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China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Year ended December 31, 2023 (Stated in U.S. dollars, except as otherwise noted)

Suite 660, One Bentall Centre, 505 Burrard Street, Box 27, Vancouver, BC, V7X 1M4

Tel: 604-609-0598 Fax: 604-688-0598 E-mail: info@chinagoldintl.com, www.chinagoldintl.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months and year ended December 31, 2023. (Stated in U.S. dollars, except as otherwise noted)

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The following Management Discussion and Analysis of financial condition and results of operations (“MD&A”) is prepared as of March 27, 2024. 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, 2023 and the three months and year ended December 31, 2022, 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 27, 2024 on SEDAR+ at www.sedarplus.ca, 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.

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.

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 sedarplus.ca as well as Hong Kong Exchange News at hkexnews.hk.

Performance Highlights

Three months ended December 31, 2023

- Revenue decreased by 72% to US\$71.3 million from US\$253.9 million for the same period in 2022.
- Mine operating loss of US\$1.9 million, decreased by US\$98.5 million from mine operating earnings of US\$96.6 million for the same period in 2022.
- Net loss of US\$17.5 million decreased by US\$66.0 million from net income of US\$48.5 million for the same period in 2022.
- Cash flow used in operation of US\$20.9 million, decreased from cash flow from operation of US\$89.1 million for the same period in 2022.
- Total gold production decreased by 57% to 25,500 ounces from 59,992 ounces for the same period in 2022.
- Total copper production was 184,077 pounds (approximately 83 tonnes) as limited production at the Jiama mine resumed on December 15, 2023. Copper production was 45.1 million pounds (approximately 20,472 tonnes) for the same period in 2022.

Year ended December 31, 2023

- Revenue decreased by 58% to US\$459.4 million from US\$1,104.9 million for the same period in 2022.
- Mine operating earnings decreased by 80% to US\$80.4 million from US\$395.6 million for the same period in 2022.
- Net loss of US\$23.0 million decreased from net income of US\$225.4 million for the same period in 2022.
- Cash flow from operation decreased to US\$1.6 million from US\$447.3 million for the same period in 2022.
- Total gold production decreased by 38% to 147,963 ounces from 238,836 ounces for the same period in 2022.
- Total copper production decreased by 76% to 44.2 million pounds (approximately 20,051 tonnes) from 187.4 million pounds (approximately 85,004 tonnes) for the same period in 2022.

The decrease in production and profit was mainly attributed to the suspension of operations of the Jiama Mine since March 27, 2023 due to the overflow at the Guolanggou tailings pond. As a result of the suspension, the Company did not record any product sales from the Jiama Mine during the second and third quarter of 2023, with the exception of a minor amount of molybdenum. Operations began to gradually recommence as of December 15, 2023.

Selected Annual Information

*	Year ended December 31				
	2023	2022	2021	2020	2019
<i>US\$ Millions except for per share</i>					
Total revenue	459	1,105	1,137	864	657
(Loss) income from operations	32	317	333	154	(3)
Net (loss) profit	(23)	225	269	114	(32)
Basic (loss) earnings per share (cents)	(6.43)	56.19	67.44	28.24	(8.28)
Diluted earnings (loss) per share (cents)	N/A	N/A	N/A	N/A	N/A
Total assets	2,835	3,195	3,257	3,323	3,197
Total non-current liabilities	802	653	1,080	1,284	818

*Prepared under IFRS

OUTLOOK

On March 27, 2023, an overflow occurred at the Guolanggou Tailings Dam at Jiama Mine (the “overflow”). The Company quickly contained and repaired the breach to ensure no damage to the environment or neighbouring communities. Subsequent to the overflow, Jiama Mine has suspended its operations while the Company conducted a comprehensive safety assessment of and repair work on its tailings dam with the assistance and supervision of government safety authorities.

The overflow occurred at the top 19th subsequent dyke of the Guolanggou Tailings Dam. However, other levels of subsequent dykes and the starter dyke were also damaged to varying degrees. The Company has conducted a comprehensive inspection and assessment of all 19 levels of subsequent dykes and the starter dyke of the tailings dam and has made permanent repairs and reinforcements of the dam. Due to the uncertainty of the date of full resumption of production at Jiama Mine, the Company withdrew its annual production guidance for 2023 as set out in the announcement of the Company dated January 20, 2023. On December 15, 2023, certain operations began gradual resumption following the receipt of approval from the Lhasa Municipal Government. The resumption of operations includes the underground void management and the restart of the Phase I processing plant of the Jiama Mine with a daily processing capacity of 6,000 tonnes. The tailings produced from processing operations were backfilled to the underground voids through the backfilling system. The Company has carried out a plan for the full resumption of operations, and the restart of the Phase I processing plant is the first step in the overall plan. The repair and reinforcement work at the Guolanggou Tailings Dam has been fully completed, and the safety assessment report has been completed, awaiting acceptance and approval by the government. The review process of the subsequent tailings discharge plan is occurring simultaneously. The Company will continue to proceed towards the resumption of full production on its design capacity at the Jiama Mine.

The open-pit operations at the CSH gold mine are nearing the end of its mine life. With the CSH pit’s increased depth, the stability of the open pit slopes is becoming more and more prominent in determining the operations plan. Ensuring slope stability and avoiding systematic risks at this stage are the Company’s top priority to ensure safe and sustainable production. The CSH Mine reduced the mining rate at the end of the third quarter and in the fourth quarter of 2023 in order to enhance the management and maintenance of open pit slopes. As of January 4, 2024, the works on slope maintenance have been completed and the mining activities, including mining, hauling, crushing and heaping, have returned to their normal operating level. The resumption of full mining activities at the CSH Mine has laid a solid foundation for enhancing the Company’s financial and production performance in 2024.

