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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, 2020

FINANCIAL HIGHLIGHTS

	For the Year ended December 31,	
	2020	2019
	US\$'000	US\$'000
Revenues	864,032	657,459
Net profit (loss)	113,938	(32,151)
Basic earnings (loss) per share (cents)	28.24	(8.28)
Diluted earnings(loss) per share (cents)	N/A	N/A
Net cash flows from operations	260,456	158,312
Property, plant and equipment	1,808,961	1,709,449
Property, plant and equipment capital expenditures	150,183	127,857
Cash and cash equivalents	243,288	182,290
Working capital (deficit)	142,347	(409,364)

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, 2020 with comparative figures for the comparable period in 2019, 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 31, 2021. It should be read in conjunction with the consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as “China Gold International”, the “Company”, “we” or “our” as the context may require) for the three months and year ended December 31, 2020 and the three months and year ended December 31, 2019, 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 31, 2021 on SEDAR at www.sedar.com, www.chinagoldintl.com and www.hkex.com.hk. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled “Forward-Looking Statements” and “Risk Factors” and to discussions elsewhere within this MD&A. China Gold International’s business, financial condition or results of operations could be materially and adversely affected by any of these risks.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking information involves numerous assumptions, both general and specific, which may cause the actual results, performance or achievements of China Gold International and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of the key assumptions include, among others, the absence of any material change in China Gold International’s operations or in foreign exchange rates, the prevailing price of gold, copper and other non-ferrous metal products; the absence of lower-than-anticipated mineral recovery or other production problems; effective income and other tax rates and other assumptions underlying China Gold International’s financial performance as stated in the Company’s technical reports for its CSH Mine and Jiama Mine; China Gold International’s ability to obtain regulatory confirmations and approvals on a timely basis; continuing positive labor relations; the absence of any material adverse effects as a result of political instability, terrorism, natural disasters, pandemics such as COVID-19, litigation or arbitration and adverse changes in government regulation; the availability and accessibility of financing to China Gold International; and the performance by counterparties of the terms and conditions of all contracts to which China Gold International and its subsidiaries are a party. The forward-looking information is also based on the assumption that none of the risk factors identified in this MD&A or in the AIF that could cause actual results to differ materially from the forward-looking information actually occurs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE COMPANY

Overview

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

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

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





Performance Highlights

Three months ended December 31, 2020

- Revenue increased to US\$265.8 million compared to US\$162.3 million for the same period in 2019.
- Mine operating earnings increased by 485% to US\$90.1 million from US\$15.4 million for the same period in 2019.
- Net income of US\$56.4 million increased by US\$60.7 million from a net loss of US\$4.3 million for the same period in 2019.
- Cash flow from operation increased by 186% to US\$86.8 million from US\$30.4 million for the same period in 2019.
- Total gold production increased by 14% to 59,177 ounces from 52,075 ounces for the same period in 2019.
- Total copper production increased by 72% to 50.1 million pounds (approximately 22,742 tonnes) from 29.2 million pounds (approximately 13,227 tonnes) for the same period in 2019.

Year ended December 31, 2020

- Revenue increased to US\$864.0 million compared to US\$657.5 million for the same period in 2019.
- Mine operating earnings increased by 227% to US\$209.9 million from US\$64.2 million for the same period in 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Net income of US\$113.9 million increased by US\$146.1 million from a net loss of US\$32.2 million for the same period in 2019.
- Cash flow from operation increased by 65% to US\$260.5 million from US\$158.3 million for the same period in 2019.
- Total gold production increased by 12% to 240,848 ounces from 214,715 ounces for the same period in 2019.
- Total copper production increased by 31% to 180.9 million pounds (approximately 82,059 tonnes) from 137.9 million pounds (approximately 62,533 tonnes) for the same period in 2019.

SELECTED ANNUAL INFORMATION*

		Year ended December 31			
	2020	2019	2018	2017	2016
<i>US\$ Millions except for per share</i>					
Total revenue	864	657	571	412	339
Income (loss) from operations	154	(3)	43	79	34
Net profit (loss)	114	(32)	(4)	64	(12)
Basic earnings (loss) per share (cents)	28.24	(8.28)	(1.22)	15.93	(3.36)
Diluted earnings (loss) per share (cents)	N/A	N/A	N/A	N/A	N/A
Total assets	3,323	3,197	3,216	3,230	2,967
Total non-current liabilities	1,284	818	1,301	1,324	737

* Prepared under IFRS

OUTLOOK

- Projected gold production of 235,000 ounces in 2021.
- Projected copper production of 177 million pounds in 2021.
- The Company continues to focus its efforts on optimizing the operation at both mines, stabilizing the Jiama Mine's production and potentially extending the mine life of CSH Mine.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining acquisition opportunities, namely projects outside of China.
- The Company has not experienced any significant impact on its operations from the COVID-19 pandemic. Both of the Company's mines have been operating without significant interruption during the three months and year ended December 31, 2020. The Company continues to closely monitor the health of its employees and supply chains to be able to respond to any potential disruptions, should any arise. The Company is also managing its cash reserves to be able to withstand any financial ramifications of potential disruptions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

(US\$ in thousands except per share)	Quarter ended							
	2020	2019			2018			2017
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenue	265,810	240,451	209,188	148,583	162,326	186,375	163,166	145,592
Cost of sales	175,717	174,346	173,701	130,414	146,952	160,094	155,876	130,324
Mine operating earnings	90,093	66,105	35,487	18,169	15,374	26,281	7,290	15,268
General and administrative expenses	13,656	8,026	5,793	9,186	15,280	11,762	9,532	13,495
Exploration and evaluation expenses	174	77	165	61	(156)	368	175	115
Research and development expenses	11,019	3,251	2,264	1,966	3,200	4,308	4,541	4,856
Income (loss) from operations	65,244	54,751	27,265	6,956	(2,950)	9,843	(6,958)	(3,198)
Gain on recognition of other assets	-	-	-	-	14,067	11,245	-	-
Foreign exchange gain (loss)	4,806	6,366	(2,331)	(5,438)	4,074	(9,616)	(7,414)	5,288
Finance costs	9,732	10,241	11,525	10,516	10,398	10,560	11,482	10,088
Profit (loss) before income tax	63,961	51,665	17,597	(7,793)	4,732	2,380	(24,817)	(7,137)
Income tax expense (credit)	7,513	4,029	(926)	876	9,037	2,701	(1,866)	(2,563)
Net profit (loss)	56,448	47,636	18,523	(8,669)	(4,305)	(321)	(22,951)	(4,574)
Basic earnings (loss) per share (cents)	14.10	11.87	4.52	(2.25)	(1.19)	(0.17)	(5.79)	(1.13)
Diluted earnings (loss) per share (cents)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Selected Quarterly Production Data and Analysis

CSH Mine	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Gold sales (US\$ million)	63.30	52.99	260.07	205.21
Realized average price (US\$) of gold per ounce	1,852	1,488	1,739	1,407
Gold produced (ounces)	34,753	34,474	149,572	146,805
Gold sold (ounces)	34,184	35,622	149,578	145,811
Total production cost (US\$ per ounce)	1,474	1,297	1,392	1,318
Cash production cost ⁽¹⁾ (US\$ per ounce)	1,205	937	942	862

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gold production at the CSH Mine increased by 1% to 34,753 ounces for the three months ended December 31, 2020 compared to 34,474 ounces for the three months ended December 31, 2019. The total production cost of gold for the three months ended December 31, 2020 increased to US\$1,474 per ounce compared to US\$1,297 for the three months ended December 31, 2019. The cash production cost of gold for the three months ended December 31, 2020 increased to US\$1,205 per ounce from US\$937 for the same period in 2019. Changes in total production cost and cash cost are mainly due to longer waste haulage distance leading to higher movement costs.

Jiama Mine	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Copper sales (US\$ in millions)	95.29	74.00	291.18	308.27
Realized average price ¹ (US\$) of copper per pound after smelting fee discount	1.78	2.26	1.64	2.13
Copper produced (tonnes)	22,742	13,227	82,059	62,533
Copper produced (pounds)	50,138,122	29,160,597	180,909,850	137,860,887
Copper sold (tonnes)	23,545	15,185	80,463	65,321
Copper sold (pounds)	51,908,517	33,477,926	177,391,325	144,008,887
Gold produced (ounces)	24,424	17,601	91,276	67,910
Gold sold (ounces)	24,999	18,390	89,771	69,997
Silver produced (ounces)	2,369,769	948,985	7,275,862	3,782,151
Silver sold (ounces)	2,407,638	1,029,733	7,113,859	3,960,521
Lead produced (tonnes)	23,457	–	72,031	2,752
Lead produced (pounds)	51,712,012	–	158,800,112	6,067,205
Lead sold (tonnes)	24,183	–	69,714	2,752
Lead sold (pounds)	53,313,232	–	153,691,955	6,067,205
Zinc produced (tonnes)	10,519	–	34,425	–
Zinc produced (pounds)	23,191,738	–	75,893,783	–
Zinc sold (tonnes)	10,917	–	33,315	–
Zinc sold (pounds)	24,068,017	–	73,447,451	–
Moly produced (tonnes)	187	–	187	92
Moly produced (pounds)	411,239	–	411,239	203,026
Moly sold (tonnes)	169	–	169	645
Moly sold (pounds)	372,762	–	372,762	1,422,637
Total production cost ² (US\$) of copper per pound	2.87	3.55	2.80	3.17
Total production cost ² (US\$) of copper per pound after by-products credits ⁴	0.81	2.50	1.04	2.17
Cash production cost ³ (US\$) per pound of copper	2.29	2.92	2.14	2.50
Cash production cost ³ (US\$) of copper per pound after by-products credits ⁴	0.23	1.87	0.38	1.51

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 1 A discount factor of 15.8% to 29.1% is applied to the copper benchmark price to compensate the refinery costs incurred by the buyers. The discount factor is higher if the grade of copper in copper concentrate is below 18%. The industry standard of copper in copper concentrate is between 18-20%.
- 2 Production costs include expenditures incurred at the mine sites for the activities related to production including mining, processing, mine site G&A and royalties etc.
- 3 Non-IFRS measure. See 'Non-IFRS measures' section of this MD&A
- 4 By-products credit refers to the sales of gold and silver during the corresponding period.

During the three months ended December 31, 2020, the Jiamia Mine produced 22,742 tonnes (approximately 50.1 million pounds) of copper, an increase of 72% compared with the three months ended December 31, 2019 (13,227 tonnes, or 29.2 million pounds).

Both total production cost of copper per pound after by-products and cash production cost of copper per pound after by-product decreased greatly as compared to the same period in 2019 due to higher mined tonnes, higher head grade, higher recovery rates, and more by-products recovered of lead, zinc and molybdenum.

Review of Quarterly Data

Three months ended December 31, 2020 compared to three months ended December 31, 2019

Revenue of US\$265.8 million for the fourth quarter of 2020 increased by US\$103.5 million from US\$162.3 million for the same period in 2019.

Revenue from the CSH Mine was US\$63.3 million, an increase of US\$10.3 million, compared to US\$53.0 million for the same period in 2019. Realized average gold price increased by 24% from US\$1,488/oz in Q4 2019 to US\$1,852/oz in Q4 2020. Gold sold by the CSH Mine was 34,184 ounces (gold produced: 34,753 ounces), compared to 35,622 ounces (gold produced: 34,474 ounces) for the same period in 2019.

Revenue from the Jiamia Mine was US\$202.5 million, an increase of US\$93.2 million, compared to US\$109.3 million for the same period in 2019. Total copper sold was 23,545 tonnes (51.9 million pounds) for the three months ended December 31, 2020, an increase of 55% from 15,185 tonnes (33.5 million pounds) for the same period in 2019.

Cost of sales of US\$175.7 million for the quarter ended December 31, 2020, an increase of US\$28.7 million from US\$147.0 million for the same period in 2019. Cost of sales as a percentage of revenue for the Company decreased from 91% to 66% for the three months ended December 31, 2019 and 2020, respectively. Cost of sales was impacted by many operation factors such as mining costs, grade of ore, metal recovery rates and stripping ratio. Refer to the sections below for details of production factors for each individual mine.

Mine operating earnings of US\$90.1 million for the three months ended December 31, 2020, an increase of 485%, or US\$74.7 million, from US\$15.4 million for the same period in 2019. Mine operating earnings as a percentage of revenue increased from 9% to 34% for the three months ended December 31, 2019 and 2020, respectively.

General and administrative expenses decreased by US\$1.6 million, from US\$15.3 million for the quarter ended December 31, 2019 to US\$13.7 million for the quarter ended December 31, 2020. The decrease was due to the Company's continuous implementation of an overall cost reduction program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Research and development expenses of US\$11.0 million for the three months ended December 31, 2020, increased from US\$3.2 million for the comparative 2019 period. The increase in 2020 was due to the Company's R&D activities related to recovery rates and processing and mining optimization.

Income from operations of US\$65.2 million for the fourth quarter of 2020, increased by US\$68.2 million, compared to a loss of US\$3.0 million for the same period in 2019.

Finance costs of US\$9.7 million for the three months ended December 31, 2020, decreased by US\$0.7 million compared to US\$10.4 million for the same period in 2019.

Foreign exchange gain of US\$4.8 million for the three months ended December 31, 2020, increased from US\$4.1 million for the same period in 2019. The gain was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Income tax expense of US\$7.5 million for the quarter ended December 31, 2020, decreased by US\$1.5 million from US\$9.0 million for the comparative period in 2019. During the current quarter, the Company had US\$5.3 million of deferred tax credit compared to US\$0.8 million for the same period in 2019.

Net income of US\$56.4 million for the three months ended December 31, 2020, increased by US\$60.7 million from a net loss of US\$4.3 million for the three months ended December 31, 2019.

Year ended December 31, 2020 compared to year ended December 31, 2019

Revenue of US\$864.0 million for the year ended December 31, 2020 increased by US\$206.5 million from US\$657.5 million for the same period in 2019.

Revenue from the CSH Mine was US\$260.1 million, an increase of US\$54.9 million, compared to US\$205.2 million for the same period in 2019. Realized average gold price increased by 24% from US\$1,407/oz in 2019 to US\$1,739/oz in 2020. Gold sold by the CSH Mine was 149,578 ounces (gold produced: 149,572 ounces), compared to 145,811 ounces (gold produced: 146,805 ounces) for the same period in 2019.

Revenue from the Jiama Mine was US\$604.0 million, an increase of US\$151.8 million, compared to US\$452.2 million for the same period in 2019. Total copper sold was 80,463 tonnes (177.4 million pounds) for the year ended December 31, 2020, an increase of 23% from 65,321 tonnes (144.0 million pounds) for the same period in 2019.

Cost of sales of US\$654.2 million for the year ended December 31, 2020, an increase of US\$61.0 million from US\$593.2 million for the same period in 2019. Cost of sales as a percentage of revenue for the Company decreased from 90% to 76% for the year ended December 31, 2019 and 2020, respectively. Cost of sales was impacted by many operation factors such as mining costs, grade of ore, metal recovery rates and stripping ratio. Refer to the sections below for details of production factors for each individual mine.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mine operating earnings of US\$209.9 million for the year ended December 31, 2020, an increase of 227%, or US\$145.7 million, from US\$64.2 million for the same period in 2019. Mine operating earnings as a percentage of revenue increased from 10% to 24% for the year ended December 31, 2019 and 2020, respectively.

General and administrative expenses decreased by US\$13.4 million, from US\$50.1 million for the year ended December 31, 2019 to US\$36.7 million for the year ended December 31, 2020. The decrease was due to the Company's continuous implementation of an overall cost reduction program.

Research and development expenses of US\$18.5 million for the year ended December 31, 2020, increased from US\$16.9 million for the comparative 2019 period. The increase in 2020 was due to the Company's R&D activities in relation to increasing metal recovery rates and optimizing processing and mining.

Income from operations of US\$154.2 million for the year ended December 31, 2020, increased by US\$157.5 million, compared to a loss of US\$3.3 million for the same period in 2019.

Finance costs of US\$42.0 million for the year ended December 31, 2020, decreased by US\$0.5 million compared to US\$42.5 million for the same period in 2019.

