<u>1,862,630</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014

	NOTES	2014 US\$'000	2013 US\$'000
Non-current liabilities			
Entrusted loan payable	23	32,221	–
Deferred tax liabilities	8	126,036	126,687
Deferred income	24	1,791	2,518
Borrowings	22	658,936	272,074
Environmental rehabilitation	25	30,932	29,826
		<u>849,916</u>	<u>431,105</u>
Total liabilities		<u>1,548,336</u>	<u>786,976</u>
Owners' equity			
Share capital	26	1,229,061	1,229,061
Reserves		29,427	36,304
Retained profits		<u>194,505</u>	<u>156,066</u>
		<u>1,452,993</u>	<u>1,421,431</u>
Non-controlling interests		<u>12,165</u>	<u>10,094</u>
Total owners' equity		<u>1,465,158</u>	<u>1,431,525</u>
Total liabilities and owners' equity		<u>3,013,494</u>	<u>2,218,501</u>

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2015 and are signed on its behalf by:

(Signed by) Xin Song

Xin Song
Director

(Signed by) Bing Liu

Bing Liu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

Notes	Number of shares	Share capital US\$'000	Equity reserve US\$'000 note (a)	Investment revaluation reserve US\$'000	Exchange reserve US\$'000	Statutory reserve US\$'000 note (b)	Retained profits US\$'000	Subtotal US\$'000	Non- controlling interests US\$'000	Total owners' equity US\$'000
At January 1, 2013	396,318,753	1,228,731	11,251	559	8,018	3,933	107,166	1,359,658	8,136	1,367,794
Profit for the year	-	-	-	-	-	-	55,032	55,032	2,150	57,182
Fair value loss on available-for-sale investments	-	-	-	(372)	-	-	-	(372)	-	(372)
Exchange difference arising on translation	-	-	-	-	6,865	-	-	6,865	17	6,882
Total comprehensive income for the year	-	-	-	(372)	6,865	-	55,032	61,525	2,167	63,692
Exercise of stock options (note a)	26(b) 95,000	330	(124)	-	-	-	-	206	-	206
Share-based compensation (note a)	-	-	42	-	-	-	-	42	-	42
Transfer to statutory reserve	-	-	-	-	-	6,132	(6,132)	-	-	-
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(209)	(209)
At December 31, 2013	396,413,753	1,229,061	11,169	187	14,883	10,065	156,066	1,421,431	10,094	1,431,525
Profit for the year	-	-	-	-	-	-	39,729	39,729	2,138	41,867
Fair value loss on available-for-sale investments	-	-	-	(909)	-	-	-	(909)	-	(909)
Exchange difference arising on translation	-	-	-	-	(7,268)	-	-	(7,268)	141	(7,127)
Total comprehensive income for the year	-	-	-	(909)	(7,268)	-	39,729	31,552	2,279	33,831
Share-based compensation (note a)	-	-	10	-	-	-	-	10	-	10
Transfer to statutory reserve	-	-	-	-	-	1,290	(1,290)	-	-	-
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(208)	(208)
At December 31, 2014	396,413,753	1,229,061	11,179	(722)	7,615	11,355	194,505	1,452,993	12,165	1,465,158

Notes:

- Amounts represent equity reserve arising from share-based compensation provided to employees under the stock option plan of the Company and deemed contribution from shareholders in previous years.
- Statutory reserve which consists of appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC"), forms part of the equity of the PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount equal to a minimum of 10% of their profits after taxation each year to a statutory reserve until the reserve reaches 50% of the registered capital of the respective subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

AT DECEMBER 31, 2014

	2014 US\$'000	2013 US\$'000
Operating activities		
Profit before income tax	62,716	73,547
Items not requiring use of cash and cash equivalents:		
Amortization of mining rights	4,535	6,077
Depreciation	53,562	33,845
Finance costs	23,918	10,654
Loss on disposal of property, plant and equipment	269	324
Interest income from entrusted loan	–	(455)
Release of prepaid lease payment	194	195
Release of deferred lease inducement	(23)	(33)
Release of deferred income	(322)	(1,155)
Share-based compensation	10	42
Change in non-cash operating working capital items:		
Accounts receivable and other receivables	(3,576)	(6,251)
Prepaid expenses and deposits	(10,846)	5,161
Inventory	(96,514)	(14,461)
Accounts payable and accrued expenses	22,950	34,811
Environmental rehabilitation expenses paid	(1,746)	–
Cash generated from operations	55,127	142,301
Interest paid	(37,673)	(15,994)
Income taxes paid	(14,482)	(32,514)
Net cash from operating activities	2,972	93,793
Investing activities		
Acquisition of available-for-sale investments	(644)	(849)
Deposit paid for acquisition of property, plant and equipment	(1,651)	(11,728)
Payment for acquisition of property, plant and equipment	(263,845)	(458,739)
Payment for acquisition of land use rights	(105)	(1,821)
Proceeds from disposal of property, plant and equipment	–	4
Receipt of asset-related government grants	42	2,850
Repayment of entrusted loan to a substantial shareholder	–	16,507
Net cash used in investing activities	(266,203)	(453,776)

CONSOLIDATED STATEMENT OF CASH FLOWS

AT DECEMBER 31, 2014

	2014 US\$'000	2013 US\$'000
Financing activities		
Dividend paid to a non-controlling shareholder	(208)	(209)
Issuance of common shares upon exercise of share options	—	206
Proceeds from borrowings	922,480	317,449
Proceeds from entrusted loan advanced by a substantial shareholder	32,221	—
Repayments of borrowings	(230,281)	(31,369)
Net cash from financing activities	724,212	286,077
Effect of foreign exchange rate changes on cash and cash equivalents	(1,290)	(1,947)
Net increase (decrease) in cash and cash equivalents	459,691	(75,853)
Cash and cash equivalents, beginning of year	105,887	181,740
Cash and cash equivalents, end of year	565,578	105,887
Cash and cash equivalents are comprised of		
Cash and bank deposits in bank	565,578	105,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines Inc., (the “Company”) is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange (“TSX”) and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company together with its subsidiaries (collectively referred to as the “Group”) is principally engaged in the acquisition, exploration, development and mining of mineral reserves in the PRC. Particulars of the subsidiaries of the Company are set out in Note 35. The Group considers that China National Gold Group Corporation (“CNG”), a state owned company registered in Beijing, PRC which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC, is able to exercise significant influence over the Company.

The head office, principal address and registered and records office of the Company are located at Suite 660, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M5.

The consolidated financial statements are presented in United States Dollars (“US\$”) which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied the following new or amended IFRSs, international accounting standards (“IASs”) or interpretation (“IFRIC-Int”) issued by IFRS interpretations committee (“IFRIC”) which are mandatorily effective for the financial year beginning January 1, 2014:

Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC – Int 21	Levies

The application of the new or amended IFRSs, IASs or interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The Group has not early applied the following new or amended IFRSs or interpretation that has been issued but is not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to IAS 1	Disclosure Initiative ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁶
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ⁵
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁵
Amendments to IAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁵

¹ Effective for annual periods beginning on or after January 1, 2018

² Effective for first annual IFRS financial statements beginning on or after January 1, 2016

³ Effective for annual periods beginning on or after January 1, 2017

⁴ Effective for annual periods beginning on or after July 1, 2014

⁵ Effective for annual periods beginning on or after January 1, 2016

⁶ Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

Other than IFRS 15, the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognized at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period which cannot exceed one year from the acquisition date, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Interests in subsidiaries

Investments in subsidiaries recorded at the Company level are stated at cost (including deemed capital contribution) less subsequent accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in foreign currencies are initially recorded in the entity's functional currency at the exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

Share-based payments

The Company grants stock options to directors and employees to acquire common shares of the Company. The Company grants such options for exercisable periods of up to six years, with vesting periods determined at its sole discretion and at prices equal to the weighted average price of the common shares for the five days immediately preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense over its vesting periods with a corresponding increase in equity. The amount recognized as expense in each period is adjusted to reflect the number of share options expected to vest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the current tax charge and the movement in deferred tax.

The tax currently payable is based on taxable income for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to state-managed retirement benefit scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Prepaid lease payments

Prepaid lease payments representing land use rights in the PRC are stated at cost and amortized on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortized in the next twelve months or less are classified as current assets.

Inventory

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Gold in process inventory consists of gold contained in the ore on leach pads and in-circuit material within processing operations. Gold doré bar is gold awaiting refinement and gold refined and ready for sales.