The Jiama Mine has gradually resumed production starting from the Phase I processing plant on December 15, 2023, with a daily processing capacity of 6,000 tonnes of ore. As the resumption of the Phase II processing plant is subject to the results of the government’s review of the tailings discharge scheme, the timing of resumption is uncertain. Against this backdrop, the Company reports separate production guidance for the two mines in 2024.

CSH Mine:

- It is expected that the gold production range will be 106,097 ounces to 112,528 ounces (approximately 3.3 tonnes to 3.5 tonnes) in 2024.

Jiama Mine:

- The Company expects to receive government’s approval for the resumption of operations at the beginning of May 2024. Upon receipt of the approval, Jiama Mine will resume production at the Phase II plant’s designed processing capacity of approximately 34,000 tonnes per day (tpd). Given that the actual timing of the production resumption depends on the final date of government’s approval, the annual production guidance is subject to uncertainty.

- It is expected that the copper production range will be 95.0 million pounds to 98.0 million pounds (approximately 43,200 tonnes to 44,500 tonnes) in 2024;
- It is expected that the gold production range will be 42,439 ounces to 45,333 ounces (approximately 1.32 tonnes to 1.41 tonnes) in 2024.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

(US\$ in thousands except per share)	Quarter ended							
	2023				2022			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sept	30-Jun	31-Mar
Revenue	71,315	62,325	73,016	252,778	253,904	255,030	291,994	304,021
Cost of sales	73,219	76,616	79,166	150,068	157,271	179,322	174,304	198,493
Mine operating (loss) earnings	(1,904)	(14,291)	(6,150)	102,710	96,633	75,708	117,690	105,528
General and administrative expenses	10,071	11,399	7,896	9,584	18,390	16,215	8,296	9,949
Exploration and evaluation expenses	393	271	45	35	102	81	256	40
Research and development expenses	867	1,756	1,442	4,642	6,659	7,357	5,470	5,885
(Loss) Income from operations	(13,235)	(27,717)	(15,533)	88,449	71,482	52,055	103,668	89,654
Foreign exchange (loss) gain	(579)	1,092	(11,679)	3,310	6,007	(16,085)	(11,542)	1,673
Finance costs	5,651	5,737	6,880	6,706	7,103	7,504	7,943	8,188
(Loss) profit before income tax	(20,476)	(32,440)	(52,907)	87,152	70,603	30,607	90,098	83,956
Income tax (credit) expense	(2,965)	(1,662)	432	8,493	22,083	7,251	8,374	12,155
(Loss) net profit	(17,511)	(30,778)	(53,339)	78,659	48,520	23,356	81,724	71,801
Basic (loss) earnings per share (cents)	(4.51)	(7.99)	(13.55)	19.62	11.90	5.84	20.48	17.97
Diluted earnings 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,	
	2023	2022	2023	2022
Gold sales (US\$ million)	49.85	64.60	252.60	267.55
Realized average price (US\$) of gold per ounce	2,024	1,748	1,962	1,806
Gold produced (ounces)	24,290	38,134	128,760	148,164
Gold sold (ounces)	24,626	36,948	128,728	148,153
Total production cost (US\$ per ounce)	1,611	975	1,420	1,340
Cash production cost ⁽¹⁾ (US\$ per ounce)	1,303	642	952	803

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

The CSH Mine reduced the mining rate at the end of the third and fourth quarters of 2023 in order to enhance the management and maintenance of open pit slopes, which was the primary cause of changes in the fourth quarter of 2023 compared to the respective 2022 period. Gold production at the CSH Mine decreased by 36% to 24,290 ounces for the three months ended December 31, 2023 compared to 38,134 ounces for the same period in 2022. The total production cost of gold for the three months ended December 31, 2023 increased by 65% to US\$1,611 per ounce compared to US\$975 for the same period in 2022. The cash production cost of gold for the three months ended December 31, 2023 increased by 103% to US\$1,303 per ounce from US\$642 for the same period in 2022.

Jiama Mine	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Copper sales (US\$ in millions)	12.88	131.17	147.28	617.23
Realized average price ¹ (US\$) of copper per pound after smelting fee discount	2.39	3.20	3.17	3.31
Copper produced (tonnes)	83	20,472	20,051	85,004
Copper produced (pounds)	184,077	45,132,705	44,203,779	187,402,309
Copper sold (tonnes)	2,449	19,809	21,054	84,570
Copper sold (pounds)	5,399,496	43,670,559	46,415,465	186,445,355
Gold produced (ounces)	1,210	21,858	19,203	90,672
Gold sold (ounces)	2,444	21,503	20,208	90,062
Silver produced (ounces)	75,549	756,545	829,973	3,169,403
Silver sold (ounces)	135,324	769,424	858,191	3,168,040
Lead produced (tonnes)	-	-	-	-
Lead produced (pounds)	-	-	-	-
Lead sold (tonnes)	-	-	-	-
Lead sold (pounds)	-	-	-	-
Zinc produced (tonnes)	-	-	-	-
Zinc produced (pounds)	-	-	-	-
Zinc sold (tonnes)	-	-	-	-
Zinc sold (pounds)	-	-	-	-
Moly produced (tonnes)	-	194	231	869
Moly produced (pounds)	-	427,868	509,327	1,916,227
Moly sold (tonnes)	-	343	209	941
Moly sold (pounds)	-	755,254	461,601	2,704,461
Total production cost ² (US\$) of copper per pound	8.04	3.33	5.17	3.14
Total production cost ² (US\$) of copper per pound after by-products credits ⁴	6.91	2.03	3.96	1.99
Cash production cost ³ (US\$) per pound of copper	7.29	2.64	3.89	2.47
Cash production cost ³ (US\$) of copper per pound after by-products credits ⁴	6.16	1.35	2.68	1.33

¹ A discount factor of 13.5% to 28.4% 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.