Foreign exchange gain of US\$3.4 million for the year ended December 31, 2020, increased from a loss of US\$7.7 million for the same period in 2019. The gain was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Interest and other income of US\$9.8 million for the year ended December 31, 2020 increased from US\$3.3 million for the same period in 2019. The increase in 2020 was primarily attributed to the sales of lead-zinc concentrate at the Jiama Mine.

Income tax expense of US\$11.5 million for the year ended December 31, 2020, increased by US\$4.2 million from US\$7.3 million for the comparative period in 2019. During the current year, the Company had US\$12.5 million of deferred tax credit compared to US\$3.4 million for the same period in 2019.

Net income of US\$113.9 million for the year ended December 31, 2020, increased by US\$146.1 million from a net loss of US\$32.2 million for the year ended December 31, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NON-IFRS MEASURES

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 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. Although the Gold Institute ceased operations in 2002, the Company believes that the Gold Institute's Production Cost Standard continues to represent the market accepted standard for reporting cash cost of production. However, different issuers may apply slight deviations to the standard so the cash production costs disclosed by the Company may not be directly comparable to other issuers.

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

	CSH Mine (Gold)							
	Three months ended December 31,				Year ended December 31,			
	2020		2019		2020		2019	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total Cost of sales	50,400,816	1,474	46,189,909	1,297	208,152,055	1,392	192,228,416	1,318
Adjustment – Depreciation & depletion	(9,011,507)	(264)	(12,525,697)	(352)	(65,315,849)	(437)	(65,123,084)	(446)
Adjustment – Amortization of intangible assets	(193,794)	(5)	(284,942)	(8)	(1,923,637)	(13)	(1,395,056)	(10)
Total cash production costs	41,195,515	1,205	33,379,270	937	140,912,569	942	125,710,276	862

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Jiama Mine (Copper with by-products credits)							
	Three months ended December 31,				Year ended December 31,			
	2020		2019		2020		2019	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total Cost of sales	125,314,548	2.41	104,954,616	3.14	446,024,457	2.52	401,017,851	2.78
General and administrative expenses	12,814,567	0.25	10,691,637	0.31	31,480,286	0.18	38,397,941	0.27
Research and development expenses	11,018,405	0.21	3,199,894	0.10	18,499,635	0.10	16,904,660	0.12
Total production cost	149,147,520	2.87	118,846,147	3.55	496,004,378	2.80	456,320,452	3.17
Adjustment – Depreciation & depletion	(21,664,945)	(0.41)	(15,650,178)	(0.47)	(81,238,181)	(0.46)	(68,760,126)	(0.48)
Adjustment – Amortization of intangible assets	(8,819,569)	(0.17)	(5,478,025)	(0.16)	(35,988,790)	(0.20)	(27,518,162)	(0.19)
Total cash production costs	118,663,006	2.29	97,717,944	2.92	378,777,407	2.14	360,042,164	2.50
By-products credits	(106,956,933)	(2.06)	(35,259,216)	(1.05)	(312,118,617)	(1.76)	(143,142,843)	(0.99)
Total cash production costs after by-products credits	11,706,073	0.23	62,458,728	1.87	66,658,790	0.38	216,899,321	1.51

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

MINERAL PROPERTIES

The CSH Mine

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

The CSH Mine is owned and operated by Inner Mongolia Pacific Mining Co. Limited, a Chinese Joint Venture in which the Company holds a 96.5% interest and Ningxia Nuclear Industry Geological Exploration Institution holds the remaining 3.5%.

The CSH Mine has two open-pit mining operations with a combined mining and processing capacity of 60,000 tpd. The run-of-mine ore is heap leached with cyanide solution to extract gold and electro-wonned to produce a gold dore which is sold to refiners.

In July 2019, CSH updated its mine plan based on a result of latest ultimate limit optimization, in which the production rate was reduced to 40,000 t/d with a life of mine (“LoM”) of seven years as of 2019.

In June 2020, the operation of southwest pit ended.

The major new contracts entered into during the year ended December 31, 2020:

Item No.	Contract Name	Counterpart	Subject amount (US\$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Contract for supply of on -site mixed emulsion explosives	Bayannur Sheng'an Chemical Co., Ltd. Urad Middle Banner Branch	Estimated: 12.1	2020.1.1 – 2020.12.31	2020.1.1
2	Supply Agreement of Liquid Sodium Cyanide	Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd.	Estimated: 18.5	2020.1.1 – 2020.12.31	2020.1.1
3	Purchase and sale contract of gold bearing materials	Hunan Zhongxing Environmental Protection Technology Co., Ltd	Estimated: 10.6	2020.6.23 – 2020.7.22	2020.6.23
4	Contract for supply of Liquid sodium cyanide (20000 tons)	Chengxin Yong'an Chemical Co., Ltd	Estimated: 6.8	2021.1.1 – 2021.12.31	2020.7.23
5	Contract for supply of on -site mixed emulsion explosives	Bayannur Sheng'an Chemical Co., Ltd. Urad Middle Banner Branch	Estimated: 10.3	2020.7.1 – 2023.5.31	2020.6.30

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production Update

CSH Mine	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Ore mined and placed on pad (tonnes)	2,564,675	3,827,729	11,508,406	14,751,364
Average ore grade (g/t)	0.46	0.53	0.57	0.53
Recoverable gold (ounces)	24,156	39,168	124,330	153,156
Ending gold in process (ounces)	160,713	174,904	160,713	174,904
Waste rock mined (tonnes)	17,375,012	20,274,260	64,940,037	68,265,938

For the three months ended December 31, 2020, the total amount of ore placed on the leach pad was 2.6 million tonnes, with total contained gold of 24,156 ounces (751.3 kilograms). The overall accumulative project-to-date gold recovery rate has gradually increased to approximately 54.99% at the end of December 2020 from 54.26% at the end of December 2019. Of which, gold recovery from the phase I heap was 59.77% and; gold recovery from the Phase II heap was 50.34% at December 31, 2020.

Exploration

At the beginning of 2020, an exploration program at the south-west pit depth was started to identify and to upgrade the gold Mineral Resources below the ultimate pit limit for potentially extending the life of mine. Six surface diamond drill holes were completed totaling 3,690+/-m. Meanwhile an additional surface diamond drill hole was completed based on the mineralization interceptions, totaling 964.35+/-m.

In the third quarter, the other exploration program at the north-east pit depth was planned, with 25 surface diamond drill holes totaling 16,735+/-m and one hydrogeological drill hole of 725+/-m, to investigate hydrogeological conditions and to upgrade Mineral Resources at depth. 24 surface drill holes and one hydrogeological drill hole were completed, totaling 15,494.72+/-m and 755.49+/-m, respectively. There was a sticking as the remaining one drill hole reached 780+/-m, causing a redrill with 329+/-m completed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral Resources Update

CSH Mine Mineral Resources by category, at December 31, 2020 under NI 43-101 are listed below:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Measured	3.13	0.54	1.69	0.05
Indicated	105.10	0.64	65.31	2.10
M+I	108.23	0.63	67.00	2.15
Inferred	83.80	0.51	43.07	1.38

Mineral Reserve Update

CSH Mine Mineral Reserves by category at December 31, 2020 under NI 43-101 are summarized below:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	2.56	0.57	1.45	0.05
Probable	52.80	0.66	35.08	1.13
Total	55.35	0.66	36.53	1.17

The Jiama Mine

Jiama is a large copper-gold polymetallic deposit containing copper, gold, silver, molybdenum, lead, zinc 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. Phase I of the Jiama Mine commenced operation in the latter half of 2010 and reached its design capacity of 6,000 tpd in early 2011. Phase II of the Jiama Mine commenced mining operations in 2018 with 44,000 tpd design capacity. The combined mining and processing capacity at the Jiama Mine is 50,000 tpd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The major new contracts entered into during the year ended December 31, 2020:

Item No.	Contract Name	Counterpart	Subject amount (US\$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Steel ball purchase contract	Tongling Nonferrous Jinshen wear resistant materials Co., Ltd.	Estimated: 2.9	2020.4.28 – 2020.10.27	2020.4.28
2	Steel ball purchase contract	Chinalco Industrial Services Co., Ltd	Estimated: 3.0	2020.4.28 – 2020.10.27	2020.4.28
3	Steel ball purchase contract	Chinalco Industrial Services Co., Ltd	Estimated: 3.0	2020.6.6 – 2021.6.5	2020.6.6
4	Production Technical Service Contract	China Gold Group Inner Mongolia Mining Co., Ltd	Estimated: 4.2	2020.4.5 – 2021.4.4	2020.4.5
5	Contract of pressure filtration production and operation project of No.1 processing plant	Tibet Tianchu LiuYe Construction Industry Co., Ltd	Estimated: 2.8	2020.6.30 – 2021.6.29	2020.6.30
6	Blasting service contract	Tibet Zhongjin Xinlian Blasting Engineering Co., Ltd	Estimated: 9.9	2020.1.1 – 2020.12.31	2020.1.1
7	Blasting service contract	Tibet Gaozheng Blasting Engineering Co., Ltd	Estimated: 9.9	2020.1.1 – 2020.12.31	2020.1.1
8	Mixed ore sales contract	Tibet Hongshang Trade Co., Ltd.	Estimated: 42.4	2020.1.1 – 2020.12.31	2020.1.1
9	Raw ore sales contract	Tibet Hongshang Trade Co., Ltd.	Estimated: 4.2	2020.6.15 – 2023.6.14	2020.6.15
10	Mixed ore sales contract	Tibet Hongshang Trade Co., Ltd.	Estimated: 32.5	2020.5.1 – 2020.6.1	2020.5.1
11	Mixed ore sales contract	Tibet Mingchuan Trade Co., Ltd	Estimated: 381.4	2020.6.12 – 2023.6.11	2020.6.12
12	Molybdenum concentrate sales contract	Tibet Hongshang Trade Co., Ltd.	Estimated: 23.2	2020.7.15 – 2023.7.14	2020.7.15
13	Supplementary Agreement for 4-12 Slope Road 2000 Tons/Day Underground Mining Project (ie 4610 Flat Tunnel Deep Cutting and Mining Project)	The 2nd Engineering Co.,Ltd Of China Railway 17 Bureau Group Corporation	Estimated: 17.1	2020.11.1 – 2021.10.15	2020.1.1
14	Tibet Huatailong Mining Development Co., Ltd. Jiama Copper Polymetallic Mine 4300m middle section deep development project (third bid section) contract	Zhejiang Hua Ye Mine Group Co.,Ltd	Estimated: 14.4	2020.5.21 – 2021.12.20	2020.7.4
15	Tibet Huatailong Mining Development Co., Ltd. Jiama Copper Polymetallic Mine 4300m Middle Section Deep Development Project (Second Bid Section) Contract	Ycjh Mining Engineering Co.,Ltd	Estimated: 13.5	2020.5.21 – 2021.12.20	2020.7.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Item No.	Contract Name	Counterpart	Subject amount (US\$ millions)	Contract period (effective day and expiration date)	Date of Contract
16	Contract for purchase of Cement	Sichuan Jiu Tai Fu Xin Mining Co. Ltd	Estimated: 10.3	2020.8.18 – 2021.8.17	2020.8.18
17	Blasting service contract	Tibet Gaozheng Blasting Engineering Co., Ltd	Estimated: 10.1	2020.12.1 – 2021.11.30	2020.12.1
18	Blasting service contract	Tibet Zhongjin Xinlian Blasting Engineering Co., Ltd	Estimated: 10.1	2020.12.1 – 2021.11.30	2020.12.1
19	Steel ball purchase contract	Chinalco Industrial Services Co., Ltd	Estimated: 5.7	2020.9.30 – 2021.9.29	2020.9.30
20	Contract for purchase of sodium hydrosulfide	Fengshi Chemical (Shanghai) Co., Ltd	Estimated: 4.9	2020.11.12 – 2021.11.11	2020.11.12
21	The first batch of chemical purchase contract	Yunnan Tiefeng Mining & Chemical New Technology Co. Ltd	Estimated: 3.4	2020.8.31 – 2021..8.30	2020.8.31
22	Contract for purchase of lime	Xizang Bai Chuan Trading Co. Ltd	Estimated: 3.0	2020.8.31 – 2021.8.30	2020.8.31
23	Contract for purchase of semi-autogenous mill lining plate	Citic Heavy Industries Co.,Ltd.	Estimated: 3.0	2020.9.8 – 2021.9.7	2020.9.8

In 2019, Tibet Huatailong Mining Development Co. Ltd. (“Huatailong”), the company holds the Jiama mine, entered into a cooperation agreement (the “Cooperation Agreement”) with an independent third party property developer, Zhongxinfang Tibet Construction Investment Co., Ltd. (“Zhongxinfang”) in relation to the development of a composite project in Lhasa, Tibet, China. Pursuant to the Cooperation Agreement, the Huatailong agreed to transfer the land use right for the development and the Zhongxinfang agreed to compensate the Huatailong by transferring a block of the buildings and twenty car parks within two years from the date of the Cooperation Agreement and all related tax exposures including but not limited to land appreciation tax, enterprises income tax and other related tax. The land use right was transferred to the Zhongxinfang in 2019.

During the year ended December 31, 2020, there was a construction contract dispute between independent third parties, the constructor, Huaxin Construction Group Co., Ltd. (formerly named as “Nantong Huaxin Construction Group Co., Ltd.”) (“Huaxin”) and Zhongxinfang, and the Group’s subsidiary, Huatailong. The land use right was transferred to Zhongxinfang in 2019 pursuant to the cooperation agreement signed between Zhongxinfang and Huatailong in 2019 in relation to the Land Exchange. Huaxin proceeded a lawsuit against the parties to the construction contract, Zhongxinfang and Huatailong, for the recoverability of the construction costs of RMB149 million (equivalent to US\$21,319,000) and applied for pre-litigation preservation of assets from Huatailong. The Intermediate People’s Court of Lhasa City, Tibet, adjudicated that the bank deposit of RMB140 million (equivalent to US\$19,775,000) of Huatailong to be frozen for one year from April 10, 2020 (the “1st Adjudication”). Based on the adjudication of the Intermediate People’s Court of Lhasa City, Tibet after the 1st Adjudication on December 1, 2020 and related notice of execution effective from December 3, 2020, the related frozen bank deposit of US\$19,775,000 was released and reclassified from restricted bank balances to cash and cash equivalents accordingly.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Based on the first instance adjudication dated July 23, 2020 (the “First Instance Adjudication”), the litigation ruling adjudicated that Zhongxinfang and Huatailong shall have the joint obligation for the construction costs of RMB140 million (equivalent to US\$20,070,000) to Huaxin. Pursuant to the cooperation agreement signed between Zhongxinfang and Huatailong in 2019, Huatailong is not involved in the construction process. The related costs are the sole responsibilities of Zhongxinfang. Huatailong proceeded an appeal against the First Instance Adjudication on August 17, 2020 (the “Appeal”), and the High People’s Court of Lhasa City, Tibet entered the final instance adjudication dated November 20, 2020 (the “Final Instance Adjudication”), that Huatailong has no obligation for the aforesaid construction costs and rescinded the First Instance Adjudication.

Production Update

Jiama Mine	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Ore processed (tonnes)	4,064,717	2,179,358	14,990,810	12,348,777
Average copper ore grade (%)	0.67	0.72	0.67	0.64
Copper recovery rate (%)	83	84	82	79
Average gold grade (g/t)	0.26	0.34	0.27	0.29
Gold recovery rate (%)	71	73	70	60
Average silver grade (g/t)	28.71	23.70	24.94	17.30
Silver recovery rate (%)	63	57	61	55
Average lead grade (%)	0.78	–	0.69	0.06
Lead recovery rate (%)	74	–	70	36
Average zinc grade (%)	0.38	–	0.36	0.03
Zinc recovery rate (%)	68	–	64	27
Average moly grade (%)	0.004	–	0.002	0.001
Moly recovery rate (%)	31	–	60	59

During the year ended December 31, 2020, the metals recovery rates increased significantly, with increases by 3% for copper, 10% for gold, and 6% for silver, based on the continued optimization of operating parameters regime of reagents, and the amelioration of steady flowsheet, as well as recoveries of lead, zinc and molybdenum.