Gold in process inventory

Production costs are capitalized and included in gold in process inventory based on the current mining and processing cost incurred up to the point prior to the refining process including the cost of raw materials and direct labour; mine-site overhead expenses; stripping costs; and allocated indirect costs, including depreciation and depletion of mining interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventory (Cont'd)

Gold doré bars inventory

The recovery of gold from ore is achieved through a heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution which dissolves the gold contained in the ore. The resulting “pregnant” solution is further processed in a plant where the gold is recovered. Costs are subsequently recycled from ore on leach pads as ounces of gold are recovered based on the average cost per recoverable ounce on the leach pad. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured in tonnes added to the leach pads), the grade of the ore placed on the leach pads (based on assay data), and a recovery percentage (based on ore type).

Copper inventory is copper concentrate after metallurgical processing and ready for sales.

Consumables used in operations, such as fuel, chemicals, and reagents and spare parts inventory are valued at the lower of cost or net realizable value.

Property, plant and equipment

General

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized and the carrying amount of the component being replaced is derecognized. Directly attributable costs incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Management reviews the estimated useful lives, residual values and depreciation methods of the Group's property, plant and equipment at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

All direct costs related to the acquisition of mineral assets are capitalized, at their cost at the date of acquisition.

Exploration and evaluation expenditure

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are exploration and evaluation expenditure and are expensed as incurred up to the date on which costs incurred are economically recoverable. Further exploration and evaluation expenditures, subsequent to the establishment of economic recoverability, are capitalized and included in the carrying amount of the mineral assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Exploration and evaluation expenditure (Cont'd)

Management evaluates the following criteria in its assessments of economic recoverability and probability of future economic benefit:

- Geology – whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. A history of conversion of resources to reserves at operating mines to support the likelihood of conversion.
- Scoping – there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.
- Accessible facilities – mining property can be processed economically at accessible mining and processing facilities where applicable.
- Life of mine plans – an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing orebody.
- Authorizations – operating permits and feasible environmental programs exist or are obtainable.

Therefore prior to capitalizing exploration drilling and related costs, Management determines that the following conditions have been met that will contribute to future cash flows:

- There is a probable future benefit that will contribute to future cash inflows;
- The Group can obtain the benefit and controls access to it;
- The transaction or event giving rise to the future benefit has already occurred; and
- Costs incurred can be measured reliably.

Development expenditure

Drilling and related costs incurred to define and delineate a mineral deposit are capitalized as part of mineral assets in the period incurred, when management determines that there is sufficient evidence that the expenditure will result in a probable future economic benefit to the Group.

Production expenditure

Capitalization of costs incurred ceases when the related mining property has reached the condition necessary for it to be capable of operating in the manner intended by management, therefore, such costs incurred are capitalized as part of the mineral assets and the proceeds from sales prior to commissioning are offset against costs capitalized.

Mine development costs incurred to maintain current production are included in profit or loss. For those areas being developed which will be mined in future periods, the costs incurred are capitalized and depleted when the related mining area is mined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Depreciation

Mineral assets are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mine when the production level achieved designed production volume intended by Management.

Management reviews the estimated total recoverable ounces contained in proven and probable reserves at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in proven and probable reserves are accounted for prospectively.

Assets under construction are not depreciated until they are substantially complete and available for their intended use.

Leasehold improvements are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

Mining rights

Mining rights are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mine.

Mining rights acquired in a business combination

Mining rights acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, mining rights with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

Impairment of tangible assets and mining rights

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and mining rights to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Mining rights (Cont'd)

Impairment of tangible assets and mining rights (Cont'd)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years.

Financial instruments

The Group's financial assets and liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months or those that are expected to be settled after twelve months from the end of the reporting period, which are classified as non-current assets. Assets in this category include "accounts receivable", "cash and cash equivalents", "amounts due from related companies" and "amount due from a non-controlling shareholder" (included in prepaid expenses).

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Available-for-sale financial assets (Cont'd)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments;
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

Trade receivables (included in accounts receivable) assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Any impairment on financial assets that are measured at amortized costs, excluding trade receivables, is deducted directly to their carrying amounts. Any impairment on trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in investment revaluation reserve.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs. Equity instruments issued in a business combination are recorded at their fair value at the acquisition date.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments

Financial liabilities

Financial liabilities, including borrowings, entrusted loan payable, accounts payable and accrued expenses excluding advance from customers, tax payables other than income tax payables and accruals, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

For financial liabilities, they are derecognized only when the Group's obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized as part of the related property, plant and equipment at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognized in profit or loss over the life of the operation, through depreciation of the asset. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are recognized in profit or loss.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, including the effects of inflation and movements in foreign exchange rates, revisions to estimated reserves, resources and lives of operations, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. The periodic unwinding of discount is recognized in profit or loss as a finance cost as it occurs. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the Group's accounting policy.

Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group’s accounting policies, which are described in Note 3, the Group has identified the following key sources of estimation uncertainty that have significant effect on the amounts recognized in the consolidated financial statements.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

(a) Inventories

The Group records the cost of gold mining ore placed on its leach pads and in process at its mine as gold in process inventory, and values gold in process inventory at the lower of cost and estimated net realizable value. The assumptions used in the valuation of gold in process inventories include estimates of gold contained in the ore placed on leach pads, assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads, and the amount of gold in the process plant and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove inaccurate, the Group could be required to write down the recorded value of its gold in process inventories. During the year, there is no change in the relevant estimation.

Although the quantities of recoverable gold placed on the leach pad are reconciled by comparing the grades of ore placed on the leach pad to the quantities actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. The actual recovery of gold from the leach pad is not known until the leaching process has concluded at the end of the mine life.

The management of the Group (the “Management”) periodically reassesses the assumptions used in the valuation of gold in process and the costing of production of gold doré bars, particularly the assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads (the “Estimated Recovery Rate”). As a result of such reassessments, an increase/decrease in the Estimated Recovery Rate led to a decrease/increase in the average production cost of gold doré bars. During the year, there is no change in the relevant estimation.

The carrying amount of gold in process and gold doré bars as at December 31, 2014 is disclosed in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(b) Mineral assets

The Group's mineral assets included in property, plant and equipment is depreciated and amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of depreciation of mineral assets is based on the amount of reserves expected to be recovered from the mine, as included in the technical report prepared by an independent valuer and the assumption that the Group is able to renew the mining rights without significant cost until the end of the mine's life. If these estimates of reserves prove to be inaccurate, or if the Group revises its mining plan, due to reductions in the metal price forecasts or otherwise, to reduce the amount of reserves expected to be recovered, the Group could be required to write down the recorded value of its property, plant and equipment, or to increase the amount of future depreciation and depletion expense.

The Group believes that it is able to renew the mining rights without significant cost until the end of the life of the mine. If the renewal of mining rights is unsuccessful, the Group could be required to write down the recorded value of its property, plant and equipment.

The carrying amount of mineral assets as at December 31, 2014 is disclosed in Note 19.

(c) Mining rights

The Group's mining rights in the Jiama polymetallic mineral property ("Jiama Mine"), are amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of amortization of mining rights is based on the amount of reserves expected to be recovered from the Jiama Mine as included in the technical report prepared by an independent valuer and the assumption is that the mining rights are renewable by the Group without significant cost until the end of the mine's life. If these estimates of reserves prove to be inaccurate, or if the Group revises its mining plan, due to reductions in the future prices of copper, lead and silver, or otherwise, to reduce the amount of reserves expected to be recovered or any material delay in construction periods or commencement of commercial production in Phase II of the Jiama Mine, the Group could be required to write down the recorded value of its mining rights, or to increase the amount of future amortization expense.

The Group believes that it is able to renew the mining rights without significant cost until the end of the life of the mine. If the renewal of mining rights is unsuccessful, the Group could be required to write down the recorded value of its mining rights.

The carrying amount of mining rights as at December 31, 2014 is disclosed in Note 20.

(d) Environmental rehabilitation

Environmental rehabilitation costs have been estimated based on the Group's interpretation of current regulatory requirements and have been measured at the net present value of expected future cash expenditure upon reclamation and closure. Environmental rehabilitation costs are capitalized as mineral assets costs and depreciated under unit-of-production method as disclosed above. Because the fair value measurement requires the input of subjective assumptions, including the environmental rehabilitation costs, changes in subjective input assumptions can materially affect the estimate of the obligation.

During the year ended December 31, 2013, estimated environmental rehabilitation costs were increased by US\$21,700,000 due to phase two expansion in both Jiama and CSH mine sites.

