

# PROSPECTUS



**Sino Gold Mining Limited**  
**ABN 42 093 518 579**

## **Purpose of this Document**

This Prospectus accompanies a copy of the Offer and Circular of Sino Gold Canada dated October 24, 2007 (**Takeover Circular**) whereby Sino Gold Canada offers to acquire all of the issued Golden China Shares, including Golden China Shares underlying CDIs.

This Prospectus is not a fundraising document. This Prospectus is issued because the consideration for the Offer is Sino Gold Shares. The Offer is made on the basis that 0.2222 of a Sino Gold Share would be issued to each tendering Golden China Shareholder for every Golden China Share taken up under the Offer.

Golden China is a corporation incorporated under the laws of Canada.

This Prospectus provides Australian resident holders of Golden China Shares and CDIs with the additional information required by section 713 of the Corporations Act.

This Prospectus is not, and does not relate to, an offer of shares in Hong Kong.

## **Important Information**

This Prospectus and the Takeover Circular contain important information for you and require your immediate attention.

The documents should be read in their entirety. If you have any questions as to their contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional advisor immediately.

No application monies are payable for the issue of Sino Gold Shares. Tendering Golden China Shareholders resident in Australia should follow the instructions on pages **22 to 28** of the Takeover Circular. Tendering Golden China Shareholders who hold CDIs should complete the CDI Acceptance Form that accompanies the Takeover Circular and follow the instructions on the CDI Acceptance Form and on pages **24 to 28** of the Takeover Circular.

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## 1. Introductory Information

### 1.1 Why this Prospectus has been sent to you

Sino Gold Canada is offering to acquire all of your Golden China Shares (including Golden China Shares underlying CDIs). The consideration for the Offer is the issue of Sino Gold Shares. Accordingly, for those Offers that are received in Australia, it is necessary for an Australian Prospectus to accompany the Takeover Circular. This Prospectus has been prepared in accordance with s713 of the Corporations Act.

### 1.2 Important Notice

This Prospectus is dated 24 October 2007 and was lodged with ASIC on that date. None of ASIC, the ASX and their respective officers take responsibility for the contents of this Prospectus.

No securities will be allotted on the basis of the Prospectus after the expiry date, being the date 13 months after the date of issue of this Prospectus.

### 1.3 Summary of principal dates

<b>Event</b>	<b>Date</b>
Takeover Circular and Prospectus lodged with ASIC	24 October 2007
Takeover Circular and Prospectus sent to Shareholders	25 October 2007
Last day for holders of CDIs to accept the Offer before the CDIs are expected to be delisted from the ASX (subject to extension)	28 November 2007
Expiry Date of Offer (subject to extension)	30 November 2007
Sino Gold Shares expected to be issued to tendering Golden China Shareholders and final application to be lodged for listing on the ASX (subject to adjustment)	3 ASX trading days after the Expiry Date

The above dates are subject to change and are indicative only. Sino Gold reserves the right to adjust this indicative timetable subject to the Corporations Act, the Listing Rules and any applicable laws of Canada.

### 1.4 Distribution

This Prospectus has been sent to Australian resident holders of Golden China Shares and CDIs. This Prospectus accompanies the Takeover Circular whereby Sino Gold Canada offers to acquire all of the issued Golden China Shares, including Golden China Shares underlying CDIs. The Offer is made on the basis that 0.2222 of a Sino Gold Share would be issued to each accepting Golden China Shareholder for every Golden China Share taken up under the Offer.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from, or on behalf of, shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the

laws of such jurisdiction. However, Sino Gold or its agents may, in the sole discretion of Sino Gold, take such action as Sino Gold may deem necessary to extend the Offer to shareholders in such jurisdiction.

## 1.5 **CDIs**

Golden China is a corporation incorporated under the laws of Canada.

Golden China has issued CHESS Depository Interests (**CDIs**), which are financial products listed on the ASX. CDIs confer a beneficial interest in the underlying Golden China Shares to which they relate. It is anticipated that most or all of the Golden China Shareholders who receive the Offer in Australia will be holders of CDIs. This Prospectus will accompany the copy of the Takeover Circular that is issued to each Golden China Shareholder who receives the Offer in Australia.

## 1.6 **Compulsory acquisition and subsequent acquisition transactions**

This Prospectus will also accompany any other offer that may be made to issue Sino Gold Shares in connection with the acquisition of Golden China Shares or CDIs where that offer is received in Australia within 13 months after the date of issue of this Prospectus. As noted in the Takeover Circular, such offers may arise from a compulsory acquisition transaction, or a subsequent acquisition transaction such as an amalgamation, arrangement, capital reorganisation, share consolidation, or other transaction.

## 1.7 **Warning**

Golden China Shareholders are responsible for determining their allotment of Sino Gold Shares before trading in them. If you trade in your Sino Gold Shares before receiving confirmation of your allocation of Sino Gold Shares and the receipt by you of such shares, you do so at your own risk.

## 1.8 **Definitions**

Defined terms and abbreviations used in this Prospectus are explained in the Definitions set out in Section 7.1 of this Prospectus.

## 2. **Details of the Offer**

### 2.1 **The Offer**

Sino Gold announced to the ASX on 13 August 2007 that it intends to make an offer to acquire all of the outstanding common shares of Golden China.

Sino Gold will be offering to issue up to approximately 12,485,757 Sino Gold Shares to accepting Golden China Shareholders, to be issued on the basis of 0.2222 of a Sino Gold Share for every Golden China Share taken up under the Offer, in consideration for the transfer of the Golden China Shares to Sino Gold Canada. Sino Gold Shares may also be issued to holders of other securities issued by Golden China, as set out in Section 3.3 of this Prospectus.

Fractional Sino Gold Shares will not be issued. The number of Sino Gold Shares to be issued to a Golden China Shareholder will be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the nearest whole

number. For all rounding purposes, all Golden China Shares and CDIs deposited by a Golden China Shareholder will be aggregated.

## 2.2 Purpose of the Offer

The purpose of the Offer is to acquire all of the outstanding Golden China Shares. Further details of the Offer are set out in the Takeover Circular.

Sino Gold currently has on issue 184,876,415 ordinary shares, 6,710,000 unlisted options and 35,000 convertible notes. Details of the effect of the Offer on Sino Gold's capital structure can be found at section 3.3 of this Prospectus.

As the Sino Gold Shares will be issued free of any cash consideration, no funds will be raised by the Offer.

## 2.3 Rights attaching to Sino Gold Shares

The Sino Gold Shares will rank equally in all respects as existing ordinary shares in Sino Gold. Details of the rights attaching to existing ordinary shares in Sino Gold can be found at section 3.5 of this Prospectus.

## 2.4 Allotment

This Offer may be accepted in whole or in part prior to the Expiry Date, subject to the rights of Sino Gold to vary or extend the Offer period under the laws of Canada. Details regarding variation of the Offer period can be found in the Takeover Circular.

Subject to the above, the Sino Gold Shares are expected to be allotted by 3 ASX trading days after the Expiry Date.

## 2.5 ASX and SEHK quotation of Sino Gold Shares

Sino Gold's primary listing is on the ASX. Sino Gold is also secondarily listed on the SEHK, and by undertaking the shunting procedure described below, holders of ordinary shares in Sino Gold may sell their shares on the SEHK, even if they are initially listed for official quotation on the ASX. Details of the procedure for shunting shares between Sino Gold's Australian Share Registry and Hong Kong Share Registrar are as follows:

- the respective share registrar in each country has set up a control account as part of the issued capital for Sino Gold. For example, the Australian Share Registry has established a holding on Sino Gold's Australian register with the name "Hong Kong Control Register", with the current issued capital of the Hong Kong Share Registrar. This holding is excluded from any reports concerning largest shareholders and similar matters. The Hong Kong Share Registrar has set up a similar account with the issued capital of the Australian register;
- when a shareholder wishes to shunt shares from one of the two registers (the "home register") to the other register (the "target register"), the shareholder provides the home registrar with a written direction to that effect. The home registrar then removes the shares from their holding, and places the shares into the control account. A fax or email confirmation is then sent to the target registrar, who removes shares from their control account and places the shares into a holding in the name of the shareholder; and

- periodically (usually at the time of each shunt) the two registrars compare their respective control accounts to confirm that all figures match.

The period of time required to shunt Shares between the Australian Share Registry and the Hong Kong Share Registrar may vary and there is no certainty of when shunted Shares will be available for trading or settlement.

In order to ensure that the control accounts in the Australian Share Registry and Hong Kong Share Registrar match, Sino Gold will make an application to both the ASX and SEHK for quotation of the Sino Gold Shares issued pursuant to this Prospectus within 7 days after the date of this Prospectus.

Quotation will not be automatic but will depend on ASX and SEHK exercising their discretion. Sino Gold cannot guarantee, and does not represent or imply, that the Sino Gold Shares to be issued under this Prospectus will be quoted. The fact that ASX and SEHK may admit the Sino Gold Shares to quotation is not to be taken in any way as an indication of the merits of Sino Gold or the Sino Gold Shares.

The Offer is subject to various conditions, as detailed in the Takeover Circular. As required by s.723(3) of the Corporations Act, in the event that the Sino Gold Shares are not admitted to quotation on both the ASX and SEHK within 3 months after the date of this Prospectus, then the Offer will be withdrawn or terminated, and any Golden China Shares which have been deposited to the Offer will be returned to the relevant Golden China Shareholders.

### **3. Information about Sino Gold**

#### **3.1 Disclosing Entity**

This Prospectus is issued pursuant to section 713 of the Corporations Act as a prospectus for the offer of continuously quoted securities in Sino Gold.

Sino Gold is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to Sino Gold may be obtained from, or inspected at, an ASIC office.

Each recipient of this Prospectus has a right to obtain a copy of:

- (1) the annual report of Sino Gold for the financial year ended 31 December 2006;
- (2) the half yearly report of Sino Gold for the six months ended 30 June 2007; and
- (3) all continuous disclosure notices filed by Sino Gold with the ASX after lodgement of the annual report for the financial year ended 31 December 2006 and before lodgement of this Prospectus with ASIC, which are listed in Section 5.10 below.

Sino Gold will give, free of charge, a copy of any of these documents to any recipient of this Prospectus who requests them before the Expiry Date.

Copies of announcements made by Sino Gold to the ASX are available from ASX's website at [www.asx.com.au](http://www.asx.com.au).

### 3.2 Market Prices in Sino Gold Shares

The lowest and highest market sale prices of Sino Gold's ordinary shares on ASX during the three months from 22 July 2007 to 22 October 2007, and the respective dates of those sales, were \$4.55 on 16 August 2007 and \$8.11 on 19 October 2007. The closing price for Shares on the ASX on 22 October 2007 was \$7.90.

### 3.3 Capital Structure of Sino Gold

#### *Details of Share Capital*

Set out below is a summary of all securities currently on issue in Sino Gold as at the date of this Prospectus, together with details of the maximum number of Sino Gold Shares which may be issued pursuant to the Offer.

<b>Capital Structure</b>	<b>Number</b>
Sino Gold Shares currently on issue	184,876,415
Maximum number of Sino Gold Shares to be issued to Golden China Shareholders pursuant to the Offer	12,485,757
Maximum number of Sino Gold Shares to be issued to holders of Golden China DSUs	196,793
Maximum number of Sino Gold Shares that may be issued to holders of convertible notes issued by Golden China, if conversion occurs before the Expiry Date	1,201,283
Maximum number of Sino Gold Shares that may be issued to holders of options issued by Golden China, if the options are exercised before the Expiry Date	1,714,141
Maximum number of Sino Gold Shares that may be issued to holders of warrants issued by Golden China, if the warrants are exercised before the Expiry Date	1,783,155
Shares issuable upon exercise of all outstanding Sino Gold options	6,710,000
Shares issuable upon conversion of all Sino Gold convertible notes (assuming a conversion price of US\$2.2752 per share)	15,383,045
<b>Maximum Total</b>	<b>224,350,589</b>

#### *Details of Existing Options*

<b>No of Existing Options</b>	<b>Exercise Price</b>	<b>Option expiry date</b>	<b>Capable of exercise on or before Expiry Date of Offer</b>
215,000	2.69	31/12/08	215,000
370,000	2.00	31/12/09	Nil
800,000	3.29	31/12/10	Nil
50,000	2.69	31/12/08	50,000
150,000	2.06	15/10/09	150,000
25,000	2.12	27/10/09	25,000

No of Existing Options	Exercise Price	Option expiry date	Capable of exercise on or before Expiry Date of Offer
80,000	2.08	15/12/09	Nil
315,000	2.00	31/12/09	Nil
980,000	3.29	31/12/10	Nil
150,000	3.81	06/03/11	Nil
40,000	4.88	03/06/11	Nil
1,665,000	6.50	31/12/11	Nil
500,000	2.53	16/09/10	500,000
1,370,000	6.50	31/12/11	Nil
<b>Total</b>	<b>6,710,000</b>		<b>940,000</b>

Accordingly, there are 940,000 Existing Options capable of exercise into shares on or before the expected Expiry Date. The balance of the Existing Options, while issued, cannot be exercised until after the expected Expiry Date in accordance with their terms.

#### 3.4 **Effect of the Proposed Acquisition of Golden China on the Financial Position of Sino Gold**

Schedule "A" of the Takeover Circular contains pro forma financial statements of Sino Gold:

- (1) prior to the consolidation of Golden China; and
- (2) after the consolidation of Golden China,

showing the effect of the Offer on the financial position of Sino Gold, as at and from the periods indicated therein.

#### 3.5 **Rights and liabilities attaching to Sino Gold Shares**

If you accept the Offer you will be issued with ordinary shares in Sino Gold.

Set out below is a summary of some of the more significant rights attaching to ordinary shares in Sino Gold. This summary is not intended to be exhaustive or to constitute a definitive statement of the rights and liabilities of holders of ordinary shares in Sino Gold and must be read subject to Australian statute and general law and the constitution of Sino Gold.

##### *Voting*

Members are entitled to notice of, and to attend and vote at, general meetings. Subject to any shares which may in the future be issued with special or preferential rights (at present there are none), every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each fully paid share. In the case of an equality of votes, the Chairman of the meeting shall not have a second or casting vote.



### *General meetings*

Subject to the Corporations Act providing for a shorter minimum period of notice, each shareholder is entitled to receive at least 28 days notice of and to attend general meetings of Sino Gold and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution, the Corporations Act or the Listing Rules.

### *Dividends*

Subject to any shares which may in the future be issued with special or preferential rights, the Directors may declare a dividend to be paid to shareholders entitled to that dividend. The Directors may set aside out of the profits of the company such amounts as they determine as reserves to be applied at the discretion of the Directors for any purpose for which the profits of the company may be properly applied.

### *Capitalisation of profits and conversion of shares*

Subject to the Listing Rules and the Corporations Act, the Directors may capitalise and distribute any undivided profits of the company.

The company in general meeting may convert all or any of its shares into a larger or smaller number of shares by ordinary resolution.

### *Rights on winding up*

The liquidator in a winding up may, with the sanction of a special resolution of members (ie. a resolution passed by at least 75% of the votes cast), divide among the members the whole or any part of the property of the company and determine how the division is to be carried out as between the members or different classes of members.

### *Power to issue securities*

Without prejudice to any special rights conferred on the holders of any shares or class of shares and subject to the constitution, the Corporations Act and the Listing Rules, the Directors may issue shares and options and other rights to subscribe for shares on such terms and conditions as the Directors think fit.

### *Transfer of shares*

Subject to the constitution, the Corporations Act, the Listing Rules and the ASTC Settlement Rules, shares are freely transferable. A member may transfer shares by a market transfer in accordance with any manner required or permitted by the Listing Rules, the Corporations Act or the ASTC Settlement Rules. Shares may also be transferred by an instrument in writing in any usual or common form or in such other form as the Directors approve or in such form as is required by the ASTC Settlement Rules.

### *Unmarketable parcels*

The constitution provides that the Directors may cause the company to sell a member's shares if that member holds less than a marketable parcel of shares, provided that the procedures set out in the constitution are followed. A non-marketable parcel of shares is defined in the ASTC Settlement Rules and is, generally, a holding of shares with a market value less than A\$500.

### *Variation of rights*

The company may only modify or vary the rights attaching to any class of shares with the consent in writing of the shareholders with at least 75% of the votes in the class or the sanction of a special resolution passed by at least 75% of the votes cast at a meeting of the holders of the issued shares of that class.

### *Alteration to the constitution*

The Corporations Act provides that the constitution can only be amended by a special resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution.

## **4. Risk Factors**

Prior to accepting the Offer, Golden China Shareholders should carefully consider all risk factors associated with Sino Gold and the Sino Gold Shares, including the information set out in section 14 of the Circular portion of the Takeover Circular "Risk Factors", those risks disclosed on pages B73 to B87 of Schedule B of the Takeover Circular, as well as other information contained in this Prospectus.

## **5. Other Material Information**

### **5.1 Interests of Sino Gold Directors**

#### *Interests of Sino Gold Directors in Sino Gold Securities*

As at the date of this Prospectus, the Directors of Sino Gold had the interests in Sino Gold Securities set out on page B60 of Schedule B of the Takeover Circular.

#### *Remuneration of Sino Gold Directors*

For the year ended 31 December 2006, the directors of Sino Gold were paid as follows:

Name	Short Term		Cash Bonus	Post Employment	Share-based Payment	Total
	Salary and Fees	Other		Super-annuation	Options	
	\$	\$	\$	\$	\$	\$
J Askew Chairman (non-executive)	94,799	-	-	-	8,467	103,266
J Klein Chief Executive Officer	527,969	80,000*	150,000	47,031	303,833	1,108,833
H Xu Director (Executive)	345,559	29,000*	125,000	24,440	189,750	713,749

Name	Short Term		Cash Bonus	Post Employment	Share-based Payment	Total
	Salary and Fees	Other		Super-annuation	Options	
	\$	\$	\$	\$	\$	\$
B Davidson Director (non-executive)	85,000	-	-	-	8,467	93,467
P Cassidy Director (non-executive)	131,250	-	-	31,425	8,467	171,142
J Zhong Director (non-executive)	77,982	-	-	7,018	13,200	98,200
P Housden Director (non-executive, appointed in June 2006)	-	-	-	42,500	-	42,500

\* Interest benefits under ESIS loans

## 5.2 Sino Gold Directors' indemnity & insurance

Sino Gold pays an insurance premium in respect of a Directors' and Officers' liability policy covering all Directors, the company secretaries and officers of Sino Gold and any related bodies corporate against a liability incurred as an officer to the extent permitted by the Corporations Act.

## 5.3 Continuous disclosure requirements

As at the date of this Prospectus, Sino Gold has not excluded any information from a continuous disclosure notice in accordance with the Listing Rules that is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (1) the assets and liabilities, financial position and performance, profits and losses and prospects of Sino Gold; and
- (2) the rights and liabilities attaching to Sino Gold Shares.

## 5.4 Taxation

### (1) Introduction

The information in this Section is intended to provide a general overview of the Australian income and capital gains tax implications for Golden China Shareholders who are Australian residents, hold CDIs and who accept the Offer.

This overview is not intended to be comprehensive, nor is it a discussion of all possible tax consequences. It is based upon Australian income tax legislation

in force at the date of this Prospectus. Golden China Shareholders should not rely on the information in this Section as tax advice in relation to their own affairs. Australian taxation laws are complex and there could be implications in addition to those described in this Section. This overview does not consider any specific facts or circumstances that may apply to particular Golden China Shareholders.

The overview in this Section does not apply to non-residents of Australia or to Golden China Shareholders who have received their CDIs in the capacity as employees of Golden China. Non-resident and employee holders of CDIs should obtain their own independent advice. This Section does not consider tax laws in jurisdictions other than Australia.

Golden China Shareholders should seek independent taxation advice in relation to their own particular circumstances.

## **(2) Australian Tax Consequences**

The Australian tax consequences of disposing of your CDIs will depend on a number of factors, including:

- (a) whether you are an Australian resident or non-resident for tax purposes;
- (b) whether you hold your CDIs on capital or revenue account;
- (c) when you acquired your CDIs;
- (d) the cost of acquiring your CDIs;
- (e) whether you are an individual, a company, a trustee of a trust or a complying superannuation entity; and
- (f) whether Sino Gold becomes the owner of 80% or more of the issued and outstanding Golden China Shares as a result of the Offer (shares held by Sino Gold before the Offer may be counted in determining whether the 80% requirement is satisfied).