Due to the overflow of the tailings dam on March 27, 2023, production at the Jiama Mine was suspended during most of 2023. On December 15, 2023, certain operations began gradual resumption following the receipt of approval from the Lhasa Municipal Government. The resumption of operations includes the underground void management and the restart of the Phase I processing plant with a daily processing capacity of 6,000 tonnes.

Review of Quarterly Data

Three months ended December 31, 2023 compared to three months ended December 31, 2022

Revenue of US\$71.3 million for the fourth quarter of 2023, decreased by US\$182.6 million from US\$253.9 million for the same period in 2022.

Revenue from the CSH Mine was US\$49.8 million, a decrease of US\$14.8 million from US\$64.6 million for the same period in 2022. Realized average gold price increased by 16% from US\$1,748/oz in Q4 2022 to US\$2,024/oz in Q4 2023. Gold sold by the CSH Mine was 24,626 ounces (gold produced: 24,290 ounces), compared to 36,948 ounces (gold produced: 38,134 ounces) for the same period in 2022.

Revenue from the Jiama Mine was 21.5 million, a decrease of US\$167.8 million, compared to US\$189.3 million for the same period in 2022. Jiama Mine had begun a gradual resumption of production in the fourth quarter of 2023. Realized average price of copper decreased by 25% from US\$3.20/pound in Q4 2022 to US\$2.39/pound in Q4 2023. Total copper sold was 2,449 tonnes (5.4 million pounds) for the three months ended December 31, 2023, a decrease of 88% from 19,809 tonnes (43.7 million pounds) for the same period in 2022.

Cost of sales of US\$73.2 million for the quarter ended December 31, 2023, a decrease of US\$84.1 million from US\$157.3 million for the same period in 2022, mainly due to the suspension of operations at the Jiama Mine.

Mine operating loss of US\$1.9 million for the three months ended December 31, 2023, a decrease of US\$98.5 million from mine operating earnings of US\$96.6 million for the same period in 2022, mainly due to the suspension of operations at the Jiama Mine.

General and administrative expenses decreased by US\$8.3 million, from US\$18.4 million for the quarter ended December 31, 2022 to US\$10.1 million for the quarter ended December 31, 2023. The decrease was primarily due to the suspension of operations at the Jiama Mine.

Research and development expenses of US\$0.9 million for the three months ended December 31, 2023, decreased from US\$6.7 million for the comparative 2022 period. The decrease in the fourth quarter of 2023 was mainly due to the suspension of operations at the Jiama Mine.

Loss from operations of US\$13.2 million for the fourth quarter of 2023, decreased by US\$84.7 million, compared to an income of US\$71.5 million for the same period in 2022.

Finance costs of US\$5.7 million for the three months ended December 31, 2023, decreased by US\$1.4 million compared to US\$7.1 million for the same period in 2022. The decrease was primarily due to the reduction in the total amount of borrowings outstanding.

Foreign exchange loss of US\$0.6 million for the three months ended December 31, 2023, decreased from a gain of US\$6.0 million for the same period in 2022. The loss 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\$1.1 million for the three months ended December 31, 2023, increased from US\$0.2 million for the same period in 2022, primarily due to the higher government subsidies received during the fourth quarter compared to the corresponding period last year.

Other expense of US\$2.1 million was recognized in Q4 2023. During the quarter, the Company accrued interest on the estimated litigation compensation arising from the litigation between Huaxin Construction Group Co., Ltd., Zhongxinfang, and the Company's subsidiary, Tibet Huatailong Mining Development Co. Ltd. Refer to Note 31 Contingencies of the consolidated financial statements for details.

Income tax credit of US\$3.0 million for the quarter ended December 31, 2023, increased by US\$25.1 million from an expense of US\$22.1 million for the comparative period in 2022. During the fourth quarter, the Company had US\$4.1 million of deferred tax expense compared to US\$17.5 million for the same period in 2022.

Net loss of US\$17.5 million for the three months ended December 31, 2023, decreased by US\$66.0 million from an income of US\$48.5 million for the three months ended December 31, 2022.

Year ended December 31, 2023 compared to year ended December 31, 2022

Revenue of US\$459.4 million for the year ended December 31, 2023, decreased by US\$645.5 million from US\$1,104.9 million for the same period in 2022.

Revenue from the CSH Mine was US\$252.6 million, a decrease of US\$14.9 million from US\$267.5 million for the same period in 2022. Realized average gold price increased by 9% from US\$1,806/oz in 2022 to US\$1,962/oz for the same period in 2023. Gold sold by the CSH Mine was 128,728 ounces (gold produced: 128,760 ounces), compared to 148,153 ounces (gold produced: 148,164 ounces) for the same period in 2022.

Revenue from the Jiama Mine was US\$206.8 million, a decrease of US\$630.6 million, compared to US\$837.4 million for the same period in 2022. Realized average price of copper decreased by 4% from US\$3.31/pound in 2022 to US\$3.17/pound for the same period in 2023. Total copper sold was 21,054 tonnes (46.4 million pounds) for the year ended December 31, 2023, a decrease of 75% from 84,570 tonnes (186.4 million pounds) for the same period in 2022. During the second and third quarters of 2023, the Jiama mine experienced a halt in production due to the overflow of the tailing dam, resulting in no product sales except for a minor amount of molybdenum sales. However, the mine commenced a gradual resumption of production in the fourth quarter of 2023.

Cost of sales of US\$379.1 million for the year ended December 31, 2023, a decrease of US\$330.3 million from US\$709.4 million for the same period in 2022. Cost of sales as a percentage of revenue for the Company increased from 64% to 83% for the year ended December 31, 2022 and 2023, respectively, primarily due to the suspension of operations at the Jiama Mine.