The carrying amount of environmental rehabilitation costs as at December 31, 2014 is disclosed in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

5. GENERAL AND ADMINISTRATIVE EXPENSES

	2014 US\$'000	2013 US\$'000
Administration and office	6,925	8,641
Professional fees	2,464	4,041
Salaries and benefits ⁽¹⁾	10,812	10,259
Depreciation of property, plant and equipment	3,182	1,301
Others	1,678	1,461
Total general and administrative expenses	25,061	25,703

⁽¹⁾ Share-based compensation (a non-cash item) of approximately US\$10,000 has been included in salaries and benefits for the year ended December 31, 2014 (2013: US\$42,000).

6. EXPLORATION AND EVALUATION EXPENDITURE

	2014 US\$'000	2013 US\$'000
CSH Gold Mine (Note 19(a))	471	243
Generative exploration	75	4
Total exploration and evaluation expenditure	546	247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

7. FINANCE COSTS

	2014 US\$'000	2013 US\$'000
Effective interests on borrowings:		
– wholly repayable within 5 years	37,673	15,995
Accretion on environmental rehabilitation (Note 25)	2,657	763
	<u>40,330</u>	<u>16,758</u>
Less: Amounts capitalised to property, plant and equipment	(16,412)	(6,104)
	<u>23,918</u>	<u>10,654</u>
Total finance costs		

Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction, or, where financed through general borrowings, at a capitalisation rate representing the average interest rate on such borrowings.

	2014 %	2013 %
Capitalization rate	4.35	4.32

8. INCOME TAX EXPENSE

The Company was incorporated in Canada and is subject to Canadian federal and provincial tax requirements which are calculated at 26% (2013: 25.75%) of the estimated assessable profit for the year ended December 31, 2014. Since its incorporation, the Company had no assessable profit subject to Canadian federal and provincial tax requirements.

PRC Enterprise Income Tax ("EIT") is calculated at the prevailing tax rate of 25% on the estimated taxable profit of the group entities located in the PRC for the years ended December 31, 2014 (2013: 25%) except as described below.

Tibet Huatailong Mining Development Co. Ltd. ("Huatailong") and Metrorkongka County Jiama Industry and Trade Co. ("Jiama Industry and Trade"), subsidiaries acquired in December 2010, were established in the westward development area of the PRC and subject to preferential tax rate of 15% of taxable profit.

Under relevant PRC Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated distributable profits of the PRC subsidiaries amounting to approximately US\$323,681,000 and US\$272,754,000 at December 31, 2014 and 2013, respectively, as the Company is able to control the timing of the reversal of temporary differences and it is probable the temporary differences will not reverse in the foreseeable future.

Taxation for other relevant jurisdictions is calculated at the rates prevailing in each of those jurisdictions respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

8. INCOME TAX EXPENSE (Cont'd)

Tax expense comprises:

	2014 US\$'000	2013 US\$'000
Current tax expense – PRC EIT	16,036	27,738
Deferred tax expense (credit)	4,813	(11,373)
	<u>20,849</u>	<u>16,365</u>

Per the consolidated statement of profit or loss and other comprehensive income, the tax expense for the Group can be reconciled to the profit before income tax for the year as follows:

	2014 US\$'000	2013 US\$'000
Profit before income tax	<u>62,716</u>	<u>73,547</u>
PRC EIT tax rates	<u>25%</u>	<u>25%</u>
Tax at the PRC EIT tax rates	15,679	18,387
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	153	(37)
Tax effect of concessionary tax rate	(634)	(2,066)
Tax effect of tax losses not recognized	446	1,929
Tax effect of non-deductible expenses	3,227	1,769
Utilization of deductible temporary differences previously not recognized	–	(3,617)
Tax effect of non-taxable income	(48)	–
Tax effect of deductible temporary differences not recognized	<u>2,026</u>	<u>–</u>
	<u>20,849</u>	<u>16,365</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

8. INCOME TAX EXPENSE (Cont'd)

The following are the major deferred tax (assets) liabilities recognized and movements thereon during the current and prior years:

	Property, Plant and equipment US\$'000	Environmental rehabilitation US\$'000	Mining Rights ⁽¹⁾ US\$'000	Inventory US\$'000	Prepaid lease payment US\$'000	Others US\$'000	Total US\$'000
At January 1, 2013	(8,408)	(1,450)	135,356	(1,425)	99	(613)	123,559
(Credit) charge to profit or loss	123	(3,947)	(4,698)	(2,881)	(99)	129	(11,373)
At December 31, 2013	(8,285)	(5,397)	130,658	(4,306)	–	(484)	112,186
Charge (credit) to profit or loss	(1,383)	(471)	(3,971)	8,504	–	2,134	4,813
At December 31, 2014	(9,668)	(5,868)	126,687	4,198	–	1,650	116,999

⁽¹⁾ Amount represents deferred tax liability arising from the fair value adjustment on mining rights during the business acquisition of Skyland in December 2010.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 US\$'000	2013 US\$'000
Deferred tax assets	9,037	14,501
Deferred tax liabilities	(126,036)	(126,687)
	(116,999)	(112,186)

The Group's unrecognized deferred income tax assets are as follows:

	2014 US\$'000	2013 US\$'000
Deferred income tax assets		
Tax loss carry forwards	14,797	14,351
Other deductible temporary differences	614	283
Total unrecognized deferred income tax assets	15,411	14,634

Deferred tax asset of US\$14,797,000 (December 31, 2013: US\$14,351,000) has not been recognized in respect of unused tax loss due to the unpredictability of future profit streams. Under Canadian tax laws, unused tax loss arising in a tax year ended between March 22, 2004 and December 31, 2005 can be carried forward for 10 years while the unused tax loss can be carried forward for 20 years if the loss is arising in tax years ended after December 31, 2005.

Other deductible temporary differences primarily comprise of share issue costs and cumulative eligible capital expenditures that were incurred by the Company which are tax deductible according to the relevant tax law in Canada. No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable and not probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

9. PROFIT FOR THE YEAR

	2014 US\$'000	2013 US\$'000
Auditor's remuneration	683	714
Depreciation included in cost of sales and inventory	50,380	32,544
Depreciation included in administrative expenses (Note 5)	3,182	1,301
Total depreciation	53,562	33,845
Release of prepaid lease payment (included in cost of sales)	194	195
Amortization of mining rights (included in cost of sales)	4,535	6,077
Loss on disposal of property, plant and equipment	13	324
Staff costs		
Directors' and chief executive's emoluments (Note 10)	475	505
Retirement benefit contributions	720	1,127
Staff salaries and benefits	9,617	8,627
Total salaries and benefits included in administrative expenses (Note 5)	10,812	10,259
Staff salaries and benefits	4,064	2,800
Total salaries and benefits capitalised in construction in progress	4,064	2,800
Staff costs included in cost of sales and inventory	12,943	12,170
Total staff costs	27,819	25,229
Operating lease payment	1,224	1,376
Bank interest income	(3,775)	(1,688)
Government subsidies ⁽¹⁾	(322)	(5,074)

⁽¹⁾ Government subsidies of US\$3,604,000 had been received from the local Finance Bureau of Tibet in 2013 as a reward for the Group's contribution to community development and environmental preservation in the local Tibet region. There was no condition attached to the subsidies and the entire amount is recognized as other income in 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of the nine (2013: nine) directors and the Chief Executive were as follows:

For the year ended December 31, 2014

	Fees US\$'000	Salaries and other benefits US\$'000	Retirement benefit contributions US\$'000	Share-based compensation US\$'000	Total US\$'000
Directors					
Xin Song****	—	—	—	—	—
Bing Liu*	—	—	—	—	—
Xiangdong Jiang*	—	181	2	—	183
Zhanming Wu**	—	77	4	—	81
Liangyou Jiang**	—	18	2	—	20
Lianzhong Sun***	—	—	—	—	—
Yunfei Chen	44	—	—	2	46
Ian He	49	—	2	2	53
Gregory Hall	44	—	—	2	46
John King Burns	44	—	—	2	46
	<u>181</u>	<u>276</u>	<u>10</u>	<u>8</u>	<u>475</u>

For the year ended December 31, 2013

	Fees US\$'000	Salaries and other benefits US\$'000	Retirement benefit contributions US\$'000	Stock-based compensation US\$'000	Total US\$'000
Directors					
Zhaoxue Sun****	—	—	—	—	—
Xin Song*	—	—	—	—	—
Bing Liu*	—	—	—	—	—
Xiangdong Jiang*	—	181	2	—	183
Zhanming Wu*	—	134	—	—	134
Yunfei Chen	35	—	—	10	45
Ian He	40	—	2	10	52
Gregory Hall	35	—	—	11	46
John King Burns	34	—	—	11	45
	<u>144</u>	<u>315</u>	<u>4</u>	<u>42</u>	<u>505</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' and Chief Executive's emoluments (Cont'd)

- * Executive Director
- ** Executive Director, Liangyou Jiang was appointed immediately following the resignation of Zhanming Wu during the year ended December 31, 2014
- *** Non-Executive director, Lianzhong Sun was appointed during the year ended December 31, 2014
- **** Chairman of the Board, Xin Song was appointed immediately following the resignation of Zhaoxue Sun during the year ended December 31, 2014

Mr. Bing Liu is a director and Chief Executive of the Company. The emoluments disclosed above are inclusive of services rendered by him as the Chief Executive.