Exploration

In the fourth quarter of 2020, the Company continued the diamond drilling program, focusing on the well mineralized zones as outlined based on the drilling program in 2019. Eight projected surface drill holes were completed, totaling 7,973.48+-m, given six drill holes intersecting skarn deposit. The mineralization interceptions and sample assaying of 2020 drilling results will be analyzed together with 2019 exploration results to evaluate mineralization prospects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral Resources Estimate

Jiama Mine resources by category at December 31, 2020 under NI 43-101:

Jiama Project – Cu, Mo, Pb, Zn, Au, and Ag Mineral Resources under NI 43-101													
Reported at a 0.3% Cu Equivalent Cut off grade*, as of December 31, 2020													
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	93.97	0.38	0.04	0.04	0.02	0.08	5.16	363.4	34.2	35.8	18.4	0.236	15.77
Indicated	1,344.54	0.40	0.03	0.05	0.03	0.10	5.66	5,420.8	459.0	724.3	456.1	4.510	247.43
M+I	1,438.51	0.40	0.03	0.05	0.03	0.10	5.63	5,784.2	493.2	760.1	474.5	4.746	263.20
Inferred	406.1	0.31	0.03	0.08	0.04	0.10	5.13	1,247	123.0	311	175	1.317	66.93

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral Reserves Estimate

Jiama Mine reserves by category at December 31, 2020 under NI 43-101:

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2020													
Class	Quantity							Cu Metal	Mo Metal	Pb Metal	Zn Metal		
	Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	(kt)	(kt)	(kt)	(kt)	Au Moz	Ag Moz
Proven	19.21	0.60	0.05	0.03	0.02	0.20	8.03	115.4	9.3	5.8	3.9	0.123	4.96
Probable	370.53	0.60	0.03	0.12	0.07	0.17	10.51	2,221.7	124.2	461.5	258.7	2.016	125.22
P+P	389.74	0.60	0.03	0.12	0.07	0.17	10.39	2,337.1	133.5	467.3	262.6	2.139	130.18

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;
 - an 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.

LIQUIDITY AND CAPITAL RESOURCES

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

At December 31, 2020, the Company had an accumulated surplus of US\$295.5 million, working capital of US\$142.3 million and borrowings of US\$1,225 million. The Company's cash balance at December 31, 2020 was US\$243.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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\$296.6 million of 2.8% coupon rate unsecured bonds maturing on June 23, 2023, and US\$132.1 million of short term debt facilities with interest rates ranging from 1.20% to 4.51% per annum arranged through various banks in China. In addition, on November 3, 2015, the Company entered into a Loan Facility agreement with a syndicate of banks, led by Bank of China. The lenders agreed to lend an aggregate principle amount of RMB3.98 billion, approximately US\$613 million with the interest rate of 2.83% per annum. The People's Bank of China Lhasa Center Branch's interest rate serves as a local benchmark for the interest on the drawdowns. The bank's interest rate is then discounted by 7 basis points (or 0.07%) to calculate the interest on the drawdowns. The loan interest rate was adjusted from benchmark interest rate minus 7 basis points to 5 year loan prime rate ("LPR") less 2% (LPR-2%) in second quarter of 2020. The interest rate of 2.65% shall be applied for the current year after converting. The proceeds from the Loan Facility are to be used for the development of the Jiama Mine. The loan is secured by the mining rights for the Jiama Mine. As of December 31, 2020 the Company has drawn down RMB 3,790 billion, approximately US\$580.9 million under the Loan Facility. On April 29, 2020, the Company entered into a Loan Facility agreement with a syndicate of banks. The lenders agreed to lend an aggregate principal amount of RMB1.4 billion, approximately US\$197.8 million with the interest rate of 2.65% per annum currently, maturing on April 28, 2034. The company obtained a loan in the aggregate principal amount of RMB400 million with China Development Bank bearing interest at the People's Bank of China Loan Market Quote Rate (1 year) minus 2.65% on April 30, 2020. The current interest rate of the loan is 1.2% per annum. On July 6, 2020, the Company repaid the previously outstanding unsecured bonds issued in 2017 with an aggregate principal amount of US\$500 million and interest expense of US\$8.125 million. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future.

The Company continues to review and assess its assets for impairment as part of its financial reporting processes. To date, the assessment carried out by the Company support the carrying values of the Company's assets and no impairment has been required. However, the management of the Company continues to evaluate key assumptions on estimates and management judgements in order to determine the recoverable amount of the CSH Mine and the Jiama Mine.

CASH FLOWS

The following table sets out selected cash flow data from the Company's consolidated cash flow statements for the year ended December 31, 2020 and December 31, 2019.

	Year ended December 31,	
	2020	2019
	US\$'000	US\$'000
Net cash from operating activities	260,456	158,312
Net cash used in investing activities	(133,210)	(128,046)
Net cash (used in) from financing activities	(71,636)	14,982
Net increase in cash and cash equivalents	55,610	45,248
Effect of foreign exchange rate changes on cash and cash equivalents	5,388	(954)
Cash and cash equivalents, beginning of period	182,290	137,996
Cash and cash equivalents, end of period	243,288	182,290

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating cash flow

For the year ended December 31, 2020, net cash inflow from operating activities was US\$260.5 million which is primarily attributable to (i) profit before income tax of US\$125.4 million (ii) depreciation of property, plant and equipment of US\$148.7 million (iii) finance cost of US\$42.0 million and (iv) amortization of mining rights of US\$38.0 million, partially offset by (i) interest paid of US\$37.9 million (ii) income taxes paid of US\$19.3 million, (iii) increase in inventory of US\$14.9 million, and (iv) increase in trade and other receivables of US\$11.5 million.

Investing cash flow

For the year ended December 31, 2020, the net cash outflow from investing activities was US\$133.2 million which is primarily attributable to (i) payment for acquisition of property, plant and equipment of US\$150.2 million, and (ii) payment of restricted bank balance of US\$101.1 million for bank notes, partially offset by release of restricted bank balance of US\$115.0 million for bank notes.

Financing cash flow

For the year ended December 31, 2020, the net cash outflow mainly from financing activities was US\$71.6 million which is primarily attributable to proceeds from borrowings of US\$600.2 million which included the US\$300 million bond issuance on June 24, 2020 offset by repayment of borrowings of US\$671.4 million.

Expenditures Incurred

For the year ended December 31, 2020, the Company incurred mining costs of US\$123.4 million, mineral processing costs of US\$140.1 million and transportation costs of US\$6.3 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at December 31, 2020, the Company's total debt was US\$1,225 million and the total equity was US\$1,595 million. The Company's gearing ratio was therefore 0.77 as at December 31, 2020 and 0.86 as at December 31, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES. ASSOCIATES AND JOINT VENTURES, AND FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Other than as disclosed elsewhere in this MD&A or in the annual consolidated financial statements for year ended December 31, 2020, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2020. Other than as disclosed in this MD&A, there was no plan authorized by the Board for other material investments or additions of capital assets at the date of this MD&A.

CHARGE ON ASSETS

Other than as disclosed elsewhere in this MD&A and annual consolidated financial statements, none of the Company's assets were pledged as at December 31, 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Refer to Note 35, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2020.

COMMITMENTS

Commitments include principal payments on the Company's bank loans and syndicated loan facility, corporate bond, and capital commitments in respect of the future acquisition of property, plant and equipment and construction for both the CSH Mine and the Jiama Mine.

The Company's capital commitments relate primarily to the payments for purchase of equipment and machinery for both mines and payments to third-party contractors for the provision of mining and exploration engineering work and mine construction work for both mines. The Company has entered into contracts that prescribe such capital commitments; however, liabilities relating to them have not yet been incurred. Refer to Note 36, Commitments, in the annual consolidated financial statements for the year ended December 31, 2020.

On July 7, 2017, the Company, through its wholly owned subsidiary Skyland Mining (BVI) Limited, issued bonds denominated in U.S. dollar, with an aggregate principal amount of US\$500 million. The Bonds were issued at a price of 99.663%, bearing a coupon of 3.25% per annum with a maturity date of July 6, 2020. Interest is payable in semi-annual installments on January 6 and July 6 of each year. The bonds were listed on HKSE and were repaid in their entirety on maturity.

On June 24, 2020, the Company, through its wholly owned subsidiary Skyland Mining (BVI) Limited, issued bonds denominated in U.S. dollar, with an aggregate principal amount of US\$300 million. The Bonds were issued at a price of 99.886%, bearing a coupon of 2.8% per annum with a maturity date of June 23, 2023. Interest is payable in semi-annual installments on December 23 and June 23 of each year. The bonds are listed on HKSE and Chongwa (Macao) Financial Asset Exchange ("MOX").

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Total US\$'000	Within One year US\$'000	Within Two to five years US\$'000	Over five years US\$'000
Principal repayment of bank loans	859,476	116,783	325,829	416,864
Repayment of bonds including interest	296,616	8,204	288,412	–
Repayment of entrusted loan payable	30,652	–	30,652	–
Repayment of loans payable to a CNG subsidiary	38,305	15,316	22,989	–
Total	1,225,049	140,303	667,882	416,864

Subsequent to the reporting period, the entrusted loan of RMB200 million (equivalent to approximately US\$30,652,000) was early repaid in full.

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

RELATED PARTY TRANSACTIONS

China National Gold Group Co., Ltd. (formerly known as China National Gold Group Corporation) (“CNG”) owned 40.01 percent of the outstanding common shares of the Company as at December 31, 2020 and 39.3 percent as at December 31, 2019.

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

The Company's subsidiary, Inner Mongolia Pacific is a party to a non-exclusive contract for the purchase and sale of doré with CNG (the “Dore Sales Contract”) pursuant to which Inner Mongolia Pacific sells gold doré bars to CNG. The pricing is based on the monthly average price of gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. The Dore Sales Contract has been in effect since October 24, 2008 and has been renewed for a current term that commenced on January 1, 2018 and expires on December 31, 2020, which renewal was approved by the Company's shareholders on June 28, 2017. On June 16, 2020, the third Supplemental Contract for Purchase and Sale of Dore was approved by the Company's Shareholders, commencing on January 1, 2021 and expiring on December 31, 2023.

Revenue from sales of gold doré bars to CNG was US\$260.1 million for the year ended December 31, 2020 which increased from US\$205.2 million for the year ended December 31, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company is also a party to a Product and Service Framework Agreement with CNG, pursuant to which CNG provides construction, procurement and equipment financing services to the Company and also purchases the copper concentrates produced at the Jiama Mine. The quantity of copper concentrates, pricing terms and payment terms may be established from time to time by the parties with reference to the pricing principles for connected transactions set out under the Product and Service Framework Agreement. On June 28, 2017, the Supplemental Product and Service Framework Agreement was approved and extended to expire on December 31, 2020. For the year ended December 31, 2020, revenue from sales of copper concentrate and other products to CNG was US\$166.7 million, compared to US\$79.5 million for the same period in 2019. On June 16, 2020, the third Supplemental Product and Service Framework Agreement was approved by the Company's Shareholders, commencing on January 1, 2021 and expiring on December 31, 2023.

For the year ended December 31, 2020, construction services of US\$16.6 million were provided to the Company by subsidiaries of CNG (US\$9.5 million for the year ended December 31, 2019).

In addition to the aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business, including a Loan Agreement and a Deposit Services Agreement entered into on March 25, 2019, December 31, 2019, and December 22, 2020 among the Company and China Gold Finance.

Refer to Note 32 of the audited annual consolidated financial statements for the year ended December 31, 2020.

PROPOSED TRANSACTIONS

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Company did not have any material acquisition and disposal of subsidiaries and associated companies for the year ended December 31, 2020. The Company continues to review possible acquisition targets.

CRITICAL ACCOUNTING ESTIMATES

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2020.

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, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds a number of financial instruments, the most significant of which are equity securities, accounts receivables, accounts payables, cash and loans. The financial instruments are recorded at either fair values or amortized amount on the balance sheet.

The Company did not have any financial derivatives or outstanding hedging contracts as at December 31, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2020, the Company had not entered into any off-balance sheet arrangements.

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 other things, the results of operations, cash flows and financial conditions, operating and capital requirements, the rules promulgated by the regulators affecting dividends in both Canada and Hong Kong, China and at both the TSX and HKSE, and the amount of distributable profits and other relevant factors.

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

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

In Connection with the financial results for the year ended December 31, 2020, the Company has declared a special dividend in respect of the year ended 31 December 2020 of US\$ 0.12 per common share, in an aggregate amount of US\$47,570,000, payable on May 30, 2021 to shareholders of record as of April 20, 2021. The Board of Directors will determine any future dividends and dividend policy on the basis of earnings, financial requirements and other relevant factors.

OUTSTANDING SHARES

As of December 31, 2020 the Company had 396,413,753 common shares issued and outstanding.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of December 31, 2020, and provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the Company's ICFR as of December 31, 2020 and have concluded that these controls and procedures were effective as of December 31, 2020 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, 2020, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

There are certain risks involved in the Company's operations, some of which are beyond the Company's control. Aside from risks relating to business and industry, the Company's principal operations are located within the People's Republic of China and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Readers of this MD&A should give careful consideration to the information included in this document and the Company's audited annual consolidated financial statements and related notes. Significant risk factors for the Company are metal prices, government regulations, foreign operations, environmental compliance, the ability to obtain additional financing, risk relating to recent acquisitions, dependence on management, title to the Company's mineral properties, natural disasters, pandemics such as COVID-19 and litigation. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks. For details of risk factors, please refer to the Company's annual audited consolidated financial statements, and Annual Information Form filed from time to time on SEDAR at www.sedar.com and www.hkex.com.hk.

QUALIFIED PERSON

Disclosure of scientific or technical information in this MD&A was reviewed and approved by Mr. Zhongxin Guo, P.Eng., the Company's Chief Engineer and a Qualified Person ("QP") for the purposes of NI 43-101.