## **(3) Holding CDIs on Revenue or Capital Account**

In general terms, if you acquired your CDIs as part of a share trading business, as part of certain other businesses (eg. banking or insurance) or for the purpose of reselling them at a profit, then you may be treated as holding your CDIs on revenue account.

On the other hand, if you acquired your CDIs as a passive investment, for example, with the intention of deriving dividend income and/or long term capital growth, then you may be treated as holding your CDIs on capital account.

## **(4) CDIs Held on Capital Account**

Golden China Shareholders who accept the Offer and whose underlying Golden China Shares are taken up by Sino Gold will be considered to have disposed of their CDIs. For those Golden China Shareholders who hold their CDIs on capital account, this disposal will constitute a capital gains tax (**CGT**)

event for Australian capital gains tax purposes unless roll-over relief is available and you choose to obtain it. Broadly, the amount of capital gain liable to Australian tax will be the amount by which the market value of the Sino Gold Shares you receive exceeds the cost base of your CDIs. However, the amount of any capital gain liable to Australian tax may be reduced if you are entitled to the CGT discount. Roll-over relief, the cost base of your CDIs and the CGT discount are explained in more detail below.

If, on the other hand, the cost base of your CDIs exceeds the market value of the Sino Gold Shares you receive, then you will have a capital loss equal to the excess. Such a capital loss may be used to offset a capital gain made in the same income year or a future income year. If you are a trust or a company, you may only carry forward a capital loss to offset a future capital gain if you satisfy certain tests. A capital loss may not be used to offset ordinary assessable income.

Where you acquire Sino Gold Shares you will be liable to Australian tax on any capital gain you make on a subsequent disposal of those shares. In this regard where roll-over relief was not available in respect of the disposal of your CDIs, or you did not choose it, the Sino Gold Shares acquired will, in general terms, have a cost base equal to the market value of the CDIs exchanged for the Sino Gold Shares acquired.

#### *Roll-over Relief*

If, as a result of the Offer, you acquire Sino Gold Shares and Sino Gold becomes the owner of 80% or more of the common shares in Golden China and various other conditions are satisfied, then you may choose roll-over relief if you would otherwise make a capital gain on the disposal of your CDIs. Shares held by Sino Gold before the Offer may be counted in determining whether the 80% requirement is satisfied. A condition of the Offer is that the level of acceptance must result in Sino Gold becoming entitled to at least 90% (calculated on a fully diluted basis) of all Golden China Shares. However, Sino Gold reserves the right to waive this condition. As a result, Sino Gold may not acquire the number of Golden China Shares sufficient to bring its total interest in Golden China to at least 80% of the common shares, in which case the scrip for scrip rollover relief will not necessarily be applicable. CDIs disposed of pursuant to a compulsory acquisition and which result in Sino Gold becoming the owner of 80% or more of the common shares in Golden China may qualify for roll-over relief. Holders of CDIs seeking to choose scrip for scrip roll over relief should confirm the actual acceptance level for the Offer and seek independent professional advice to determine whether relief will be available.

CDIs disposed of pursuant to a subsequent acquisition transaction may qualify for roll-over relief. Holders of CDIs seeking roll-over relief in these circumstances should also seek independent professional advice. Holders considering making an election to have the Sino Gold Shares which they would otherwise receive pursuant to the Offer issued on their behalf to a trustee or selling agent appointed by the offeror, who will arrange for the sale of those Sino Gold Shares through a broker as execution broker on behalf of those holders should also seek independent professional advice.

The roll-over relief provisions apply to a holder of a CHESS Unit of Foreign Security, such as the CDIs, as if the holder held the underlying interests that the unit represents.

If roll-over relief is available and you choose to obtain it, then the capital gain you make on the disposal of your CDIs will be disregarded if you receive the Sino Gold Shares. This means that you will not need to take the capital gain into account in calculating your net capital gain for the year. Note that roll-over relief is not available if you would otherwise have a capital loss on the disposal of your CDIs.

As a consequence of choosing roll-over relief, the Sino Gold Shares received upon disposal of your CDIs will have a cost base equal to the cost base of your CDIs exchanged for the Sino Gold Shares. The cost base of the Sino Gold Shares is relevant to working out any capital gain on a subsequent disposal of those Sino Gold Shares.

If you choose roll-over relief, then the choice must be made before you lodge your income tax return for the income year in which you accept the Offer.

#### *Cost Base*

The cost base of your CDIs is generally their cost of acquisition (including brokerage and stamp duty) although it may be a different amount if, for example, you acquired your CDIs in a transaction that qualified for roll-over relief, in which case you should seek independent advice as to the cost base of your CDIs.

#### *CGT Discount*

If you are an individual, the trustee of a trust, or a complying superannuation entity, then you may be able to reduce any capital gain otherwise liable to Australian tax provided that, in general terms:

- (a) you acquired your CDIs at least 12 months before disposing of them by accepting the Offer; and
- (b) either roll-over relief is not available or you do not choose it.

The CGT discount applicable to an individual or to the trustee of a trust is one half. The CGT discount applicable to a complying superannuation entity is one third. That is, the capital gain you take into account in working out your taxable income is reduced by one half or one third as appropriate. Trustees should seek specific tax advice concerning the tax consequences of distributions to beneficiaries attributable to discounted capital gains.

#### **(5) CDIs Held on Revenue Account**

If you are an Australian resident and hold your CDIs on revenue account, then you will be liable to Australian tax on any gain you make on the disposal of your CDIs by accepting the Offer. Broadly, the amount of the gain liable to Australian tax will be the amount by which the market value of the Sino Gold Shares you receive exceeds the cost of the CDIs you hold. You must include any gain in your assessable income and it will be subject to Australian tax at applicable rates.

If, on the other hand, the cost of the CDIs you hold exceeds the market value of the Sino Gold Shares you receive in respect of those CDIs, then you will incur a loss equal to the excess. Any loss will be an allowable deduction from your assessable income or net capital gains.

Where you hold your CDIs on revenue account and make a gain that is subject to both income tax and capital gains tax, your capital gain will be reduced by the amount of the income gain, thereby avoiding double taxation of the same gain.

**(6) GST and Stamp Duty**

No Australian goods and services tax or stamp duty will be payable by you as a consequence of accepting the Offer or if you dispose of your Golden China Shares or CDIs pursuant to a compulsory acquisition or a subsequent acquisition transaction.

**(7) Ownership and Disposal of Sino Gold Shares**

Broadly, the Australian tax consequences of owning the Sino Gold Shares are as follows.

If you are an Australian resident and Sino Gold pays a dividend on the Sino Gold Shares, then you must include those dividends in your assessable income together with, if those dividends are franked, an amount equivalent to the underlying franking credit. You will be entitled to a tax offset for the amount of any franking credits. There are Australian tax rules that may deny the entitlement to the tax offset in certain circumstances. Holders of Sino Gold Shares may wish to seek their own independent advice in this regard.

If you are an Australian resident, then the Australian tax consequences of any disposal of the Sino Gold Shares will be similar to the consequences of the disposal of your CDIs (unless you change the account on which you hold the Sino Gold Shares). However, as referred to above, there will be a difference in the cost base of the Sino Gold Shares held on capital account depending on whether roll-over relief was available on the disposal of your CDIs and you chose it. If roll-over relief was available on the disposal of any of your CDIs and you chose it, then the cost base of the Sino Gold Shares will be equal to the cost base of those CDIs for which the roll-over relief was available. Alternatively, if roll-over relief was not available on the disposal of your CDIs or you did not choose it, then the cost base of the Sino Gold Shares will in general terms be equal to the market value of the relevant CDIs exchanged for the Sino Gold Shares.

**5.5 Litigation**

Sino Gold is not engaged in any litigation which has or would be likely to have a material adverse effect on either Sino Gold or its business.

**5.6 Other Information**

There is no information relating to the Offer that, because of its confidential or prejudicial nature, has not been notified to the ASX which investors and their professional advisers would reasonably require for the purpose of making an informed assessment of assets and liabilities, financial position and performance,

profits and losses and prospects of Sino Gold and the rights and liabilities attaching to the Sino Gold Shares.

#### 5.7 **Costs of the Offer**

Sino Gold estimates the costs of the Offer (including any ASX listing fees) to be approximately A\$2.5 million.

#### 5.8 **Interests and benefits of advisers**

Deacons are acting as Australian legal advisers to Sino Gold in relation to the Offer. Sino Gold has paid or agreed to pay approximately A\$125,000 for these services to the date of this Prospectus.

Stikeman Elliott LLP are acting as Canadian legal advisers to Sino Gold in relation to the Offer. Sino Gold has paid or agreed to pay up to CDN\$1.3 million plus disbursements, translation costs and taxes for these services to the date of closing of the Offer.

Dorsey & Whitney are acting as Hong Kong legal advisers to Sino Gold in relation to the Offer. Sino Gold has paid or agreed to pay approximately US\$50,000 for these services to the date of this Prospectus.

#### 5.9 **Consents**

The following persons have consented to being named in, and/or the statements attributed to them in this Prospectus being included in the form and context in which they appear and have not withdrawn their consent prior to lodgement of this Prospectus with ASIC:

- Deacons;
- Stikeman Elliott LLP;
- Dorsey & Whitney;
- Registries Limited;
- Computershare Hong Kong Investor Services Ltd.

#### 5.10 **ASX Announcements**

The following announcements have been made by Sino Gold to ASX since lodgment of its 2006 Annual Report with ASIC:

<b>Date</b>	<b>Description</b>
08.05.2007	Appendix 3B: Exercise of unlisted options
08.05.2007	Merrill Lynch Dublin Metals & Mining Conference Presentation
14.05.2007	Achieves major production milestone
15.05.2007	s708 Notice and Appendix 3B - exercise of unlisted options



<b>Date</b>	<b>Description</b>
30.05.2007	CEO Presentation May 2007
30.05.2007	Chairman's Address to Shareholders
30.05.2007	Increases Jinfeng Reserve to 3.2 million ounces
31.05.2007	Results of Meeting
13.06.2007	Appendix 3B - exercise of unlisted options
14.06.2007	Expands ground position on Shandong
19.06.2007	S708A Notice
29.06.2007	Change in substantial holding
04.07.2007	Jinfeng Gold Mine Update
24.07.2007	June Quarterly Activities Report
31.07.2007	Change of Director's Interest Notice
31.07.2007	Exercise of unlisted options
31.07.2007	Appointment of new Director
06.08.2007	CEO Presentation to Diggers and Dealers Forum in Kalgoorlie
06.08.2007	Sino Gold Approves Development of White Mountain
13.08.2007	GCX: Sino Gold and Golden China Announce Signing of Agreement
13.08.2007	Sino Gold and Golden China Announce Signing of Agreement
13.08.2007	Trading Halt
22.08.2007	Appendix 4D and Half Year Accounts
05.09.2007	Interim Report for the half year ended 30 June 2007
10.09.2007	Sino Gold and Golden China Sign Support Agreement
10.09.2007	Sino Gold and Golden China - Signing of Support Agreement
11.09.2007	Becoming a substantial holder
18.09.2007	Ceasing to be a substantial holder
18.09.2007	GCX Letter to Shareholders
18.09.2007	Becoming a substantial holder

<b>Date</b>	<b>Description</b>
19.09.2007	Golden China Closes Private Placement Offering C\$5 Mill
19.09.2007	Appendix 3B – exercise of unlisted options
05.10.2007	Appendix 3B – exercise of unlisted options
05.10.2007	Appendix 3Y – Change of Directors Interest Notice
05.10.2007	Appendix 3Y – Change of Directors Interest Notice
11.10.2007	Appendix 3B
12.10.2007	Note Conversion Offer
16.10.2007	Sino Gold Achieves Commercial Production at Jinfeng
16.10.2007	Sino Gold September 2007 Quarterly Report
16.10.2007	Presentation – Sino Gold September 2007 Quarterly Report
18.10.2007	Change of Director's Interest Notice – J Klein
18.10.2007	Change of Director's Interest Notice – P Housden
18.10.2007	Change of Director's Interest Notice – H Xu

## **6. Directors' Authorisation and Consent**

This Prospectus is issued by Sino Gold and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has given, and has not withdrawn, before the date of this Prospectus, his consent to the lodgement of this Prospectus with ASIC.

Dated: 24 October 2007

## 7. Glossary

### 7.1 Definitions

- (1) **ASIC** means the Australian Securities & Investments Commission.
- (2) **ASX** means ASX Limited ACN 008 624 691.
- (3) **Australian Share Registry** means Sino Gold's share registry in Australia, conducted by Registries Limited.
- (4) **CDIs** means CHESS Depository Interests issued by Golden China, which are financial products quoted on the ASX that confer a beneficial interest in the underlying Golden China Shares to which they relate.
- (5) **Constitution** means the constitution governing Sino Gold.
- (6) **Corporations Act** means the *Corporations Act 2001* (Cth).
- (7) **Directors** or **Board** means the directors of Sino Gold.
- (8) **ESIS Loans** means loans provided to directors and employees to acquire Sino Gold Shares pursuant to the Sino Gold Employee Share Incentive Scheme.
- (9) **Existing Options** means the existing options issued by Sino Gold to subscribe for Shares.
- (10) **Expiry Date** means November 30, 2007 (the CDI Expiry Date is November 28, 2007, as described in the Takeover Circular), as it may be extended.
- (11) **Golden China** means Golden China Resources Corporation ARBN 119 827 851, a corporation registered in Toronto, Ontario.
- (12) **Golden China DSUs** means deferred share units issued to directors of Golden China, on the basis that each DSU represents the right to receive one Golden China Share, on the terms described in the Takeover Circular.
- (13) **Golden China Shareholder** means a registered holder of common shares or CDIs in Golden China.
- (14) **Golden China Shares** means common shares issued by Golden China.
- (15) **Hong Kong Share Registrar** means Sino Gold's share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited.
- (16) **Listing Rules** means the listing rules of the ASX.
- (17) **Offer** means the offer contained in the Takeover Circular to purchase all of the outstanding Golden China Shares taken up under the Offer, as it may be amended.
- (18) **Prospectus** means this prospectus as modified or varied by any supplementary document issued by Sino Gold and lodged with ASIC from time to time.

- (19) **SEHK** means the Stock Exchange of Hong Kong Limited.
- (20) **Sino Gold** means Sino Gold Mining Limited ABN 42 093 518 579.
- (21) **Sino Gold Canada** means Sino Gold Mining (Canada) Ltd., a wholly owned subsidiary of Sino Gold that is registered in Toronto, Ontario.
- (22) **Sino Gold Shares** means fully paid ordinary shares in Sino Gold to be issued to accepting Golden China Shareholders pursuant to the Offer.
- (23) **Takeover Circular** means the Offer and Circular of Sino Gold dated October 24, 2007, prepared and mailed to holders of Golden China securities under applicable Canadian securities laws in connection with the Offer, as it may be amended.

## 7.2 Interpretation

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- (1) a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- (2) the singular includes the plural and vice versa;
- (3) a reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- (4) a reference to any gender includes both genders;
- (5) a reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires;
- (6) a reference to **dollars, \$ or A\$** is to Australian currency;
- (7) a reference to **CDN\$** is to Canadian currency;
- (8) a reference to **US\$** is to United States currency;
- (9) in this document, headings are for ease of reference only and do not affect its interpretation;
- (10) except where specifically defined in this Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus; and
- (11) except where specifically defined in this Prospectus, terms defined in the Takeover Circular have the same meaning in this Prospectus.

## Corporate directory

### Board of directors

Mr James E. Askew (Non-Executive Chairman)

Mr Jacob Klein (Executive Director and Chief Executive Officer)

Mr Hanjing Xu (Executive Director and Head of Business Development)

Mr Peter W. Cassidy (Non-Executive Director)

Mr Brian H. Davidson (Non-Executive Director)

Mr Jianguo Zhong (Non-Executive Director)

Mr Peter J. Housden (Non-Executive Director)

Mr James W.D. Dowsley (Non-Executive Director)

### Company Secretary

Ivo Polovineo: Australia

Jane Chan Yuen Bik: Hong Kong

### Australian Legal Advisers

Deacons

1 Alfred Street, Sydney, NSW 2000

### ASX Code

Ordinary Shares – SGX

### Canadian Legal Advisers

Stikeman Elliott LLP

5300 Commerce Court West, 199 Bay Street,  
Toronto, ONTARIO, CANADA M5L 1B9

### Hong Kong Legal Advisers

Dorsey & Whitney

88 Queensway, Suite 3008, 1 Pacific Place, Hong Kong,  
China

### Registered office

Level 22, 44 Market Street

Sydney NSW 2000

### Auditor

Ernst & Young

680 George Street

Sydney NSW 2000

### Share Registry

#### *Australia:*

Registries Limited

Level 2

28 Margaret Street

Sydney NSW 2000

#### *Hong Kong:*

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong



October 24, 2007

Dear Securityholder of Golden China Resources Corporation:

We are pleased to enclose the Offer of Sino Gold Mining (Canada) Ltd. (the "Offeror") to acquire all of the outstanding common shares of Golden China Resources Corporation ("Golden China") on the basis of 0.2222 of an ordinary share ("Sino Gold Share") of Sino Gold Mining Limited ABN 42 093 518 579 ("Sino Gold") for each common share (including those shares that are subject to CHESSE Depository Interests) of Golden China ("Golden China Share"), subject to adjustment as provided in the Offer. The terms and conditions of the Offer are contained in the accompanying Offer and Takeover Bid Circular, dated October 24, 2007. We urge you to review it and to act on this opportunity to receive a significant premium on your investment (based on current trading prices and exchange rates), and to continue to participate as a shareholder of a larger and stronger mining company.

#### *Unanimous Support of the Golden China Board*

The board of directors of Golden China unanimously supports the Offer and have advised that they each intend to tender their Golden China Shares that they own to the Offer. Golden China has received a fairness opinion from its financial advisor, Genuity Capital Markets, that the Offer consideration is fair from a financial point of view to Shareholders other than Sino Gold. A copy of the Golden China directors' circular accompanies the Offer and Take-over Bid Circular.

#### *A Significant Premium*

The exchange ratio under the Offer represented a premium of approximately 49% over the closing price of the Golden China Shares on the Toronto Stock Exchange on August 10, 2007, the last trading day prior to the announcement of the Offer (based on the Sino Gold Share price on August 10, 2007 and the Bank of Canada noon exchange rate on August 10, 2007), and a premium of approximately 20% over the volume weighted average trading price of the Golden China Shares on the Toronto Stock Exchange for the 30 trading days ended October 19, 2007 (based on the Sino Gold Share price on October 19, 2007 and the Bank of Canada noon exchange rate on October 19, 2007). Shareholders are urged to obtain current quotes for the Sino Gold Shares, the Golden China Shares and the applicable currency exchange rate. We believe the premium we are offering represents full and fair value for your Golden China Shares.

#### *A Larger and Stronger Mining Company*

Sino Gold has a successful track record for developing gold mines in China and enhancing shareholder value. Golden China Shareholders will benefit from:

- greater depth in management and technical expertise;
- stronger balance sheet and cash position;
- greater access to financing for development projects;
- a solid presence in China; and
- cost savings from potential synergies inherent in integrating Golden China's operations with Sino Gold, such as reduced costs of compliance with applicable laws and regulations;

to result in a stronger competitive position and greater opportunities for growth.

### *Enhanced Liquidity*

Shareholders should also benefit from improved liquidity by holding Sino Gold Shares, which are listed on both the Australian Securities Exchange and the Hong Kong Stock Exchange. Shareholders may also elect to have the Sino Gold Shares which they would otherwise receive pursuant to the Offer issued on their behalf to a trustee or selling agent who will engage a broker to seek to sell such Sino Gold Shares on their behalf and pay them the net proceeds of such sale, less a 4.4% brokerage commission (including GST in Australia) and less any applicable taxes, withholdings and deductions.

### *The Need to Act*

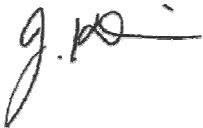
In order for the Offer to proceed, among other things, at least 90% of the Golden China Shares (excluding those Golden China Shares held by or on behalf of the Offeror or by an affiliate or associate of the Offeror on the date of the Offer), on a fully-diluted basis, need to be tendered and not withdrawn by 11:59 p.m. (Vancouver, Canada time) on November 29, 2007/ 6:59 p.m (Sydney, Australia time) on November 30, 2007, unless the Offer is withdrawn, varied or extended or unless such condition is waived by the Offeror. For more information about the tendering process, please see Section 3 of the Offer, "Manner of Acceptance".