Mr. Xin Song, Mr. Bing Liu and Mr. Lianzhong Sun have also been employed by CNG and the payment of their contributions to retirement benefits scheme was centralised and made by CNG for both years, in which the amounts are considered as insignificant.

For the years ended December 31, 2014 and 2013, none of the directors of the Company have waived or agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Employees' emoluments

The five highest paid individuals included one (2013: one) director for the year ended December 31, 2014. The emoluments of the remaining four (2013: four) individuals for the year ended December 31, 2014, are as follows:

	2014 US\$'000	2013 US\$'000
Employees		
Salaries and other benefits	654	654
Retirement benefit contributions	4	4
	<u>658</u>	<u>658</u>

Their emoluments were within the following bands:

	No. of individuals 2014	2013
HK\$nil to HK\$1,000,000 (equivalent to approximately US\$nil to US\$129,000)	1	–
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately US\$129,001 to US\$193,000)	2	4
HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately US\$193,001 to US\$258,000)	1	–
	<u>1</u>	<u>–</u>

During the years ended December 31, 2014 and 2013, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDEND

No dividends were paid or proposed during 2014 and 2013, nor has any dividend been proposed since the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

12. EARNINGS PER SHARE

Earnings used in determining earnings per share are presented below:

	2014 US\$'000	2013 US\$'000
Profits attributable to owners of the Company for the purposes of basic and diluted earnings per share	39,729	55,032
Weighted average number of shares, basic	396,413,753	396,384,055
Dilutive securities		
– Stock options	–	16,450
Weighted average number of shares, diluted	396,413,753	396,400,505
Basic earnings per share	10.02 cents	13.88 cents
Diluted earnings per share	10.02 cents	13.88 cents

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for 2014.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group are comprised of bank balances and bank deposits with an original maturity of three months or less. The Group's bank balances and cash equivalents are denominated in the foreign currencies other than the respective group entities' functional currencies are presented below:

	2014 US\$'000	2013 US\$'000
Denominated in:		
Canadian dollars ("CAD")	910	3,008
Renminbi ("RMB")	30,367	43,072
US\$	14	20
Hong Kong dollars ("HK\$")	272	273
Total cash and cash equivalents	31,563	46,373

The bank balances and bank deposits carry interest rates ranging from 0.35% to 1.92% (2013: 0.35% to 3.5%) per annum for the year ended December 31, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

14. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The Group's accounts receivable arise from the following sources: trade receivables and amounts due from related companies. These are broken down as follows:

	2014 US\$'000	2013 US\$'000
Trade receivables	8,303	740
Less: allowance for doubtful debts	(167)	(145)
	8,136	595
Amounts due from related companies (Note 27(a)) ⁽¹⁾	4,591	3,354
Other receivables	331	5,765
Total accounts receivable and other receivables	13,058	9,714

⁽¹⁾ The outstanding balances represent service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the years ended December 31, 2014 and December 31, 2013. The amounts are unsecured, interest free and repayable on demand.

The Group allows an average credit period of 90 days and 180 days to its external trade customers including CNG for gold dore bar sales and copper sales, respectively.

Below is an aged analysis of trade receivables (net of allowance) presented based on invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period:

	2014 US\$'000	2013 US\$'000
Less than 30 days	7,852	40
31 to 90 days	202	480
91 to 180 days	21	45
Over 180 days	61	30
	8,136	595

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The customers with balances that are neither past due nor impaired have good repayment history and thus no impairment is considered necessary.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US\$61,000 and US\$30,000 at December 31, 2014 and 2013, respectively, which are past due over six months for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

14. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES (Cont'd)

Movement in the allowance for doubtful debts:

	2014 US\$'000	2013 US\$'000
At January 1	145	50
Addition	26	93
Exchange realignment	(4)	2
At December 31	167	145

The Group holds no collateral for any receivable amounts outstanding as at December 31, 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

15. PREPAID EXPENSES AND DEPOSITS

	2014 US\$'000	2013 US\$'000
Deposits for mine supplies and services (note a)	9,969	2,288
Deposits for spare parts	4,681	1,306
Deposits for environmental protection (note b)	4,043	4,212
Deposit for acquisition of property, plant and equipment (note c)	1,651	11,728
Prepaid property and machinery insurance	279	820
Amount due from a non-controlling shareholder (note d)	449	435
Other prepayment and deposits	3,113	2,904
Total prepaid expenses, deposits and other receivables	24,185	23,693
Less: Amounts that will be settled or utilized within one year shown under current assets	(17,719)	(6,987)
Amounts that will be settled or utilized for more than one year shown under non-current assets	6,466	16,706

Notes:

- The amount represents deposits paid to third party vendors and related companies (Note 27) for purchasing of raw materials and inventory consumable.
- The amount represents deposits paid to the PRC local land administration bureau for undertaking the restoration of land when the lease term is expired. Such amount is receivable upon the end of the mine life and is expected to be repaid after one year and therefore it is shown as a non-current asset at both 2014 and 2013 year end.
- The amount represents deposits paid to third party contractors for the acquisition of property, plant and equipment to expand its mining capacity in Tibet, the PRC. The amount is shown as non-current asset.
- The amount represented the amount due from Metrorkonga Jiamia Cooperatives ("Jiamia Cooperatives"), a non-controlling shareholder of Jiamia Industry and Trade, a 51% owned subsidiary of Huatailong. Huatailong, a wholly owned subsidiary of the Company, paid RMB2,450,000 (equivalent to approximately US\$449,000) on behalf of Jiamia Cooperatives as the 49% capital contribution to Jiamia Industry and Trade.

The amount is unsecured, interest-free and repayable on demand. As agreed between Huatailong and Jiamia Cooperatives, Jiamia Cooperatives can use future distribution of dividend by Jiamia Industry and Trade to settle the amount. The Group considers that the amount due from Jiamia Cooperatives will not be repayable within one year; therefore, it is classified as non-current asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

16. PREPAID LEASE PAYMENTS

	US\$'000
At January 1, 2013	6,820
Additions	1,821
Release to profit or loss	(195)
Exchange realignment	214
At December 31, 2013 and January 1, 2014	8,660
Additions	105
Release to profit or loss	(194)
Exchange realignment	(199)
At December 31, 2014	8,372
	2014
	US\$'000
Analyzed for reporting purpose:	
Current portion	232
Non-current portion	8,140
	8,372
	2013
	US\$'000
	235
	8,425
	8,660

Prepaid lease payments represent payments for medium-term leasehold land located in the PRC. The prepaid lease payments are released to profit or loss over the remaining lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

17. INVENTORY

	2014 US\$'000	2013 US\$'000
Gold in process	124,850	44,628
Gold doré bars	11,861	4,182
Consumables	5,674	5,959
Copper	7,327	122
Spare parts	9,868	8,355
Total inventory	159,580	63,246
Less: Amounts expected to be recovered after 12 months (note) (shown under non-current assets)	—	(2,001)
Amounts shown under current assets	159,580	61,245

Note:

At December 31 2013, management had taken into consideration the long-term process involved in recovering gold from the heap leaching system and had classified inventory, specifically, the gold in process, that was expected to be recovered more than twelve months after the end of the reporting period into non-current assets.

Inventory totalling US\$174,530,000 (2013: US\$200,355,000) for the year ended December 31, 2014 was recognized in cost of sales.

18. AVAILABLE-FOR-SALE INVESTMENTS

	December 31, 2014 US\$'000	December 31, 2013 US\$'000
Listed investment:		
– Equity securities listed in Hong Kong ⁽¹⁾	19,289	20,198
Unlisted investment:		
– Equity securities ^{(2) (3)}	2,255	1,652
	21,544	21,850

⁽¹⁾ On June 29, 2012, the Group acquired 70,545,000 shares of China Nonferrous Mining Corporation Limited (“CNMC”), a listed company in Hong Kong at HK\$2.20 per share for a total consideration of US\$20,011,000 which represents 2.03% equity interest in CNMC.

On December 31, 2014, the investment was stated at fair value on quoted bid prices on December 31, 2014 and a fair value loss of US\$909,000 (2013: loss of US\$372,000) has been recognized in other comprehensive income.