Mine operating earnings of US\$80.4 million for the year ended December 31, 2023, a decrease of 80%, or US\$315.2 million, from US\$395.6 million for the same period in 2022. Mine operating earnings as a percentage of revenue decreased from 36% to 18% for the year ended December 31, 2022 and 2023, respectively, primarily due to the suspension of operations at the Jiama Mine.

General and administrative expenses decreased by US\$13.9 million, from US\$52.9 million for the year ended December 31, 2022 to US\$39.0 million for the year ended December 31, 2023. The decrease was primarily due to the suspension of operations at the Jiama Mine.

Research and development expenses of US\$8.7 million for the year ended December 31, 2023, decreased from US\$25.4 million for the comparative 2022 period, mainly due to the suspension of operations at the Jiama Mine.

Income from operations of US\$32.0 million for the year ended December 31, 2023, decreased by US\$248.9 million, compared to US\$316.9 million for the same period in 2022.

Finance costs of US\$25.0 million for the year ended December 31, 2023, decreased by US\$5.7 million compared to US\$30.7 million for the same period in 2022. The decrease was primarily due to the reduction in the total amount of borrowings outstanding.

Foreign exchange loss of US\$7.9 million for the year ended December 31, 2023, decreased from US\$19.9 million for the same period in 2022. The loss 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\$7.0 million for the year ended December 31, 2023, decreased from US\$9.1 million for the same period in 2022. This decrease primarily resulted from a reduction in dividends received from China Nonferrous Mining Corporation Limited in the second quarter of 2023 compared to the previous year.

Other expense of US\$24.8 million was incurred in 2023. During the current year, the Company recognized an estimated litigation compensation of US\$24.8 million arising from the litigation between Huaxin Construction Group Co., Ltd., Zhongxinfang, and the Company's subsidiary, Tibet Huatailong Mining Development Co. Ltd. Refer to Note 31 Contingencies of the consolidated financial statements for details.

Income tax expense of US\$4.3 million for the year ended December 31, 2023, decreased by US\$45.6 million from US\$49.9 million for the comparative period in 2022. During the period, the Company had US\$23.7 million of deferred tax credit compared to a deferred tax expense of US\$11.5 million for the same period in 2022.

Net loss of US\$23.0 million for the year ended December 31, 2023, decreased by US\$248.4 million from an income of US\$225.4 million for the year ended December 31, 2022.

NON-IFRS MEASURES

The cash cost of production, cash cost after by-product credits and cash cost per ounce and per pound are measures that are not in accordance with IFRS.

The Company has included these metrics 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 and per pound data because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flow. The measures are not necessarily indicative of operating results, cash flow from operations, or financial condition as determined under IFRS.

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:

Cash production cost for gold is calculated as total cost of sales adjusted by depreciation and depletion and amortization of intangible assets. Cash production cost of gold per ounce is calculated as total cash production cost divided by total gold sold (ounces).

CSH Mine (Gold)

	Three months ended December 31,				Year ended December 31,			
	2023		2022		2023		2022	
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce
Total Cost of sales	39,668,246	1,611	36,019,554	975	182,798,035	1,420	198,502,365	1,340
Adjustment – Depreciation & depletion	(7,549,248)	(307)	(11,816,584)	(320)	(59,343,019)	(461)	(77,861,557)	(525)
Adjustment – Amortization of intangible assets	(16,265)	(1)	(470,254)	(13)	(862,716)	(7)	(1,717,651)	(12)
Total cash production costs	32,102,733	1,303	23,732,716	642	122,592,300	952	118,923,157	803
Total Gold sold ounces		24,626		36,948		128,728		148,153

Cash production cost of gold US\$ per ounce calculated as total cash production cost divided by total gold sold ounces

Cash Production cost for copper is calculated as production costs (total cost of sales adjusted by General and administrative expenses and Research and development expenses) adjusted by depreciation and depletion and amortization of intangible assets. Cash production cost of copper pound is calculated as total cash production cost divided by total copper sold (pounds).

Jiama Mine (Copper with by-products credits)

	Three months ended December 31,				Year ended December 31,			
	2023		2022		2023		2022	
	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound
Total Cost of sales	33,550,439	6.21	121,251,481	2.78	196,271,032	4.23	510,887,746	2.74
General and administrative expenses	9,012,112	1.67	17,336,904	0.40	34,811,865	0.75	48,829,454	0.26
Research and development expenses	867,058	0.16	6,658,998	0.15	8,707,418	0.19	25,371,066	0.14
Total production cost	43,429,609	8.04	145,247,383	3.33	239,790,315	5.17	585,088,266	3.14
Adjustment – Depreciation & depletion	(4,029,491)	(0.75)	(20,459,606)	(0.47)	(50,281,408)	(1.08)	(85,721,234)	(0.46)
Adjustment – Amortization of intangible assets	-	-	(9,401,809)	(0.22)	(9,493,836)	(0.20)	(39,630,017)	(0.21)
Total cash production costs	39,400,118	7.29	115,385,968	2.64	180,015,071	3.89	459,737,015	2.47
By-products credits	(6,127,061)	(1.13)	(56,534,460)	(1.29)	(56,157,793)	(1.21)	(213,143,306)	(1.14)
Total cash production costs after by-products credits	33,273,057	6.16	58,851,508	1.35	123,857,278	2.68	246,593,709	1.33
Total Copper sold pounds		5,399,496		43,670,559		46,415,465		186,445,355

Cash production cost of copper US\$ per pound calculated as total cash production cost divided by total copper sold pounds

MINERAL PROPERTIES

The CSH Mine

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

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

The CSH Mine is an open-pit mining operations with a designed mining and processing capacity of 60,000 tpd. 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. The run-of-mine ore is heap leached with cyanide solution to extract gold and electro-winned to produce a gold dore which is sold to refiners. In June 2020, the operation of southwest pit ended.