March 31, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	NOTES	2020 US\$'000	2019 US\$'000
Revenue	5	864,032	657,459
Cost of sales		(654,178)	(593,246)
Mine operating earnings		209,854	64,213
Expenses			
General and administrative expenses	6	(36,661)	(50,069)
Exploration and evaluation expenditure	7	(477)	(502)
Research and development expenses		(18,500)	(16,905)
		(55,638)	(67,476)
Income (loss) from operations		154,216	(3,263)
Other income (expenses)			
Foreign exchange gain (loss), net		3,403	(7,668)
Gain on recognition of other assets	23	–	25,312
Interest and other income		9,825	3,305
Finance costs	8	(42,014)	(42,528)
		(28,786)	(21,579)
Profit (loss) before income tax		125,430	(24,842)
Income tax expense	9	(11,492)	(7,309)
Profit (loss) for the year	10	113,938	(32,151)
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on equity instruments at fair value through other comprehensive income		3,530	(1,170)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		27,689	(5,085)
Total comprehensive income (expense) for the year		145,157	(38,406)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	NOTES	2020 US\$'000	2019 US\$'000
Profit (loss) for the year attributable to:			
Non-controlling interests		1,976	686
Owners of the Company		111,962	(32,837)
		<u>113,938</u>	<u>(32,151)</u>
Total comprehensive income (expense) for the year attributable to:			
Non-controlling interests		1,972	690
Owners of the Company		143,185	(39,096)
		<u>145,157</u>	<u>(38,406)</u>
Earnings (loss) per share – Basic (US cents)	13	<u>28.24</u>	<u>(8.28)</u>
Weighted average number of common shares – Basic	13	<u>396,413,753</u>	<u>396,413,753</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2020

	NOTES	2020 US\$'000	2019 US\$'000
Current assets			
Cash and cash equivalents	14	243,288	182,290
Restricted bank balances	14	5,069	17,687
Trade, bills and other receivables	15	35,760	26,011
Prepaid expenses and deposits	17	3,309	12,271
Inventories	18	297,694	281,123
		585,120	519,382
Non-current assets			
Prepaid expenses and deposits	17	2,575	19,044
Right-of-use assets	19	14,244	13,869
Equity instruments at fair value through other comprehensive income	20	20,824	17,059
Property, plant and equipment	21	1,808,961	1,709,449
Mining rights	22	867,259	900,373
Deferred tax assets	9	4,463	–
Other non-current assets	23	19,196	17,954
		2,737,522	2,677,748
Total assets		3,322,642	3,197,130
Current liabilities			
Accounts and other payables and accrued expenses	24	280,592	296,403
Contract liabilities	25	2,878	6,783
Borrowings	26	140,303	582,952
Entrusted loan payable	27	–	28,669
Lease liabilities	28	95	89
Tax liabilities		18,905	13,850
		442,773	928,746
Net current assets (liabilities)		142,347	(409,364)
Total assets less current liabilities		2,879,869	2,268,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2020

	NOTES	2020 US\$'000	2019 US\$'000
Non-current liabilities			
Borrowings	26	1,054,094	632,149
Lease liabilities	28	352	444
Deferred tax liabilities	9	111,306	119,293
Deferred income	29	2,333	2,686
Entrusted loan payable	27	30,652	–
Environmental rehabilitation	30	85,663	63,145
		1,284,400	817,717
Total liabilities		1,727,173	1,746,463
Owners' equity			
Share capital	31	1,229,061	1,229,061
Reserves		53,918	6,791
Retained profits		295,543	199,485
		1,578,522	1,435,337
Non-controlling interests		16,947	15,330
Total owners' equity		1,595,469	1,450,667
Total liabilities and owners' equity		3,322,642	3,197,130

The consolidated financial statements on pages 7 to 90 were approved and authorized for issue by the Board of Directors on March 31, 2021 and are signed on its behalf by:

Liangyou Jiang
Director

Yingbin Ian He
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Number of shares	Share capital US\$'000	Equity reserve US\$'000	Attributable to the owners of the Company				Subtotal US\$'000	Non- controlling interests US\$'000	Total owners' equity US\$'000
				Investments revaluation reserve US\$'000	Exchange reserve US\$'000	Statutory reserves US\$'000 (Note)	Retained profits US\$'000			
At January 1, 2019	396,413,753	1,229,061	11,179	(1,791)	(15,244)	21,426	229,802	1,474,433	14,805	1,489,238
(Loss) profit for the year	-	-	-	-	-	-	(32,837)	(32,837)	686	(32,151)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(1,170)	-	-	-	(1,170)	-	(1,170)
Exchange difference arising on translation	-	-	-	-	(5,089)	-	-	(5,089)	4	(5,085)
Total comprehensive (expense) income for the year	-	-	-	(1,170)	(5,089)	-	(32,837)	(39,096)	690	(38,406)
Transfer from										
- safety production fund	-	-	-	-	-	(1,956)	1,956	-	-	-
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(165)	(165)
Transfer upon disposal of investment in an equity security	-	-	-	(564)	-	-	564	-	-	-
At December 31, 2019	396,413,753	1,229,061	11,179	(3,525)	(20,333)	19,470	199,485	1,435,337	15,330	1,450,667
Profit for the year	-	-	-	-	-	-	111,962	111,962	1,976	113,938
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	-	3,530	-	-	-	3,530	-	3,530
Exchange difference arising on translation	-	-	-	-	27,693	-	-	27,693	(4)	27,689
Total comprehensive income for the year	-	-	-	3,530	27,693	-	111,962	143,185	1,972	145,157
Transfer to statutory reserve										
- appropriation from retained profits	-	-	-	-	-	14,519	(14,519)	-	-	-
Transfer to										
- safety production fund	-	-	-	-	-	1,385	(1,385)	-	-	-
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(355)	(355)
At December 31, 2020	396,413,753	1,229,061	11,179	5	7,360	35,374	295,543	1,578,522	16,947	1,595,469

Note: Statutory reserves which consist of (1) appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC") and (2) provision of safety production fund of the subsidiaries engaged in the exploration and development in the mining industry, form part of the equity of 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. In accordance with the 'implementation of entities' safety production funds management' of Caiqi (2012) No.16 issued by Ministry of Finance of the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount, equal to RMB5 per ton multiplied by the volume of ore mined less actual payment, each year to a statutory reserve and utilise an amount when the actual payment is more than RMB5 per ton multiplied by the volume of ore mined.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 US\$'000	2019 US\$'000
Operating activities		
Profit (loss) before income tax	125,430	(24,842)
Items not requiring use of cash and cash equivalents:		
Amortisation of mining rights	38,021	29,397
Depreciation of property, plant and equipment	148,672	143,951
Depreciation of right-of-use assets	492	479
Interest income	(3,889)	(1,712)
Dividend income	(545)	(592)
Finance costs	42,014	42,528
Allowance for credit losses of trade, bills and other receivables, net	37	25
Loss on disposal of property, plant and equipment	10	358
Gain on recognition of other assets	–	(25,312)
Release of deferred income	(772)	(824)
Unrealised foreign exchange (gains) losses, net	(6,337)	7,664
	343,133	171,120
Change in operating working capital items:		
Trade, bills and other receivables	(11,504)	4,902
Prepaid expenses and deposits	3,239	13,515
Inventories	(14,931)	679
Contract liabilities	(4,461)	2,174
Accounts and other payables and accrued expenses	2,209	16,087
	317,685	208,477
Cash generated from operations	(60)	(66)
Environmental rehabilitation expense paid	(37,886)	(47,677)
Interest paid	(19,283)	(2,422)
Income taxes paid		
Net cash from operating activities	260,456	158,312

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 US\$'000	2019 US\$'000
Investing activities		
Interest received	3,889	1,712
Dividend received	545	592
Payment for acquisition of mining rights	(1,207)	(2,787)
Payment for acquisition of property, plant and equipment	(150,183)	(127,857)
Payment for capital injection of equity investment at fair value through other comprehensive income	(184)	–
Proceeds from disposal of property, plant and equipment	10	14
Proceeds from disposal of equity investment at fair value through other comprehensive income	–	2,023
Placement of restricted bank balances	(101,132)	(128,289)
Release of restricted bank balances	114,973	126,420
Receipt of government grant	79	126
Net cash used in investing activities	(133,210)	(128,046)
Financing activities		
Proceeds from borrowings	600,195	122,570
Repayments of borrowings	(671,374)	(107,339)
Dividend paid to a non-controlling shareholder	(355)	(165)
Repayments of lease liabilities	(102)	(84)
Net cash (used in) from financing activities	(71,636)	14,982
Net increase in cash and cash equivalents	55,610	45,248
Cash and cash equivalents, beginning of year	182,290	137,996
Effect of foreign exchange rate changes on cash and cash equivalents	5,388	(954)
Cash and cash equivalents, end of year	243,288	182,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. GENERAL

China Gold International Resources Corp. Ltd., (the “Company”) is a publicly listed company incorporated in British Columbia, Canada 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 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 resources in the PRC. Particulars of the subsidiaries of the Company are set out in note 39. The Group considers that China National Gold Group Co., Ltd. (formerly known as China National Gold Group Corporation) (“CNG”), a state owned company registered in Beijing, the 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 1M4.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRSs* and the following amendments to IFRSs issued by International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRSs* and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

Amendments to IFRSs that are mandatorily effective for the current year (Cont'd)

Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to IFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020 ²

1 Effective for annual periods beginning on or after January 1, 2023

2 Effective for annual periods beginning on or after January 1, 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after June 1, 2020

5 Effective for annual periods beginning on or after January 1, 2021

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

New and amendments to IFRSs in issue but not yet effective (Cont'd)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of a right to defer settlement for at least twelve months from the reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at December 31, 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 *Inventories*.

The Group's existing accounting policy is to account for sale proceeds on samples produced during testing as reduction of cost of the relevant property, plant and equipment. Upon application of the amendments, such sale proceeds and the related costs will be included in profit and loss with corresponding adjustments to the cost of property, plant and equipment. For the year ended December 31, 2020, no such sale was recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basic of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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 and services.

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 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 *Financial Instruments* (“IFRS 9”). In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient for not adjusting the transaction price for any significant financing component.

Revenue is recognised at a point in time when control of the gold doré bars, copper and other by-products is passed to customers, i.e. when the products are delivered and titles have passed to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies the practical expedient not to separate non-lease components from a lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Right-of-use assets (Cont'd)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Lease liabilities (Cont'd)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. US\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

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, which includes completion of all necessary activities to bring the assets to readiness of fulfilling relevant regulatory requirements and obtaining relevant regulatory consent.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of a capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before income tax because of income or expense that is taxable or deductible in other years and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 recognised 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which 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.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Current and deferred tax are recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income 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 recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined using the weighted average cost 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

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.

Production costs are capitalised 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.

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).

Others

Copper inventory is copper and other by-products 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

General

Property, plant and equipment (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation, depletion and impairment losses, if any.

An item of property, plant and equipment is derecognised 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 recognised 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 capitalised and the carrying amount of the component being replaced is derecognised. Directly attributable costs incurred for major capital projects and site preparation are capitalised 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 recognised as a provision.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between the non-lease building element and the undivided interest in the underlying leasehold land, the entire property is classified as property, plant and equipment.

The management of the Group (the "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 capitalised, at their cost at the date of acquisition.

Construction in progress

Assets under construction are capitalised as construction in progress until the asset is available for use. The cost of construction in progress is comprised of the purchase price of crushers, and machinery and equipment, any costs directly attributable to the construction to bring it into working condition for its intended use and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress amounts related to development projects are included in the carrying amount of the construction in progress.

The Company uses the following factors to assess whether the criteria of construction completion and ready for intended use have been met such that construction in progress is classified to the appropriate category of property, plant and equipment: (1) the completion of the construction as planned; and (2) the completion of testing of mine plant and equipment which demonstrates their ability to sustain ongoing production of minerals, and ability to produce minerals in saleable form (within specifications).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

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 capitalised and included in the carrying amount of the mineral assets.

The Management evaluates the following criteria in its assessment 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 is used 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 capitalising exploration drilling and related costs, the 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 capitalised as part of mineral assets in the period incurred, when the Management determines that there is sufficient evidence that the expenditure will result in a probable future economic benefit to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Production expenditure

A mine that is under construction is determined to enter the production stage when the project is in the position and condition necessary for it to be capable of operating in the manner intended by the Management. Therefore, such costs incurred are capitalised as part of the mineral assets and the proceeds from sales prior to commercial production (if any) are offset against costs capitalised.

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

Depreciation

Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total recoverable ounces contained in proven and probable reserves at the related mine when the mine is capable of operating as intended by the Management.

The 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 amortised using the unit-of-production method based on the actual production volume over 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 recognised separately from goodwill and are initially recognised 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 amortisation and any accumulated impairment losses. Amortisation 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.

Other non-current assets

The right to receive a block of buildings and twenty car parks included under "other non-current assets" is carried at cost less accumulated impairment if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of property, plant and equipment, right-of-use assets, mining rights and other non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, mining rights and other non-current assets 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amounts of property, plant and equipment, right-of-use assets, mining rights and other non-current assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) 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 recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

- (ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Interest and other income" line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessments using expected credit loss ("ECL") model on financial assets (including trade receivables, bills receivables, other receivables, amounts due from related companies, cash and cash equivalents and restricted bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables which are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

- (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread or the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including borrowings, entrusted loan payable, accounts and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assesses whether the revised terms result in a substantial modification from the original terms taking into account all relevant facts and circumstances including qualitative factors. If the qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment with any costs or fees incurred recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered a non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 capitalised 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 recognised 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 recognised 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 recognised 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 recognised 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

(a) Impairment of property, plant and equipment, right-of-use assets and mining rights

While assessing whether any indications of impairment exist for property, plant and equipment, right-of-use assets and mining rights, consideration is given to both external and internal sources of information. The Management consideration includes changes in the market, economic and legal environment in which the Group operates that are not within its control and affect the recoverable amounts of the property, plant and equipment, right-of-use assets and mining rights. The carrying amounts of property, plant and equipment, right-of-use assets and mining rights are reviewed for impairment in accordance with IAS 36 Impairment of Assets whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. As at December 31, 2020, the market capitalisation of the Company was below the carrying value of its net assets of approximately US\$1,595 million (2019: US\$1,451 million). This may be an indicator that the carrying amounts of the Group's property, plant and equipment, right-of-use assets and mining rights are impaired. The Group's two cash-generating units ("CGUs") for impairment assessment of mining rights, related property, plant and equipment and right-of-use assets are two significant mine sites which are producing gold and copper concentrate.

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of 1) value in use ("VIU") and 2) fair value less costs of disposal. In determining the recoverable amounts of the Group's property, plant and equipment, right-of-use assets and mining rights, the Group estimates the recoverable amount based on VIU and makes estimates of the discounted future pre-tax cash flows expected to be derived from the Group's CGUs and the appropriate discount rate. The key assumptions used in estimating the projected cash flows are future metal selling price, recoverable reserves, resources, exploration potential, production cost estimates, future operating costs and discount rates.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future operating costs, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or change in economic conditions can result in a write-down of the carrying amounts of the Group's property, plant and equipment, right-of-use assets and mining rights.

The Group uses its internal experts to perform the valuation for the purpose of the impairment assessment with assistance from third party qualified valuers. The Management works closely with internal experts and qualified external valuers to establish the appropriate valuation techniques and inputs to the model to estimate the VIU for the property, plant and equipment, right-of-use assets and mining rights.

The carrying amounts of property, plant and equipment, right-of-use assets and mining rights as at December 31, 2020 and 2019 are disclosed in notes 21, 19 and 22, respectively.

During the years ended December 31, 2020 and 2019, no impairment loss was recognised for the property, plant and equipment, right-of-use assets and mining rights in the Group's gold producing mine and copper producing mine as the recoverable amounts were higher than their respective carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

(b) 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, the amount of gold in the processing plant and an assumption of the gold price expected to be realised when the gold is recovered. If these estimates or assumptions are proven 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 and the processing plant 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 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 would lead 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, 2020 and 2019 are disclosed in note 18.