⁽²⁾ As of December 31, 2014, the Group has invested RMB10,000,000 (approximately US\$1,611,000, 2013: US\$1,652,000) representing a 10% share interest in Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd. (“Yong'an Chemicals”). Yong'an Chemicals is incorporated in the PRC and principally engaged in the development and manufacturing of chemicals.

⁽³⁾ As of December 31, 2014, the Group has invested RMB4,000,000 (approximately US\$644,000, 2013: nil) representing a 10% share interest in Mozu Gongka Jiulian Industrial Explosives Material Co. Ltd. (“Mozu Explosives”). Mozu Explosives is incorporated in the PRC and principally engaged in the development and manufacturing of explosives.

Both Yong'an Chemicals and Mozu Explosives are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the fair values cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings US\$'000	Crusher US\$'000	Furniture and office equipment US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Leasehold improvements US\$'000	Mineral assets US\$'000	Construction in progress ("CIP") US\$'000	Total US\$'000
COST									
At January 1, 2013	162,558	72,283	1,794	88,140	5,890	100	124,805	128,863	584,433
Additions	3,037	-	654	4,828	1,986	-	72,510	423,939	506,954
Disposals	-	-	-	(418)	(49)	-	-	-	(467)
Transfer from CIP	30,678	-	-	-	-	-	-	(30,678)	-
Environmental rehabilitation adjustment (Note 25)	-	-	-	-	-	-	21,700	-	21,700
Exchange realignment	4,685	-	186	1,601	145	-	2,737	7,534	16,888
At December 31, 2013	200,958	72,283	2,634	94,151	7,972	100	221,752	529,658	1,129,508
Additions	9,378	4,498	731	4,494	664	185	84,144	214,975	319,069
Disposals	-	-	-	(373)	-	-	-	-	(373)
Transfer from CIP	8,132	139,098	5	595	-	-	-	(147,830)	-
Environmental rehabilitation adjustment (Note 25)	-	-	-	-	-	-	947	-	947
Exchange realignment	(4,518)	-	(29)	(1,400)	(152)	-	(2,735)	(11,543)	(20,377)
At December 31, 2014	213,950	215,879	3,341	97,467	8,484	285	304,108	585,260	1,428,774
ACCUMULATED DEPRECIATION									
As at January 1, 2013	(11,941)	(15,210)	(1,116)	(21,171)	(2,012)	(56)	(15,812)	-	(67,318)
Provided for the year	(7,917)	(6,222)	(176)	(7,430)	(922)	(20)	(11,158)	-	(33,845)
Eliminated on disposals	-	-	-	94	45	-	-	-	139
Exchange realignment	(395)	-	(100)	(359)	(52)	-	(185)	-	(1,091)
At December 31, 2013	(20,253)	(21,432)	(1,392)	(28,866)	(2,941)	(76)	(27,155)	-	(102,115)
Provided for the year	(9,205)	(8,092)	(482)	(8,198)	(1,053)	(28)	(26,504)	-	(53,562)
Eliminated on disposals	-	-	-	104	-	-	-	-	104
Exchange realignment	474	-	14	396	58	-	191	-	1,133
At December 31, 2014	(28,984)	(29,524)	(1,860)	(36,564)	(3,936)	(104)	(53,468)	-	(154,440)
CARRYING VALUE									
At December 31, 2014	184,966	186,355	1,481	60,903	4,548	181	250,640	585,260	1,274,334
At December 31, 2013	180,705	50,851	1,242	65,285	5,031	24	194,597	529,658	1,027,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

19. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment, except for mineral assets, are depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	Over the shorter of the term of lease, or 24 years
Crusher	14 years
Furniture and office equipment	2 to 5 years
Machinery and equipment	2 to 10 years
Motor vehicles	5 to 10 years
Leasehold improvements	Over the shorter of the term of lease, or 5.5 years

Mineral assets mainly represent drilling and related costs incurred on sites with an existing mine and on areas within the boundary of a known mineral deposit which contains proven and probable reserves and are capitalized prior to the commencement of production at the mine site. Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines.

Mineral Assets

(a) CSH Gold Mine

CSH Gold Mine, in which our Group holds a 96.5% interest, consists of a licensed area of 36 square kilometers ("km²") in the western part of Inner Mongolia, northern China. The site is centrally positioned within the east-west-trending Tian Shan Gold Belt and is approximately 650 kilometers ("km") northwest of Beijing. The carrying value of the CSH Gold Mine in relation to mineral assets is US\$181,120,000 as at December 31, 2014 (December 31, 2013: US\$122,216,000).

(b) Jiama Mine

The Jiama Mine, a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metror Kongka County in Tibet, in which the Group holds 100% interest through its wholly-owned subsidiary, Skyland. The Group acquired Skyland on December 1, 2010. The Jiama Mine holds two mining permits covering an area of approximately 76.9 km² and 66.4 km², respectively. The carrying value of the Jiama Mine in relation to mineral assets is US\$69,520,000 as at December 31, 2014 (December 31, 2013: US\$72,381,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

20. MINING RIGHTS

Mining rights

	US\$'000
COST	
At January 1, 2013	979,425
Exchange realignment	1,452
At December 31, 2013 and January 1, 2014	980,877
Exchange realignment	(1,270)
At December 31, 2014	979,607
ACCUMULATED AMORTIZATION	
At January 1, 2013	(31,193)
Additions	(6,077)
Exchange realignment	(50)
At December 31, 2013 and January 1, 2014	(37,320)
Additions	(4,535)
Exchange realignment	54
At December 31, 2014	(41,801)
CARRYING VALUE	
At December 31, 2014	937,806
At December 31, 2013	943,557

Mining rights represent two mining rights in the Jiama Mine, in relation to the copper concentrate and other by-products production, acquired through the acquisition of the Skyland Group. The mining rights will expire in 2015, the Group considers that it will be able to renew the mining rights with the relevant government authority continuously at an insignificant cost based on historical experience.

Amortization on mining rights acquired is provided to write off the cost of the mining rights using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

21. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses of the Group are principally comprised of amounts outstanding for trade purchases relating to minerals production activities and construction activities. The average credit period taken for trade purchases is between 120 to 150 days.

Accounts payable and accrued expenses comprise the following:

	2014 US\$'000	2013 US\$'000
Accounts payable	54,374	33,053
Construction cost payables	84,095	57,010
Advances from customers	14	513
Mining cost accrual	6,895	2,872
Other accruals	5,976	4,253
Payroll and benefit accruals	4,249	4,551
Other tax payables	4,847	4,526
Other payables	2,219	9,174
	<u>162,669</u>	<u>115,952</u>

The following is an aged analysis of the accounts payable presented based on the invoice date at the end of the reporting period:

	2014 US\$'000	2013 US\$'000
Less than 30 days	44,446	28,533
31 to 90 days	2,521	214
91 to 180 days	1,584	141
Over 180 days	5,823	4,165
	<u>54,374</u>	<u>33,053</u>
Total accounts payable		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

22. BORROWINGS

The borrowings are repayable as follows:

	December 31, 2014 US\$'000	December 31, 2013 US\$'000
Carrying amount repayable within one year (Note 1)	526,839	232,432
Carrying amount repayable within one to two years	183,661	181,217
Carrying amount repayable within two to five years (Note 2)	475,275	90,857
	<u>1,185,775</u>	<u>504,506</u>
Less: Amounts due within one year (shown under current liabilities)	<u>(526,839)</u>	<u>(232,432)</u>
Amounts shown under non-current liabilities	<u>658,936</u>	<u>272,074</u>

Note:

- As at December 31, 2014, loans of principal amount of RMB397 million (equivalent to approximately US\$64 million) and RMB230 million (equivalent to approximately US\$37 million) with original repayment terms due in 2015 did not meet the loan covenant primarily related to the asset/debt ratio of a PRC subsidiary of the Company. The lender did not request accelerated repayment of these loans.
- On July 17, 2014, the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, completed the issuance of bonds in an aggregate principal amount of US\$500 million, listed on The Stock Exchange of Hong Kong Limited. The bonds were issued at a price of 99.634%, bearing interest rate of 3.5% with a maturity date of July 17, 2017. Interest is payable in equal semi-annual instalments on January 17 and July 17 in each year. The bonds are unconditionally and irrevocably guaranteed by the Company.

Analysed as:

	December 31, 2014 US\$'000	December 31, 2013 US\$'000
Secured	80,553	188,734
Unsecured	<u>1,105,222</u>	<u>315,772</u>
	<u>1,185,775</u>	<u>504,506</u>

Borrowings carry interest at effective interest rates ranging from 3.5% to 6.00% (December 31, 2013: 2.85% to 6.08%) per annum.