Should you have any questions about the Offer, please contact the Information Agent for the Offer, Georgeson Shareholder Communications Canada Inc., toll free at 1-888-605-7644 in North America, or Georgeson Shareholder Communications Australia Pty Ltd. at 61 3 9415 4682 (for International CDI holders, excluding North American holders) or 1-800-339-135 (Free call for holders of CDIs in Australia). Before you make your decision, you may also wish to consult your investment dealer, broker, bank manager, accountant, lawyer or other professional advisor.

We hope you will give this Offer your careful and immediate attention and that, like us, you are convinced of the benefits of the transaction, in addition to the significant premium you will immediately receive on your Golden China Shares (based on current trading prices and the current exchange rate).

Yours sincerely,

**SINO GOLD MINING (CANADA) LTD.**



Jacob Klein

Chief Executive Officer, Sino Gold Mining (Canada) Ltd. and Sino Gold Mining Limited

*This document is important and requires your immediate attention. If you are in any doubt as to how to deal with it, you should consult your investment dealer, broker, bank manager, accountant, lawyer or other professional advisor. No securities commission or similar authority in Canada, Australia, Hong Kong or the United States has in any way passed upon the merits of or approved or disapproved these securities. Any representation to the contrary is a criminal offence.*



October 24, 2007

**SINO GOLD MINING (CANADA) LTD., a wholly-owned subsidiary  
of SINO GOLD MINING LIMITED ABN 42 093 518 579**

**OFFER TO PURCHASE  
all of the outstanding common shares of  
GOLDEN CHINA RESOURCES CORPORATION**

**on the basis of 0.2222 of an ordinary share of Sino Gold Mining Limited for each common share of  
Golden China Resources Corporation**

This offer to purchase (the "Offer") all of the outstanding common shares (including those shares that are subject to CHES Depository Interests) (the "Golden China Shares"), including those Golden China Shares which become outstanding during the Offer Period, of Golden China Resources Corporation ("Golden China") by Sino Gold Mining (Canada) Ltd. (the "Offeror"), a wholly-owned subsidiary of Sino Gold Mining Limited ("Sino Gold"), including the Golden China Shares which may become outstanding during the Offer Period upon the conversion, exchange or exercise of any options, warrants, convertible debentures or other securities of Golden China that are convertible, exchangeable or exercisable for the Golden China Shares during the Offer, will be open for acceptance until 11:59 p.m. (Vancouver, Canada time) on November 29, 2007 / 6:59 p.m. (Sydney, Australia time) on November 30, 2007 (the "Expiry Time"), unless withdrawn, varied or extended by the Offeror.

Questions and requests for assistance may be directed to the  
Information Agents for the Offer:

**GEORGESON SHAREHOLDER COMMUNICATIONS  
CANADA INC.  
(in North America)**

100 University Avenue  
11th Floor, South Tower  
Toronto, Ontario  
M5J 2Y1

Toll Free: 1-888-605-7644

**GEORGESON SHAREHOLDER COMMUNICATIONS  
AUSTRALIA PTY LTD.  
(Australia and internationally (except North America))**

Level 1, 60 Carrington Street  
Sydney, NSW 2000

Telephone:

61 3 9415 4682 (for International CDI holders, excluding  
North American holders)

1-800-339-135 (Free call for holders of CDIs in Australia)

The Depository for the Offer is:

**COMPUTERSHARE INVESTOR SERVICES INC.**  
(in respect of Golden China Shares only)

*By Mail:*

P.O. Box 7021  
31 Adelaide Street East  
Toronto, ON, Canada  
M5C 3H2

Attention: Corporate Actions

*By Registered Mail, by Hand or by Courier:*

9th Floor  
100 University Avenue  
Toronto, ON, Canada  
M5J 2Y1

Attention: Corporate Actions

North American Toll Free Number: 1-800-564-6253  
Outside North America, Call Collect: 1-514-982-7555  
e-mail: [corporateactions@computershare.com](mailto:corporateactions@computershare.com)

**COMPUTERSHARE INVESTOR SERVICES PTY LIMITED**  
(for CDIs only)

By mail: GPO Box 7043, Sydney NSW 2001  
By Hand or by Courier: Level 2, 60 Carrington Street  
Sydney NSW 2000



The Offer is conditional upon, among other things, conditions including the following: (a) the valid deposit under the Offer and non-withdrawal of at least 90% (on a fully diluted basis) of the outstanding Golden China Shares, directly or indirectly, other than Golden China Shares held at the date of the Offer by or on behalf of the Offeror or an affiliate or associate of the Offeror; (b) the Regulatory Approvals shall have been obtained on terms satisfactory to the Offeror, acting reasonably; and (c) all regulatory approvals (including, without limitation, those of the HKSE to list Sino Gold Shares to be issued pursuant to the Offer and those required by any securities regulatory and other governmental authorities) required by law to complete the Offer shall have been obtained on terms satisfactory to the Offeror, acting reasonably. **The conditions of the Offer are described in Section 4 of the Offer, “Conditions of the Offer” and, subject to applicable Canadian securities Laws and the terms of the Support Agreement, may be varied and/or waived by the Offeror.**

The ordinary shares of Sino Gold (the “Sino Gold Shares”) are listed and posted for trading on the Australian Securities Exchange (the “ASX”) and the Hong Kong Stock Exchange (ASX: SGX, HKSE: 1862). The Golden China Shares are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) and as CDIs on the ASX (TSX and ASX: GCX).

The closing prices of Golden China Shares on the TSX and on the ASX on August 10, 2007 were C\$0.85 and A\$0.90, respectively. The closing prices of the Sino Gold Shares on the ASX on August 10, 2007, the last trading day prior to the announcement of the Offer, was A\$6.40 (C\$5.70, based on the Bank of Canada noon exchange rate on August 10, 2007). The closing prices of Golden China Shares on the TSX and on the ASX on October 19, 2007 were C\$1.43 and A\$1.75, respectively and the closing price of Sino Gold Shares on the ASX on October 19, 2007 was A\$8.11 (C\$6.98, based on the Bank of Canada noon exchange rate on October 19, 2007). Shareholders are urged to obtain current quotes for the Golden China Shares, the Sino Gold Shares and the applicable currency exchange rate.

**THE OFFER REPRESENTS A PREMIUM OF APPROXIMATELY 49% OVER THE CLOSING PRICE OF THE GOLDEN CHINA SHARES ON THE TSX ON AUGUST 10, 2007, THE LAST TRADING DAY PRIOR TO THE ANNOUNCEMENT OF THE OFFER (BASED ON THE SINO GOLD SHARE PRICE ON AUGUST 10, 2007 AND THE BANK OF CANADA NOON EXCHANGE RATE ON AUGUST 10, 2007) AND A PREMIUM OF APPROXIMATELY 20% OVER THE VOLUME WEIGHTED AVERAGE TRADING PRICE OF THE GOLDEN CHINA SHARES ON THE TORONTO STOCK EXCHANGE FOR THE 30 TRADING DAYS ENDED OCTOBER 19, 2007 (BASED ON THE SINO GOLD SHARE PRICE ON OCTOBER 19, 2007 AND THE BANK OF CANADA NOON EXCHANGE RATE ON OCTOBER 19, 2007)**

Registered Shareholders who wish to accept the Offer must properly complete and execute the accompanying Letter of Transmittal (printed on yellow paper) or a manually executed facsimile thereof and deposit it, at or prior to the Expiry Time, together with certificate(s) representing their Golden China Shares and all other required documents, with Computershare Investor Services Inc. (the “Depositary”) at its office set out in the Letter of Transmittal, in accordance with the instructions in the Letter of Transmittal. Alternatively, registered Shareholders may follow the procedure for guaranteed delivery set forth under Section 3 of the Offer, “Manner of Acceptance”, using the accompanying Notice of Guaranteed Delivery (printed on green paper). Any registered Shareholders in Australia should contact the Depositary in Sydney, Australia for further information.

Prior to the CDI Expiry Time, CDI Holders may only accept the Offer through the CDI Nominee. If CDIs are held through: (i) an Issuer Sponsored Holding, the CDI Acceptance Form accompanying this Offer and Circular should be completed and returned to the address noted on the form; (ii) a CHES Holding, CDI Holders should contact their Controlling Participant (normally their stockbroker) with instructions to accept the Offer, or complete the CDI Acceptance Form and return it to the address noted on the form. Alternatively, if they are Australian Broker Participants or Australian Non-Broker Participants, CDI Holders should initiate acceptance of the Offer in accordance with Rule 14.14 of the ASTC Settlement Rules. In each of the above cases, acceptance must be received on or prior to the CDI Expiry Time. The CDI Nominee is expected to complete the Letter of Transmittal evidencing the deposit of Golden China Shares which are in the form of CDIs.

Beneficial Shareholders who hold Golden China Shares in the form of CDIs and who wish to accept the Offer must properly complete and execute the accompanying CDI Acceptance Form and return it to the address noted on the form prior to the CDI Expiry Time. The CDI Nominee is expected to complete the Letter of Transmittal evidencing the deposit of Golden China Shares which are in the form of CDIs.

The information concerning Golden China contained in the Offer and Circular is based upon publicly available information. Although the Offeror has no knowledge that would indicate that any statements contained in the Offer and Circular taken from or based on such information are untrue or incomplete, the Offeror assumes no responsibility for the accuracy or completeness of such Golden China information. No Person has been authorized to give any information or to make any representations in connection with the Offer other than those contained in the Offer and Circular and, if given or made, any such information or representations should be considered not to have been authorized by the Offeror.

**Shareholders should not construe the contents of the Offer and Circular as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial or other matters in connection therewith. See Section 15 of the Circular “Certain Canadian Federal Income Tax Considerations” and Section 16 of the Circular “Certain Australian Income Tax Considerations”.**

**An investment in the Sino Gold Shares is subject to a number of risks that should be considered by an investor. These risks are disclosed in Section “Risk Factors” in Schedule “B”- “Information Relating to Sino Gold Mining Limited” and in Section 14 of the Circular, “Risk Factors Related to the Offer”.**

**Shareholders should be aware that, during the currency of the Offer, the Offeror may, directly or indirectly, bid for and make purchases of the Golden China Shares as permitted by applicable Laws of Canada or its provinces or territories.**

This document does not constitute an offer or a solicitation to any Person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to Shareholders in any jurisdiction in which the making of the Offer would not be in compliance with the laws of such jurisdiction. However, the Offeror or its agents may, in the sole discretion of the Offeror, take such action as the Offeror may deem necessary to extend the Offer to Shareholders in such jurisdiction.

Questions regarding information contained in this Offer and Circular may be directed to Georgeson Shareholder Communications Canada Inc. or Georgeson Shareholder Communications Australia Pty Ltd. (collectively, the “Information Agents”), at their addresses and telephone numbers set forth on the first and last pages of the Offer and Circular. Shareholders may also contact their respective investment dealers, brokers, bank managers, accountants, lawyers or other professional advisors for assistance. See also “Questions and Answers”. Reasonably required additional copies of the Offer and Circular may be obtained without charge on request from the Depositaries.

#### **NOTICE TO CDI HOLDERS IN AUSTRALIA**

**THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION OR THE AUSTRALIAN SECURITIES EXCHANGE NOR HAS THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION OR THE AUSTRALIAN SECURITIES EXCHANGE PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFER AND CIRCULAR.**

For CDI Holders in Australia, accompanying this Offer and Circular is a copy of the Australian Prospectus. The Australian Prospectus contains important information for CDI Holders in Australia and it should be read in its entirety, together with this Offer and Circular.

CDIs confer a beneficial ownership in the underlying Golden China Shares. The legal title to the Golden China Shares underlying the CDIs is held by the CDI Nominee. The CDIs are currently quoted on the ASX. If CDI Holders hold CDIs at the CDI Expiry Time, such remaining CDIs will be cancelled, and the CDI Holders will become the legal holder of the underlying Golden China Shares.

Prior to the CDI Expiry Time, CDI Holders may only accept the Offer through the CDI Nominee. If Shareholders hold CDIs through: (i) an Issuer Sponsored Holding, Shareholders should complete the CDI Acceptance Form accompanying this Offer and Circular and return it to the address noted on the form; (ii) a CHESS Holding, CDI Holders should contact their Controlling Participant (normally their stockbroker) with instructions to accept the Offer, or complete the CDI Acceptance Form and return it to the address noted on the form. Alternatively, if they are Australian Broker Participants or Australian Non-Broker Participants, CDI Holders should initiate acceptance of the Offer in accordance with Rule 14.14 of the ASTC Settlement Rules. In each of the above cases, acceptance of the Offer must be received on or prior to the CDI Expiry Time. The CDI Nominee is expected to complete the Letter of Transmittal evidencing the deposit of Golden China Shares which are in the form of CDIs. CDI Holders who continue to hold CDIs at the CDI Expiry Time will become the legal holders of the underlying Golden China Shares. In order to transfer the underlying Golden China Shares, they would need to comply with the procedures set out in this document, and they should contact their brokers or the CDI Nominee for further information.

CDI Holders are urged to pay attention to any information provided by or on behalf of Golden China, the broker or any of the professional advisers concerning the process for delisting of Golden China as it may change the CDI Expiry Time and therefore the method of acceptance of the Offer. If the Offer is accepted prior to the CDI Expiry Time, CDI Holders should make such enquiries as may be considered reasonable to ensure that the acceptance has been received by the Offeror and that the acceptance constitutes valid acceptance under the Offer.

CDI Holders should contact their brokers or the CDI Nominee for further information.

The Offer is not regulated by the takeover provisions in Chapter 6 of the *Corporations Act 2001* (Commonwealth of Australia), but rather pursuant to the applicable requirements of Canadian takeover bid Laws.

#### **NOTICE TO U.S. SHAREHOLDERS**

**THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFER AND CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

The Offer is made for the securities of a Canadian company. The Offer is subject to Canadian disclosure requirements that are different from those of the United States. Financial statements of Sino Gold included in the Offer and Circular have been prepared in accordance with International Financial Reporting Standards - Australia, which may not be comparable to the financial statements of United States companies.

It may be difficult for U.S. resident Shareholders to enforce their rights and any claim they may have arising under the U.S. federal securities laws, since both the Offeror and Sino Gold are located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. U.S. resident Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of U.S. securities laws. It may be difficult to compel a foreign company and its subsidiaries to subject themselves to a U.S. court's judgment.

U.S. resident Shareholders should be aware that the Offeror may purchase securities otherwise than under the Offer, such as in open market purchases.

The Sino Gold Shares offered pursuant to the Offer are being offered pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, provided by Rule 802 thereunder. No Sino Gold Shares will be delivered in the United States or to or for the account or for the benefit of a Person in the United States unless the Offeror is satisfied that the Sino Gold Shares may be delivered in the relevant jurisdiction without further action by the Offeror in reliance on such exemption or on a basis otherwise determined to be acceptable to the Offeror in its sole discretion.

Shareholders should be aware that the Sino Gold Shares issued pursuant to the Offer will be restricted securities within the meaning of Rule 144 under the U.S. Securities Act of 1933, as amended, to the same extent and proportion that the Golden China Shares tendered by the holder were restricted securities.

The tender of the Golden China Shares under the Offer and the transfer of the Golden China Shares under the Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable, may have tax consequences in the United States as well as in Canada and Australia. The consequences for holders who are resident in, or citizens of, the United States are not described in the Offer and Circular. Shareholders are advised to consult their tax advisers to determine the particular tax consequences to them of acquiring the Sino Gold Shares.

Neither the fact that a registration statement or an application for a license may have been filed under RSA 421-B with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the secretary of state that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of the foregoing.

The disclosure contained herein is prepared in accordance with the requirements of Canadian securities Laws, which differ from the requirements of United States securities Laws. Unless otherwise indicated, all reserve and resource estimates included in this Offer and Circular have been prepared in accordance with the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia; ("JORC Code") which is substantially similar to National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") and the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum Standards (the "CIM Standards").

The Australian and Canadian standards, including JORC and NI 43-101, differ significantly from the requirements of the SEC, and reserve and resource information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, these documents use the term "measured resources", "indicated resources" and "inferred resources" (which are permitted to be aggregated under JORC but under NI 43-101, "inferred resources" are always disclosed as a separate category). U.S. investors are advised that, while such terms are recognized and required by Canadian securities Laws, the SEC does not recognize them. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that any part of a "measured resource" or "indicated resource" will be converted into "reserves". U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Australian and Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned

not to assume that all or any part of an “inferred mineral resource” exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Australian and Canadian regulations. However, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. The requirements of JORC and NI 43-101 for identification of “reserves” are also not the same as those of the SEC, and reserves reported by Sino Gold in compliance with JORC and NI 43-101 may not qualify as “reserves” under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with United States standards.

#### NOTICE TO HOLDERS OF CONVERTIBLE SECURITIES OF GOLDEN CHINA

The Offer is only made for the Golden China Shares and is not made for any Convertible Securities of Golden China. Any holder of Convertible Securities or other rights to acquire Golden China Shares who wishes to accept the Offer must, to the extent permitted by the terms thereof, exercise, convert or exchange such Convertible Securities in order to obtain certificates representing the Golden China Shares that may be deposited in accordance with the terms of the Offer. Any such exercise, conversion or exchange must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such Convertible Security will have certificate(s) representing the Golden China Shares received on such exercise, conversion or exchange available for deposit prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, “Manner of Acceptance - Procedure for Guaranteed Delivery” and Section 8 of the Offer, “Treatment of Convertible Securities”.

If any holder of Convertible Securities does not exercise, convert or exchange its Convertible Securities prior to the Expiry Time, or in the case of a holder of Warrants or Options otherwise does not agree to receive their replacement warrants or options, as applicable, on the terms described in Section 8 of the Offer, such Convertible Securities will remain outstanding following the Expiry Time in accordance with their terms and conditions (as they may be amended from time to time), subject to the terms of any Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable. See Section 8 of the Offer, “Treatment of Convertible Securities”. **As Golden China Shares are expected to be delisted following the Offer, you may wish to either exercise your Convertible Securities or, where applicable, agree to receive replacement options or warrants.**

**The tax consequences to holders of Convertible Securities of exercising their Convertible Securities are not described in Section 15 of the Circular, “Certain Canadian Federal Income Tax Considerations”, nor in Section 16 of the Circular, “Certain Australian Income Tax Considerations”. Holders of Convertible Securities should consult their own tax advisors for advice with respect to the potential income tax consequences to them in connection with the decision to exercise or not to exercise the Convertible Securities.**

#### EXCHANGE RATE INFORMATION

All dollar references in the Offer and Circular are in Canadian dollars, except where otherwise indicated. On October 19, 2007, the Bank of Canada noon rates of exchange for Australian dollars into Canadian dollars was A\$ 1.00 = C\$0.8609 and the rate for Renminbi into Canadian dollars was RMB 1.00 = C\$0.1284.

The exchange rates for the A\$ to C\$1.00 for the applicable periods are set forth below:

	<u>Six Months</u> <u>Ended June 30,</u> <u>2007</u>	<u>Six Months</u> <u>Ended June 30,</u> <u>2006</u>	<u>Year Ended</u> <u>December 31,</u> <u>2006</u>	<u>Year Ended</u> <u>December 31,</u> <u>2005</u>	<u>Year Ended</u> <u>December 31,</u> <u>2004</u>
<b>A\$ to C\$1.00</b>					
Low .....	1.0555	1.1379	1.0885	1.0160	0.9533
High.....	1.1374	1.2290	1.2290	1.1791	1.1294
Period end.....	1.1075	1.2083	1.0885	1.1690	1.0652
Average rate <sup>(1)</sup> .....	1.0909	1.1827	1.1712	1.0836	1.0454

Note:

(1) Average of Bank of Canada daily noon spot rates.

The exchange rates for the RMB to C\$1.00 for the applicable periods are set forth below:

	<u>Six Months</u> <u>Ended June 30,</u> <u>2007</u>	<u>Six Months</u> <u>Ended June 30,</u> <u>2006</u>	<u>Year Ended</u> <u>December 31,</u> <u>2006</u>	<u>Year Ended</u> <u>December 31,</u> <u>2005</u>	<u>Year Ended</u> <u>December 31,</u> <u>2004</u>
<b>RMB to C\$1.00</b>					
Low .....	6.5359	6.8446	6.6979	5.9242	6.5147
High.....	7.2307	7.3046	7.3046	7.0274	7.0175
Period end.....	7.1582	7.1685	6.6979	6.8776	6.9204
Average rate <sup>(1)</sup> .....	6.8095	7.0580	7.0328	6.3707	6.7625

Note:

(1) Average of Bank of Canada daily noon spot rates.