The open-pit operations at the CSH gold mine are nearing the end of its mine life. With the increase in the pit's depth, the height and exposed area of the pit wall have increased, and the stability of the open pit slopes is becoming more and more prominent in determining the operations plan. Ensuring slope stability and avoiding systematic risks at this stage is the Company's top priority to ensure safe and sustainable production. To ensure production safety, the Company reduced the mining volume at the end of the third and fourth quarters of 2023 in order to enhance the management and maintenance of slopes. Ore stripping, as well as heap leach and processing plant processes, will continue to operate as usual during the mining volume adjustment period.

The Company continues to evaluate the potential for underground operations.

The major new contracts entered into during the year ended December 31, 2023:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	2023-2025 Open-pit Mining and Striping Engineering Contract of Inner Mongolia Pacific Mining Co., Ltd.	China National Gold Engineering Corporation	Estimated: 128.3	2023.1.1-2025.12.31	2023.4.26
2	Supply Agreement of 10,800 tons of liquid Sodium Cyanide in 2023	Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd.	Estimated: 6.3	2023.2.19-2023.5.19	2023.2.19
3	Supplementary Contract for Open-pit Mining and Striping Engineering of CSH Gold Mine Expansion Project of Inner Mongolia Pacific Mining Co., Ltd.	China Railway 19TH Bureau Group Mining Investment Co.,Ltd.	Estimated: 6.8	2023.1.1-1.31	2023.3.3
4	Supply Agreement of 10,800 tons of liquid Sodium Cyanide in 2023	Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd.	Estimated: 5.1	2023.6.19-2023.9.19	2023.6.18
5	Supply Agreement of 36,000 tons of liquid Sodium Cyanide in 2023 to 2024	Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd. "	Estimated: 16.3	2023.11-2024.12	2023.11.4

Production Update

CSH Mine	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Ore mined and placed on pad (tonnes)	-	2,006,536	9,969,641	13,015,192
Average ore grade (g/t)	-	0.64	0.53	0.63
Recoverable gold (ounces)	-	24,808	102,702	158,670
Ending gold in process (ounces)	143,995	168,405	143,995	168,405
Waste rock mined (tonnes)	-	4,749,223	18,304,384	16,789,856

For the year ended December 31, 2023, the total amount of ore placed on the leach pad was 10.0 million tonnes, with total contained gold of 102,702 ounces (3,194.4 kilograms). The overall accumulative project-to-date gold recovery rate has remained at approximately 56.26% at the end of December 31, 2023 from 55.66% at the end of September 30, 2023. Of which, gold recovery from the phase I and phase II heap leach pads were 59.77% and 53.96% at December 31, 2023, respectively.

Exploration

As of December 31, 2023, a diamond drilling exploration program in the mining permit area has been completed with the total meterage of 1,290.78 and 3 holes. The preparation of the mineral reserve update report is ongoing. Additionally, a diamond drilling exploration program in the exploration permit area has been completed with the total meterage of 4,172.14 and 4 holes. The sample assay reports have been received. The exploration updated report preparation is ongoing.

Mineral Resource Update

CSH Mine Mineral Resources by category, at December 31, 2023 under NI 43-101 are listed below:

Location	Mineral Resource Category	Tonnage (x1000 t)	Au (g/t)	Metal	
				Au (t)	Au (Moz)
Remaining within the open pit limit at a cut-off grade of 0.28 g/t Au	Measured	16,131	0.63	10.08	0.32
	Indicated	17,239	0.68	11.76	0.38
	M+I	33,370	0.65583	21.89	0.70
	Inferred	4,301	0.41	1.74	0.06
Underground at a cut-off grade of 0.30 g/t Au	Measured	88,200	0.67	58.66	1.89
	Indicated	89,850	0.58	52.07	1.67
	M+I	178,050	0.62	110.73	3.56
	Inferred	62,090	0.49	30.68	0.99

Note:

Mineral Resources are reported in relation to a conceptual open-pit mining and underground block caving mining. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. Raw assays have been capped. Mineral Resources include Mineral Reserves.

Mineral Resources are reported at a cut-off grade of 0.28 g/t Au for open-pit mining, based on the following parameters: the heap leaching & metallurgical recovery of 60% and gold bullion market price of USD 1,980 per ounce. Additional Mineral Resources are reported at a cut-off grade of 0.30 g/t Au for underground block caving mining, based on the following parameters: the heap leaching & metallurgical recovery of 60% and gold bullion market price of USD 1,980 per ounce. USD 1.0000=RMB 6.3457 dated in April 2022, and one troy ounce is equal to 31.1035 grams.

Resource Estimate by CGME Consulting Limited on August 19, 2022 and updated by Gerald Guo, P.Eng., a qualified person as defined by NI 43-101.

Mineral Reserves Update

CSH Mine Mineral Reserves by category at December 31, 2023 under NI 43-101 are summarized below:

Type	T (x 1,000)	Diluted Au g/t	Metal	
			Au t	Au Moz
Proven	16,131	0.63	10.08	0.32
Probable	17,239	0.68	11.76	0.38
Total	33,370	0.65	21.84	0.70

Note:

Mineral Reserves are reported based on the optimized ultimate open pit limit. All figures are rounded to reflect the relative accuracy of the estimate. Mineral Reserves are included in Mineral Resources.

Mineral Reserves are reported at a cut-off grade of 0.28 g/t Au for open-pit mining, based on the following parameters: the heap leaching & metallurgical recovery of 60% and gold bullion market price of USD 1,568 per ounce. USD 1.0000=RMB 6.3457 dated in April 2022, and one troy ounce is equal to 31.1035 grams.