Fixed rate loans amounted to approximately US\$690,213,000 (December 31, 2013: US\$110,511,000) carrying weighted average effective interest rate of 4.28% (December 31, 2013: 4.75%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

22. BORROWINGS (Cont'd)

The carrying values of the pledged assets to secure borrowings by the Group are as follows:

	December 31, 2014 US\$'000	December 31, 2013 US\$'000
Property, plant and equipment	197,605	204,265
Mining rights	937,806	943,557
	<u>1,135,411</u>	<u>1,147,822</u>

23. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three-year entrusted loan agreement with China National Gold Group Corporation ("CNG"), a substantial shareholder (Note 27) and China Construction Bank ("CCB") in which CNG provided a loan of RMB200 million (equivalent to approximately US\$32,221,000) to the Group through CCB as the entrusted bank. The entrusted loan is unsecured and carries interest at a fixed rate of 3% per annum. The principal amount is to be repaid on January 17, 2017.

24. DEFERRED INCOME

	2014 US\$'000	2013 US\$'000
Deferred income – government grants	1,772	2,476
Deferred lease inducement	<u>19</u>	<u>42</u>
Total deferred income	<u>1,791</u>	<u>2,518</u>

Pursuant to the approval notices issued by the Environmental Protection Department of Tibet Autonomous Region in August 2012, Jiama received government grants in relation to the contamination control of heavy metal ion acidulated water project amounting to RMB9,840,000 (equivalent to approximately US\$1,600,000) during the year ended December 31, 2013. The grants are recorded as deferred income in the consolidated statement of financial position and will be credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

Movement in the deferred income – government grants:

	2014 US\$'000	2013 US\$'000
At January 1	2,476	728
Addition	42	2,972
Charged to other income	(322)	(1,276)
Exchange realignment	<u>(424)</u>	<u>52</u>
At December 31	<u>1,772</u>	<u>2,476</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

25. ENVIRONMENTAL REHABILITATION

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine and Jiama Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total US\$84,249,000 (2013: US\$87,368,000), discounted at 8.3% (2013: 9.3%) per annum at December 31, 2014.

The following is an analysis of the environmental rehabilitation:

	2014 US\$'000	2013 US\$'000
At January 1	29,826	6,813
Additions to site reclamation	—	18,823
Expenses incurred during the year	(1,746)	—
Additions resulted from change in discount rate during the year	947	2,877
Accretion incurred in the current year	2,657	763
Exchange realignment	(752)	550
At December 31	30,932	29,826

26. SHARE CAPITAL AND OPTIONS

(a) Common shares

- (i) Authorized – Unlimited common shares without par value
- (ii) Issued and outstanding

	Number of shares	Amount US\$'000
Issued & fully paid:		
At January 1, 2013	396,318,753	1,228,731
Exercise of stock option	95,000	330
At December 31, 2013 January 1, 2014 and December 31, 2014	396,413,753	1,229,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

26. SHARE CAPITAL AND OPTIONS (Cont'd)

(b) Stock options

The Group has a stock option plan which permits the board of directors of the Company to grant options to directors and employees to acquire common shares of the Company at the price on the date of approval by the board of directors. A portion of the stock options vest immediately on the grant date and the balance vests over a period of up to five years from the grant date.

The stock options have a life of up to six years from the grant date. The fair market value of the exercise price is the volume weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the board of directors.

The following is a summary of option transactions under the Group's stock option plan during the year:

	2014		2013	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance at January 1	400,000	5.56	540,000	4.62
Options exercised	—	—	(95,000)	2.20
Options expired	—	—	(45,000)	2.20
Balance at December 31	400,000	5.56	400,000	5.56

400,000 stock options were granted during the year ended December 31, 2010. The options were granted on June 1, 2010 and expire on June 1, 2015. The exercise price was CAD4.35 per share from June 1, 2010 until June 1, 2011, CAD4.78 per share from June 2, 2011 until June 1, 2012, CAD5.21 per share from June 2, 2012 until June 1, 2013, CAD5.64 per share from June 2, 2013 until June 1, 2014, and CAD6.09 per share from June 2, 2014 until June 1, 2015 or such later termination date as may apply. 20% of the shares vested immediately, on June 2, 2011 and June 2, 2012, an additional 20% of the options vested on June 2, 2013 and on June 2, 2014, respectively. The fair value of these options at date of grant was approximately US\$860,000, of which approximately US\$10,000 and US\$42,000 were charged to the profit or loss for the year ended December 31, 2014 and 2013 respectively. No stock options were granted during the year ended December 31, 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

26. SHARE CAPITAL AND OPTIONS (Cont'd)

(b) Stock options (Cont'd)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2014:

Expiring in	Options outstanding			Options exercisable	
	Number of stock options	Remaining contractual life (years)	Exercise price CAD	Number of stock options	Exercise price CAD
2015	400,000	0.42	6.09	400,000	6.09

The following table summarizes information about stock options outstanding and exercisable at December 31, 2013:

Expiring in	Options outstanding			Options exercisable	
	Number of stock options	Remaining contractual life (years)	Weighted average exercise price CAD	Number of stock options	Weighted average exercise price CAD
2015	400,000	1.42	5.56	320,000	5.43

The fair value of options granted was determined using the Black-Scholes option pricing model at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

27. RELATED PARTY TRANSACTIONS

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significantly influenced by the PRC government (hereinafter collectively referred to as "Government-related entities"). In addition, the Group itself is a Government-related entity. CNG, a substantial shareholder with significant influence over the Group, is a state owned company registered in Beijing, PRC, which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

During the year, except as disclosed below, the Group did not have any individually significant transactions with other Government-related entities in its ordinary and usual course of business.

Name and relationship with related parties during the years are as follows:

CNG owned the following percentages of outstanding common shares of the Company:

	December 31, 2014 %	December 31, 2013 %
CNG	39.3	39.3

(a) Transactions/balances with government-related entities in the PRC

(i) Transactions/balances with CNG and its subsidiaries

The Group had the following transactions with CNG and CNG's subsidiaries:

	December 31, 2014 US\$'000	December 31, 2013 US\$'000
Gold doré bars sales by the Group	185,914	173,985
Copper and other product sales by the Group	5,771	55,819
Provision of transportation services by the Group	4,214	2,724
Construction services provided to the Group	119,348	237,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

27. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions/balances with government-related entities in the PRC (Cont'd)

(i) Transactions/balance with CNG and its subsidiaries (Cont'd)

The Group has the following significant balances with CNG and its subsidiaries at the end of each reporting period:

	December 31, 2014 US\$'000	December 31, 2013 US\$'000
Assets		
Amounts due from related companies (Note 14)	4,591	3,354
Deposits (Note 15)	926	931
Total amounts due from CNG and its subsidiaries	5,517	4,285

The amounts due from CNG and its subsidiaries which are included in other receivables is non-interest bearing, unsecured and repayable on demand.

	December 31, 2014 US\$'000	December 31, 2013 US\$'000
Liabilities		
Entrusted loan payable (Note 23)	32,221	–
Other payable to CNG's subsidiaries	1,687	2,185
Customer advance paid by CNG's subsidiary	37	6,595
Construction payable to CNG's subsidiaries	9,597	–
Total amounts due to CNG and its subsidiaries	43,542	8,780

The amount due to CNG and its subsidiaries which are included in other payables, are non-interest bearing, unsecured and have no fixed terms of repayments.

(ii) Transactions/balances with other government – related entities in the PRC

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group has also entered into transactions of bank deposits, borrowings and other general banking facilities with other government-related entities in its ordinary course of business. Over 70% (2013: over 85%) of the Group's bank deposits and borrowings are with government-related entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

27. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Transactions/balances with other non-government related parties/entities

The Group has the following significant balances with related parties at the end of each reporting period:

	2014 US\$'000	2013 US\$'000
Asset		
Amount due from a non-controlling shareholder of a subsidiary (included in prepaid expenses)	449	435
Total amount due from a related party	449	435

The amount due from the related party is non-interest bearing, unsecured and repayable on demand.

Other than the directors' emoluments disclosed in Note 10(a), the Group had the following compensation to other key management personnel during the years:

	2014 US\$'000	2013 US\$'000
Salaries and other benefits	904	939
Post-employment benefits	28	18
	932	957

28. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker ("CODM") to allocate resources to the segments and to assess their performance.

The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been defined as the Executive Directors of the Company. The chief operating decision-maker has identified two operating segments as follows:

- The mine-produced gold segment – the production of gold bullion through the Group's integrated processes, i.e., mining, metallurgical processing, production and selling of gold doré bars to external clients.
- The mine-produced copper segment – the production of copper concentrate and other by-products through the Group's integrated separation, i.e., mining, metallurgical processing, production and selling copper concentrate and other by-products to external clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

28. SEGMENT INFORMATION (Cont'd)

Information regarding the above segments is reported below.