**Shareholders are urged to obtain current currency exchange rates for the Australian dollar to the Canadian dollar and for Renminbi to Canadian dollar.**

#### FORWARD-LOOKING STATEMENTS

Certain statements in the Offer and Circular are forward-looking statements, which reflect management's current beliefs and expectations regarding Sino Gold's future growth, results of operations, performance, business prospects and opportunities. Forward-looking statements also include, without limitation, statements with respect to the future price of gold, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, expected capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and matters related to the completion of the Offer.

Such forward-looking statements are necessarily based on information currently available to management of Sino Gold and on estimates and assumptions that, while considered reasonable to management of Sino Gold, are subject to business, economic and competitive uncertainties, contingencies and risks. These assumptions include, but are not limited to assumptions made by management regarding timing of the completion of the Offer; stability in the prices of applicable commodities, exchange rates, interest rates; the political and legal regime under which Sino Gold operates; access to capital on reasonable terms; integration of additional acquisitions; state and progress of operations at various mine sites; environmental risks of current operations; expected

exposure to bad debts; relationships with senior management, Sino Gold's labour force and joint venture partners; and seasonal and weather conditions.

Many factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including risks related to future revenues and profitability; Sino Gold's dependence on operations at the Jinfeng Gold Mine; underground mining operations and estimates on expected level of economic production at the Jinfeng Gold Mine; difficulty in meeting capital expenditure requirements in the future; Sino Gold's indebtedness and conditions imposed by financing arrangements; fluctuations in metal prices and exchange rates; potential losses related to the use of derivative instruments for gold hedges; maturity of mine operations and associated decreases in production volumes and increases in production costs; inadequate supply of water and electricity; dependence on third party contractors; risks and hazards related to mining operations; severe weather conditions; potential early termination of joint venture agreements with various partners in the PRC; operational limits imposed by such joint venture agreements e.g. need for unanimous consent for certain matters; maintenance of alliances with appropriate local partners; disputes or disagreements with local partners; availability and retention of key personnel; inadequate insurance coverage; defects in title; infringement of Sino Gold's exploration and mining rights; government regulation; environmental liabilities; rehabilitation costs; ability to obtain required governmental approvals, licenses and permits; ability of investors to enforce judgements obtained outside of Australia; difficulties in integrating potential acquisitions; speculative nature of exploration of mineral properties; changes in applicable laws and regulations; competition from other mining companies; political, economic and legal developments in the PRC; uncertainty regarding the interpretation and enforcement of PRC laws and regulations; potential adverse changes in foreign exchange regulations; potential outbreak of communicable diseases; restrictions on foreign investment in the PRC mining industry; as well as those risk factors related to the business of Sino Gold discussed under "Risk Factors" in Schedule "B" and in Section 14 of the Circular, "Risk Factors Related to the Offer". These factors should not be considered exhaustive.

Although the forward-looking statements are based upon what Sino Gold's management believes to be reasonable assumptions, the Offeror and Sino Gold cannot assure investors that actual results will be consistent with these forward-looking statements. Such forward-looking statements are made as of the date of this Offer and Circular or as of the date specified in the documents by reference therein. Except as expressly otherwise required by law, neither the Offeror nor Sino Gold assumes any obligation to update or revise such statements or any information contained in this Offer and Circular or to publicly release the results of any revisions to forward-looking statements to reflect new events, assumptions or circumstances that the Offeror or Sino Gold may become aware of after the date of this Offer and Circular. Undue reliance should not be placed on forward-looking statements.

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## DEFINITIONS

In the accompanying “Questions and Answers”, Summary, Offer and Circular (including in Schedule “B” - “Information Relating to Sino Gold Mining Limited”, unless the context otherwise requires, the following terms have the meanings indicated:

“A\$” means Australian dollars;

“**Acquisition Proposal**” means any written or publicly announced proposal or offer made by any Person other than Sino Gold (or any affiliate of Sino Gold or any Person acting in concert with Sino Gold or any affiliate of Sino Gold) with respect to any merger, amalgamation, tender offer, take-over or issuer bid, business combination, liquidation, dissolution, recapitalization, purchase of all or substantially all of the assets of, or of equity interests representing in each case a 30% or greater economic interest in, Golden China or its subsidiaries taken as a whole, or similar transactions involving, Golden China or any of its subsidiaries, excluding the Offer;

“**affiliate**” shall mean an “affiliate” within the meaning of NI 45-106 under the Securities Act;

“**allowable capital loss**” has the meaning ascribed thereto in Section 15 of the Circular “Certain Canadian Federal Income Tax Considerations”;

“**AMF**” means the Autorité des marchés financiers du Québec;

“**ASIC**” means the Australian Securities and Investments Commission;

“**associate**” has the meaning ascribed thereto in the Securities Act;

“**ASTC**” means ASX Settlement and Transfer Corporation Pty Ltd. (ABN 49 008 504 532);

“**ASTC Settlement Rules**” means the operating rules of the settlement facility provided by ASTC;

“**ASX**” means the Australian Securities Exchange;

“**Austock**” means Austock Corporate Finance, an Australian broker appointed by the Offeror to facilitate the sale of the Elected Sino Gold Shares, as well as to assist the Offeror with the solicitation of major institutional shareholders of Golden China Shares;

“**Australian Broker Participant**” means an Australian broker admitted as a participant under the ASTC Settlement Rules;

“**Australian Non-Broker Participant**” means an entity admitted to participate in CHESS under the ASTC Settlement Rules;

“**Australian Prospectus**” means a prospectus issued by Sino Gold in accordance with Section 713 of the Corporations Act in connection with the Offer;

“**BacTech**” means together, BacTech (Barbados) Limited and BacTech (Australia) Pty Ltd.;

“**Break Fee**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

“**Broker Handling Fee**” has the meaning set forth in Section 21 of the Circular, “Soliciting Brokers”;

“**business day**” means any day on which major commercial banks are generally open for business in Toronto, Ontario or Sydney, Australia other than a Saturday, a Sunday or a day observed as a holiday in Toronto, Ontario or Sydney, Australia under applicable Laws;

“**C\$**” means Canadian dollars;

“**CBCA**” means the *Canada Business Corporations Act* and the regulations thereunder, as amended from time to time;

“**CDIs**” means CHESS Depository Interests in respect of Golden China Shares;

**“CDI Acceptance Form”** means the acceptance form of CDI Holders accompanying this Offer and Circular, as it may be amended;

**“CDI Expiry Time”** means 5 p.m. Sydney time two business days before the Expiry Date, or such later time and date as may be fixed by the Offeror from time to time as provided in Section 5 of the Offer, “Extension, Variation or Change in the Offer”, unless the Offer is withdrawn by the Offeror;

**“CDI Holder”** means the holder of one or more CDIs;

**“CDI Nominee”** means CHESS Depository Nominees Limited, a company registered in Australia (ABN 75 071 346 506);

**“CDS”** means CDS & Co., the nominee of The Canadian Depository for Securities Limited, or such other nominee of The Canadian Depository for Securities Limited;

**“CDS Participants”** mean participants in the CDS system;

**“CGT”** has the meaning ascribed thereto in Section 16 of the Circular “Certain Australian Income Tax Considerations”;

**“CHESS”** means the Clearing House Electronic Sub-register System operated by ASTC;

**“CHESS Holding”** has the meaning set out in the ASTC Settlement Rules;

**“CIM Standards”** means the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the Canadian Institute of Metallurgy and Petroleum Standards;

**“Circular”** means the take-over bid circular accompanying the Offer and forming a part thereof;

**“CJV”** means cooperative joint venture, a form of foreign investment permitted in the PRC under applicable Laws;

**“Compulsory Acquisition”** has the meaning ascribed thereto in Section 13 of the Circular, “Second Step Transactions”;

**“Controlling Participant”** means the Australian Broker Participant or Australian Non-Broker Participant that has the capacity in CHESS to transfer the Golden China Shares subject to CDIs;

**“Convertible Debentures”** has the meaning ascribed thereto in Section 2 of the Circular, “Golden China”;

**“Convertible Notes”** has the meaning ascribed thereto in Section 14 of the Circular, “Risk Factors Related to the Offer”;

**“Convertible Noteholders”** has the meaning ascribed thereto in Section 14 of the Circular, “Risk Factors Related to the Offer”;

**“Convertible Securities”** means collectively, the Warrants, the Options and the Convertible Debentures;

**“Corporations Act”** means the Australian *Corporations Act, 2001* (Commonwealth of Australia), as amended and supplemented from time to time;

**“CRA”** means the Canada Revenue Agency;

**“Debentures”** means the Convertible Debentures and the Non-Convertible Debentures;

**“Depository”** means either Computershare Investor Services Inc. in Toronto or Computershare Investor Services Pty Limited in Sydney, as applicable, and **“Depositaries”** means both;

**“Depositing Shareholders”** means Shareholders whose Golden China Shares are deposited to the Offer;

**"Directors' Circular"** means the circular of the board of directors of Golden China dated October 24, 2007, accompanying the Circular, as it may be amended;

**"Dissenting Offeree"** has the meaning ascribed thereto in Section 13 of the Circular, "Second Step Transactions";

**"Distributions"** has the meaning ascribed thereto in Section 3 of the Offer, "Manner of Acceptance - Dividends and Distributions";

**"DSUs"** has the meaning ascribed thereto in Section 2 of the Circular, "Golden China";

**"DTC"** means The Depositary Trust Company;

**"Elected Sino Gold Shares"** has the meaning ascribed thereto in Section 3 of the Offer, "Manner of Acceptance - Cash Sales Elections";

**"Electing Shareholder"** has the meaning ascribed thereto in Section 3 of the Offer, "Manner of Acceptance - Cash Sales Elections";

**"Election"** has the meaning ascribed thereto in Section 3 of the Offer, "Manner of Acceptance - Cash Sales Elections";

**"Eligible Institution"** means a Canadian schedule I chartered bank, a major trust company in Canada, a member of the Securities Transfer Agents Medallion Program, a member of the Stock Exchanges Medallion Program or a member of the New York Stock Exchange Inc. Medallion Signature Program;

**"Encumbrances"** means any encumbrance, lien, restrictions, charges, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, restriction, easement, right of pre-emption, privilege or any option, privilege or contract to create any of the foregoing;

**"Exchange Ratio"** means 0.2222, subject to adjustment as provided for in the Offer and/or by amendment of the Offer;

**"Expiry Date"** means November 29, 2007 in Toronto, Canada and means November 30, 2007 in Sydney, Australia or such other date to which the Offer may be extended as provided in Section 5 of the Offer, "Extension, Variation or Change in the Offer", unless the Offer is withdrawn by the Offeror;

**"Expiry Time"** means 11:59 p.m. (Vancouver, Canada time)/ 6:59 p.m. (Sydney, Australia time) on the applicable Expiry Date, or such later time and date as may be fixed by the Offeror from time to time as provided in Section 5 of the Offer, "Extension, Variation or Change in the Offer", unless the Offer is withdrawn by the Offeror;

**"FIEs"** has the meaning ascribed thereto in Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations";

**"FIE Tax Proposals"** has the meaning ascribed thereto in Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations";

**"fully-diluted basis"** means, with respect to the number of outstanding Golden China Shares at any time, the number of Golden China Shares that would be outstanding assuming all Convertible Securities and other rights to acquire the Golden China Shares (if any) outstanding at that time had been exercised;

**"GAAP"** means generally accepted accounting principles;

**"Golden China"** means Golden China Resources Corporation;

**“Golden China Shares”** means common shares of Golden China (including those common shares subject to CDIs), as currently constituted;

**“Governmental Entity”** means any (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (b) any subdivision, agent, commission, board, or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any applicable stock exchange and securities self-regulatory authority;

**“HKSE”** means the Stock Exchange of Hong Kong Limited;

**“HKSFSC”** means the Hong Kong Securities and Futures Commission;

**“Indentured Warrants”** has the meaning ascribed thereto in Section 8 of the Offer “Treatment of Convertible Securities”;

**“Information Agents”** means, collectively, Geogeson Shareholder Communications Canada Inc. (in North America) and Geogeson Shareholder Communications Australia Pty Ltd. (in Australia and internationally (except North America));

**“Issuer Sponsored Holdings”** has the meaning set out in the ASTC Settlement Rules;

**“Jinfeng”** or **“Jinfeng Gold Mine”** means Sino Gold’s mining project located in Guizhou Province, the PRC in which Sino Gold holds an 82% interest through its wholly-owned subsidiary, SG Guizhou;

**“JORC Code”** means the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia;

**“Laws”** means all statutes, regulations, statutory rules, orders, and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity (including the OSC, the TSX, the ASIC, the ASX, the HKFSC, the HKSE and a self-regulatory authority), and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity (including the OSC, the TSX, the ASIC, the ASX, the HKFSC, the HKSE and a self-regulatory authority) having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

**“Letter Agreement”** means the letter agreement dated August 13, 2007 between Sino Gold and Golden China;

**“Letter of Transmittal”** means the letter of acceptance and transmittal provided by the Offeror to registered holders of the Golden China Shares, for use in connection with the Offer (printed on yellow paper), as it may be amended;

**“Lock-up Agreements”** has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

**“Locked-up Parties”** has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

**“Locked-up Shares”** has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

**“Matching Period”** has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

**“Material Adverse Change”** means (a) in respect of Golden China, any change, effect, event or occurrence with respect to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), businesses, operations, results of operations or prospects of Golden China or its subsidiaries, taken as a whole, that, either alone or together with other such matters, is, or could reasonably be expected to be, material and adverse to Golden China or its subsidiaries taken as a whole, and (b) in respect of Sino Gold, any change, effect, event or occurrence with respect to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), businesses, operations, results of operations or prospects of Sino Gold or its subsidiaries, taken as a whole, that, either alone or together with other such matters, is, or could reasonably be expected to be, material and adverse to Sino Gold or its subsidiaries, taken as a whole;

**“Material Adverse Effect”** means (a) in respect of Golden China, any effect that, either alone or together with such other matters, is, or could reasonably be expected to be, material and adverse to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), businesses, operations, results of operations or prospects of Golden China or its subsidiaries, taken as a whole, that, either alone or together with other such matters, is, or could reasonably be expected to be, material and adverse to Golden China or its subsidiaries taken as a whole, and (b) in respect of Sino Gold, any effect that, either alone or together with other such matters, is, or could reasonably be expected to be, material and adverse to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), businesses, operations, results of operations or prospects of Sino Gold or its subsidiaries, taken as a whole, that, either alone or together with other such matters, is, or could reasonably be expected to be, material and adverse to Sino Gold or its subsidiaries, taken as a whole;

**“material fact”** shall have the meaning ascribed thereto under the Securities Act;

**“Maximum Number of Permitted Elected Shares”** has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance – Cash Sales Elections”;

**“Minimum Tender Condition”** has the meaning ascribed thereto in Section 4 of the Offer, “Conditions of the Offer”;

**“Net Proceeds”** has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance – Cash Sales Elections”;

**“NI 43-101”** means National Instrument 43-101 – *Standards of Disclosure for Mineral Properties*, as it may be amended or replaced;

**“nominee”** means a registered broker or dealer, financial institution or other intermediary that holds securities on behalf of a Person who is the beneficial holder of the securities;

**“Non-Convertible Debentures”** has the meaning ascribed thereto in Section 2 of the Circular, “Golden China”;

**“Non-Resident Shareholder”** has the meaning ascribed thereto in Section 15 of the Circular “Certain Canadian Federal Income Tax Considerations”;

**“Notice of Guaranteed Delivery”** means the notice of guaranteed delivery provided by the Offeror to registered holders of the Golden China Shares, for use in connection with the Offer (printed on green paper) , as it may be amended;

**“NSW”** means the state of New South Wales in Australia;

**“Offer”** means the offer to purchase all of the outstanding Golden China Shares made hereby to Shareholders (as it may be amended);

**“Offer Documents”** means, the take-over bid circular, letter of transmittal, notice of guaranteed delivery and other documents to be prepared by the Offeror for delivery to the securityholders of Golden China in respect of the Offer as required by applicable securities Laws;

**“Offer Period”** means the period commencing on the date of the Offer and ending at the Expiry Time;

**“Offered Consideration”** means the consideration to be paid by the Offeror for the Purchased Shares;

**“Offeror”** means Sino Gold Mining (Canada) Ltd., a corporation incorporated under the *Business Corporations Act* (British Columbia) and a wholly-owned subsidiary of Sino Gold;

**“Offeror’s Directors”** means those individuals who are directors of the Offeror from time to time;

**“Offeror’s Notice”** has the meaning set forth in Section 13 of the Circular, “Second Step Transactions”;

**“Options”** has the meaning ascribed thereto in Section 2 of the Circular, “Golden China”;

**“OSC”** means the Ontario Securities Commission;

**“OSC Rule 61-501”** means OSC Rule 61-501 – *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions*, as it may be amended or replaced;

**“Outside Date”** means December 31, 2007 or such later date as may be mutually agreed by Sino Gold and Golden China;

**“Person”** includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Government Entity, syndicate, or other entity, whether or not having legal status;

**“PRC”** means the People’s Republic of China;

**“Private Placement”** has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

**“Proposed Amendments”** has the meaning ascribed thereto in Section 15 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

**“Purchased Shares”** has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance”;

**“Regulation Q-27”** means Regulation Q-27 of the AMF;

**“Regulatory Approvals”** means (i) orders of each of the Canadian Securities Regulatory Authorities, as applicable, deeming Sino Gold to be a reporting issuer and/or obtaining “first trade” relief for the Sino Gold Shares issuable under the Offer; and (ii) the ASX not rejecting Sino Gold’s application for official quotation of the Sino Gold Shares issued under the Offer;

**“Resident Shareholder”** has the meaning ascribed thereto in Section 15 of the Circular “Certain Canadian Federal Income Tax Considerations”;

**“RMB”** means renminbi, the currency of the PRC;

**“SEC”** means U.S. Securities and Exchange Commission;

**“Securities Act”** means the *Securities Act* (Ontario) and the rules and regulations made thereunder, as now in effect and as they may be amended from time to time prior to the Expiry Time;

**“Securities Regulatory Authority”** means all applicable securities regulatory authorities, including (i) the provincial and territorial securities regulatory authority in the provinces and territories of Canada and (ii) all applicable federal and state securities regulatory authorities in Australia, Hong Kong and the United States including, without limitation, the ASIC, HKSFC, the United States Securities and Exchange Commission, in each case having or claiming jurisdiction over the Offeror, Sino Gold and/or Golden China, as applicable, (iii) the TSX; (iv) the ASX and (v) the HKSE;

**“Selling Agent”** has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance – Cash Sales Elections”;

**“Selling Broker”** has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance – Cash Sales Elections”;

**“Shareholders”** means the registered or beneficial holders of the issued and outstanding Golden China Shares, as the context requires, and **“Shareholder”** means any one of them;

**“Sino Gold”** means Sino Gold Mining Limited ABN 42 093 518 579;

**“Sino Gold Shareholders”** means the registered or beneficial holders of the issued and outstanding Sino Gold Shares, as the context requires;

**“Sino Gold Shares”** means ordinary shares of Sino Gold;

**“Soliciting Dealer”** has the meaning set forth in Section 21 of the Circular, “Soliciting Brokers”;

**“Subsequent Acquisition Transaction”** has the meaning ascribed thereto in Section 13 of the Circular, “Second Step Transactions”;

**“subsidiary”** shall mean a “subsidiary” within the meaning of NI 45-106 under the Securities Act;

**“Superior Proposal”** means a bona fide written Acquisition Proposal that was not solicited after the date of the Letter Agreement and that in the good faith determination of the board of directors of Golden China, after consultation with its financial advisors and with outside counsel (i) is reasonably capable of being completed, and (ii) would, if consummated in accordance with its terms, result in a transaction more favourable to the Shareholders from a financial point of view than the Offer;

**“Tax Act”** means the *Income Tax Act* (Canada), including all regulations made thereunder, and all amendments to such statute and regulations from time to time;

**“taxable capital gain”** has the meaning ascribed thereto in Section 15 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

**“TSX”** means the Toronto Stock Exchange;

**“United States”** or **“U.S.”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

**“US\$”** means United States dollars;

**“Warrants”** has the meaning ascribed thereto in Section 2 of the Circular, “Golden China”; and

**“White Mountain Project”** means one of Sino Gold’s projects located in Jilin Province in which Sino Gold holds a 95% interest through its wholly-owned subsidiary, SG BMZ.