Reserve Estimate by CGME Consulting Limited on August 19, 2022 and updated by Gerald Guo, P.Eng., a qualified person as defined by NI 43-101.

The Jiama Mine

Jiama is a large copper-gold poly metallic deposit containing copper, gold, silver, molybdenum, lead and zinc, 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.

The major new contracts entered into during the year ended December 31, 2023:

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Sodium hydrosulfide Purchase Contract	Shandong Xingtai Chemical Co., Ltd	Estimated: 3.0	2023.5-2024.5	2023.5
2	Contract for loans of working capital	Industrial Bank Corporation Lhasa Branch	Estimated: 26.6	2023.6-2026.6	2023.6
3	Contract for Ecological Restoration Project (Section 3) in 2022	The Second Geological Brigade of Tibet Autonomous Region Geological and Mineral Development Bureau	Estimated: 4.2	2023.4-2024.4	2023.4
4	Contract for Underground Drilling Engineering Project in Jiama Mining Area from 2023 to 2025	Qinhuangdao Huakan Geological engineering Co., Ltd	Estimated: 4.3	2023.4-2026.2	2023.4
5	Mechanical Equipment Rental Project Contract	Sichuan Haotianyu Construction Machinery Leasing Co., Ltd	Estimated: 11.9	2023.2-2025.1	2023.2
6	Contract for loans of working capital	Tibet Autonomous Region Branch of China Construction Bank Corporation	Estimated: 55.4	2023.6-2026.6	2023.6
7	Contract for loans of working capital	Lhasa Chengguan District Sub branch of Agricultural Bank of China Co., Ltd	Estimated: 41.5	2023.6-2026.6	2023.6
8	Ecological Restoration Project (Section 1) in 2022	China National Gold Group Corporation Construction Co., Ltd	Estimated: 4.7	2023.3-2024.3	2023.3
9	Tripartite Cooperation Agreement for "Factoring e-Finance" Business	Tibet Autonomous Region Branch of Agricultural Bank of China Co., Ltd	Estimated: 6.9	2023.1-2025.1	2023.1
10	Contract for loans of working capital	China Gold Finance	Estimated: 55.4	2023.6-2026.6	2023.6
11	Contract for Niumatang Heavy Metal Ion Acid Water Treatment Project	Henan Tianfang Construction Engineering Co., Ltd	Estimated: 3.5	2023.4-2023.6	2023.4
12	Contract for loans of working capital	Mozhugonka County Sub branch of Agricultural Bank of China Co., Ltd	Estimated: 13.8	2023.6-2026.6	2023.6
13	Contract for Ecological Restoration Project (Section 2) in 2022	North China Nonferrous Engineering Survey Institute Co., Ltd	Estimated: 4.4	2023.4-2024.4	2023.4
14	Contract for Emergency Drainage and Reinforcement Engineering of Guolanggou Tailings Pond	Jilin Huaye Environmental Management Co., Ltd	Estimated: 3.7	2023.9-2023.12	2023.9
15	contract for loans of working capital	Tibet Autonomous Region Branch of China Construction Bank Corporation	Estimated: 14.1	2023.10-2026.10	2023.10
16	Contract for Initial Dam Reinforcement Project of Guolanggou Tailings Pond	Zhejiang Huaye Mining and Construction Group Co., Ltd	Estimated: 18.2	2023.10-2024.7	2023.10
17	Contract for the Construction of the "Pressure Air Self rescue and Water Supply Rescue" System for the 4300m Mining Project of Jiama Copper Polymetallic Mine	Yunnan Jiantou Mining Engineering Co., Ltd	Estimated: 3.4	2023.11-2024.2	2023.11
18	Entrusted Loan	China Gold Group Finance Co., Ltd	Estimated: 28.3	2023.12-2024.1	2023.12
19	Cement procurement contract	Lhasa Tengda Trading Co., Ltd	Estimated: 4.8	2024.1-2025.1	2023.12

Production Update

Jiama Mine	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Ore processed (tonnes)	43,392	4,205,307	4,280,227	17,446,643
Average copper ore grade (%)	0.89	0.57	0.56	0.57
Copper recovery rate (%)	69	85	85	85
Average gold grade (g/t)	0.39	0.23	0.21	0.23
Gold recovery rate (%)	68	69	68	69
Average silver grade (g/t)	23.99	9.34	9.57	8.95
Silver recovery rate (%)	56	60	63	63
Average Moly grade (%)	-	0.023	0.029	0.027
Moly recovery rate (%)	-	14.64	18.64	18.75

Production was halted during 2023 at the Jiama Mine, with limited resumption of the Phase I area as of December 15, 2023.

Exploration

In 2023, Tibet Huatailong Mining Development Co., Ltd. planned to implement two geological exploration projects, namely detailed exploration of copper and lead project outside the current mining area of the Jiama Mine and prospecting of copper project in Bayi Farm, with a designed workload of 15,370 m of 20 holes for surface drilling, 37.31 km² for geological prospecting, 26 km² for soil sampling and 26 km² for rock sampling with an estimated total budget of RMB 34.47 million. The temporary land usage permit for geology prospecting has been issued, however, the geological prospecting program has been temporarily suspended due to the impact of the tailings dam overflow.