(a) Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable and operating segment:

For the year ended December 31, 2014

	Mine – produced gold US\$'000	Mine – Produced copper US\$'000	Segment Total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenue – external	185,914	91,869	277,783	–	277,783
Cost of sales	(118,131)	(60,688)	(178,819)	–	(178,819)
Mining operating earnings	67,783	31,181	98,964	–	98,964
Income (expenses) from operations	67,238	14,147	81,385	(8,028)	73,357
Foreign exchange gain (loss), net	6,492	(59)	6,433	(168)	6,265
Interest and other income	921	292	1,213	5,799	7,012
Finance costs	(7,080)	(8,037)	(15,117)	(8,801)	(23,918)
Profit (loss) before income tax	67,571	6,343	73,914	(11,198)	62,716

For the year ended December 31, 2013

	Mine – produced gold US\$'000	Mine – Produced copper US\$'000	Segment Total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenue – external	178,143	124,465	302,608	–	302,608
Cost of sales	(113,217)	(87,516)	(200,733)	–	(200,733)
Mining operating earnings	64,926	36,949	101,875	–	101,875
Income (expenses) from operations	64,683	21,338	86,021	(10,096)	75,925
Foreign exchange gain (loss), net	(411)	979	568	946	1,514
Interest and other income	2,127	1,177	3,304	3,458	6,762
Finance costs	(2,667)	(7,987)	(10,654)	–	(10,654)
Profit (loss) before income tax	63,732	15,507	79,239	(5,692)	73,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

28. SEGMENT INFORMATION (Cont'd)

(a) Segment revenues and results (Cont'd)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents profit (loss) before income tax attributable to the respective segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There are no inter-segment sales for the year ended December 31, 2014 and 2013.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment representing assets/liabilities directly attributable to the respective segment:

	Mine – produced gold US\$'000	Mine – produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
As of December 31, 2014					
Total assets	590,157	1,898,623	2,488,780	524,714	3,013,494
Total liabilities	199,809	848,552	1,048,361	499,975	1,548,336
As of December 31, 2013					
Total assets	430,543	1,724,209	2,154,752	63,749	2,218,501
Total liabilities	111,499	673,841	785,340	1,636	786,976

(c) Other segment information (included in the measure of segment profit or loss regularly provided to the chief operating decision maker)

	Mine – produced gold US\$'000	Mine – Produced copper US\$'000	Segment Total US\$'000	Unallocated US\$'000	Consolidated US\$'000
For the year ended December 31, 2014					
Additions of property, plant and equipment	122,149	196,920	319,069	–	319,069
Depreciation of property, plant and equipment	(40,745)	(12,817)	(53,562)	–	(53,562)
Amortization of mining rights	–	(4,535)	(4,535)	–	(4,535)
For the year ended December 31, 2013					
Additions of property, plant and equipment	155,397	351,557	506,954	–	506,954
Depreciation of property, plant and equipment	(20,379)	(13,466)	(33,845)	–	(33,845)
Amortization of mining rights	–	(6,077)	(6,077)	–	(6,077)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

28. SEGMENT INFORMATION (Cont'd)

(d) Geographical information

The Group operated in two geographical areas, Canada and the PRC. The Group's corporate division located in Canada only earns revenue that is considered incidental to the activities of the Group and therefore does not meet the definition of an operating segment as defined in IFRS 8 *Operating Segments*. During the year ended December 31, 2014 and 2013, the Group's revenue was generated from gold sales and copper multi products to customers in the PRC. Over 90% (2013: 90%) of non-current assets of the Group are located in the PRC.

(e) Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's total revenue are sales of gold doré bars and copper and other products to CNG and its subsidiaries as disclosed in Note 27 (a) (i).

29. SUPPLEMENTAL CASH FLOW INFORMATION

The Group incurred the following non-cash transactions:

	2014 US\$'000	2013 US\$'000
Transfer of share option reserve upon exercise of options	—	124

30. CAPITAL RISK MANAGEMENT

The Group manages its common shares and stock options as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to operate its mines, pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Group's overall strategy remains unchanged from prior years.

The Group manages the capital structure and makes adjustments to it in light of operating results, changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may attempt to issue new shares or options, issue of new debt, redemption of existing debt or acquire or dispose of assets.

In order to facilitate the Management of its capital requirements, the Group prepares annual expenditure budgets that are updated as necessary depending on various factors, including operating results, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the board of directors of the Company.

In order to maximize ongoing development efforts, the Group does not pay out dividends. The Group's investment policy is to invest its short-term excess cash in fixed bank deposits with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from its operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

31. FINANCIAL INSTRUMENTS

	Financial instrument classification	2014 US\$'000	2013 US\$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	565,578	105,887
Accounts receivable and other receivables	Loans and receivables	13,058	9,714
Amount due from a non-controlling shareholder (included in prepaid expenses)	Loans and receivables	449	435
Available-for-sale investments	Available-for-sale	21,544	21,850
Financial liabilities			
Accounts payable and accrued expenses*	Other financial liabilities	140,688	99,237
Borrowings			
– Loans, other than syndicated loan	Other financial liabilities	1,105,222	397,130
– Syndicated loan	Other financial liabilities	80,553	107,376
Entrusted loan payable	Other financial liabilities	32,221	–

* Excluded advances from customers, other tax payables and accruals.

The fair values of the Group's cash and cash equivalents, accounts receivable, accounts payable and current portion of long-term loan and syndicated loan approximate their carrying values due to their short-term nature or carried at amortized costs using effective interest method.

The Group's financial instruments are exposed to certain financial risks including market risk (e.g. currency risk and interest rate risk), credit risk and liquidity risk.

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. Certain subsidiaries of the Company operate in the PRC and Canada with functional currency of US\$. A significant change in the currency exchange rates between RMB relative to US\$ could have a significant effect on the Group's results of operations, financial position or cash flows. The Group has not hedged its exposure to currency fluctuations. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

31. FINANCIAL INSTRUMENTS (Cont'd)

(a) Currency risk (Cont'd)

RMB monetary assets and liabilities

	2014 US\$'000	2013 US\$'000
Cash and cash equivalents	30,367	43,072
Accounts receivable	332	348
Available-for-sale Investments	1,611	1,652
Accounts payable and accrued expenses	(62,056)	(30,687)
Borrowings	(109,552)	(62,774)
	<u>(139,298)</u>	<u>(48,389)</u>

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2013: 5%) depreciation/appreciation of the RMB against the US\$ would result in an increase/decrease in the Group's profit for the year of approximately US\$5,224,000 for the year ended December 31, 2014 and a decrease/increase in the Group's profit for the year of approximately US\$2,004,000 for the year ended December 31, 2013.

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(b) Interest rate risk

Interest rate risk is the risk that the fair value in relation to borrowings and entrusted loan payable of US\$722,434,000 (2013: US\$111,511,000) bearing fixed interest rate or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate bank balances and variable-rate bank borrowings (see note 22 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The following analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant. A 25 basis point (2013: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

31. FINANCIAL INSTRUMENTS (Cont'd)

(b) Interest rate risk (Cont'd)

Sensitivity analysis (Cont'd)

For bank balances, the analysis below reflects the sensitivity that the interest rate may drop by 25 basis points (2013: 25 basis points) or limit to 0%.

	2014 US\$'000	2013 US\$'000
25 basis points (2013: 25 basis points) higher		
– increase (decrease) in profit for the year	659	(206)
– addition in finance costs capitalized	1,171	722
25 basis points (2013: 25 basis points) lower		
– (decrease) increase in profit for the year	(659)	206
– reduction in finance costs capitalized	(1,171)	(722)

The Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sold approximately 100% (2013: 97.7%) of its gold to one creditworthy customer, CNG, and approximately 6% (2013: 44.8%) of its copper concentrate and other by-product to a CNG's subsidiary for the year ended December 31, 2014 and exposes the Group to concentration of credit risk. The failure of these customers to make required payments could have a negative impact on the Group's results. The Group manages this risk by demanding upfront payment from CNG and has set up monitoring procedures to ensure that follow-up action is taken for timely settlement of receivables from the CNG's subsidiary.

The Group's cash and short-term bank deposits are held in large PRC, Hong Kong and Canadian banks. These investments mature at various dates within three months from inception date. The exchange rate of RMB is determined by the Government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The Group had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in the PRC or Canada for the years ended December 31, 2014 and 2013.