## QUESTIONS AND ANSWERS

*The following list of Questions and Answers is intended to address some of the key aspects of the Offer. This section is a summary only and is qualified by the detailed provisions contained elsewhere in the Offer and Circular. Shareholders are urged to read the Offer and Circular in their entirety. Capitalized terms used in these Questions and Answers, where not otherwise defined in this section are defined in the Offer and Circular. See "Definitions".*

### 1. WHO IS MAKING THE OFFER?

The Offer is being made by Sino Gold Mining (Canada) Ltd., a corporation incorporated pursuant to the *Business Corporations Act* (British Columbia) and a wholly-owned subsidiary of Sino Gold Mining Limited ABN 42 093 518 579 ("Sino Gold"). Sino Gold is a public company incorporated in New South Wales, Australia and listed on the ASX and the HKSE. Sino Gold's head office is located in Sydney, Australia.

Sino Gold explores, evaluates, develops and operates gold mines in the PRC through cooperative joint venture ("CJV") companies, each of which is formed by a subsidiary of Sino Gold and a local PRC partner. Sino Gold's predecessor (from which Sino Gold's business was spun-off) was one of the first foreign companies to operate a gold mine in the PRC. Sino Gold currently owns 82% of Jinfeng Gold Mine in Guizhou Province and 95% of White Mountain Project in Jilin Province. In 1996, Sino Gold's predecessor initiated the development of the Jianchaling Gold Mine in Shaanxi Province and the Jianchaling Gold Mine was successfully operated until its divestment in September 2006.

As at October 19, 2007, Sino Gold had a market capitalization of approximately A\$1.50 billion (approximately C\$1.29 billion, based on the Bank of Canada noon exchange rate on October 19, 2007). Its total assets as at June 30, 2007 were approximately A\$461 million (approximately C\$416.2 million based on the Bank of Canada noon exchange rate on June 30, 2007).

Further information related to Sino Gold is set forth in Schedule "B", "Information Concerning Sino Gold Mining Limited".

### 2. WHAT WILL I RECEIVE FOR MY TENDERED GOLDEN CHINA SHARES UNDER THE OFFER? WHAT PREMIUM DOES THAT REPRESENT?

Under the Offer, you will receive Sino Gold Shares for your tendered Golden China Shares on the basis of 0.2222 of a Sino Gold Share for each Golden China Share, subject to adjustment as provided herein. For instance, if you deposit 10,000 Golden China Shares, you would receive 2222 Sino Gold Shares under the Offer. The Exchange Ratio represents a premium of approximately 49% over the closing price of the Golden China Shares on the TSX on August 10, 2007, the last trading day prior to the announcement of the Offer (based on the Sino Gold Share price on August 10, 2007 and the Bank of Canada noon exchange rate on August 10, 2007) and a premium of approximately 20% over the volume weighted average trading price of the Golden China Shares on the Toronto Stock Exchange for the 30 trading days ended October 19, 2007 (based on the Sino Gold Share price on October 19, 2007 and the Bank of Canada noon exchange rate on October 19, 2007). You are urged to obtain current quotes for the Sino Gold Shares, Golden China Shares and the applicable currency exchange rates.

**3. IF I TENDER MY GOLDEN CHINA SHARES TO THE OFFER, CAN I RECEIVE CASH INSTEAD OF SINO GOLD SHARES?**

As more particularly set out in Section 3 of the Offer, “Manner of Acceptance”, you may make an election to have the Sino Gold Shares which you would otherwise receive pursuant to the Offer issued on your behalf to a trustee or selling agent appointed by the Offeror who will seek to arrange for the sale of your Elected Sino Gold Shares on your behalf and pay you the net proceeds of such sale, less a 4.4% brokerage commission (including GST in Australia) to be paid by you to the broker engaged by the trustee or selling agent to sell your Sino Gold Shares and any applicable taxes, withholdings, deductions, fees and expenses. If you make such an election, you can choose to receive such net proceeds in Canadian dollars (based on the Canadian dollar/ Australian dollar exchange rate available to the broker) or in Australian dollars, unless you are making such election in respect of CDIs, in which case you will automatically receive such net proceeds in Australian dollars. If you make such an election and do not specify a currency, you will automatically receive such net proceeds in Australian dollars.

There is no guarantee that the Selling Broker will be able to sell all of the Sino Gold Shares in respect of which elections are made. In the event that the Selling Broker is unable to sell any or all Sino Gold Shares in which elections are made, a pro rata number of your elected Sino Gold Shares (rounded up to the next whole Sino Gold Share) are expected to be sold through the Selling Broker, based on the total number of Sino Gold Shares in respect of which elections are received, and you will receive a pro rata amount of the net proceeds in cash and the balance of your consideration in Sino Gold Shares.

In addition, the Offeror has set a maximum of 5,620,000 Sino Gold Shares in respect of which such elections may be made. If elections are made in excess of this number then, unless the Offeror, in its discretion, waives or increases the maximum, a *pro rata* number of elected Sino Gold Shares will be sought to be sold (rounded up to the next whole Sino Gold Share) and electing Shareholders will receive a *pro rata* amount of the total net proceeds in cash, and will receive the balance of their consideration in Sino Gold Shares. No assurance is given that any or all Sino Gold Shares in respect of which elections are made can be sold, and any unsold elected Sino Gold Shares shall be returned to the applicable electing Shareholders. Neither the Offeror nor Sino Gold assumes any liability whatsoever in connection with any Elections, including the sales of the Sino Gold Shares through the Selling Broker, the exchange of any funds from Australian dollars to Canadian dollars, as applicable, any pro rating and the payment of the Net Proceeds and/or the balance of the consideration to a Selling Shareholder.

See Section 3 of the Offer, “Manner of Acceptance” for further details including instructions for how to make such an election.

**4. WHAT ARE THE OTHER BENEFITS OF THE OFFER?**

In addition to a significant premium for your Golden China Shares (based on the current trading price and the current exchange rate), by tendering to the Offer you will receive shares in a company with a successful track record for developing gold mines in China and enhancing shareholder value. You are expected to benefit from greater depth in management, strength in Sino Gold’s balance sheet and cash position and greater access to financing for development projects. This is expected to result in a stronger competitive position and greater opportunities for growth. The larger scope and scale of Sino Gold’s operations are expected to also mean enhanced cost-savings by taking advantage of the potential synergies inherent in integrating Golden China’s operations with Sino Gold such as reduced costs of compliance with applicable laws and regulations. Shareholders should also benefit from improved liquidity by holding Sino Gold Shares, which are listed on both

the Australian Securities Exchange and the Hong Kong Stock Exchange. Finally, the board of directors of Golden China has received a fairness opinion from Genuity Capital Markets that the Offer consideration is fair from a financial point of view to Shareholders other than Sino Gold and unanimously supports the Offer.

#### **5. HOW DO I TENDER MY GOLDEN CHINA SHARES TO THE OFFER?**

Registered Shareholders who wish to accept the Offer must properly complete and execute the accompanying Letter of Transmittal (printed on yellow paper) or a manually executed facsimile thereof and deposit it, at or prior to the Expiry Time, together with certificate(s) representing their Golden China Shares and all other required documents, with Computershare Investor Services Inc. (the "Depository") at its office set out in the Letter of Transmittal, in accordance with the instructions in the Letter of Transmittal. Alternatively, registered Shareholders may follow the procedure for guaranteed delivery set forth under Section 3 of the Offer, "Manner of Acceptance", using the accompanying Notice of Guaranteed Delivery (printed on green paper). Any registered Shareholder in Australia should contact the Information Agent in Sydney, Australia for further information.

Beneficial Shareholders (but not CDI Holders) may accept the Offer by following the instructions provided by CDS Participants. CDS and DTC are expected to advise participating brokers that beneficial Shareholders who wish to accept the Offer will need to "certificate" their position by requesting that a Golden China Share certificate be issued in the name of the broker or beneficial holder and be tendered manually by properly executing the Letter of Transmittal (printed on yellow paper) (including signature guarantee if required), and all other required documents which must be received by the Depository, at its office in the city of Toronto at or prior to the Expiry Time. See Section 3 of the Offer, "Manner of Acceptance".

Prior to the CDI Expiry Time, CDI Holders may only accept the Offer through the CDI Nominee. If CDI Holders hold CDIs through: (i) an Issuer Sponsored Holding, CDI Holders should complete the CDI Acceptance Form accompanying this Offer and Circular and return it to the address noted on the form; (ii) a CHESS Holding, CDI Holders should contact their Controlling Participant (normally their stockbroker) with instructions to accept the Offer, or complete the CDI Acceptance Form and return it to the address noted on the form. Alternatively, if CDI Holders are Australian Broker Participants or Australian Non-Broker Participants, CDI Holders should initiate acceptance of the Offer in accordance with Rule 14.14 of the ASTC Settlement Rules. In each of the above cases, acceptance must be received on or prior to the CDI Expiry Time. The CDI Nominee is expected to complete the Letter of Transmittal evidencing the deposit of Golden China Shares which are in the form of CDIs. CDI Holders who continue to hold CDIs at the CDI Expiry Time will become the legal holders of the underlying Golden China Shares. In order to transfer the underlying Golden China Shares, they would need to comply with the procedures set out in this document, and they should contact their brokers or the CDI Nominee for further information.

#### **6. HOW WILL THE SINO GOLD SHARES BE ISSUED?**

The Sino Gold Shares to be issued under the Offer will be in uncertificated form. Depositing Shareholders whose Sino Gold Shares to be issued under the Offer are to be managed by a broker will have their holdings recorded on the Clearing House Electronic Subregister System subregister. All other Depositing Shareholders will have their Sino Gold Shares to be issued under the Offer recorded on the issuer sponsored subregister operated for Sino Gold through its share registry. Where Sino Gold Shares are to be issued on the issuer sponsored subregister, holders will be sent a notice advising them of their Security Holder Reference Number (SRN) and the opening balance of their holding.

Moreover, fractional Sino Gold Shares will not be issued. Instead, the number of Sino Gold Shares to be issued to each registered Shareholder will be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number. For all rounding purposes, all Golden China Shares deposited by a registered Shareholder will be aggregated.

**7. WHAT ARE THE CONDITIONS TO THE OFFER?**

The Offer is conditional upon a number of things that are described in Section 4 of the Offer, "Conditions of the Offer". You are advised to consider the conditions described there, but the key conditions, which, subject to applicable Canadian securities Laws and the terms of the Support Agreement, may be varied and/or waived by the Offeror, include the following:

- (a) not less than 90% (on a fully diluted basis) of the outstanding Golden China Shares, directly or indirectly, other than Golden China Shares held at the date of the Offer by or on behalf of the Offeror or an affiliate or associate of the Offeror (as such terms are defined in the CBCA), are tendered under the Offer and not withdrawn at the expiration of the Offer (the "Minimum Tender Condition");
- (b) the Regulatory Approvals shall have been obtained on terms satisfactory to the Offeror, acting reasonably; and
- (c) all regulatory approvals (including, without limitation, those of the HKSE to list Sino Gold Shares to be issued pursuant to the Offer (see Section 12 of the Circular, "Regulatory Considerations")) required by law to complete the Offer shall have been obtained on terms satisfactory to the Offeror, acting reasonably.

**8. WHEN WILL THE OFFER BE COMPLETED?**

The Offer will be open for at least 35 days, and will be completed only if all of the conditions of the Offer have been satisfied, amended and/or waived by the Offeror. In certain circumstances, the Offer may also be amended and/or extended or it may be terminated.

**9. WHAT HAPPENS IF I DO NOT TENDER MY GOLDEN CHINA SHARES TO THE OFFER BUT MORE THAN NINETY PERCENT OF THE GOLDEN CHINA SHARES ARE TENDERED?**

As explained in Section 13 of the Circular, "Second Step Transactions", if such right is available, the Offeror currently intends to complete a compulsory acquisition pursuant to section 206 of the CBCA by acquiring the remaining Golden China Shares on the same terms as under the Offer.

If the statutory right of compulsory acquisition is not available or the Offeror elects not to pursue such right, Sino Gold has covenanted in the Support Agreement to use all commercially reasonable efforts to complete an amalgamation, plan of arrangement, amendment to articles, capital reorganization, share consolidation or other transaction involving Golden China and the Offeror and/or one or more affiliates of the Offeror (a "Subsequent Acquisition Transaction") for the purpose of enabling the Offeror or an affiliate of the Offeror to acquire all of the Golden China Shares not acquired by the Offeror pursuant to the Offer (or already owned directly or indirectly by the Offeror) at the same consideration per Golden China Share paid by the Offeror under the Offer. The timing and details of any such transaction will necessarily depend on a variety of factors, including the number of the Golden China Shares acquired pursuant to the Offer.

**10. WILL GOLDEN CHINA SHARES STILL BE LISTED ON THE TORONTO STOCK EXCHANGE OR THE AUSTRALIAN SECURITIES EXCHANGE IF THE OFFER IS SUCCESSFUL?**

If the Offer is successful, and any of the transactions described in Section 13 of the Circular, "Second Step Transactions" are completed, the Golden China Shares are expected to be de-listed from the Toronto Stock Exchange at or shortly after completion of such transaction and from the Australian Securities Exchange at the CDI Expiry Time

**11. HOW WILL MY GOLDEN CHINA SHARES BE TREATED FOR CANADIAN TAX PURPOSES UNDER THE OFFER?**

***Certain Canadian Federal Income Tax Considerations***

*Residents of Canada*

A Shareholder who is resident in Canada, who deals at arm's length with the Offeror, who holds the Golden China Shares as capital property, is not affiliated with the Offeror or Golden China and who disposes of Golden China Shares under the Offer will realize a capital gain (or capital loss) equal to the amount by which the fair market value at the date of the disposition of the Sino Gold Shares received in exchange for the Golden China Shares, net of any reasonable costs of disposition, exceeds (or is less than) the adjusted cost base to the Shareholder of the Golden China Share. The Shareholder's cost of a Sino Gold Share received in exchange for Golden China Shares will be equal to the fair market value of such Sino Gold Share at the time of the exchange. A Shareholder who elects to have the Sino Gold Shares acquired under the Offer issued on their behalf to a trustee or selling agent who will, as agent, arrange for the sale of such Sino Gold Shares on such Shareholder's behalf will realize a capital gain (or capital loss) on any such sale equal to the amount by which the proceeds of disposition on such sale, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Shareholder of the Sino Gold Shares immediately before the disposition.

*Non-Residents of Canada*

Generally, a Shareholder that is not resident in Canada for purposes of the Tax Act will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of a Golden China Share or a Sino Gold Share, unless such Golden China Share or Sino Gold Share, as the case may be, constitutes "taxable Canadian property" (as defined in the Tax Act) to such Shareholder and the gain is not otherwise exempt from tax under the Tax Act pursuant to an exemption contained in an applicable income tax treaty or convention.

**The foregoing is only a brief summary of Canadian federal income tax consequences and is qualified by the more detailed general description of Canadian federal income tax considerations under Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations". Shareholders are urged to consult Canadian tax advisors to determine the particular Canadian tax consequences to them of a disposition of Golden China Shares pursuant to the Offer or a Compulsory Acquisition or a disposition of Golden China Shares pursuant to any Subsequent Acquisition Transaction.**

**12. HOW WILL MY GOLDEN CHINA SHARES BE TREATED FOR AUSTRALIAN TAX PURPOSES UNDER THE OFFER?**

*Certain Australian Income Tax Considerations*

A non-resident of Australia holding shares on capital account will only be subject to Australian capital gains tax ("CGT") on disposal of their shares (or another CGT event occurring in relation to their shares) if the shares are an "indirect Australian real property interest". In general terms the Golden China Shares (or the CDIs) will be treated as an "indirect Australian real property interest" if:

- (a) the non-resident shareholder (together with associates) holds an interest of 10% or more in a company; and
- (b) more than 50% of the value of the company's assets is attributable to "taxable Australian real property" (namely, real property situated in Australia or mining, quarrying or prospecting rights in Australia).

It is not considered that more than 50% of the value of the assets of Golden China are attributable to "taxable Australian real property" and, therefore, the Golden China Shares and the CDIs should not be treated as an "indirect Australian real property interest". Accordingly, Australian CGT should not apply on disposal of the Golden China Shares (or CDIs) (or other CGT event occurring in relation to the Golden China Shares or CDIs) by a non-resident of Australia.

**The foregoing is only a brief summary of certain Australian capital gains tax consequences and is qualified by the description of Australian tax considerations under Section 16 of the Circular, "Certain Australian Income Tax Considerations". Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of a disposition of Golden China Shares pursuant to the Offer or a Compulsory Acquisition or a disposition of Golden China Shares pursuant to any Subsequent Acquisition Transaction.**

**13. WHO CAN I CONTACT IF I HAVE QUESTIONS?**

Should you have any questions about the offer, please contact the Information Agents for the offer, Georgeson Shareholder Communications Canada Inc., toll free at 1-888-605-7644 in North America, or Georgeson Shareholder Communications Australia Pty Ltd. at 61 3 9415 4682 (for International CDI holders, excluding North American holders) or 1-800-339-135 (Free call for holders of CDIs in Australia). You may also contact your investment dealer, broker, bank manager, accountant, lawyer or professional advisor for assistance.

**14. WHAT ELSE DO I NEED TO DO NOW?**

You are urged to carefully review this Offer and Circular, and to seek advice from your investment dealer, broker, bank manager, accountant, lawyer or other professional advisor. If you wish to accept the Offer, you should tender your Golden China Shares to the Offer.

## SUMMARY

*The following is a summary only and is qualified by the detailed provisions contained elsewhere in the Offer and Circular. Shareholders are urged to read the Offer and Circular in their entirety. Capitalized terms used in this summary, where not otherwise defined herein, are defined in the Offer and Circular. See "Definitions". The information concerning Golden China contained herein and in the Offer and Circular is based upon publicly available documents or records of Golden China on file with Securities Regulatory Authorities and other public sources at the time of the Offer and has not been independently verified by the Offeror.*

### 1. THE OFFER

The Offeror hereby offers to purchase, on and subject to the terms and conditions hereinafter specified (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), all of the outstanding Golden China Shares, including the Golden China Shares which become outstanding during the Offer Period, on the basis of 0.2222 of a Sino Gold Share for each Golden China Share, subject to adjustment as provided herein.

The Offer is only made for the Golden China Shares and is not made for any Convertible Securities of Golden China. Any holder of Convertible Securities or other rights to acquire Golden China Shares who wishes to accept the Offer must, to the extent permitted by the terms thereof, exercise, convert or exchange such Convertible Securities in order to obtain certificates representing the Golden China Shares that may be deposited in accordance with the terms of the Offer.

The obligation of the Offeror to take up and pay for the Golden China Shares pursuant to the Offer is subject to certain conditions which, subject to applicable Canadian securities Laws and the Support Agreement, may be varied and/or waived by the Offeror. See Section 4 of the Offer, "Conditions of the Offer". The accompanying Circular is incorporated by reference in and forms part of the Offer. See Section 1 of the Offer, "The Offer".

### 2. THE OFFEROR AND SINO GOLD

The Offeror was incorporated under the laws of British Columbia on October 2, 2007 and has not carried on any business prior to the date hereof other than in connection with matters directly related to the Offer. The registered office of the Offeror is located at 666 Burrard Street, Vancouver, British Columbia, Canada V6C 2X8. The Offeror is a wholly-owned subsidiary of Sino Gold.

Sino Gold is a public company incorporated in New South Wales, Australia and listed on the ASX and the HKSE. The head office of Sino Gold is located in Sydney, Australia.

Sino Gold explores, evaluates, develops and operates gold mines in the PRC through cooperative joint venture ("CJV") companies, each of which is formed by a subsidiary of Sino Gold and a local PRC partner. Sino Gold currently owns 82% of the Jinfeng Gold Mine in Guizhou Province and 95% of the White Mountain Project in Jilin Province.

See Section 1 of the Circular, "The Offeror and Sino Gold".

### 3. GOLDEN CHINA

Golden China is a Toronto-based mining company principally engaged in a mix of exploration and development and processing in China. Golden China also has a substantial ownership interest in the Gold Ridge Mine in the Solomon Islands through its approximately 19.3% equity holding in Australian Solomons Gold Limited (TSX: ASG).