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major products and services:

	2020 US\$'000	2019 US\$'000
At a point in time		
Gold doré bars	260,074	205,212
Copper	291,182	308,274
Other by-products	312,776	143,973
Total revenue	864,032	657,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Revenue (Cont'd)

(ii) Performance obligations for contracts with customers

The Group sells gold doré bars, copper and other by-products directly to customers. Revenue is recognised at a point in time when control of the gold doré bars, copper and other by-products is passed to customers, i.e. when the products are delivered and titles have passed to customers. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

All sales of gold doré bars, copper and other by-products are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors of the Company. The CODM has identified two operating and reportable segments as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

For the year ended December 31, 2020

	Mine – produced gold US\$'000	Mine – produced copper concentrate US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenue – external and segment revenue	260,074	603,958	864,032	–	864,032
Cost of sales	(208,152)	(446,026)	(654,178)	–	(654,178)
Mining operating earnings	51,922	157,932	209,854	–	209,854
Income (loss) from operations	51,444	107,953	159,397	(5,181)	154,216
Foreign exchange (loss) gain, net	(5,028)	8,857	3,829	(426)	3,403
Interest and other income	1,305	7,838	9,143	682	9,825
Finance costs	(4,282)	(23,357)	(27,639)	(14,375)	(42,014)
Profit (loss) before income tax	43,439	101,291	144,730	(19,300)	125,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

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

For the year ended December 31, 2019

	Mine – produced gold US\$'000	Mine – produced copper concentrate US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenue – external and segment revenue	205,212	452,247	657,459	–	657,459
Cost of sales	<u>(192,228)</u>	<u>(401,018)</u>	<u>(593,246)</u>	<u>–</u>	<u>(593,246)</u>
Mining operating earnings	<u>12,984</u>	<u>51,229</u>	<u>64,213</u>	<u>–</u>	<u>64,213</u>
Income (loss) from operations	12,486	(4,073)	8,413	(11,676)	(3,263)
Foreign exchange gain (loss), net	947	(8,712)	(7,765)	97	(7,668)
Gain on recognition of other assets	–	25,312	25,312	–	25,312
Interest and other income	327	2,276	2,603	702	3,305
Finance costs	<u>(5,152)</u>	<u>(19,821)</u>	<u>(24,973)</u>	<u>(17,555)</u>	<u>(42,528)</u>
Profit (loss) before income tax	<u>8,608</u>	<u>(5,018)</u>	<u>3,590</u>	<u>(28,432)</u>	<u>(24,842)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent profit (loss) before income tax without allocation of certain general and administrative expenses, foreign exchange gain (loss), interest and other income and finance costs, 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 years ended December 31, 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

(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 concentrate US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
As of December 31, 2020					
Total assets	678,630	2,612,039	3,290,669	31,973	3,322,642
Total liabilities	130,613	1,296,112	1,426,725	300,448	1,727,173

As of December 31, 2019

Total assets	755,231	2,407,554	3,162,785	34,345	3,197,130
Total liabilities	229,873	1,006,604	1,236,477	509,986	1,746,463

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain cash and cash equivalents, other receivables, prepaid expenses and deposits, right-of-use assets, property, plant and equipment and equity instrument at FVTOCI; and
- all liabilities are allocated to operating segments other than other payables and accrued expenses, lease liabilities, deferred income and certain borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

(c) *Other segment information (included in the measure of segment profit or loss or segment assets regularly provided to the CODM)*

	Mine – produced gold US\$'000	Mine – produced copper concentrate US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
For the year ended December 31, 2020					
Additions of property, plant and equipment	30,327	115,401	145,728	–	145,728
Depreciation of property, plant and equipment	(67,434)	(81,238)	(148,672)	–	(148,672)
Amortisation of mining rights	(2,033)	(35,988)	(38,021)	–	(38,021)
Depreciation of right-of-use assets	(79)	(317)	(396)	(96)	(492)
For the year ended December 31, 2019					
Additions of property, plant and equipment	41,700	67,027	108,727	–	108,727
Addition of mining rights	11,141	–	11,141	–	11,141
Addition of right-of-use assets	–	–	–	514	514
Depreciation of property, plant and equipment	(75,190)	(68,761)	(143,951)	–	(143,951)
Amortisation of mining rights	(1,879)	(27,518)	(29,397)	–	(29,397)
Depreciation of right-of-use assets	(75)	(323)	(398)	(81)	(479)

(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 is not presented as an operating segment. During the years ended December 31, 2020 and 2019, the Group's revenue was generated from gold sales and copper multi-products to customers in the PRC. Approximately 99% (2019: 99%) of non-current assets of the Group are located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

(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 concentrate including other by-products to CNG and its subsidiaries as disclosed in note 32 (a). In addition, revenue from third-party customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Customer A ¹	N/A ²	95,931
Customer B ¹	91,215	162,923
Customer C ¹	171,452	N/A ²

¹ Revenue from mine-produced copper concentrate segment.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Administration and office	7,447	14,395
Depreciation of property, plant and equipment	4,060	4,656
Depreciation of right-of-use assets	96	81
Professional fees	3,454	6,224
Salaries and benefits	14,121	15,997
Others	7,483	8,716
Total general and administrative expenses	36,661	50,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

7. EXPLORATION AND EVALUATION EXPENDITURE

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
CSH Gold Mine	477	497
Generative exploration	—	5
Total explorative and evaluation expenditure	477	502

8. FINANCE COSTS

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Interests on borrowings	40,134	40,751
Interests on lease liabilities	16	2
Accretion on environmental rehabilitation (note 30)	2,410	2,217
	42,560	42,970
Less: Amounts capitalised to property, plant and equipment	(546)	(442)
Total finance costs	42,014	42,528

Interest has been capitalised at a capitalisation rate representing the weighted average interest to general borrowings.

	Year ended December 31, 2020 %	Year ended December 31, 2019 %
Capitalisation rate	2.45	2.82

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

9. INCOME TAX EXPENSE

The Company was incorporated in Canada and is subject to Canadian federal and provincial tax requirements which are calculated at 27% (2019: 27%) of the estimated assessable profit for the year ended December 31, 2020. 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% (2019: 25%) on the estimated taxable profit of the group entities located in the PRC for the year ended December 31, 2020 except as described below.

Pursuant to the Enterprise Income Tax Law (the "EIT" Law) effective on January 1, 2008, Inner Mongolia Pacific Mining Co. Ltd. ("IMP") is a certified "High and New Technology Enterprise" which is entitled to a preferential tax rate of 15% for three years from the year ended December 31, 2017 and eligible for renewal every three years. For the year ended December 31, 2020, IMP is subject to prevailing tax rate of 25% of taxable profit after expiry of certificate of "High and New Technology Enterprise".

Tibet Huatailong Mining Development Co. Ltd. ("Huatailong"), Metrorkongka County Jiama Industry and Trade Co. ("Jiama Industry and Trade") and Tibet Jia Ertong Minerals Exploration Ltd. ("Jia Ertong") established in the westward development area of the PRC were subject to preferential tax rate of 15% (2019: 15%) of taxable profit, except as described below.

Pursuant to the Tibet Administration (2018) Notice on Investment Promotion ("No. 25"), effective on June 15, 2018, Huatailong is certified as a "High and New Technology Enterprise", and entitled to a preferential tax rate of 9% for three years from the year ended December 31, 2018, set to expire in 2021.

Pursuant to No. 25, Jiama Industry and Trade, employs 70% or above of its employees who are Tibet Permanent Residents and thus is entitled to a reduced preferential tax rate of 9% for the years ended December 31, 2020 and 2019.

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. Except the Group has recognised deferred tax of US\$3,779,000 (2019: nil) on retained profits of the PRC subsidiary of US\$35,751,000 (2019: nil) for the year ended December 31, 2020, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated distributable profits of the other PRC subsidiaries amounting to approximately US\$564,895,000 at December 31, 2020 (2019: US\$437,820,000) as the Group 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.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") (revised in 2011) effective from January 8, 2011, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

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, 2020

9. INCOME TAX EXPENSE (Cont'd)

Tax expense comprises:

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Current tax expense – PRC EIT	25,744	4,969
Overprovision in prior year – PRC EIT	(1,278)	(280)
(Reversal of) provision for LAT	(524)	6,059
Deferred tax credit	(12,450)	(3,439)
Total income tax expense	11,492	7,309

The income tax expense for the Group can be reconciled to the profit (loss) before income tax for the year as follows:

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Profit (loss) before income tax	125,430	(24,842)
PRC EIT tax rates	25%	25%
Tax at the PRC EIT tax rates	31,358	(6,211)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	447	(250)
Tax effect of concessionary tax rate	(17,588)	(78)
Tax effect of tax losses and other deductible temporary differences not recognised	501	2,125
Tax effect of non-deductible expenses	5,690	6,749
Tax effect of non-taxable income	(2,318)	(284)
Impacts on foreign exchange	(12,532)	(1,943)
Impacts on opening deferred tax liabilities resulting from increase in applicable tax rate	2,157	–
Utilisation of deductible temporary differences previously not recognised	(1,142)	–
Withholding tax in respect of profit earned from PRC subsidiaries	3,779	–
Withholding tax in respect of interest income earned from PRC subsidiaries	2,942	1,422
Tax effect of LAT	(524)	6,059
Overprovision of PRC EIT in prior year	(1,278)	(280)
	11,492	7,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

9. INCOME TAX EXPENSE (Cont'd)

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

	Property, plant and equipment US\$'000	Environmental rehabilitation US\$'000	Mining rights ⁽¹⁾ US\$'000	Inventories US\$'000	Others US\$'000	Distributable profits of subsidiaries US\$'000	Total US\$'000
At January 1, 2019	(4,230)	(7,768)	128,400	7,044	(714)	–	122,732
Charge (credit) to profit or loss	818	(1,222)	(3,877)	3,229	(2,387)	–	(3,439)
At December 31, 2019	(3,412)	(8,990)	124,523	10,273	(3,101)	–	119,293
(Credit) charge to profit or loss	(5,623)	(3,227)	(5,055)	(7,678)	3,197	3,779	(14,607)
Effect of change in tax rate	345	(2,990)	–	6,848	(2,046)	–	2,157
At December 31, 2020	(8,690)	(15,207)	119,468	9,443	(1,950)	3,779	106,843

(1) Amount represents deferred tax liability arising from the fair value adjustment on mining rights during the business acquisition of Skyland Mining Limited and its subsidiaries ("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:

	2020 US\$'000	2019 US\$'000
Deferred tax assets	4,463	–
Deferred tax liabilities	(111,306)	(119,293)
	(106,843)	(119,293)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

9. INCOME TAX EXPENSE (Cont'd)

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

	2020 US\$'000	2019 US\$'000
Deferred income tax assets		
Tax losses carry forwards	23,288	22,795
Other deductible temporary differences	1,794	2,928
Total unrecognised deferred income tax assets	25,082	25,723

Deferred tax asset of US\$23,288,000 (2019: US\$22,795,000) has not been recognised in respect of unused tax losses of US\$96 million (2019: US\$94 million) due to the unpredictability of future profit streams. Under Canadian tax laws, unused tax losses can be carried forward for 20 years if the loss arises in tax years ended after December 31, 2005. Included in unrecognised tax losses are losses of US\$76 million that will expire from 2027 to 2040 (2019: US\$75 million that will expire from 2027 to 2039). Other losses may be carried forward indefinitely.

Other deductible temporary differences of US\$7 million (2019: US\$11 million) are primarily comprised 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 recognised 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, 2020

10. PROFIT (LOSS) FOR THE YEAR

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	745	834
Depreciation included in cost of sales and inventories	141,891	137,935
Depreciation included in research and development expenses	2,721	1,360
Depreciation included in general and administrative expenses (note 6)	4,060	4,656
Total depreciation of property, plant and equipment	148,672	143,951
Depreciation included in cost of sales and inventories	396	398
Depreciation included in general and administrative expenses (note 6)	96	81
Total depreciation of right-of-use assets	492	479
Amortisation of mining rights (included in cost of sales)	38,021	29,397
Loss on disposal of property, plant and equipment	10	358
Staff costs		
Directors' and chief executive's emoluments (note 11)	388	426
Staff salaries and benefits	13,197	14,515
Retirement benefits contributions	536	1,056
Total salaries and benefits included in administrative expenses (note 6)	14,121	15,997
Total salaries and benefits included in cost of sales and inventories	41,151	33,434
Total salaries and benefits included in research and development expenses	4,616	6,508
Total staff costs	59,888	55,939
Bank interest income	(3,889)	(1,712)
Government subsidies	(1,167)	(824)
Allowance for credit losses of trade, bills and other receivables, net	37	25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

10. PROFIT (LOSS) FOR THE YEAR (Cont'd)

During the year ended December 31, 2020, the Group had entered into barter transactions of RMB105 million (equivalent to US\$15 million) with independent third parties regarding exchange of gold bearing materials. The directors estimated the fair values of the inventories given up and received approximated the same and no gain or loss was recognised.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended December 31, 2020

	Fees US\$'000	Salaries and other benefits US\$'000	Retirement benefits contributions US\$'000	Total US\$'000
Executive Director and Chief Executive (Note a)				
Liangyou Jiang	–	–	–	–
Executive Directors (Note b)				
Shiliang Guan	–	87	1	88
Weibin Zhang	–	27	1	28
Na Tian	–	47	2	49
Non-executive Directors (Note c)				
Yongqing Teng	–	–	–	–
Fuzhen Kang	–	24	2	26
Junhu Tong	–	–	–	–
Independent Non-executive Directors (Note d)				
Ian He	55	–	2	57
Wei Shao	46	–	2	48
Bielin Shi	46	–	–	46
Ruixia (Rane) Han	46	–	–	46
	193	185	10	388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

(a) Directors' and chief executive's emoluments (Cont'd)

For the year ended December 31, 2019

	Fees US\$'000	Salaries and other benefits US\$'000	Retirement benefits contributions US\$'000	Total US\$'000
Executive Director and Chief Executive (Note a)				
Liangyou Jiang	–	–	–	–
Executive Directors (Note b)				
Xin Song (Note e)	–	–	–	–
Shiliang Guan	–	82	7	89
Non-executive Directors (Note c)				
Xiangdong Jiang	23	–	1	24
Yongqing Teng	–	–	–	–
Fuzhen Kang	–	52	2	54
Independent Non-executive Directors (Note d)				
Ian He	71	–	2	73
Yunfei Chen	23	–	–	23
Gregory Hall	23	–	–	23
John King Burns	23	–	–	23
Wei Shao	39	–	2	41
Bielin Shi	38	–	–	38
Ruixia (Rane) Han	38	–	–	38
	<u>278</u>	<u>134</u>	<u>14</u>	<u>426</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

(a) Directors' and chief executive's emoluments (Cont'd)

Notes:

- (a) Mr. Liangyou Jiang is the Chief Executive Officer ("CEO") and an executive director of the Company. He is also an employee of CNG and his emolument payments are centralised by CNG as of his CEO appointment.
- (b) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Effective from June 17, 2020, Mr. Weibin Zhang and Ms. Na Tian were appointed as executive directors. During 2019, Mr. Xin Song resigned as chairman and executive director as of November 14, 2019. Effective from June 25, 2019, Mr. Shiliang Guan was appointed as an executive director.
- (c) The non-executive directors' emoluments shown above were mainly for their services as directors of the Company. Effective from June 17, 2020, Mr. Junhu Tong was appointed as a non-executive director. During 2020, Mr. Yongqing Teng and Ms. Fuzhen Kang resigned as non-executive directors of the Company as of June 17, 2020. During 2019, Mr. Xiangdong Jiang resigned as non-executive director as of June 25, 2019. Mr. Yongqing Teng and Mr. Junhu Tong are employed by CNG and the payment of their emoluments are centralised and made by CNG for the years ended December 31, 2020 and 2019, in which the amounts are considered as insignificant.
- (d) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. Effective from June 25, 2019, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia (Rane) Han were appointed as independent non-executive directors. During 2019, Mr. Yunfei Chen, Mr. Gregory Hall and Mr. John King Burns resigned as independent non-executive directors of the Company as of June 25, 2019.
- (e) Mr. Xin Song has also been employed by CNG and the payment of his emoluments was centralised and made by CNG for the year ended December 31, 2019, in which the amounts are considered as insignificant.

For the years ended December 31, 2020 and 2019, none of the directors of the Company waived or agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

(b) Five highest paid employees

The five highest paid employees included nil (2019: nil) directors for the year ended December 31, 2020. The emoluments of the five (2019: five) non-director employees for the year ended December 31, 2020, are as follows:

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Employees		
Salaries and other benefits	818	852
Retirement benefits contributions	6	6
	<u>824</u>	<u>858</u>

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	No. of individuals 2020	2019
Nil to HK\$1,000,000 (equivalent to approximately US\$129,000)	1	–
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately US\$129,001 to US\$193,000)	4	5

During the years ended December 31, 2020 and 2019, 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.

12. DIVIDEND

No dividend was paid or proposed for shareholders of the Company during the years ended December 31, 2020 and 2019.

Subsequent to the end of the reporting period, the directors of the Company declared a special dividend in respect of the year ended December 31, 2020 of US\$0.12 (2019: nil) per common share, in an aggregate amount of US\$47,570,000 (2019: nil), payable on May 30, 2021 to shareholders of record as of April 20, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

13. EARNINGS (LOSS) PER SHARE

Profit (loss) used in determining earnings (loss) per share are presented below:

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Profit (loss) attributable to owners of the Company for the purposes of basic earnings (loss) per share (US\$'000)	111,962	(32,837)
Weighted average number of common shares, basic	396,413,753	396,413,753
Basic earnings (loss) per share (US cents)	28.24	(8.28)

The Group had no outstanding potential dilutive instruments issued as at December 31, 2020 and 2019 and during the years ended December 31, 2020 and 2019. Therefore, no diluted earnings (loss) per share is presented.