Other than the concentration of the credit risk on bank balances and accounts receivable, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

31. FINANCIAL INSTRUMENTS (Cont'd)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 30.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities (see Note 33 for other commitments). The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to satisfy the liabilities.

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period:

	On demand Or within 1 year US\$'000	1-2 years US\$'000	2-5 years US\$'000	Total undiscounted cashflow US\$'000	Carrying Amount US\$'000
At December 31, 2014					
Trade and other payables	140,688	–	–	140,688	140,688
Borrowings	501,513	185,472	454,116	1,141,101	1,185,775
Interest payable on borrowings	40,618	29,245	1,993	71,856	–
Entrusted loan payable	–	–	32,221	32,221	32,221
Interest payable on entrusted loan	974	974	43	1,991	–
	<u>683,793</u>	<u>215,691</u>	<u>488,373</u>	<u>1,387,857</u>	<u>1,358,684</u>

	Within 1 year US\$'000	1-2 years US\$'000	2-5 years US\$'000	Total undiscounted cashflow US\$'000	Carrying Total US\$'000
At December 31, 2013					
Trade and other payables	99,237	–	–	99,237	99,237
Borrowings	232,432	181,217	90,857	504,506	504,506
Interest payable on borrowings	19,946	10,323	1,489	31,758	–
	<u>351,615</u>	<u>191,540</u>	<u>92,346</u>	<u>635,501</u>	<u>603,743</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

31. FINANCIAL INSTRUMENTS (Cont'd)

(e) Fair value

Except for the available-for sale investment – listed equity securities, the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognized in the consolidated statement of financial position

Subsequent to initial recognition at fair value, the available-for-sale investments – listed equity securities are measured from quoted prices (unadjusted) in active market (Level 1 fair value measurements). There was no transfer between Level 1 and 2 in the current year and prior years.

32. CONTINGENT LIABILITIES

During the year ended December 31, 2012, the Company received a notice from China International Economic and Trade Arbitration Commission (the “Commission”) alleging that the Company breached the agreement with one of its construction suppliers. The Company filed a countersuit against the construction supplier to the Commission for the unsatisfactory result of the construction and the destruction of certain plant, property and equipment. As a result, the Commission assigned a third party expert for evaluation of the validity of the claims made by both parties. As of the date of the report, the evaluation is still in progress, and therefore, Management considers the arbitration to be in a preliminary stage and the potential loss cannot be measured reliably.

33. COMMITMENTS AND CONTINGENCIES

Operating leases commitments

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	December 31, 2014 US\$'000	December, 31, 2013 US\$'000
Within one year	1,329	1,255
In the second to fifth year inclusive	661	162
Over five years	292	299
	2,282	1,716

Operating lease payments represent rentals payable by the Group for its premises. Leases are negotiated for a term of 1 to 14 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

33. COMMITMENTS AND CONTINGENCIES (Cont'd)

Capital commitments

	December 31, 2014 US\$'000	December, 31, 2013 US\$'000
Capital expenditure in respect of acquisition of property, plant and equipment in the consolidated financial statements		
– contracted but not provided for	211,217	202,860
Capital expenditure in respect of capital injection to an investee	4,028	4,130

Other commitments and contingencies existed at the end of each reporting period

In October 2006, the Group signed a ten-year service contract with a third party to provide mining services to the Group commencing in the first quarter of 2007. The value of the mining service of each year will vary and is dependent upon the amount of mining work performed.

34. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income, as a cost of inventory, of approximately US\$1,466,000 and US\$1,127,000 for the years ended December 31, 2014 and 2013, respectively, represent contributions payable to the scheme by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

35. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at December 31, 2014 and 2013 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			as at December 31, 2014	2013	
Pacific PGM Inc.	British Virgin Islands ("BVI") May 17, 2001	US\$100	100%	100%	Investment holding
Pacific PGM (Barbados) Inc.	Barbados September 6, 2007	US\$130,000	100%	100%	Investment holding
IMP	PRC April 29, 2002	US\$45,000,000	96.5%	96.5%	Engaged in exploration and development of mining properties in China
Inner Mongolia Xinhan Exploration Technology Co. Ltd ⁽¹⁾	PRC January 14, 2014	RMB8,500,000	88.24%	nil	Inactive
Skyland	Barbados October 6, 2004	US\$233,380,700 plus MB1,510,549,032	100%	100%	Investment holding
Tibet Jia Ertong Minerals Exploration Ltd. ⁽¹⁾	PRC October 31, 2003	US\$273,920,000	100%	100%	Exploration, development and mining of mineral properties and investment holding
Huatailong ⁽¹⁾	PRC January 11, 2007	RMB1,760,000,000	100%	100%	Exploration, development and mining of mineral properties
Jiama Industry and Trade ⁽¹⁾	PRC December 1, 2011	RMB5,000,000	51%	51%	Mining logistics and transport business
Skyland Mining (BVI) Limited	BVI October 26, 2012	US\$1	100%	100%	Investment holding

⁽¹⁾ Domestic limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

36. FINANCIAL SUMMARY OF THE COMPANY

	2014 US\$'000	2013 US\$'000
Current assets		
Cash and cash equivalents	497,823	42,934
Other receivables	59	110
Prepaid expenses, deposits and other receivables	1,272	326
	<u>499,154</u>	<u>43,370</u>
Non-current assets		
Property, plant and equipment	311	153
Loan receivables from subsidiaries	81,546	53,798
Available-for-sale investments	19,289	20,198
Investment in subsidiaries	987,016	987,016
Amounts due from subsidiaries	29,779	26,250
	<u>1,117,941</u>	<u>1,087,415</u>
Total assets	<u>1,617,095</u>	<u>1,130,785</u>
Current liability		
Accounts payable and accrued expenses	1,195	1,583
Advance from a subsidiary	490,000	–
	<u>491,195</u>	<u>1,583</u>
Non-current liability		
Deferred income	19	41
Total liabilities	<u>491,214</u>	<u>1,624</u>
Net current assets	<u>7,959</u>	<u>41,787</u>
Total assets less current liabilities	<u>1,125,900</u>	<u>1,129,202</u>
Owners' equity		
Share capital (Note 26)	1,229,061	1,229,061
Reserves (Note 37)	2,073	2,972
Deficits (Note 37)	(105,253)	(102,872)
Total owners' equity	<u>1,125,881</u>	<u>1,129,161</u>
Total liabilities and owners' equity	<u>1,617,095</u>	<u>1,130,785</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

37. RESERVES AND DEFICITS OF THE COMPANY

	Reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At January 1, 2013	3,426	(97,206)	(93,780)
Loss for the year	–	(5,666)	(5,666)
Fair value loss on available-for-sale investments	(372)	–	(372)
Total comprehensive loss for the year	(372)	(5,666)	(6,038)
Exercise of stock option	(124)	–	(124)
Share-based compensation	42	–	42
At December 31, 2013 and January 1, 2014	2,972	(102,872)	(99,900)
Loss for the year	–	(2,381)	(2,381)
Fair value loss on available-for-sale investments	(909)	–	(909)
Total comprehensive loss for the year	(909)	(2,381)	(3,290)
Share-based compensation	10	–	10
At December 31, 2014	2,073	(105,253)	(103,180)

CORPORATE GOVERNANCE

The Company has complied with the code provisions under the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended December 31, 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted policies in its Corporate Disclosure, Confidentiality and Securities Trading Policy that has terms which are no less exacting than those set out in Appendix 10 to the Listing Rules (the “Model Code”). The Board is pleased to confirm, after specific enquiries with all Directors, that all Directors have fully complied with standards required according to the Model Code during the year ended December 31, 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

For the year ended December 31, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the “Audit Committee”) comprising all the existing Independent Non-executive Directors, namely Mr. He Ying Bin Ian (Chairman of the Audit Committee), Mr. Chen Yunfei, Mr. Gregory Clifton Hall and Mr. John King Burns.

The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2014, and is of the view that the Group’s audited consolidated financial statements for the year ended December 31, 2014 are prepared in accordance with the applicable accounting standard, laws and regulations, and appropriate disclosures have already been made.

By Order of the Board
China Gold International Resources Corp. Ltd.
Mr. Song, Xin
Chairman

Hong Kong, 25 March 2015

As of the date of this announcement, the executive Directors of the Company are Mr. Song, Xin, Mr. Liu, Bing, Mr. Jiang, Liangyou and Mr. Jiang, Xiangdong, the non-executive Director of the Company is Mr. Sun, Lianzhong and the independent non-executive Directors of the Company are Mr. He, Ying Bin Ian, Mr. Chen, Yunfei, Mr. Hall, Gregory Clifton and Mr. Burns, John King.