See Section 2 of the Circular, "Golden China".

#### 4. PURPOSE OF THE OFFER AND THE OFFEROR'S PLANS FOR GOLDEN CHINA

The purpose of the Offer is to enable the Offeror to acquire all of the outstanding Golden China Shares. If the Offeror takes up and pays for the Golden China Shares validly deposited under the Offer, the Offeror currently intends to acquire any Golden China Shares not deposited under the Offer through a Compulsory Acquisition, or to propose a Subsequent Acquisition Transaction, in each case for the same consideration per Golden China Share paid by the Offeror under the Offer. The exact timing and details of any such transaction will depend upon a number of factors, including the number of Golden China Shares acquired by the Offeror pursuant to the Offer. Although Sino Gold has covenanted under the Support Agreement to use reasonable commercial efforts to proceed by way of a Compulsory Acquisition or a Subsequent Acquisition Transaction generally on the terms described herein, it is possible that, as a result of the inability or delays in the Offeror's ability to effect such a transaction, information subsequently obtained by the Offeror, changes in general economic or market conditions or in the business of Golden China, or other currently unforeseen circumstances, such a transaction may not be proposed, may be delayed or abandoned or may be proposed on different terms. Accordingly, the Offeror reserves the right not to proceed by way of a Compulsory Acquisition or Subsequent Acquisition Transaction, or to proceed by way of a Subsequent Acquisition Transaction on terms other than as described herein.

See Section 3 of the Offer, "Manner of Acceptance", Section 13 of the Circular, "Second Step Transactions" and Section 4 of the Circular, "Purpose of the Offer and the Offeror's Plans for Golden China".

#### 5. EXPECTED BENEFITS OF AND REASONS TO ACCEPT THE OFFER

If the Offer and the Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable, are successful, they will result in, among other things, the integration where appropriate of the businesses carried on by Sino Gold and its subsidiaries and by Golden China and its subsidiaries. The Offer has the unanimous support of the board of directors of Golden China which has received a fairness opinion from its financial advisor, Genuity Capital Markets, that the Offer consideration is fair from a financial point of view to Shareholders other than Sino Gold. In addition, management of Sino Gold expects the following benefits from the integration of Golden China and Sino Gold:

- ***A significant premium.*** The Exchange Ratio under the Offer represented a premium of approximately 49% over the closing price of the Golden China Shares on the Toronto Stock Exchange on August 10, 2007, the last trading day prior to the announcement of the proposed Offer (based on the Sino Gold Share price on August 10, 2007 and the Bank of Canada noon exchange rate on August 10, 2007), and a premium of approximately 20% over the volume weighted average trading price of the Golden China Shares on the Toronto Stock Exchange for the 30 trading days ended October 19, 2007 (based on the Sino Gold Share price on October 19, 2007 and the Bank of Canada noon exchange rate on October 19, 2007). Shareholders are urged to obtain current quotes for the Sino Gold Shares, the Golden China Shares and the applicable currency exchange rates.
- ***A larger, stronger mining company.*** Sino Gold has a successful track record for developing gold mines in China and enhancing shareholder value and Shareholders are expected to benefit from, among other things, greater depth in management and technical expertise, stronger balance sheet and cash position and greater access to financing for development projects.



- **Enhanced Liquidity.** Shareholders should also benefit from improved liquidity by holding Sino Gold Shares, which are listed on both the Australian Securities Exchange and the Hong Kong Stock Exchange. Shareholders may also elect to have the Sino Gold Shares which they would receive pursuant to the Offer issued on their behalf to a trustee or selling agent who will seek to arrange for the sale of such Sino Gold Shares on their behalf and pay them the net proceeds of such sale.

See Section 5 of the Circular, "Expected Benefits of and Reasons to Accept the Offer" and the Directors' Circular.

## 6. FINANCIAL INFORMATION

Shareholders should refer to the financial information contained in Schedule "A" to the Offer and Circular, "Financial Information".

## 7. TIME FOR ACCEPTANCE

The Offer is open for acceptance commencing on the date hereof until the Expiry Time, unless withdrawn, varied or extended by the Offeror. The Expiry Time is currently 11:59 p.m. (Vancouver, Canada time) on November 29, 2007 / 6:59 p.m. (Sydney, Australia time) on November 30, 2007. The Offer may be extended by the Offeror. See Section 2 of the Offer, "Time for Acceptance" and Section 5 of the Offer, "Extension, Variation or Change in the Offer".

## 8. MANNER OF ACCEPTANCE

### *Registered Shareholders*

The Offer may be accepted by registered Shareholders by delivering to the Depositary at its office listed in the Letter of Transmittal (printed on yellow paper) accompanying the Offer, so as to be received not later than the Expiry Time:

- (a) certificate(s) representing the Golden China Shares in respect of which the Offer is being accepted;
- (b) a Letter of Transmittal in the form accompanying the Offer or a manually executed facsimile thereof, properly completed and executed as required by the instructions and rules set forth in the Letter of Transmittal; and
- (c) any other relevant documents required by the instructions and rules set forth in the Letter of Transmittal.

If a Shareholder (but not a CDI Holder) wishes to deposit the Golden China Shares pursuant to the Offer and (a) the certificate(s) representing the Golden China Shares is (are) not immediately available or (b) the certificate(s) and all other required documents cannot be delivered to the Depositary at or prior to the Expiry Time, those Golden China Shares nevertheless may be deposited validly under the Offer provided the Shareholder follows the procedure for guaranteed delivery as set forth in Section 3 of the Offer, "Manner of Acceptance".

### *Beneficial Shareholders*

Beneficial Shareholders (but not CDI Holders) may accept the Offer by following the procedures provided by their brokers. CDS and DTC are expected to advise participating brokers

that beneficial Shareholders who wish to accept the Offer will need to “certify” their position by requesting that a Golden China Share certificate be issued in the name of the broker or beneficial holder and be tendered manually by properly executing the Letter of Transmittal (printed on yellow paper) (including signature guarantee if required), and all other required documents which must be received by the Depositary, at its office in the city of Toronto at or prior to the Expiry Time. See Section 3 of the Offer, “Manner of Acceptance”.

#### *CDI Holders*

Prior to the CDI Expiry Time, CDI Holders may only accept the Offer through the CDI Nominee. If CDIs are held through: (i) an Issuer Sponsored Holding, the CDI Acceptance Form accompanying this Offer and Circular should be completed and returned to the address noted on the form; (ii) a CHES Holding, CDI Holders should contact their Controlling Participant (normally their stockbroker) with instructions to accept the Offer, or complete the CDI Acceptance Form and return it to the address noted on the form. Alternatively, if they are Australian Broker Participants or Australian Non-Broker Participants, CDI Holders should initiate acceptance of the Offer in accordance with Rule 14.14 of the ASTC Settlement Rules. In each of the above cases, acceptance must be received on or prior to the CDI Expiry Time. The CDI Nominee is expected to complete the Letter of Transmittal evidencing the deposit of Golden China Shares which are in the form of CDIs. See Section 3 of the Offer, “Manner of Acceptance”.

## **9. CONDITIONS TO THE OFFER**

The Offeror will have the right to withdraw or terminate the Offer (or amend the Offer), and will not be required to accept for payment, take up, purchase or pay for and/or may extend the period of time during which the Offer is open and/or may postpone taking up and paying for any Golden China Shares deposited under the Offer, unless all of the conditions set forth in Section 4 of the Offer, “Conditions of the Offer” are satisfied or waived by the Offeror at or prior to the Expiry Time. These conditions, amongst others, include:

- (a) not less than 90% (on a fully diluted basis) of the outstanding Golden China Shares, directly or indirectly, other than Golden China Shares held at the date of the Offer by or on behalf of the Offeror or an affiliate or associate of the Offeror (as such terms are defined in the CBCA), are tendered under the Offer and not withdrawn at the Expiry Time (the “**Minimum Tender Condition**”);
- (b) the Regulatory Approvals shall have been obtained on terms satisfactory to the Offeror, acting reasonably; and
- (c) all regulatory approvals (including, without limitation, those of the HKSE to list Sino Gold Shares to be issued pursuant to the Offer (see Section 12 of the Circular, “Regulatory Considerations”) and those required by any securities regulatory and other governmental authorities) required by law to complete the Offer shall have been obtained on terms satisfactory to the Offeror, acting reasonably.

See Section 4 of the Offer, “Conditions of the Offer”.

## 10. TAKE UP OF AND PAYMENT FOR DEPOSITED GOLDEN CHINA SHARES

Upon and subject to the terms and conditions of the Offer, the Offeror will be obliged to take up and pay for the Golden China Shares duly and validly deposited pursuant to the Offer in accordance with the terms hereof and not validly withdrawn within 10 days after the Expiry Time. Any Golden China Shares taken up will be required to be paid for as soon as possible, and in any event not later than three Canadian business days after they are taken up. Any Golden China Shares deposited pursuant to the Offer after the first date on which the Golden China Shares have been taken up and paid for by the Offeror will be required to be taken up and paid for within 10 days of such deposit.

See Section 6 of the Offer, "Take up of and Payment for Deposited Golden China Shares".

## 11. SECOND STEP TRANSACTIONS

### *Compulsory Acquisition*

If, within 120 days after the date of the Offer, the Offer has been accepted by Shareholders of not less than 90% of the outstanding Golden China Shares as at the Expiry Time, excluding those Golden China Shares held on the date of the Offer by or on behalf of the Offeror or its affiliates or associates (as such terms are defined in the CBCA), if any, on the date of the Offer, the Offeror may acquire (a "Compulsory Acquisition") the remainder of the Golden China Shares from those Shareholders who have not accepted the Offer on the same terms as such Golden China Shares were acquired under the Offer, pursuant to the provisions of Section 206 of the CBCA. See Section 13 of the Circular, "Second Step Transactions".

### *Subsequent Acquisition Transaction*

If the foregoing statutory right of Compulsory Acquisition is not available or the Offeror elects not to pursue such right, Sino Gold has covenanted in the Support Agreement to use all commercially reasonable efforts to complete an amalgamation, plan of arrangement, amendment to articles, capital reorganization, share consolidation or other transaction involving Golden China and the Offeror and/or one or more affiliates of the Offeror (a "Subsequent Acquisition Transaction") for the purpose of enabling the Offeror or an affiliate of the Offeror to acquire all of the Golden China Shares not acquired by the Offeror pursuant to the Offer (or already owned directly or indirectly by the Offeror) at the same consideration per Golden China Share paid by the Offeror under the Offer. The timing and details of any such transaction will necessarily depend on a variety of factors, including the number of the Golden China Shares acquired pursuant to the Offer. See Section 13 of the Circular, "Second Step Transactions".

### *Other Alternatives*

If the Offeror is unable or decides not to effect a Compulsory Acquisition, or proposes a Subsequent Acquisition Transaction but cannot obtain any required approvals or exemptions promptly, the Offeror will evaluate other alternatives. Such alternatives could include, to the extent permitted by applicable Laws, purchasing additional Golden China Shares in the open market, in privately negotiated transactions, in another take-over bid or exchange offer or otherwise, or from Golden China, or taking no action to acquire additional Golden China Shares. See Section 13 of the Circular, "Second Step Transactions".

## 12. REGULATORY MATTERS, ETC.

The Offer will not be subject to pre-merger notification under the *Competition Act (Canada)* or review under the *Investment Canada Act*.

The distribution of the Sino Gold Shares and other securities to be issued in connection with the Offer (including in connection with any compulsory acquisition or subsequent acquisition transaction) is being made pursuant to statutory exemptions from the prospectus qualification and dealer registration requirements under applicable Canadian securities Laws. The Offeror has received exemptive relief from the applicable Canadian Securities Regulatory Authorities to the effect that the Sino Gold Shares and other securities to be received in connection with the Offer (including any Compulsory Acquisition or Subsequent Acquisition Transaction), and the underlying Sino Gold Shares issued pursuant to such securities, may be resold without a prospectus, provided that such trade is made through an exchange, or a market, outside of Canada and that such trade is not a control distribution (as defined in applicable Canadian securities Laws). Such resale of Sino Gold Shares and other securities remains subject to dealer registration requirements in accordance with applicable Canadian securities Laws.

See Section 12 of the Circular, "Regulatory Considerations".

## 13. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

### *Residents of Canada*

A Shareholder who is resident in Canada, who deals at arm's length with the Offeror, who holds the Golden China Shares as capital property, is not affiliated with the Offeror or Golden China and who disposes of Golden China Shares under the Offer will realize a capital gain (or capital loss) equal to the amount by which the fair market value at the date of the disposition of the Sino Gold Shares received in exchange for the Golden China Shares, net of any reasonable costs of disposition, exceeds (or is less than) the adjusted cost base to the Shareholder of the Golden China Share. The Shareholder's cost of a Sino Gold Share received in exchange for Golden China Shares will be equal to the fair market value of such Sino Gold Share at the time of the exchange. A Shareholder who elects to have the Sino Gold Shares acquired under the Offer issued on their behalf to a trustee or selling agent who will, as agent, arrange for the sale of such Sino Gold Shares on such Shareholder's behalf will realize a capital gain (or capital loss) on any such sale equal to the amount by which the proceeds of disposition on such sale, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Shareholder of the Sino Gold Shares immediately before the disposition.

### *Non-Residents of Canada*

Generally, a Shareholder that is not resident in Canada for purposes of the Tax Act will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of a Golden China Share or a Sino Gold Share, unless such Golden China Share or Sino Gold Share, as the case may be, constitutes "taxable Canadian property" (as defined in the Tax Act) to such Shareholder and the gain is not otherwise exempt from tax under the Tax Act pursuant to an exemption contained in an applicable income tax treaty or convention.

**The foregoing is only a brief summary of Canadian federal income tax consequences and is qualified by the more detailed general description of Canadian federal income tax considerations under Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations". Shareholders are urged to consult Canadian tax advisors to determine the**

**particular Canadian tax consequences to them of a disposition of Golden China Shares pursuant to the Offer or a Compulsory Acquisition or a disposition of Golden China Shares pursuant to any Subsequent Acquisition Transaction.**

#### **14. CERTAIN AUSTRALIAN INCOME TAX CONSIDERATIONS**

A non-resident of Australia holding shares on capital account will only be subject to Australian capital gains tax ("CGT") on disposal of their shares (or another CGT event occurring in relation to their shares) if the shares are an "indirect Australian real property interest". In general terms the Golden China Shares or the CDIs or the Sino Gold Shares acquired by a Shareholder in respect of the Offer will be treated as an "indirect Australian real property interest" if:

- (a) the non-resident shareholder (together with associates) holds an interest of 10% or more in a company; and
- (b) more than 50% of the value of the company's assets is attributable to "taxable Australian real property" (namely, real property situated in Australia or mining, quarrying or prospecting rights in Australia).

It is not considered that more than 50% of the value of the assets of Golden China are attributable to "taxable Australian real property" and, therefore, the Golden China Shares and the CDIs should not be treated as an "indirect Australian real property interest". Accordingly, Australian CGT should not apply on disposal of the Golden China Shares (or CDIs) (or other CGT event occurring in relation to the Golden China Shares or CDIs) by a non-resident of Australia.

**The foregoing is only a brief summary of certain Australian capital gains tax consequences and is qualified by the description of Australian tax considerations under Section 16 of the Circular, "Certain Australian Income Tax Considerations". Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of a disposition of Golden China Shares pursuant to the Offer or a Compulsory Acquisition or a disposition of Golden China Shares pursuant to any Subsequent Acquisition Transaction.**

#### **15. DEPOSITARIES AND INFORMATION AGENTS**

Computershare Investor Services Inc. (in respect of Golden China Shares only) and Computershare Investor Services Pty Limited (for CDIs only) have been retained as the Depositaries, and Georgeson Shareholder Communications Canada Inc. (in North America) and Georgeson Shareholder Communications Pty Ltd. (Australia and internationally (except North America)) have been retained as the Information Agents, for the Offer. The Depositaries and Information Agents may contact Shareholders by mail, telephone, telecopy, telegraph and personal interview and may request banks, brokers, dealers and other nominees to forward materials relating to the Offer to beneficial owners of the Golden China Shares.

See Section 20 of the Circular, "Depositaries and Information Agents".

## 16. SOLICITING BROKERS

Investment dealers, investment advisors and/or registered representatives employed by any dealers may, if permitted by applicable securities Laws, solicit acceptances of the Offer (each such Person soliciting acceptances of the Offer is referred to herein as a "Soliciting Dealer"). The Offeror has (subject to the qualifications in the next paragraph) agreed to pay to each Soliciting Dealer a broker handling fee equal to C\$0.05 (or A\$0.06) (the "Broker Handling Fee") for each such Golden China Share deposited through such Soliciting Dealer and taken up by the Offeror under the Offer.

In addition to the foregoing, the Offeror has also appointed Austock Corporate Finance ("Austock"), an Australian broker, to facilitate the sale of the Elected Sino Gold Shares, as well as to assist the Offeror with the solicitation of major institutional shareholders of Golden China Shares.

See Section 21 of the Circular, "Soliciting Brokers".

## THE OFFER

*The accompanying Circular, which is incorporated into and forms part of the Offer, contains important information that should be read carefully before making a decision with respect to the Offer.*

October 24, 2007

**TO: THE HOLDERS OF SHARES OF GOLDEN CHINA RESOURCES CORPORATION**

### **1. THE OFFER**

The Offeror hereby offers to purchase, on and subject to the terms and conditions hereinafter specified (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), all of the outstanding Golden China Shares, including the Golden China Shares which become outstanding during the Offer Period, on the basis of 0.2222 of a Sino Gold Share for each Golden China Share, subject to adjustment as provided herein.

The Offer is only made for the Golden China Shares and is not made for any Convertible Securities of Golden China. Any holder of Convertible Securities or other rights to acquire Golden China Shares who wishes to accept the Offer must, to the extent permitted by the terms thereof, exercise, convert or exchange such Convertible Securities in order to obtain certificates representing the Golden China Shares that may be deposited in accordance with the terms of the Offer. Any such exercise, conversion or exchange must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such Convertible Security will have certificate(s) representing the Golden China Shares received on such exercise, conversion or exchange available for deposit prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, "Manner of Acceptance - Procedure for Guaranteed Delivery" and Section 8 of the Offer, "Treatment of Convertible Securities".

The obligation of the Offeror to take up and pay for the Golden China Shares pursuant to the Offer is subject to certain conditions which, subject to applicable Canadian securities Laws and the Support Agreement, may be varied and/or waived by the Offeror. See Section 4 of the Offer, "Conditions of the Offer". The accompanying Circular is incorporated by reference in and forms part of the Offer.

### **2. TIME FOR ACCEPTANCE**

The Offer is open for acceptance commencing on the date hereof until the Expiry Time, unless withdrawn, varied or extended by the Offeror. The Expiry Time is currently 11:59 p.m. (Vancouver, Canada time) on November 29, 2007 / 6:59 p.m. (Sydney, Australia time) on November 30, 2007. The Offer may be extended by the Offeror. See Section 5 of the Offer, "Extension, Variation or Change in the Offer".

### **3. MANNER OF ACCEPTANCE**

#### *Letter of Transmittal*

The Offer may be accepted by registered Shareholders by delivering to the Depository at its office listed in the Letter of Transmittal (printed on yellow paper) accompanying the Offer, so as to be received not later than the Expiry Time:

- (a) certificate(s) representing the Golden China Shares in respect of which the Offer is being accepted;

- (b) a Letter of Transmittal in the form accompanying the Offer or a manually executed facsimile thereof, properly completed and executed as required by the instructions and rules set forth in the Letter of Transmittal; and
- (c) any other relevant documents required by the instructions and rules set forth in the Letter of Transmittal.

The Offer will be deemed to be accepted only if the Depository has actually received these documents before the Expiry Time. Except as otherwise provided in the instructions and rules set out in the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution. If a Letter of Transmittal is executed by a person other than the registered holder of the certificate(s) deposited therewith, or if the Sino Gold Shares issuable under the Offer are to be delivered to a person other than the registered owner, the certificate(s) must be endorsed, or be accompanied by an appropriate share transfer power of attorney, in either case, duly and properly completed by the registered holder, with the signature on the endorsement panel or share transfer power of attorney guaranteed by an Eligible Institution. See Section on “CDI Holders” below.