14. CASH AND CASH EQUIVALENTS/RESTRICTED BANK BALANCES

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, cash equivalents and restricted bank balances denominated in the foreign currencies other than the respective group entities' functional currencies are presented below:

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Denominated in:		
Canadian dollars	214	578
Renminbi ("RMB")	20,577	57,310
US\$	13	18
Hong Kong dollars	1,680	1,275
	22,484	59,181

The bank balances and bank deposits carry interest rates ranging from 0.001% to 2.45% (2019: 0.001% to 2.55%) per annum.

Restricted bank balances carry interest at market rates ranging from 0.30% to 1.55% (2019: 0.30% to 1.55%) per annum. The balance represents deposits pledged to banks to secure bills payable issued to suppliers for mining costs.

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FOR THE YEAR ENDED DECEMBER 31, 2020

15. TRADE, BILLS AND OTHER RECEIVABLES

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Trade receivables	1,603	958
Less: allowance for credit losses	(119)	(78)
	1,484	880
Bills receivables	15,316	–
Amounts due from related companies (note 32 (a)) ⁽¹⁾	1,498	2,020
Other receivables ⁽²⁾	17,462	23,111
Total trade, bills and other receivables	35,760	26,011

At January 1, 2019, trade receivables from contracts with customers amounted to US\$524,000.

(1) The amounts are unsecured, interest free and repayable on demand.

(2) Included in the balance as at December 31, 2020 are value-added tax recoverable of approximately US\$7,257,000 (2019: US\$11,697,000) and other receivables (as detailed in note 23) of US\$9,211,000 (2019: US\$7,980,000), which are expected to be recovered within twelve months after the end of the reporting period.

The Group allows an average credit period of 30 days and 180 days to its trade customers including CNG for gold dore bar sales and copper concentrate trade business, respectively.

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

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Less than 30 days	745	62
31 to 90 days	348	523
91 to 180 days	127	–
Over 180 days	264	295
Total trade receivables	1,484	880

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

15. TRADE, BILLS AND OTHER RECEIVABLES (Cont'd)

As at 31 December 2020, total bills receivable amounting to US\$15,316,000 (2019: nil) are held by the Group for future settlement of trade receivables, which were further discounted to a CNG's subsidiary by the Group. The Group continues to recognise their full carrying amounts of US\$15,316,000 (2019: nil) at the end of the reporting period and details are disclosed in note 16. All bills received by the Group are with a maturity period of less than one year.

Other than bills received amounting to US\$15,316,000 (2019: nil), the Group does not hold any collateral over these balances. Details of impairment assessment of trade, bills and other receivables are set out in note 35 (d).

16. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2020 and 2019 that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a secured borrowings (see note 26). These financial assets are carried at amortised cost in the consolidated statement of financial position.

	Bills receivable discounted to bank with full recourse	
	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Carrying amount of transferred assets	15,316	—
Carrying amount of associated liabilities	(15,316)	—
Net position	—	—

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17. PREPAID EXPENSES AND DEPOSITS

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Deposits for mine supplies and services (Note a)	429	863
Deposits for spare parts (Note a)	382	1,476
Deposit for acquisition of property, plant and equipment (Note b)	2,199	18,693
Prepaid property and machinery insurance	23	32
Amount due from a non-controlling shareholder of a subsidiary (Note c)	376	351
Prepaid interests	–	8,125
Other prepayment and deposits	2,475	1,775
	5,884	31,315
Less: Amounts that will be settled or utilised within one year shown under current assets	(3,309)	(12,271)
Amounts that will be settled or utilised for more than one year shown under non-current assets	2,575	19,044

Notes:

- As at December 31, 2019, the amount represents deposits paid to third party vendors and related companies (note 32) for purchasing of raw materials, consumable, spare parts and mine services.
- 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 due from a non-controlling shareholder is non-interest bearing, unsecured and repayable after one year.

18. INVENTORIES

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Gold in process	220,059	222,180
Gold doré bars	22,665	20,708
Consumables	23,255	16,923
Copper concentrate	9,016	855
Spare parts	22,699	20,457
Total inventories	297,694	281,123

Inventories totalling US\$621,414,000 (2019: US\$567,472,000) for the year ended December 31, 2020 was recognised in cost of sales.

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19. RIGHT-OF-USE ASSETS

	Leasehold lands US\$'000	Leased properties US\$'000	Total US\$'000
At December 31, 2020			
Carrying amount	13,806	438	14,244
At December 31, 2019			
Carrying amount	13,335	534	13,869
For the year ended December 31, 2020			
Depreciation charge	396	96	492
For the year ended December 31, 2019			
Depreciation charge	398	81	479
	Year ended December 31, 2020 US\$'000		Year ended December 31, 2019 US\$'000
Expenses relating to short-term leases	—		3,730
Total cash outflow for leases	1,943		3,844
Additions to right-of-use assets	—		514

For both years, the Group leases leasehold lands and office premises for its operations. The lease terms of leasehold lands are 50 years. Lease contracts of office premises are entered into for a fixed term of 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group obtained several land use right certificates for leasehold lands where its mining facilities are primarily located. Lump sum payments were made upfront to acquire these leasehold lands. The leasehold lands are presented separately.

Restrictions or covenants on leases

In addition, lease liabilities of US\$447,000 are recognised with related right-of-use assets of US\$438,000 as at December 31, 2020 (2019: lease liabilities of US\$533,000 and related right-of-use assets of US\$534,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Listed investments:		
Equity securities listed in Hong Kong (Note a)	20,015	16,485
Unlisted investments:		
Equity securities (Note b)	809	574
Total	20,824	17,059

Notes:

- a. The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The investment of China Nonferrous Mining Corporation Limited ("CNMC"), a listed company in Hong Kong, represents 2.03% equity interest in CNMC. CNMC is engaged in mining, processing and trading of nonferrous metals in Zambia. During the year ended December 31, 2020, a fair value gain of US\$3,530,000 (2019: a fair value loss of US\$1,170,000) was recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve in accordance with the Group's accounting policies.

- b. The above unlisted equity investments represent the Group's equity interests in two (2019: one entities) private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

During year ended December 31, 2020, the Company invested in 4% share interest in Tibet Electric Power Trading Center Co., Ltd. ("Tibet Electric") for RMB1,272,000, approximately US\$184,000. Tibet Electric is established in the PRC and is principally engaged in the trading of electric power in the PRC.

During the year ended December 31, 2019, the Group disposed of the investment in Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd., at a consideration of RMB13,700,000, approximately US\$2,023,000, which was also the fair value as at the date of disposal. A cumulative gain on disposal of US\$564,000 has been transferred to retained profits at the date of disposal.

As at December 31, 2020, the carrying amount of RMB5,272,000, approximately US\$809,000 (2019: US\$574,000), representing 7.425% share interest in Mozu Gongka Jiulian Industrial Explosives Material Co. Ltd. ("Mozu Explosives") and 4% share interest in Tibet Electric (2019: representing 7.425% share interest in Mozu Gongka). Mozu Explosives is established in the PRC and principally engaged in the development and manufacturing of explosives. The directors of the Company are of the opinion that the fair value change of unlisted investments are insignificant and has not been recognised for the year ended December 31, 2020 and 2019.

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FOR THE YEAR ENDED DECEMBER 31, 2020

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Crushers	Furniture and office equipment	Machinery and equipment	Motor vehicles	Leasehold improvements	Mineral assets	Construction in progress ("CIP")	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
COST									
At January 1, 2019	832,591	227,332	6,919	306,007	9,664	198	874,335	11,364	2,268,410
Additions	1,680	-	2,049	6,578	1,178	-	81,842	15,400	108,727
Disposals	(620)	-	(73)	-	(238)	(100)	-	-	(1,031)
Transfer from CIP	7,191	-	-	587	-	-	-	(7,778)	-
Environmental rehabilitation adjustment (note 30)	-	-	-	-	-	-	2,448	-	2,448
Exchange realignment	(13,146)	-	(69)	(4,230)	(114)	-	(8,196)	(268)	(26,023)
At December 31, 2019	827,696	227,332	8,826	308,942	10,490	98	950,429	18,718	2,352,531
Additions	1,224	-	1,945	5,206	742	-	116,262	20,349	145,728
Costs adjustment	4,442	-	-	(7,100)	-	-	(184)	-	(2,842)
Disposals	-	-	-	-	(155)	-	-	-	(155)
Transfer from CIP	4,004	-	900	2,438	-	-	-	(7,342)	-
Environmental rehabilitation adjustment (note 30)	-	-	-	-	-	-	14,492	-	14,492
Exchange realignment	54,949	-	581	16,993	548	-	35,346	2,021	110,438
At December 31, 2020	892,315	227,332	12,252	326,479	11,625	98	1,116,345	33,746	2,620,192
ACCUMULATED DEPRECIATION									
At January 1, 2019	(88,333)	(91,632)	(4,180)	(82,113)	(5,300)	(186)	(231,306)	-	(503,050)
Provided for the year	(37,991)	(21,790)	(799)	(21,756)	(946)	(12)	(60,657)	-	(143,951)
Eliminated on disposals	260	-	73	-	226	100	-	-	659
Exchange realignment	1,669	-	72	964	61	-	494	-	3,260
At December 31, 2019	(124,395)	(113,422)	(4,834)	(102,905)	(5,959)	(98)	(291,469)	-	(643,082)
Provided for the year	(38,325)	(18,512)	(1,064)	(24,377)	(857)	-	(65,537)	-	(148,672)
Eliminated on disposals	-	-	-	-	135	-	-	-	135
Exchange realignment	(9,769)	-	(272)	(5,672)	(298)	-	(3,601)	-	(19,612)
At December 31, 2020	(172,489)	(131,934)	(6,170)	(132,954)	(6,979)	(98)	(360,607)	-	(811,231)
CARRYING VALUE									
At December 31, 2020	719,826	95,398	6,082	193,525	4,646	-	755,738	33,746	1,808,961
At December 31, 2019	703,301	113,910	3,992	206,037	4,531	-	658,960	18,718	1,709,449

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FOR THE YEAR ENDED DECEMBER 31, 2020

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

The above items of property, plant and equipment, except for mineral assets, taking into account the residual value, 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
Crushers	10 to 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, stripping 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 capitalised when they are incurred to improve access to the future ores. 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 the Group holds a 96.5% equity 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\$275,068,000 as at December 31, 2020 (December 31, 2019: US\$294,844,000).

(b) Jiama Mine

The Jiama Mine, a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet, in which the Group holds 100% equity interest through its wholly-owned subsidiary, Skyland. The Group acquired Skyland on December 1, 2010. The carrying value of the Jiama Mine in relation to mineral assets is US\$480,670,000 as at December 31, 2020 (December 31, 2019: US\$364,116,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

22. MINING RIGHTS

	US\$'000
COST	
At January 1, 2019	1,000,965
Additions	11,141
Exchange realignment	(1,534)
At December 31, 2019	1,010,572
Exchange realignment	5,604
At December 31, 2020	1,016,176
ACCUMULATED AMORTISATION	
At January 1, 2019	(80,898)
Provided for the year	(29,397)
Exchange realignment	96
At December 31, 2019	(110,199)
Provided for the year	(38,021)
Exchange realignment	(697)
At December 31, 2020	(148,917)
CARRYING VALUE	
At December 31, 2020	867,259
At December 31, 2019	900,373

Notes:

The amounts represent two mining rights in the Jiama Mine and CSH Gold Mine. Mining rights in the Jiama Mine are in relation to the copper and other by-products production, acquired through the acquisition of Skyland. The mining permit will expire in 2023. The Group acquired mining rights in the CSH Gold Mine from the Department of Natural Resources of Inner Mongolia in relation to gold production at a consideration of US\$11.1 million during the year ended December 31, 2019. The mining permit will expire in 2026. The Group considers that it will be able to renew the mining rights with the relevant government authority continuously until the end of mine life.

Amortisation 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, 2020

23. OTHER NON-CURRENT ASSETS

During the year ended December 31, 2019, the Group entered into a cooperation agreement (the “Cooperation Agreement”) with an independent third party property developer, Zhongxinfang Tibet Construction Investment Co. Ltd. (“Zhongxinfang”) in relation to the development of a composite project in Lhasa, Tibet, China. Pursuant to the Cooperation Agreement, the Group agreed to transfer the land use right for the development and Zhongxinfang agreed to compensate the Group by transferring a block of the buildings and twenty car parks (the “New Premises”) within two years from the date of the Cooperation Agreement (the “Land Exchange”) and all related tax exposures including but not limited to LAT, EIT and other related tax. During the year ended December 31, 2019, the land use right was transferred to Zhongxinfang.. Accordingly, the Group derecognised the right-of-use assets with a carrying amount of approximately US\$999,000 (equivalent to RMB6,970,000) at the date of transfer, and recognised the right to receive the New Premises of approximately US\$17,954,000 (equivalent to RMB125,252,000), which approximates the fair value of the New Premises at the date of transfer and the other receivables of US\$7,980,000 (equivalent to RMB55,669,000) relating to the tax reimbursement from the Developer. The related gain and income tax expenses of approximately US\$25,312,000 (equivalent to RMB174,502,000) and US\$8,155,000 (equivalent to RMB56,220,000) has been recognised in the profit or loss respectively during the year ended December 31, 2019. The right to receive the New Premises was initially recognised at its fair value and subsequently carried at cost less impairment. As disclosed in note 33, the lawsuit related to settlement of the tax reimbursement from Zhongxinfang is still in process but the Group assessed that there is no impairment of the receivable amount of US\$9,211,000 (equivalent to RMB60,104,000, taking into account the additional payments made in the current year to be reimbursed from Zhongxinfang as details below) as at December 31, 2020 (December 31, 2019: US\$7,980,000 (equivalent to RMB55,669,000)). Based on the Cooperation Agreement, Zhongxinfang is obligated to deliver the New Premises to the Group no later than 2021. As at December 31, 2020 and up to the date these consolidated financial statements are authorised for issue, the composite project is still suspended due to litigations against Zhongxinfang. Based on Group’s assessment on the completion status of the New Premises, the construction of the New Premises has been substantially completed and there has been no significant market value decline of comparable properties during the current year. Accordingly, no impairment loss (2019: nil) has been made on the other non-current assets as the directors of the Company are of the opinion that the recoverable amount of the non-current assets is above its carrying amount of US\$19,196,000 (equivalent to RMB125,252,000) as at December 31, 2020.