Mineral Resources Estimate

Jiama Mine resources by category as of December 31, 2023 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, 2023

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	91.66	0.38	0.04	0.04	0.02	0.07	5.04	348.91	33.62	33.5	16.8	0.21	14.84
Indicated	1311.73	0.40	0.03	0.05	0.03	0.10	5.48	5194.71	451.15	613.1	380.0	4.17	231.00
M+I	1403.39	0.40	0.03	0.05	0.03	0.10	5.45	5543.61	484.77	646.6	396.8	4.39	245.85
Inferred	406.10	0.31	0.03	0.08	0.04	0.10	5.13	1247.0	123.0	311.0	175.0	1.32	66.93

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

The prices of Cu, Mo, Pb, Zn, Au and Ag are US\$2.9/lbs; US\$15.5/lbs; US\$2.9/lbs; US\$0.95/lbs; US\$1,300/oz and \$20/oz respectively. 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

The Mineral Resources include the Mineral Reserves

Original Resource Estimate by Runge Pincock Minarco on 12th November of 2012 and updated by Gerald Guo, P.Eng, a Qualified Person as defined by NI 43-101.

Mineral Reserves Estimate

Jiama Mine reserves by category as of December 31, 2023 under NI 43-101:

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2023

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Proven	17.54	0.60	0.05	0.02	0.02	0.19	7.66	104.93	8.83	4.0	2.7	0.11	4.32
Probable	338.43	0.60	0.03	0.13	0.07	0.16	10.38	2018.63	116.37	427.7	236.2	1.73	112.98
P+P	355.98	0.60	0.04	0.12	0.07	0.16	10.25	2123.57	125.21	431.7	238.9	1.83	117.30

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;
 - The prices of Cu, Mo, Pb, Zn, Au and Ag are US\$2.9/lbs; US\$15.5/lbs; US\$2.9/lbs; US\$0.95/lbs; US\$1,300/oz and \$20/oz respectively
 - 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.
- The Mineral Reserves are inclusive of the Mineral Resources
- Original Reserve Estimate by Mining One Consultants on 20th November 2013, and updated by Gerald Guo, P.Eng, a qualified person as defined by NI 43-101.

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 borrowings from commercial banks, corporate bonds 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, 2023, the Company had an accumulated surplus of US\$380.4 million, working capital of US\$170.8 million and borrowings of US\$766.5 million. The Company's cash balance at December 31, 2023 was US\$97.2 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US\$143.5 million of short term debt facilities with interest rates ranging from 1.95% to 6.36% per annum arranged through various banks overseas. 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 principal amount of RMB 3.98 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 2.2% shall be applied for the current year. 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, 2023 the Company has drawn down RMB3.79 billion, approximately US\$537.8 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 2.3% per annum currently, maturing on April 28, 2034. The Company obtained a loan in the aggregate principal amount of RMB400 million, approximately US\$61.7 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 1.05% per annum.

The Company obtained a loan in the aggregate principal amount of RMB300 million, approximately US\$41.5 million, with Lhasa Chengguan District Sub branch of Agricultural Bank of China Co. Ltd bearing interest at 2.05% on May 31, 2023. The Company obtained a loan in the aggregate principal amount of RMB400 million, approximately US\$55.4 million, with China National Gold Group Finance Corporation bearing interest at the 2.05% on May 31, 2023. The Company obtained a loan in the aggregate principal amount of US\$44.0 million with China Construction Bank (Asia) Corporation Limited bearing floating interest with term SOFR on June 8, 2023. The Company obtained a loan in the aggregate principal amount of US\$35.0 million with DBS Bank Ltd bearing floating interest with term SOFR on June 13, 2023. The Company obtained a loan in the aggregate principal amount of RMB400 million, approximately US\$55.4 million, with Tibet Autonomous Region Branch of China Construction Bank bearing interest at the 2.05% on June 13, 2023. The Company obtained a loan in the aggregate principal amount of RMB192 million, approximately US\$26.6 million, with Industrial Bank Corporation Lhasa Branch bearing interest at the 1.95% on June 25, 2023. The Company obtained a loan in the aggregate principal amount of RMB100 million, approximately US\$13.8 million, with Mozhuogonka County Sub-branch of Agricultural Bank of China bearing interest at the 1.95% on June 26, 2023. The Company repaid its 2.8% unsecured bonds which matured on June 23, 2023. The Company obtained a loan in the aggregate principal amount of RMB100 million, approximately US\$14.1 million, with China Construction Bank bearing interest at the 1.85% on November 9, 2023. The Company obtained a loan in the aggregate principal amount of RMB380 million, approximately US\$53.7 million, with CNG Finance bearing interest at the 2.45% on November 30, 2023.

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 years ended December 31, 2023 and December 31, 2022.

	Year ended December 31,	
	2023	2022
	US \$'000	US\$'000
Net cash from operating activities	1,574	447,279
Net cash used in investing activities	(121,302)	(33,338)
Net cash used in financing activities	(205,233)	(185,312)
Net (decrease) increase in cash and cash equivalents	(324,961)	228,629
Effect of foreign exchange rate changes on cash and cash equivalents	(6,255)	(8,304)
Cash and cash equivalents, beginning of period	428,453	208,128
Cash and cash equivalents, end of period	97,237	428,453

Operating cash flow

For the year ended December 31, 2023, net cash inflow from operating activities was US\$1.6 million which is primarily attributable (i) depreciation of property, plant and equipment of US\$107.0 million (ii) finance cost of US\$25.0 million and (iii) amortization of mining rights of US\$10.4 million, partially offset by (i) income taxes paid of US\$41.5 million (ii) decrease in accounts payable and accrued liabilities of US\$39.2 million (iii) interest paid of US\$21.0 million and (iv) environmental rehabilitation expenses paid of US\$10.4 million..

Investing cash flow

For the year ended December 31, 2023, the net cash outflow from investing activities was US\$121.3 million which is primarily attributable to (i) placement of restricted deposits of US\$68.0 million and (ii) payment for acquisition of property, plant and equipment of US\$59.4 million, partially offset by (i) interest received of US\$4.5 million, (ii) dividend received of US\$2.0 million and (iii) release of restricted bank deposits of US\$1.5 million.