#### *Acceptance by Beneficial Shareholders*

Beneficial Shareholders (but not CDI Holders) may accept the Offer by following the procedures provided by their brokers. CDS and DTC are expected to advise participating brokers that beneficial Shareholders who wish to accept the Offer will need to “certify” their position by requesting that a Golden China Share certificate be issued in the name of the broker or beneficial holder and be tendered manually by properly executing the Letter of Transmittal (printed on yellow paper) (including signature guarantee if required), and all other required documents which must be received by the Depository, at its office in the city of Toronto at or prior to the Expiry Time.

#### *Procedure for Guaranteed Delivery*

If a Shareholder (but not a CDI Holder) wishes to deposit the Golden China Shares pursuant to the Offer and (a) the certificate(s) representing the Golden China Shares is (are) not immediately available or (b) the certificate(s) and all other required documents cannot be delivered to the Depository at or prior to the Expiry Time, those Golden China Shares nevertheless may be deposited validly under the Offer provided that all of the following conditions are met:

- (a) the deposit is made by or through an Eligible Institution;
- (b) a Notice of Guaranteed Delivery (printed on green paper) in the form accompanying the Offer or a manually executed facsimile thereof, properly completed and executed, is received by the Depository at its office in the city of Toronto at or prior to the Expiry Time; and
- (c) the certificate(s) representing deposited Golden China Shares, in proper form for transfer, together with a Letter of Transmittal, or a manually executed facsimile thereof, properly completed and executed, and all other documents required by the Letter of Transmittal, are received by the Depository at its office in the city of Toronto at or prior to 5:00 p.m. (Toronto, Canada time) on the third trading day on the TSX after the Expiry Time. To constitute delivery for the purpose of satisfying a guaranteed delivery, the Letter of Transmittal and accompanying share certificate(s) must be delivered to the Toronto office of the Depository.

**The Notice of Guaranteed Delivery may be delivered by hand or courier or transmitted by facsimile transmission to the Depository at its principal office in the City of Toronto and must**



**include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.**

### ***CDI Holders***

CDIs confer a beneficial ownership in the underlying Golden China Shares. The legal title to the Golden China Shares underlying the CDIs is held by the CDI Nominee. The CDIs are currently quoted on the ASX. If you hold CDIs at the CDI Expiry Time, such remaining CDIs will be cancelled, and you will become the legal holder of the underlying Golden China Shares.

Prior to the CDI Expiry Time, CDI Holders may only accept the Offer through the CDI Nominee. If CDIs are held through: (i) an Issuer Sponsored Holding, the CDI Acceptance Form accompanying this Offer and Circular should be completed and returned to the address noted on the form; (ii) a CHES Holding, CDI Holders should contact their Controlling Participant (normally their stockbroker) with instructions to accept the Offer, or complete the CDI Acceptance Form and return it to the address noted on the form. Alternatively, if they are Australian Broker Participants or Australian Non-Broker Participants, CDI Holders should initiate acceptance of the Offer in accordance with Rule 14.14 of the ASTC Settlement Rules. In each of the above cases, acceptance must be received on or prior to the CDI Expiry Time. The CDI Nominee is expected to complete the Letter of Transmittal evidencing the deposit of Golden China Shares which are in the form of CDIs.

CDI Holders who continue to hold CDIs at the CDI Expiry Time will become the legal holders of the underlying Golden China Shares. In order to transfer the underlying Golden China Shares, they would need to comply with the procedures set out in this document, and they should contact their brokers or the CDI Nominee for further information.

CDI Holders are urged to pay attention to any information provided by or on behalf of Golden China, its broker or any of its professional advisers concerning the process for delisting of Golden China as it may change the CDI Expiry Time and therefore the method of acceptance of the Offer. If CDI Holders have accepted the Offer prior to CDI Expiry Time, CDI Holders should make such enquiries as considered reasonable to ensure that acceptance has been received by the Offeror and that the acceptance constitutes valid acceptance under the Offer.

CDI Holders should contact their broker or the CDI Nominee for further information.

The Offer is not regulated by the takeovers provisions in Chapter 6 of the *Corporations Act 2001* (Commonwealth of Australia), but rather pursuant to the applicable requirements of applicable Canadian take-over bid Laws.

### ***General***

In all cases, payment for the Golden China Shares deposited and taken up by the Offeror will be made only after timely receipt by (i) the Depository in Toronto of (a) certificate(s) representing the Golden China Shares, (b) a Letter of Transmittal, or a manually executed facsimile thereof, properly completed and duly executed, covering such Golden China Shares with the signature(s) guaranteed in accordance with the instructions set out in the Letter of Transmittal (if required) and (c) any other required documents or (ii) the Depository in Sydney of (a) an executed facsimile thereof, properly completed and duly executed CDI Acceptance Form and (b) any other required documents.

**The method of delivery of certificate(s) representing the Golden China Shares, the Letter of Transmittal and all other required documents is at the option and risk of the person depositing those documents. The Offeror recommends that those documents be delivered by hand to the Depository and a receipt obtained or, if mailed, that registered mail, with confirmation of delivery,**

be used, and that proper insurance be obtained. It is suggested that any such mailing be made sufficiently in advance of the Expiry Time to permit delivery to the Depository before the Expiry Time. Delivery will be only effective upon actual receipt by the Depository.

Shareholders whose Golden China Shares are registered in the name of an investment advisor, broker, bank, trust company, depository or other nominee should contact such nominee if they wish to accept the Offer.

All questions as to the validity, form, eligibility (including timely receipt) and acceptance of any Golden China Shares and accompanying documents deposited pursuant to the Offer will be determined by the Offeror in its sole discretion. Depositing Shareholders agree that such determinations will be final and binding. The Offeror reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful to accept under the laws of any jurisdiction. The Offeror reserves the absolute right to waive any defect or irregularity in the deposit of any Golden China Shares and accompanying documents. There is no duty or obligation on the part of the Offeror, the Depositories or the Information Agents (or any of their respective directors, officers, employees, agents or representatives) or any other Person to give notice of any defects or irregularities in any deposit and no liability will be incurred by any of them for not giving any such notice. The Offeror's interpretation of the terms and conditions of the Offer (including the Circular and Letter of Acceptance and Transmittal) will be final and binding.

The Offeror reserves the right to permit the Offer to be accepted in a manner other than that set out above, including acceptance of tenders of Golden China Shares resulting from the conditional exercise or conversion of Convertible Securities, where available under the terms thereof (as they may be amended).

#### *Dividends and Distributions*

Subject to the terms and conditions of the Offer and subject, in particular, to the Golden China Shares being validly withdrawn by or on behalf of a Depositing Shareholder, and except as provided below, by accepting the Offer pursuant to the procedures set forth herein, a Shareholder deposits, sells, assigns and transfers to the Offeror all right, title and interest in and to the Golden China Shares covered by the Letter of Transmittal delivered to the Depository (the "Deposited Shares") and in and to all rights and benefits arising from such Golden China Shares including, without limitation, any and all dividends, distributions, payments, securities, property or other interests which may be declared, paid, accrued, issued, distributed, made or transferred on or in respect of the Deposited Shares or any of them on and after August 13, 2007, including any dividends, distributions, payments, rights or other interests on such dividends, distributions, payments, securities, property or other interests (collectively, "Distributions").

#### *Power of Attorney*

The execution of a Letter of Transmittal or the acceptance of the Offer through the CDI Nominee (in the case of Golden China Shares subject to CDIs), irrevocably constitutes and appoints, effective on and after the date that the Offeror takes up the Deposited Shares, each director or officer of the Offeror, and any other person designated by the Offeror in writing, as the true and lawful agent, attorney and attorney-in-fact of the holder of the Golden China Shares covered by the Letter of Transmittal or the instructions of acceptance sent to the CDI Nominee, as applicable, with respect to the Golden China Shares registered in the name of the holder on the securities registers maintained by or on behalf of Golden China and deposited pursuant to the Offer and purchased by the Offeror (the "Purchased Shares"), and with respect to any and all Distributions which may be declared, paid, accrued, issued, distributed, made or transferred on or in respect of the Purchased Shares on or after

August 13, 2007, with full power of substitution (such powers of attorney, being coupled with an interest, being irrevocable), in the name of and on behalf of such Shareholder:

- (a) to register or record the transfer or cancellation of Purchased Shares and Distributions consisting of securities on the appropriate registers maintained by or on behalf of Golden China;
- (b) for so long as any such Purchased Shares are registered or recorded in the name of such Shareholder, to exercise any and all rights of such Shareholder including, without limitation, the right to vote, to execute and deliver (provided the same is not contrary to applicable Laws), as and when requested by the Offeror (by whom such Golden China Shares are purchased), any instruments of proxy, resolutions, authorizations or consents in form and on terms satisfactory to the Offeror in respect of any Purchased Shares and Distributions, and to designate in any such instruments, authorizations, resolutions or consents any person or persons specified by the Offeror as the proxyholder of such Shareholder in respect of such Purchased Shares and Distributions for all purposes including, without limitation, in connection with any meeting or meetings (whether annual, special or otherwise, or any adjournment thereof, including, without limitation, any meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of Golden China;
- (c) to execute, endorse and negotiate any cheques or other instruments representing such Distributions payable to or to the order of, or endorsed in favour of the Shareholder; and
- (d) to exercise any rights of a Shareholder with respect to such Purchased Shares and such Distributions.

A Shareholder accepting the Offer under the terms of the Letter of Transmittal or by acceptance sent to the CDI Nominee revokes any and all other authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise, previously conferred or agreed to be conferred by the Shareholder at any time with respect to the Deposited Shares or any Distributions. The Shareholder accepting the Offer agrees that no subsequent authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise will be granted by or on behalf of the Depositing Shareholder with respect to the Deposited Shares or any Distributions unless the deposited Golden China Shares are not taken up and paid for under the Offer or are withdrawn in accordance with Section 7 of the Offer, "Right to Withdrawal of Deposited Shares".

A Shareholder accepting the Offer whose securities are also taken up by the Offeror also agrees not to vote any of the Purchased Shares at any meeting (whether annual, special or otherwise or any adjournment thereof, including, without limitation, any meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of Golden China and not to exercise any of the other rights or privileges attached to the Purchased Shares, and agrees to execute and deliver to the Offeror any and all instruments of proxy, authorizations or consents in respect of all or any of the Purchased Shares, and agrees to appoint in any such instruments of proxy, authorizations or consents, the person or persons specified by the Offeror as the proxy of the holder of the Purchased Shares. Upon such appointment, all prior proxies and other authorizations (including, without limitation, all appointments of any agent, attorney or attorney-in-fact) or consents given by the holder of such Purchased Shares with respect thereto will be revoked and no subsequent proxies or other authorizations or consents may be given by such person with respect thereto.

### *Further Assurances*

A Shareholder accepting the Offer covenants under the terms of the Letter of Transmittal or by acceptance sent to the CDI Nominee to execute, upon request of the Offeror, any additional documents, transfers and other assurances as may be desirable to complete the sale, assignment and transfer of the Purchased Shares to the Offeror. Each authority therein conferred or agreed to be conferred may be exercised during any subsequent legal incapacity of such holder and shall, to the maximum extent permitted by law, survive the death or incapacity, bankruptcy or insolvency of the holder, and that all obligations of the holder therein shall be binding upon the heirs, executors, administrators, attorneys, personal representatives, successors and permitted assigns of such holder.

### *Formation of Agreement*

The acceptance of the Offer pursuant to the manner set forth herein by Depositing Shareholders, will constitute an agreement between the Depositing Shareholder and the Offeror effective immediately following the time which the Offeror takes up the Golden China Shares deposited by such Shareholder, in accordance with the terms and conditions of the Offer, including the representation and warranty that: (i) each Depositing Shareholder signing the Letter of Transmittal or on whose behalf has full power and authority to deposit, sell, assign and transfer the Golden China Shares and any Distributions deposited pursuant to the Offer free and clear of all Encumbrances and has not sold, assigned or transferred, or agreed to sell, assign or transfer, any of such Golden China Shares and any Distributions, (ii) each Depositing Shareholder for whom instructions of acceptance were given to the CDI Nominee owns the CDIs and any distributions deposited pursuant to the Offer free and clear of all Encumbrances and has not sold, assigned or transferred, or agreed to sell, assign or transfer, any of such CDIs and any Distributions being deposited to any other Person, (iii) the deposit of the Deposited Shares and Distributions complies with applicable Laws, and (iv) if and when such Golden China Shares and any Distributions deposited pursuant to the Offer are taken up and paid for by the Offeror, the Offeror will acquire good title thereto, free and clear of all liens, restrictions, charges, encumbrances, claims, equities and rights of others of any nature whatsoever.

The Offeror reserves the right to permit the Offer to be accepted in a manner other than that set forth in this Section 3 including acceptance of tenders of Golden China Shares resulting from the conditional exercise or conversion of Convertible Securities, where available under the terms thereof (as they may be amended).

### *Cash Sales Elections*

Depositing Shareholders may make an election (each an "Electing Shareholder") to have the Sino Gold Shares (an "Election") which they would otherwise receive pursuant to the Offer (the "Elected Sino Gold Shares") issued on their behalf to a trustee or selling agent (the "Selling Agent") appointed by the Offeror, who will seek to arrange for the sale of their Elected Sino Gold Shares through a broker (the "Selling Broker") as execution broker on behalf of the Electing Shareholders. The net proceeds of such sale, less: (a) a 4.4% brokerage commission (including GST in Australia) to be paid by the Electing Shareholder to the Selling Broker for the sale of the Elected Sino Gold Shares; and (b) any applicable withholding and other applicable taxes and deductions (the "Net Proceeds") will be paid to the Electing Shareholder.

An Electing Shareholder will receive their Net Proceeds in Canadian dollars (based on the Canadian dollar/Australian dollar exchange rate available to the Selling Broker), or in Australian dollars, unless such Electing Shareholder is making an Election in respect of CDIs, in which case they will automatically receive their Net Proceeds in Australian dollars. If an Electing Shareholder makes

an Election and does not specify a currency, such Electing Shareholder will automatically receive their Net Proceeds in Australian dollars.

There is no guarantee that the Selling Broker will be able to sell all of the Elected Sino Gold Shares. In the event that the Selling Broker is unable to sell any or all Elected Sino Gold Shares, a pro rata number of each Electing Shareholder's Elected Sino Gold Shares (rounded up to the next whole Sino Gold Share) are expected to be sold through the Selling Broker, based on the total number of Sino Gold Shares in respect of which Elections are received, and each Electing Shareholders will receive a pro rata amount of the Net Proceeds in cash and the balance of their consideration in Sino Gold Shares.

In addition, the Offeror has set a maximum of 5,620,000 Sino Gold Shares (the "Maximum Number of Permitted Elected Shares") in respect of which Elections may be made, which maximum may be waived or increased at the sole discretion of the Offeror. In the event that Elections are made for more Sino Gold Shares than the Maximum Number of Permitted Elected Shares, unless the Offeror waives or increases the Maximum Number of Permitted Elected Shares, a pro rata number of each Electing Shareholder's Elected Sino Gold Shares (rounded up to the next whole Sino Gold Share) will be sought to be sold through the Selling Broker, based on the total number of Sino Gold Shares in respect of which Elections are received, and each Electing Shareholders will receive a pro rata amount of their Net Proceeds in cash and will receive the balance of their consideration in Sino Gold Shares. No assurance is given that any or all Elected Sino Gold Shares can be sold, and any unsold Elected Sino Gold Shares shall be returned to the applicable Electing Shareholders.

Neither the Offeror nor Sino Gold assumes any liability whatsoever in connection with any Elections, including the sales of the Sino Gold Shares through the Selling Broker, the exchange of any funds from Australian dollars to Canadian dollars, as applicable, any pro rating and the payment of the Net Proceeds and/or the balance of the consideration to a Selling Shareholder.

#### *How to make a Cash Sale Election*

To make an Election, Depositing Shareholders must:

- (a) in the case of registered Shareholders, properly complete the section entitled "Cash Sale Election" on page 6 of the Letter of Transmittal (printed on yellow paper);
- (b) in the case of beneficial Shareholders, contact their investment dealer, broker, bank manager, accountant, lawyer or other professional advisor for further instructions; or
- (c) in the case of Shareholders who hold Golden China Shares in the form of CDIs, contact their brokers or the CDI Nominee for further instructions.

#### **4. CONDITIONS OF THE OFFER**

The Offeror will have the right to withdraw or terminate the Offer (or amend the Offer), and will not be required to accept for payment, take up, purchase or pay for and/or may extend the period of time during which the Offer is open and/or may postpone taking up and paying for any Golden China Shares deposited under the Offer, unless all of the following conditions are satisfied or waived by the Offeror at or prior to the time the Offeror propose to accept the Golden China Shares for take up under the Offer:

- (a) not less than 90% (on a fully diluted basis) of the outstanding Golden China Shares, directly or indirectly, other than Golden China Shares held at the date of the Offer by or on behalf of the Offeror or an affiliate or associate of the Offeror (as such terms are

defined in the CBCA), are tendered under the Offer and not withdrawn at the Expiry Time (the “**Minimum Tender Condition**”);

- (b) the Regulatory Approvals shall have been obtained on terms satisfactory to the Offeror, acting reasonably;
- (c) all regulatory approvals (including without limitation those of the HKSE to list Sino Gold Shares to be issued pursuant to the Offer (see Section 12 of the Circular, “Regulatory Considerations”) and those required by any securities regulatory and other governmental authorities) required by law to complete the Offer shall have been obtained on terms satisfactory to the Offeror, acting reasonably;
- (d) ASIC not having issued any interim order or stop order in respect of the Australian Prospectus, and no Governmental Entity having applied for any order in respect of the Australian Prospectus, or given notice of an intention to initiate any proceedings or take any other similar action in respect of the Australian Prospectus;
- (e) (i) no act, action, suit or proceeding shall have been threatened in writing or taken before or by any Governmental Entity or private person (including, without limitation, any individual, corporation, firm, group or other entity) in Canada or elsewhere, whether or not having the force of law, and (ii) no law, regulation or policy shall have been proposed, enacted, promulgated or applied:
  - (A) to cease trade, enjoin, prohibit or impose material limitations or conditions on the purchase by or the sale to the Offeror of the Golden China Shares or the right of the Offeror to own or exercise full rights of ownership of the Golden China Shares, or
  - (B) which if the Offer was consummated, would reasonably be expected to have a Material Adverse Effect with respect to Golden China or Sino Gold;

provided in either case that, in the judgement of the Offeror, acting reasonably, there is a reasonable risk that the circumstances referred to above would result in the occurrence of any of the consequences referred to in paragraph (A) or (B) and provided further that, in the case of any act, action, suit or proceeding taken by a private person, the Offeror shall not be required to take up and pay for the Golden China Shares under the Offer only if such act, action, suit or proceeding shall have been resolved in favour of such private person as evidenced by an order, ruling or decision by any Governmental Entity having jurisdiction in respect of the Offeror or the Offer;

- (f) there shall not exist any prohibition at law against the Offeror making the Offer or taking up and paying for, Golden China Shares deposited under the Offer;
- (g) Golden China shall have complied with the Support Agreement in all material respects and the Offeror shall have received a certificate of Golden China addressed to the Offeror and dated the Expiry Time, signed on behalf of Golden China by two of its senior executive officers (on Golden China’s behalf and without personal liability), confirming the same as at the Expiry Time;
- (h) the Support Agreement shall not have been terminated in accordance with its terms;

- (i) the representations and warranties of Golden China in the Support Agreement shall have been true and correct on the date of the Support Agreement in all material respects (and in all respects where subject to a materiality qualification), and the Offeror shall have received a certificate of Golden China addressed to the Offeror and dated the Expiry Time, signed on behalf of Golden China by two of its senior executive officers (on Golden China's behalf and without personal liability), confirming the same as at the Expiry Time;
- (j) the representations and warranties of Golden China in the Support Agreement shall be true and correct in all material respects (and in all respects where subject to a materiality qualification) as of the Expiry Time as if made on and as of such time (except to the extent such representations and warranties speak solely as of an earlier date, in which event such representations and warranties shall be true and correct to such extent as of such earlier date, or except as affected by transactions expressly contemplated by the Support Agreement), and the Offeror shall have received a certificate of Golden China addressed to the Offeror and dated the Expiry Time, signed on behalf of Golden China by two of its senior executive officers (on Golden China's behalf and without personal liability), confirming the same as at the Expiry Time;
- (k) a lock-up agreement with each of Peter Secker and Stephen Everett shall be in full force and effect as of the Expiry Time; and
- (l) there shall not have occurred (and there shall not have been generally disclosed, if undisclosed generally prior to the date of the Support Agreement and not disclosed to the Offeror in writing prior to the date of the Support Agreement) any Material Adverse Change in respect of Golden China.