During the year ended December 31, 2019, the Group had an uncertain tax position in respect of tax exposure whereby the Company transferred the land use right in return of the New Premises based on the most likely amount of tax expenses. The most likely amount of tax expenses including LAT and EIT is calculated by the respective tax rates on land value stated in the cooperation agreement and gain on recognition of other assets, respectively, based on current facts and circumstances. However, the tax expenses may be subject to change as the tax assessable amount is based on final decision by the relevant tax authority. As at December 31, 2020, the most likely amount of the relevant tax liabilities amounting to RMB14,449,000 (equivalent to US\$2,214,000) (December 31, 2019: RMB56,220,000 (equivalent to US\$8,059,000)) has been recognised. During the year ended December 31, 2020, the Group’s wholly-owned subsidiary, Tibet Huatailong Mining Development Co. Ltd. (“Huatailong”) has paid LAT amounting to RMB38,152,000 (equivalent to US\$5,425,000) and other surcharges of RMB8,031,000 (equivalent to US\$1,142,000) to the tax authority. The Group reversed the LAT overprovision of RMB3,619,000 (equivalent to US\$525,000) and recognized a gain of other surcharge of US\$1,142,000 to be reimbursed from Zhongxinfang.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

24. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

Accounts and other payables 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 and other payables and accrued expenses comprise the following:

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Accounts payable	45,634	38,610
Bills payable	63,494	95,911
Construction costs payable	145,973	121,576
Mining cost accrual	3,524	11,547
Payroll and benefit payable	257	2,578
Other accruals	3,306	2,958
Other tax payables	3,053	7,836
Other payables	7,589	6,917
Payable for acquisition of a mining right	7,762	8,470
Total accounts and other payables and accrued expenses	280,592	296,403

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

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Less than 30 days	26,263	15,816
31 to 90 days	9,628	8,282
91 to 180 days	2,496	4,872
Over 180 days	7,247	9,640
Total accounts payable	45,634	38,610

The credit period for bills payable is 180 days from the bills issue date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

24. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES (Cont'd)

The following is an ageing analysis of bills payable, presented based on bills issue date at the end of the reporting period:

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Less than 30 days	27,720	21,003
31 to 60 days	6,832	9,532
61 to 90 days	13,867	15,233
91 to 180 days	15,075	50,143
Total bills payable	63,494	95,911

25. CONTRACT LIABILITIES

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Copper concentrate	2,878	6,783

At January 1, 2019, contract liabilities amounted to US\$4,593,000.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Copper concentrate December 31, 2020 US\$'000	December 31, 2019 US\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	6,783	4,593

Typical payment terms which have an impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the goods are delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives 100% deposit on acceptance of sales order for copper concentrate including orders by-products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

26. BORROWINGS

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Bank loans	859,476	657,951
Loans payable to a CNG subsidiary	38,305	50,171
Bonds	296,616	506,979
	1,194,397	1,215,101

The borrowings are repayable as follows:

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Carrying amount repayable within one year ^{(1) (2) (3) (4) (5)}	140,303	582,952
Carrying amount repayable within one to two years ^{(2) (3) (4) (5)}	118,228	157,679
Carrying amount repayable within two to five years ^{(2) (3) (4) (5)}	519,002	204,983
Carrying amount repayable over five years ^{(4) (5)}	416,864	269,487
	1,194,397	1,215,101
Less: Amounts due within one year (shown under current liabilities)	(140,303)	(582,952)
Amounts shown under non-current liabilities	1,054,094	632,149

- (1) On July 7, 2017, the Company (as "Guarantor"), through its wholly-owned subsidiary, Skyland Mining (BVI) Limited ("Skyland (BVI)"), completed the issuance of bonds to independent third parties in an aggregate principal amount of US\$500 million, listed on the Stock Exchange. The bonds were issued at a price of 99.663%, bearing coupon rate of 3.25% with a maturity date of July 6, 2020. Interest is payable in equal semi-annual instalments on January 6 and July 6 in each year. The bonds were fully repaid on July 6, 2020.
- (2) On June 23, 2020, the Company, through its wholly-owned subsidiary, Skyland (BVI), completed the issuance of bonds to independent third parties in an aggregate principal amount of US\$300 million, listed on the Stock Exchange and ChongWa (Macao) Financial Asset Exchange CO., Limited. The bonds were issued at a price of 99.886%, bearing coupon rate of 2.80% with a maturity date of June 23, 2023. Interest is payable in equal semi-annual instalments on December 23 and June 23 in each year.
- (3) As at December 31, 2020, included in the Group's borrowing balance are loans payable to a CNG's subsidiary with an amount of RMB249,934,000 (equivalent to approximately US\$38,305,000) (2019: RMB350,000,000 (equivalent to approximately US\$50,171,000)). Details of balances with related parties are set out in note 32 (a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

26. BORROWINGS (Cont'd)

- (4) Skyland entered into a syndicated long term loan facility agreement with a syndicate of banks ("The Lenders"), on November 3, 2015 which is available for Skyland to draw down up to October 30, 2018. Subsequently, a supplementary agreement was signed for the extension of the draw down period to October 30, 2020. As at December 31, 2020, Skyland has the outstanding loan amount of RMB3,360,000,000 (equivalent to approximately US\$514,950,000) (2019: RMB3,640,000,000 (equivalent to approximately US\$521,774,000)). The loan carries a floating rate, currently set at 2.65% per annum, set by the People's Bank of China National Interbank Funding Center Loan Prime Rate benchmark, discounted by 200 base points (or 2.00%) effective from June 30, 2020. The loan carried an interest rate of 2.83% per annum, set by the People's Bank of China Lhasa Center Branch's interest rate benchmark, discounted by 7 base points (or 0.07%) as at December 31, 2019. Repayment of the loan is scheduled to begin in May 2019 and will reach full maturity and repayment in November 2028. The loan is subject to a financial covenant with which the Company was in compliance as at December 31, 2020 and 2019, after the assessment performed by the directors of the Company.
- (5) Skyland entered into a syndicated long term loan facility agreement with a syndicate of banks ("The Lenders"), on April 27, 2020 which is available for Skyland to draw down up to May 31, 2020. As at December 31, 2020, Skyland has the outstanding loan amount of RMB1,370,000,000 (equivalent to approximately US\$209,965,000). The loan carries a floating rate, currently set at 2.65% per annum, set by the People's Bank of China National Interbank Funding Center Loan Prime Rate benchmark, discounted by 200 base points (or 2.00%) as at December 31, 2020. Repayment of the loan is scheduled to begin in October 2020 and will reach full maturity and repayment in April 2034. The loan is subject to a financial covenant with which the Company was in compliance as at December 31, 2020, after the assessment performed by the directors of the Company.

Analysed as:

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Secured	740,231	521,774
Unsecured	454,166	693,327
	1,194,397	1,215,101

Fixed rate loans amounting to approximately US\$365,266,000 (December 31, 2019: US\$693,327,000), carry weighted average effective interest rate of 2.68% (2019: 3.47%) per annum.

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

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Mining rights	859,793	891,488
Bills receivables (note 16)	15,316	—
	875,109	891,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

27. ENTRUSTED LOAN PAYABLE

On January 16, 2017, the Group entered into a three-year entrusted loan agreement with CNG (note 32) and China National Gold Group Finance Company Limited ("China Gold Finance"), a subsidiary of CNG, in which CNG provided a loan of RMB200 million (equivalent to approximately US\$29,186,000 based on the spot rate at the withdrawal date) to the Group through China Gold Finance as the entrusted bank. The entrusted loan is unsecured and carries interest at a fixed rate of 2.75% per annum. The principal amount was repayable on January 15, 2020 and extended during the year ended December 31, 2020, for another 3 years until January 15, 2023.

Subsequent to the end of the reporting period, the amount of RMB200 million (equivalent to approximately US\$30,652,000) was early repaid in full.

28. LEASE LIABILITIES

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Lease liabilities payable:		
Within one year	95	89
Within a period of more than one year but not more than two years	104	93
Within a period of more than two years but not more than five years	248	320
Within a period of more than five years	—	31
	447	533
Less: Amount due for settlement with 12 months shown under current liabilities	(95)	(89)
Amount due for settlement after 12 months shown under non-current liabilities	352	444

The weighted average incremental borrowing rate applied to lease liabilities range is 5.24% (2019: 5.24%).

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29. DEFERRED INCOME

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Deferred income – government grants	2,314	2,667
Deferred lease inducement	19	19
Total deferred income	2,333	2,686

Movement in the deferred income – government grants:

	2020 US\$'000	2019 US\$'000
At January 1	2,667	3,459
Addition	79	126
Credited to other income	(772)	(824)
Exchange realignment	340	(94)
At December 31	2,314	2,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

30. 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 of US\$128,375,000 (2019: US\$91,069,000), discounted at 6.5% (2019: 4.6%) per annum at December 31, 2020.

The following is an analysis of the environmental rehabilitation:

	2020 US\$'000	2019 US\$'000
At January 1	63,145	59,469
Additions to site reclamation	23,134	–
Changes from change in discount rate during the year	(8,582)	2,514
Accretion incurred in the current year	2,410	2,217
Payment during the year	(60)	(66)
Exchange realignment	5,616	(989)
At December 31	85,663	63,145

In compliance with the prevailing regulations regulatory and requirements of Metrorkongka County Natural Resources Bureau, the Group updated the estimated future cash flows of reclamation and closure costs with increment of RMB159,560,000 (equivalent to US\$23,134,000) (2019: nil), with the assistance of an independent specialist during the year ended December 31, 2020. The environmental rehabilitation is determined based on the Jiama Mine's latest closure plan being approved by Tibet Land and Mineral Rights Transaction and Resource Reserve Evaluation Center during the year ended December 31, 2020.

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31. SHARE CAPITAL

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, 2019, December 31, 2019 and 2020	396,413,753	1,229,061

32. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. 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 management believes that information relating to related party transactions have been adequately disclosed in accordance with the requirements of IAS 24 “Related party disclosures”.

In addition to the related party transactions and balances shown elsewhere in these consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties for the years ended December 31, 2020 and 2019.

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, 2020 %	December 31, 2019 %
CNG	40.01	39.30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

32. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions/balances with CNG and its subsidiaries

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

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Gold doré bars sales by the Group (Note a)	260,074	205,212
Copper and other by-product sales by the Group (Note b)	166,671	79,531
Provision of transportation services by the Group (Note b)	658	830
Construction, stripping and mining services provided to the Group (Note b)	16,627	9,498
Accrued rental expenses for PRC office (Note b)	459	3,730
Commitment fee	695	—
Interest income	113	17
Interest expense	2,676	3,081
Loans provided to the Group (Note c)	15,316	50,769
Cash and cash equivalents held by the Group (Note c)	14,304	14,202

Notes:

- On May 7, 2014, the Company's subsidiary, IMP entered into an exclusive contract for the sale of doré with CNG pursuant to which IMP sells gold doré bars to CNG for the period up to December 31, 2017. On May 26, 2017, the Company and IMP entered into the Supplemental Contract for Purchase and Sale of Dore for an extended term commencing on January 1, 2018 and expiring on December 31, 2020. On May 6, 2020, the Company and IMP entered into the third Supplemental Contract for Purchase and Sale of Dore for an extended term commencing on January 1, 2021 and expiring on December 31, 2023.

The extent of the continuing connected transactions for the years ended December 31, 2020 and 2019 did not exceed the limit as set out in the announcements of the Company on May 31, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions/balances with CNG and its subsidiaries (Cont'd)

Notes: (Cont'd)

- b. On April 26, 2013, the Company entered into a product and service framework agreement with CNG for the provision of mining related services and products to the Company for three years until June 18, 2016. The agreement was amended to extend the term of the agreement to December 31, 2017 and to include copper concentrates sales contract and office lease contract with CNG since May 29, 2015. On May 26, 2017, the Company and CNG entered into the second supplemental product and service framework agreement to extend the term to December 31, 2020 and to extend the scope of the supplemental product and service framework agreement to include leasing services to be provided by Zhongxin International Financial Leasing (Shenzhen) Co. Ltd., the shares of which are 80% owned by CNG. On May 6, 2020, the Company and CNG entered into the third supplemental product and service framework agreement to extend the term to December 31, 2023.

The extent of the continuing connected transactions for the years ended December 31, 2020 and 2019 did not exceed the limit as set out in the announcement of the Company on May 31, 2017.

- c. On December 18, 2017, the Company and China Gold Finance entered into a deposit services agreement ("Deposit Services Agreement") pursuant to which the Company and its subsidiaries may, from time to time, make withdrawals and deposits with China Gold Finance up to a daily maximum deposit balance (including interest) not exceeding RMB100 million (approximately equivalent to US\$15 million) and commencing from January 1, 2018 for one year.

On December 18, 2018, the Deposit Services Agreement has been extended for a one year term to December 31, 2019 pursuant to the supplemental deposit services agreement.

On December 31, 2019, the Deposit Services Agreement have been extended for a one year term to December 31, 2020 pursuant to the supplemental deposit services agreement, all other terms and conditions remain the same.

On December 22, 2020, the Company and China Gold Finance entered into an additional Deposit Services Agreement pursuant to which the Company and its subsidiaries may, from time to time, make withdrawals and deposits with China Gold Finance up to a daily maximum deposit balance (including interest) not exceeding RMB180 million (approximately equivalent to US\$28 million) and extend for one year term to December 31, 2021 with all other terms and conditions remaining the same.

The extend of the connected transaction for deposit services for the year ended December 31, 2020 and 2019 did not exceed the limit as set out in the announcement of the Company on December 19, 2017.

On March 25, 2019, IMP and China Gold Finance entered into a loan agreement pursuant to which China Gold Finance agreed to provide financial assistance to be used towards daily operation working capital of RMB350 million (approximately equivalent to US\$50 million) for a term of 36 months, and detail of terms as set out in loans payable to a CNG subsidiary below.

On December 31, 2020, the Group discounted the bills received of RMB100 million (approximately equivalent to US\$15 million) to China Gold Finance with recourse. As the Group has not transferred substantially all the risks and rewards of ownership of the bills receivables, the carrying values of bills received continue to be recognised as assets in the consolidated financial statements as set out in note 15 and accordingly, the liabilities associated with such bills are recognised as secured borrowing repayable within one year (note 26) based on the matured dates of bills.

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32. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions/balances 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, 2020 US\$'000	December 31, 2019 US\$'000
Assets		
Amounts due from related companies (note 15)	1,498	2,020
Cash and cash equivalents held in a CNG's subsidiary	14,304	14,202
Deposits	–	90
Total amounts due from CNG and its subsidiaries	15,802	16,312

Other than the cash and cash equivalents held in a CNG subsidiary and deposits paid to CNG subsidiaries, the remaining amounts due from CNG and its subsidiaries as at December 31, 2020 and 2019, which are included in trade, bills and other receivables is non-interest bearing, unsecured and recoverable on demand.

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Liabilities		
Loans payable to a CNG's subsidiary (note 26)	38,305	50,171
Entrusted loan payable (note 27)	30,652	28,669
Construction costs payable to CNG's subsidiaries	7,296	22,860
Trade payable to CNG's subsidiaries	280	930
Amount due to CNG	258	33
Contract liabilities with a CNG's subsidiary	2,539	2,253
Total amounts due to CNG and its subsidiaries	79,330	104,916

As at December 31, 2020, the loans payable to a CNG's subsidiary, which are included in borrowings, carry fixed interest rates at 4.51% (2019: 4.51%) per annum and are unsecured and repayable in two years (2019: three years) and classified as non-current (2019: non-current). With the exception of the entrusted loan payable to CNG (terms are set out in note 27) and loans payable to a CNG's subsidiary, the amounts due to CNG and its subsidiaries which are included in other payables and construction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

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32. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 11 (a), the Group has the following compensation to other key management personnel during the years:

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
Salaries and other benefits	653	678
Post-employment benefits	8	21
	<u>661</u>	<u>699</u>

33. CONTINGENCIES

During the year ended December 31, 2020, there was a construction contract dispute between independent third parties including the constructor, Huaxin Construction Group Co., Ltd. (formerly named as "Nantong Huaxin Construction Group Co., Ltd.") ("Huaxin") and Zhongxinfang, and the Group's subsidiary, Huatailong. The land use right was transferred to Zhongxinfang in 2019 pursuant to the cooperation agreement signed between Zhongxinfang and Huatailong in 2019 in relation to the Land Exchange (note 23). Huaxin proceeded a lawsuit against the parties to the construction contract, Zhongxinfang and Huatailong, for the recoverability of the construction costs of RMB149 million (equivalent to US\$21,319,000) and applied for pre-litigation preservation of assets from Huatailong. The Intermediate People's Court of Lhasa City, Tibet, adjudicated that the bank deposit of RMB140 million (equivalent to US\$19,775,000) of Huatailong to be frozen for one year from April 10, 2020 (the "1st Adjudication"). Based on the adjudication of the Intermediate People's Court of Lhasa City, Tibet after the 1st Adjudication on December 1, 2020 and related notice of execution effective from December 3, 2020, the related frozen bank deposit of US\$19,775,000 of Huatailong was released and reclassified from restricted bank balances to cash and cash equivalents accordingly.