Financing cash flow

For the year ended December 31, 2023, the net cash outflow mainly from financing activities was US\$205.2 million which is primarily attributable to proceeds from borrowings of US\$316.3 million and (ii) proceeds from entrusted loan of US\$28.4 million partially offset by (i) repayment of borrowings of US\$401.5 million (ii) dividend paid to shareholders of US\$146.7 million and (iii) dividend paid to a minority shareholder of US\$1.1 million.

Expenditures Incurred

For the year ended December 31, 2023, the Company incurred mining costs of US\$43.3 million, mineral processing costs of US\$75.2 million and transportation costs of US\$1.7 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at December 31, 2023, the Company's total debt was US\$766.5 million and the total equity was US\$1,727.7 million. The Company's gearing ratio was therefore 0.44 as at December 31, 2023 compared to 0.42 as at September 30, 2023.

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 the year ended December 31, 2023, 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, 2023. 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 consolidated financial statements, none of the Company's assets were pledged as at December 31, 2023.

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 33, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2023.

COMMITMENTS

Commitments include principal payments on the Company's bank loans and syndicated loan facility, corporate bonds, 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 34, Commitments, in the annual consolidated financial statements for the year ended December 31, 2023.

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 were listed on HKSE and Chongwa (Macao) Financial Asset Exchange ("MOX"). The Bonds were fully repaid on June 23, 2023.

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	738,234	143,523	491,127	103,584
Entrusted loan payable	28,238	-	28,238	-

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, 2022 and December 31, 2023.

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 was renewed for a new term that commenced on January 1, 2018 and expired 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. On June 29, 2023, the fourth supplemental Contract for Purchase and Sale of Dore was approved by the Company's Shareholders, commencing on January 1, 2024 and expiring on December 31, 2026.

Revenue from sales of gold doré bars to CNG was US\$252.6 million for the year ended December 31, 2023 which decreased from US\$267.6 million for the year ended December 31, 2022.

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. 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. On June 29, 2023, the fourth Supplemental Product and Service Framework Agreement was approved by the Company's Shareholders, commencing on January 1, 2024 and expiring on December 31, 2026. For the year ended December 31, 2023, revenue from sales of copper concentrate and other products to CNG was US\$190.9 million compared to US\$794.5 million for the same period in 2022.

For the year ended December 31, 2023, construction services of US\$62.9 million were provided to the Company by subsidiaries of CNG (US\$12.3 million for the year ended December 31, 2022).

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, December 22, 2020 and a Financial Service Agreement on May 5, 2021 among the Company and China Gold Finance. As part of the 2021 Financial Service Agreement, approved by the Company's Shareholders at the Company's 2021 Annual General Meeting, China Gold Finance agreed to provide the Company with a range of financial services including (a) Deposit Services, (b) Lending Services, (c) Settlement Services and (d) Other Financial Services effective until December 31, 2023.

Refer to Note 30 of the audited annual consolidated financial statements for details of significant related party transactions during the year ended December 31, 2023.

2023 Annual Cap for 2021 Financial Services Agreement Exceeded;

Reference is made to the announcement of the Company dated May 6, 2021 (the "CCT Announcement") in relation to, among other things, the provision of deposit services to the Company and its PRC subsidiaries under the financial services agreement between the Company and China Gold Finance from the date of approval by the Independent Shareholders (i.e. June 30, 2021) to December 31, 2023. Unless otherwise defined, capitalised terms in this sub-section shall have the same meanings as defined in the CCT Announcement.

In the course of preparing the condensed consolidated financial statements for the six months ended June 30, 2023, it came to the Company's attention that the daily deposit balance under the Deposit Services exceeded the Deposit cap of RMB3,000 million from February 23, 2023 to April 26, 2023, with the highest daily deposit balance during such period being approximately RMB562 million over the Deposit Cap (the "Exceeding of the Cap"). The Exceeding of the Cap was due to an increase in operating cash flow.

As soon as the Company became aware of the Exceeding of the Cap, the Company took steps to reduce deposits placed with China Gold Finance to a level within the Deposit Cap. Since April 27, 2023, the daily deposit balance has been kept within the Deposit Cap and the Company ensured that the daily deposit balance remains within the Deposit Cap for the rest of the term of the 2021 Financial Services Agreement. The Company has discussed the Exceeding of the Cap with China Gold Finance and continued to maintain regular communication with China Gold Finance going forward. The Company did not intend to revise the Deposit Cap for the year ending December 31, 2023.

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, 2023. 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, 2023.

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, 2023.

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, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2023, the Company had not entered into any off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

The Company is committed to providing sustainable returns to its shareholders. The Board of Directors determine dividends on an annual basis based on, 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 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 Company's financial results for the year ended December 31, 2022, the Company declared a special dividend of US\$0.37 per common share which was paid on June 15, 2023 to shareholders of record as of April 20, 2023. This special dividend qualifies as an "eligible dividend" for Canadian income tax purposes while dividends paid to shareholders outside Canada (non-resident investors) will be subject to Canadian non-resident withholding taxes.

The Board of Directors does not recommend distributing a dividend to shareholders on account of the Company's 2023 annual results.

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, 2023 the Company had 396,413,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (“DC&P”) and the design of internal control over financial reporting (“ICFR”) to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company’s certifying officers. The Company’s Chief Executive Officer and Chief Financial Officer have each evaluated the Company’s DC&P and ICFR as of December 31, 2023 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, 2023, 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, 2023 and have concluded that these controls and procedures were effective as of December 31, 2023 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, 2023, 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.sedarplus.ca and www.hkex.com.hk.

QUALIFIED PERSON

Disclosure of scientific or technical information in this MD&A was reviewed and approved by Mr. Tony Guo, P.Geo., the Company’s Qualified Person (“QP”) as defined by National Instrument 43-101.

March 27, 2024