Based on the first instance adjudication dated July 23, 2020 (the "First Instance Adjudication"), the litigation ruling adjudicated that Zhongxinfang and Huatailong shall have the joint obligation for the construction costs of RMB140 million (equivalent to US\$20,070,000) to Huaxin. Pursuant to the cooperation agreement signed between Zhongxinfang and Huatailong in 2019, Huatailong is not involved in the construction process. The related costs are the sole responsibilities of Zhongxinfang. Huatailong proceeded an appeal against the First Instance Adjudication on August 17, 2020. Huatailong has no obligation for the aforesaid construction costs as the High People's Court of Lhasa City, Tibet entered the final instance adjudication dated November 20, 2020 (the "Final Instance Adjudication") and rescinded the First Instance Adjudication.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

33. CONTINGENCIES (Cont'd)

As disclosed in note 23, Huatailong has paid the tax and other surcharges related to the Land Exchange during the year ended December 31, 2020 and expects to recover such payments from Zhongxinfang in accordance with the cooperation agreement between Huatailong and Zhongxinfang signed in 2019. On July 8, 2020, Huatailong applied for pre-litigation preservation of assets from Zhongxinfang, the Intermediate People's Court of Lhasa City, Tibet, adjudicated that the value of properties limited to RMB46 million (equivalent to US\$6,609,000) from Zhongxinfang was frozen for one year (the "Pre-litigation Preservation"). Based on the first instance adjudication dated November 20, 2020 in relation to the lawsuit against Zhongxinfang for the recoverability of the tax and other surcharges (the "Tax and Other Surcharge") paid by Huatailong, which became final adjudication upon expiry of appeal application in December 2020, the litigation ruling adjudicated that Zhongxinfang shall repay the Tax and Other Surcharge of RMB46 million (equivalent to US\$6,997,000) to Huatailong (the "November Adjudication") within 30 days from the effective date of the November Adjudication (the "Due Date"). As Zhongxinfang has not settled such amount within the Due Date, Huatailong applied for an enforcement of the November Adjudication in January 2021 (the "Enforcement"). Based on legal advice, the Enforcement is currently under proceeding and the result is not ascertain as at the date these consolidated financial statements are authorised for issue. In the opinion of the directors of the Company, ECL on other receivables is insignificant based on the credit risk assessment for the year ended December 31, 2020, taking into account the Group has first priority of claim over one of the assets under pre-litigation preservation, and the estimated fair value of such asset exceeds the carry amount of the other receivable related to the Tax and Other Surcharge.

34. CAPITAL RISK MANAGEMENT

The Group manages its common shares 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, issue of new debt, redemption of existing debt.

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 currently have a recurring dividend policy. The Group's 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, 2020

35. FINANCIAL INSTRUMENTS

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Financial assets		
Financial assets at amortised cost	277,236	214,642
Equity instruments at FVTOCI	20,824	17,059
Financial liabilities		
At amortised cost	1,495,501	1,515,254

Financial assets at amortised cost as at December 31, 2020 and 2019 respectively are as follows:

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Cash and cash equivalents	243,288	182,290
Restricted bank balances	5,069	17,687
Trade, bills and other receivables ⁽¹⁾	28,503	14,314
Amount due from a non-controlling shareholder of a subsidiary (included in prepaid expenses)	376	351
	277,236	214,642

Financial liabilities at amortised cost as at December 31, 2020 and 2019 are as follows:

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Accounts and other payables ⁽²⁾	270,452	271,484
Borrowings		
– Loans, other than syndicated loan	469,482	693,327
– Syndicated loan	724,915	521,774
Entrusted loan payable	30,652	28,669
	1,495,501	1,515,254

(1) Excluded VAT recoverables.

(2) Excluded mining cost accrual, other accruals, payroll and benefit payable and other tax payables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35. FINANCIAL INSTRUMENTS (Cont'd)

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they related. 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.

At the end of each reporting period, Huatailong of which its functional currency is RMB, had US\$ denominated intra-group borrowings from Skyland (BVI). The intra-group borrowing is approximately US\$42,961,000 (2019: US\$225,550,000) as at December 31, 2020.

The Group is mainly exposed to exchange rate fluctuation of RMB and US\$.

RMB monetary assets and (liabilities)

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Cash and cash equivalents	15,508	39,623
Restricted bank balances	5,069	17,687
Trade, bills and other receivables	352	1,266
Accounts and other payables	(38,108)	(99,308)
Borrowings	(53,334)	(78,839)
	(70,513)	(119,571)

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2019: 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\$2,644,000 (2019: decrease/increase in the Group's loss for the year of approximately US\$5,082,000) for the year ended December 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35. FINANCIAL INSTRUMENTS (Cont'd)

(a) Currency risk (Cont'd)

US\$ monetary assets and (liabilities)

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Cash and cash equivalents	13	18
Inter-company loans	(42,961)	(225,550)
Other payables	(110,003)	(127,735)
	(152,951)	(353,267)

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2019: 5%) depreciation/appreciation of the US\$ against the RMB would result in an increase/decrease in the Group's profit for the year of approximately US\$6,959,000 (2019: decrease/increase in the Group's loss for the year of approximately US\$16,074,000) for the year ended December 31, 2020.

In the 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 bank balances, borrowings, entrusted loan payable, loans payable to a CNG subsidiary and lease liabilities of US\$394,998,000 (2019: US\$719,170,000) 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 26 for details of these borrowings).

Sensitivity analysis

The following analysis is prepared assuming the variable rate bank balances and borrowings 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 (2019: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the Management's assessment of the reasonably possible change in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35. FINANCIAL INSTRUMENTS (Cont'd)

(b) Interest rate risk (Cont'd)

Sensitivity analysis (Cont'd)

The analysis below reflects the sensitivity that the interest rate may be higher/lower by 25 basis points (2019: 25 basis points).

	Year ended December 31, 2020 US\$'000	Year ended December 31, 2019 US\$'000
25 basis points (2019: 25 basis points) higher		
– decrease in profit (2019: increase in loss) for the year	(1,070)	(599)
– addition in finance costs capitalised	28	14
25 basis points (2019: 25 basis points) lower		
– increase in profit (2019: decrease in loss) for the year	1,070	599
– reduction in finance costs capitalised	(28)	(14)

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

(c) Other price risk

The Group is exposed to equity price risk through its investments in equity securities listed in Hong Kong. The Group's equity price risk is mainly concentrated on equity instruments operating in the mining industry sector quoted on the Stock Exchange. In addition, the Group also invested in unquoted equity securities for an investee operating in the chemical and public utility industries for long term strategic purposes which had been designated as FVTOCI. The Group has formed a team led by the Chief Financial Officer to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. No sensitivity analysis is presented for unlisted investments as the directors of the Company consider the amounts of unlisted investments to be insignificant. If the prices of the respective listed equity instruments had been 10% (2019: 10%) higher/lower, investments revaluation reserve would increase/decrease by US\$2,002,000 (2019: increase/decrease by US\$1,649,000) for the Group as a result of the changes in fair value of listed investment at FVTOCI (2019: investment at FVTOCI).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35. FINANCIAL INSTRUMENTS (Cont'd)

(d) Credit risk and impairment assessment

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% (2019: 100%) of its gold to one creditworthy customer, CNG, and approximately 28% (2019: 17%) and 43% (2019: 57%) of its copper and other by-product to CNG subsidiaries and third-party customers representing 10% or more of the Group's revenue respectively for the year ended December 31, 2020 which 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 for sales of copper and other by-products and has set up monitoring procedures to ensure that follow-up action is taken for timely settlement of receivables from CNG, the CNG subsidiary and third-party customers. The Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessments using the ECL model on trade balances individually. In this regard, Management considers the Group's credit risk is significantly reduced. The Group does not hold any collateral over these balances.

The Group applies the simplified approach to provide for ECL on trade receivables as permitted and prescribed by IFRS 9.

The Management assessed the ECL on trade receivables individually. Based on the historical experience of the Group, these trade receivables are generally recoverable due to the long term/on-going relationship and good repayment record.

As at December 31, 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US\$264,000 (2019: US\$295,000) which are past due as at the reporting date. The directors of the Company are of the opinion that no default has occurred for the past due balances and the balances are still considered fully recoverable due to long-term/on-going relationships and good repayment records from these customers.

Movement in the allowance for credit losses of trade receivables:

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
At January 1	78	46
Allowance for credit losses	34	33
Exchange realignment	7	(1)
At December 31	119	78

In order to minimise the credit risk on bills received from customers, the Group will only accept bills issued by certain licensed banks. Before accepting any bills from customers, the Group will verify the validity of each bill. In this regard, the directors of the Company consider that the Group's credit risk associated with its bills receivable is limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35. FINANCIAL INSTRUMENTS (Cont'd)

(d) Credit risk and impairment assessment (Cont'd)

The Group was also exposed to credit risk on amount due from related parties and other receivables. The Management periodically monitors the financial position of each of the related companies to ensure each related company is financially viable to settle the amount due to the Group. The Management makes individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables except the receivable of the Tax and Other Surcharge, of which the impairment assessment has been disclosed in note 33.

The Group's cash and short-term bank deposits are held in large PRC and Canadian financial institutions, where the credit risks on cash and short-term bank deposits are limited.

The Group had concentration of credit risk by geographical locations as the financial assets at amortised cost comprise various debtors which are located either in the PRC or Canada for the years ended December 31, 2020 and 2019.

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.

(e) Liquidity risk

The Group operates in a capital intensive industry. The Group's liquidity requirements arise principally from the need for financing the expansion of its mining and processing operations.

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 34.

The Group manages its liquidity primarily through maintaining an adequate level of cash and cash equivalents and borrowings.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity, details of which are set out in note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35. FINANCIAL INSTRUMENTS (Cont'd)

(e) Liquidity risk (Cont'd)

The following table details the Group's remaining contractual maturities for its financial liabilities. 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:

	Weighted average interest rate %	On demand or within 1 year US\$'000	1 – 2 years US\$'000	2 – 5 years US\$'000	Over 5 years US\$'000	Total undiscounted cash flow US\$'000	Carrying amount US\$'000
At December 31, 2020							
Accounts and other payables	–	270,452	–	–	–	270,452	270,452
Borrowings	2.51	163,207	137,636	561,403	458,473	1,320,719	1,194,397
Entrusted loan payable	2.75	857	904	30,699	–	32,460	30,652
Lease liabilities	5.24	116	119	265	–	500	447
		<u>434,632</u>	<u>138,659</u>	<u>592,367</u>	<u>458,473</u>	<u>1,624,131</u>	<u>1,495,948</u>

	Weighted average interest rate %	On demand or within 1 year US\$'000	1 – 2 years US\$'000	2 – 5 years US\$'000	Over 5 years US\$'000	Total undiscounted cash flow US\$'000	Carrying amount US\$'000
At December 31, 2019							
Accounts and other payables	–	271,484	–	–	–	271,484	271,484
Borrowings	2.89	604,101	174,747	236,270	287,732	1,302,850	1,215,101
Entrusted loan payable	2.75	28,700	–	–	–	28,700	28,669
Lease liabilities	5.24	106	114	352	31	603	533
		<u>904,391</u>	<u>174,861</u>	<u>236,622</u>	<u>287,763</u>	<u>1,603,637</u>	<u>1,515,787</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

35. FINANCIAL INSTRUMENTS (Cont'd)

(f) Fair value

Equity instruments at FVTOCI – listed equity securities and equity instruments at FVTOCI – unlisted equity securities which are measured at fair value based on the quoted bid price in an active market (Level 1) and the discounted cash flow model are considered insignificant respectively. The fair values of other financial assets and financial liabilities measured at amortised cost are 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 amortised cost in the consolidated financial statements approximate their fair values. There was no transfer amongst 1, 2 and 3 in the current and prior years.

36. COMMITMENTS

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Capital expenditure in respect of acquisition of property, plant and equipment in the consolidated financial statements		
– contracted but not provided for	35,966	31,072

37. 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 of approximately US\$3,353,000 and US\$5,209,000 for the years ended December 31, 2020 and 2019, respectively, represent contributions payable to the scheme by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings US\$'000 (note 26)	Entrusted loan payable US\$'000 (note 27)	Lease liabilities US\$'000 (note 28)	Dividend payables US\$'000
At January 1, 2020	1,215,101	28,669	533	–
Financing cash flows	(71,179)	–	(102)	(355)
Dividend declared	–	–	–	355
Exchange difference arising on translation	52,789	1,983	–	–
Unrealised foreign exchange loss, net	3,782	–	–	–
Others	(6,096)	–	16	–
At December 31, 2020	1,194,397	30,652	447	–

	Borrowings US\$'000 (note 26)	Entrusted loan payable US\$'000 (note 27)	Lease liabilities US\$'000 (note 28)	Dividend payables US\$'000
At January 1, 2019	1,210,158	29,140	101	–
Financing cash flows	15,231	–	(84)	(165)
Lease modified	–	–	514	–
Dividend declared	–	–	–	165
Exchange difference arising on translation	(10,293)	(471)	–	–
Unrealised foreign exchange gain, net	(1,298)	–	–	–
Others	1,303	–	2	–
At December 31, 2019	1,215,101	28,669	533	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

39. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at December 31, 2020 and 2019 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 as at December 31,		Principal activities
			2020	2019	
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\$250,000	100%	100%	Investment holding
IMP ⁽¹⁾	PRC April 29, 2002	US\$45,000,000	96.5%	96.5%	Engaged in exploration and development of mining properties in China
Skyland Mining Limited	Barbados October 6, 2004	US\$233,380,700 plus RMB1,510,549,032	100%	100%	Investment holding
Jia Ertong ⁽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 (BVI)	BVI October 26, 2012	US\$1	100%	100%	Issue of bonds

(1) Domestic limited liability company.

None of the subsidiaries had issued any debt securities at the end of the year except for Skyland (BVI), which has issued listed bonds of US\$300 million (2019: US\$500 million) as at December 31, 2020. Other than Pacific PGM Inc., Pacific PGM (Barbados) Inc. and Skyland (BVI) which are directly held by the Company, all other subsidiaries listed above are indirectly held under the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	December 31, 2020 US\$'000	December 31, 2019 US\$'000
Current assets		
Cash and cash equivalents	5,094	7,824
Other receivables	1,034	1,034
Prepaid expenses and deposits	90	127
	6,218	8,985
Non-current assets		
Right-of-use assets	438	534
Property, plant and equipment	5	10
Loan receivables from subsidiaries	67,347	64,790
Equity instruments at FVTOCI	20,015	16,485
Investments in subsidiaries	987,066	987,066
Amounts due from subsidiaries	40,998	42,053
	1,115,869	1,110,938
Total assets	1,122,087	1,119,923
Current liabilities		
Other payable and accrued expenses	3,263	2,361
Lease liabilities	95	89
	3,358	2,450
Net current assets	2,860	6,535
Total assets less current liabilities	1,118,729	1,117,473
Non-current liabilities		
Lease liabilities	352	444
Deferred income	19	19
	371	463
Total liabilities	3,729	2,913
Owners' equity		
Share capital (note 31)	1,229,061	1,229,061
Reserves (note 41)	2,800	(730)
Accumulated losses (note 41)	(113,503)	(111,321)
Total owners' equity	1,118,358	1,117,010
Total liabilities and owners' equity	1,122,087	1,119,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

41. RESERVES AND DEFICITS OF THE COMPANY

	Reserves US\$'000	Accumulated losses US\$'000	Total US\$'000
At January 1, 2019	440	(105,966)	(105,526)
Loss for the year	–	(5,355)	(5,355)
Fair value loss on equity instruments at FVTOCI	(1,170)	–	(1,170)
Total comprehensive expense for the year	(1,170)	(5,355)	(6,525)
At December 31, 2019	(730)	(111,321)	(112,051)
Loss for the year	–	(2,182)	(2,182)
Fair value gain on equity instruments at FVTOCI	3,530	–	3,530
Total comprehensive income (expense) for the year	3,530	(2,182)	1,348
At December 31, 2020	2,800	(113,503)	(110,703)

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, 2020.

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, 2020.

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

For the year ended December 31, 2020, 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, Yingbin Ian (Chairman of the Audit Committee), Mr. Shao, Wei, Dr. Shi, Bielin and Ms. Han, Ruixia.

The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2020, and is of the view that the Group’s audited consolidated financial statements for the year ended December 31, 2020 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. Jiang, Liangyou
Chairman and Chief Executive Officer

Hong Kong, March 31, 2021

As of the date of this announcement, the executive Directors of the Company are Mr. Jiang, Liangyou, Mr. Guan, Shiliang, Mr. Zhang, Weibin and Ms. Tian, Na the non-executive Director of the Company is Mr. Tong, Junhu and the independent non-executive Directors of the Company are Mr. He, Ying Bin Ian, Mr. Shao, Wei, Dr. Shi, Bielin and Ms. Han, Ruixia.