The foregoing conditions are for the sole benefit of the Offeror and may be asserted by the Offeror regardless of the circumstances giving rise to any such assertion (including any action or inaction by the Offeror or any of its subsidiaries) or may be waived by the Offeror in whole or in part at any time and from time to time subject to the Support Agreement, without prejudice to any other rights which the Offeror may have. The failure by the Offeror at any time to exercise any of the foregoing rights will not be deemed a waiver of any such rights and each such right will be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Offeror concerning the events described in the foregoing conditions will be final and binding on the Offeror and the Shareholders

However, the Offeror has agreed in the Support Agreement that, except with the prior written consent of Golden China, the Offer will not be amended to:

- (a) decrease the consideration payable per Golden China Share under the Offer (except as customarily provided under a take-over bid in respect of dividends and distributions);
- (b) increase the Minimum Tender Condition or reduce the Minimum Tender Condition to below two thirds of the then outstanding Golden China Shares;
- (c) impose additional conditions under the Offer;
- (d) decrease the number of Golden China Shares in respect of which the Offer is being made;

- (e) change the form of consideration payable under the Offer (other than to increase the total consideration per Golden China Share and/or add additional consideration); or
- (f) otherwise amend or vary the Offer or any of the terms and conditions thereof (which for greater certainty does not include the waiver of a condition) in a manner that is materially adverse to the Shareholders.

Any waiver of a condition or the withdrawal of the Offer will be effective upon written notice (or other communication confirmed in writing) being given by the Offeror to that effect to the Depositary at its principal office in Toronto, Ontario. The Offeror, forthwith after giving any such notice, will make a public announcement of such waiver or withdrawal and, to the extent required by applicable Law, cause the Depositary as soon as is practicable thereafter to notify the Shareholders in the manner set forth in Section 10 of this Offer, "Notice and Delivery". If the Offer is withdrawn, the Offeror will not be obligated to take up, accept for payment or pay for any Golden China Shares deposited under the Offer.

## **5. EXTENSION, VARIATION OR CHANGE IN THE OFFER**

The Offer is open for acceptance until, but not after, the Expiry Time, unless the Offer is withdrawn or the Offer Period is extended.

Subject as hereinafter described, the Offeror may, in its sole discretion, at any time and from time to time, extend or vary the Expiry Time or vary the Offer by giving written notice (or other communication confirmed in writing) of such extension or variation to the Depositary at its principal office in Toronto, Ontario or in Sydney, Australia. Upon the giving of such notice or other communication extending or varying the Expiry Time, the Expiry Time will be, and will be deemed to be, so extended or varied. The Offeror, as soon as practicable thereafter, will cause the applicable Depositary to provide a copy of the notice, in the manner set forth in Section 10 of this Offer, "Notice and Delivery", to all Shareholders whose Golden China Shares have not been taken up prior to the extension or variation. The Offeror will, as soon as practicable after giving notice of an extension or variation to the Depositaries, make a public announcement of the extension or variation to the extent and in the manner required by applicable Law. Any notice of extension or variation will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario or in Sydney, Australia.

Where the terms of the Offer are varied (including if the Offeror waives any condition of the Offer), the Offer Period will not expire before 10 days after notice of the variation has been given to Shareholders, unless otherwise permitted by applicable Law and subject to abridgement or elimination of that period pursuant to such orders as may be granted by Canadian courts and/or the Securities Regulatory Authorities.

If, before the Expiry Time, or after the Expiry Time but before the expiry of all rights of withdrawal with respect to the Offer, a change occurs in the information contained in the Offer or the Circular, as amended from time to time, that would reasonably be expected to affect the decision of a Shareholder to accept or reject the Offer (other than a change that is not within the control of the Offeror or an affiliate of the Offeror, unless it is a change in a material fact relating to the Sino Gold Shares), the Offeror will give written notice of such change to the Depositary at its principal office in Toronto, Ontario or in Sydney, Australia and will cause the applicable Depositary to provide as soon as practicable thereafter a copy of such notice in the manner set forth in Section 10 of this Offer, "Notice and Delivery", to Shareholders whose Shares have not been taken up under the Offer, at the date of the occurrence or change, if required by applicable Law. As soon as possible after giving notice of a change in information to the Depositary, the Offeror will make a public announcement of



the change in information. Any notice of change in information will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario or in Sydney, Australia.

Notwithstanding the foregoing, but subject to applicable Law, the Offer may not be extended by the Offeror if all of the terms and conditions of the Offer (other than those waived by the Offeror) have been fulfilled or complied with, unless the Offeror first takes up all of the Golden China Shares then deposited under the Offer and not validly withdrawn. However, if the Offeror waives any terms or conditions of the Offer and extends the Offer in circumstances where the rights of withdrawal described herein are applicable, the Offer shall be extended without the Offeror first taking up the Golden China Shares subject to such rights of withdrawal.

During any such extension, or in the event of any variation or change in information, all of the Golden China Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by the Offeror in accordance with the terms hereof, subject to the provisions set out in Section 7 of this Offer, "Right to Withdraw Deposited Shares". An extension or variation of the Expiry Time, a variation of the Offer or a change in information contained in the Offer or the Circular does not, unless otherwise expressly stated, constitute a waiver by the Offeror of any of its rights set out in Section 4 of this Offer, "Conditions of the Offer".

If the consideration being offered for the Golden China Shares under the Offer is increased, the increased consideration will be required to be paid to all Depositing Shareholders whose Golden China Shares are taken up under the Offer, whether or not such Golden China Shares were taken up before the increase.

## **6. TAKE UP OF AND PAYMENT FOR DEPOSITED GOLDEN CHINA SHARES**

Upon and subject to the terms and conditions of the Offer, the Offeror will be obliged to take up and pay for the Golden China Shares duly and validly deposited pursuant to the Offer in accordance with the terms hereof and not validly withdrawn within 10 days after the Expiry Time. Any Golden China Shares taken up will be required to be paid for as soon as possible, and in any event not later than three business days after they are taken up. Any Golden China Shares deposited pursuant to the Offer after the first date on which the Golden China Shares have been taken up and paid for by the Offeror will be required to be taken up and paid for within 10 days of such deposit.

For the purposes of the Offer, the Offeror will be deemed to have taken up and accepted for payment the Golden China Shares validly deposited under the Offer and not validly withdrawn if, as and when the Offeror gives written notice to the Depositaries, at their principal offices in Toronto, Canada and Sydney, Australia, to that effect and as required by applicable Law.

Subject to applicable Laws, the Offeror reserves the right, in its sole discretion, to delay taking up and paying for any Golden China Shares or to terminate the Offer and not take up and pay for any Golden China Shares if any condition specified in Section 4 of this Offer, "Conditions of the Offer", is not satisfied or waived by the Offeror. The Offeror also reserves the right, in its sole discretion and notwithstanding any other condition of the Offer, to delay taking up and paying for the Golden China Shares in order to comply, in whole or in part, with any applicable Law. The Offeror will not, however, take up and pay for any Golden China Shares deposited under the Offer unless it simultaneously takes up all of the Golden China Shares then validly deposited under the Offer and not validly withdrawn.

The Sino Gold Shares will be in uncertificated form. Sino Gold, through its share registry, operates an issuer sponsored subregister. In addition, Sino Gold participates in the security transfer

system known as the Clearing House Electronic Subregister System ("CHESS"). Shareholders who elect to have their shareholding in Sino Gold managed by a broker will have their holding recorded on the CHESS subregister. All other Shareholders will have their holding in Sino Gold recorded on the issuer sponsored subregister. After the issue of Sino Gold Shares, Shareholders on the issuer sponsored subregister will be sent a notice advising them of their Security Holder Reference No. (SRN) and the opening balance of their holding. Where Sino Gold Shares are to be issued through CHESS, they will be delivered to the account specified by the relevant Shareholder.

Following distribution of the initial holding statements to Shareholders, a holding statement will generally be provided to a Shareholder on the issuer sponsored subregister within 5 Business Days after the end of any subsequent month during which there has been a movement in its shareholding in Sino Gold. Shareholders may also request Sino Gold to provide a statement at other times, although an administration fee may be charged in those circumstances.

The Offeror will pay for the Golden China Shares validly deposited pursuant to the Offer and not validly withdrawn by providing the Offered Consideration by issuing the Sino Gold Shares in the manner described above for transmittal to persons depositing the Golden China Shares under the Offer and (ii) to pay Electing Shareholders the Net Proceeds from the sale of their Elected Sino Gold Shares. Under no circumstances will interest or other amounts accrue or be paid by the Offeror to Depositing Shareholders on the purchase price of such Golden China Shares purchased by the Offeror, regardless of any delay in making such payment. Fractional Sino Gold Shares will not be issued. Instead, the number of Sino Gold Shares to be issued to each registered Shareholder will be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5) to the next whole number. For all rounding purposes, all Golden China Shares deposited by a registered Shareholder will be aggregated.

Unless otherwise directed by the Letter of Transmittal, the Sino Gold Shares will be issued in the name of the registered holder of the Golden China Shares so deposited. Unless the Person depositing the Golden China Shares instructs the Depository to hold any cheque for pick-up by checking the appropriate box in the Letter of Transmittal, any cheque will be forwarded by mail to such Person at the address specified in the Letter of Transmittal. If no such address is specified, any cheque will be sent to the address of the holder as shown on the securities register maintained by or on behalf of Golden China. Cheques mailed in accordance with this paragraph will be deemed to be delivered at the time of mailing.

## **7. RIGHT TO WITHDRAW DEPOSITED SHARES**

Except as otherwise provided in this Section 7, all deposits of the Golden China Shares pursuant to the Offer are irrevocable. Unless otherwise required or permitted by applicable Law, any Golden China Shares deposited in acceptance of the Offer may be withdrawn on behalf of the Depositing Shareholder:

- (a) at any time when the Golden China Shares have not been taken up by the Offeror;
- (b) if the Golden China Shares have not been paid for by the Offeror within three Canadian business days after having been taken up; or
- (c) at any time before the expiration of 10 days from the date upon which either:
  - (i) a notice of change relating to a change which has occurred in the information contained in the Offer or the Circular, as amended from time to time, that would reasonably be expected to affect the decision of a Shareholder to

accept or reject the Offer (other than a change that is not within the control of the Offeror or an affiliate of the Offeror unless it is a change in a material fact relating to the Sino Gold Shares), in the event that such change occurs before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal in respect of the Offer; or

- (ii) a notice of variation concerning a variation in the terms of the Offer (other than a variation consisting solely of an increase in the consideration offered for the Golden China Shares where the Expiry Time is not extended for more than 10 days),

is mailed, delivered or otherwise properly communicated (subject to abridgement of that period pursuant to such order or orders as may be granted by applicable courts or Securities Regulatory Authorities) and only if such deposited Golden China Shares have not been taken up by the Offeror at the date of the notice.

Withdrawals of the Golden China Shares deposited pursuant to the Offer must be effected by notice of withdrawal made by or on behalf of the Depositing Shareholder and must be actually received by the Depository at the place of deposit before such Golden China Shares are taken up and paid for. Notice of withdrawal: (a) must be made by a method, including facsimile transmission, that provides the Depository with a written or printed copy; (b) must be signed by or on behalf of the person who signed the Letter of Transmittal (printed on yellow paper) (or Notice of Guaranteed Delivery) accompanying the Golden China Shares which are to be withdrawn; (c) must specify such person's name, the number of the Golden China Shares to be withdrawn, the name of the registered holder and the certificate number shown on each certificate representing the Golden China Shares to be withdrawn; and (d) must be actually received by the Depository at the place of deposit of the applicable Golden China Shares (or Notice of Guaranteed Delivery in respect thereof).

Any Shareholder holding Golden China Shares in the form of CDIs should contact the CDI Nominee to arrange for appropriate electronic withdrawal instructions.

Any signature in a notice of withdrawal must be guaranteed by an Eligible Institution in the same manner as in a Letter of Transmittal (as described in the instructions and rules set out therein), except in the case of the Golden China Shares deposited for the account of an Eligible Institution. The withdrawal will take effect upon actual physical receipt by the Depository of the properly completed and signed written notice of withdrawal.

**A Shareholder's broker, CDI Nominee or other nominee may set deadlines for the withdrawal of the Golden China Shares deposited to the Offer that are earlier than those specified above. Shareholders should contact their broker, CDI Nominee or other nominee for assistance.**

All questions as to the validity (including timely receipt) and form of notices of withdrawal will be determined by the Offeror in its sole discretion, and such determination will be final and binding. There will be no obligation on the Offeror, the Depositories, the Information Agents or any other Person to give any notice of any defects or irregularities in any withdrawal and no liability will be incurred by any of them for failure to give any such notice.

If the Offeror extends the period of time during which the Offer is open, is delayed in taking up or paying for the Golden China Shares or is unable to take up or pay for the Golden China Shares, then, without prejudice to the Offeror's other rights, the Golden China Shares deposited under the Offer may be retained by the Depository on behalf of the Offeror and such Golden China Shares may

not be withdrawn except to the extent that Depositing Shareholders are entitled to withdrawal rights as set forth in this Section 7 or pursuant to applicable Law.

A withdrawal of the Golden China Shares deposited pursuant to the Offer can only be accomplished in accordance with the foregoing procedure. The withdrawal will take effect only upon actual receipt by the Depository of the properly completed and executed written notice of withdrawal.

Withdrawals may not be rescinded and any of the Golden China Shares withdrawn will be deemed not validly deposited for the purposes of the Offer, but may be re-deposited at any subsequent time prior to the Expiry Time by following any of the procedures described in Section 3 of the Offer, "Manner of Acceptance".

**In addition to the foregoing rights of withdrawal, certain provinces of Canada provide securityholders with statutory rights of rescission in certain circumstances. See Section 24 of the Circular, "Offerees' Statutory Rights".**

## **8. TREATMENT OF CONVERTIBLE SECURITIES**

The Offer is only made for the Golden China Shares and is not made for any Convertible Securities of Golden China.

Any holder of Convertible Securities or other rights to acquire the Golden China Shares who wishes to accept the Offer must, to the extent permitted by the terms thereof, exercise, convert or exchange such Convertible Securities in order to obtain certificates representing the Golden China Shares that may be deposited in accordance with the terms of the Offer. Any such exercise, conversion or exchange must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such Convertible Security will have certificate(s) representing the Golden China Shares received on such exercise, conversion or exchange available for deposit prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, "Manner of Acceptance - Procedure for Guaranteed Delivery".

In connection with the Offer, the following will apply with respect to the outstanding and unexercised Warrants and Options:

- (a) The Offeror will propose to each holder of unexercised Options the ability to receive replacement options to acquire Sino Gold Shares, with the number of underlying shares and/or the exercise price adjusted to reflect the Exchange Ratio, such exchange to be conditional on the successful completion of the Offer;
- (b) The Offeror will propose to each holder of unexercised Warrants (other than holders of Warrants issued pursuant to the warrant indenture made as of April 27, 2006 between Golden China and Computershare Trust Company of Canada and the warrant indenture made as of May 23, 2007 between Golden China and Computershare Trust Company of Canada (collectively, the "Indentured Warrants")) the ability to receive replacement warrants to acquire Sino Gold Shares, with the number of underlying Sino Gold Shares and/or the exercise price adjusted to reflect the Exchange Ratio, such exchange to be conditional on the successful completion of the Offer; and
- (c) With respect to the Indentured Warrants, the Offeror will propose amendments to the terms of the relevant warrant indenture to, among other things, provide each holder of unexercised Indentured Warrants with the ability to receive replacement warrants

to acquire Sino Gold Shares, with the number of underlying Sino Gold Shares and/or the exercise price adjusted to reflect the Exchange Ratio, such exchange to be conditional on the successful completion of the Offer. Such proposed amendments will be sought to be effected through an extraordinary resolution of holders of the Indentured Warrants.

In accordance with the foregoing, supplemental materials will be sent to each holder of outstanding Warrants and Options at the appropriate time.

In addition to the foregoing, all Debentures will remain outstanding on their terms, and all holders of outstanding Debentures will be permitted to exercise all of their rights (subject to any subsequent amendments thereto, if any) as holders of Debentures, including any such rights that are triggered as a result of the Offer.

With respect to the Convertible Debentures, the Offeror has agreed to permit Golden China to make a proposal to the holders of the Convertible Debentures (the "Convertible Debentureholders") to, subject to obtaining the required approval from holders of not less than 66 2/3% of the Convertible Debentureholders, permit the conversion of the Convertible Debentures into Golden China Shares, immediately following, and conditional on, the satisfaction or waiver by the Offeror of all conditions to the Offer, such that the Convertible Debentureholders may conditionally tender the Golden China Shares underlying their Convertible Debentures to the Offer. Subject to obtaining the required approval of the Convertible Securityholders, this would be implemented by way of an amendment to the trust indenture made as of May 23, 2007 between Golden China and Computershare Trust Company of Canada (the "Convertible Debentures Trust Indenture").

Convertible Debentureholders should also note that the completion of the Offer will result in a "change of control" for the purposes of section 9 of the Convertible Debentures Trust Indenture, thereby entitling the Convertible Debentureholders to exercise their right to require Golden China to purchase all or a portion of the holder's Convertible Debentures at a price equal to 103% of the principal amount of their Convertible Debentures, together with accrued and unpaid interest.

If any holder of Convertible Securities does not exercise, convert or exchange its Convertible Securities prior to the Expiry Time, or in the case of a holder of Warrants or Options otherwise does not agree to receive replacement warrants or options, as applicable, on the terms described above, such Convertible Securities will remain outstanding following the Expiry Time in accordance with their terms and conditions (as they may be amended from time to time), subject to the terms of any Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable.

The tax consequences to holders of Convertible Securities of exercising their Convertible Securities or exchanging or replacing their Convertible Securities with other securities, as described above, are not described in Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations", or in Section 16 of the Circular, "Certain Australian Income Tax Considerations". Holders of Convertible Securities should consult their own tax advisors for advice with respect to the potential income tax consequences to them in connection with the decision to exercise, exchange, or replace or not to exercise, exchange or replace, as the case may be, their Convertible Securities.

## **9. CHANGES IN CAPITALIZATION; LIENS**

If, on or after August 13, 2007, Golden China should divide, combine or otherwise change any of the Golden China Shares or its capitalization, or disclose that it has taken or intends to take any such action, the Offeror, in its sole discretion, may make such adjustments as it considers appropriate to the Exchange Ratio and the other terms of the Offer (including the type of securities

offered to be purchased and/or the Exchange Ratio) to reflect that division, combination or other change.

The Golden China Shares acquired pursuant to the Offer will be transferred by the Shareholders and acquired by the Offeror free and clear of all liens, charges, encumbrances, claims, equities and rights of others of any nature whatsoever and together with all rights and benefits arising therefrom, including the right to all dividends, distributions, payments, securities, rights, assets or other interests which may be declared, paid, issued, distributed, made or transferred on or after August 13, 2007 on or in respect of the Golden China Shares.

If Golden China should after August 13, 2007 declare or pay any dividends on the Golden China Shares or pay, declare, allot, reserve or issue any securities, rights or other interests with respect to any Golden China Share that are payable or distributable to Shareholders on a record date that is prior to the time of transfer into the name of the Offeror or its nominees or transferees on the transfer register maintained by or on behalf of Golden China in respect of the Golden China Shares accepted for purchase pursuant to the Offer, then, without prejudice to the Offeror's Rights under Section 4 of the Offer "Conditions of the Offer", the amount of the dividend, distribution, payment, right or interest relating to Golden China Shares deposited to the Offer by the Depositing Shareholder and not validly withdrawn will be required to be received and held by the Depositing Shareholder for the account of the Offeror in the event it takes up such Golden China Shares. Alternatively, if any such dividend, distribution, payment, right or interest is delivered or paid to any Depositing Shareholder, then, if the Offeror takes up and pays for such Depositing Shareholders' Golden China Shares, at the sole discretion of the Offeror, the Offeror may deduct the full amount or value of such dividend, distribution, payment, right or interest from the consideration payable to such Depositing Shareholder (as calculated by the Offeror in its sole discretion) under the Offer or, at the election of the Offeror, such amount may be required to be returned or paid back in full to the Offeror by such Depositing Shareholder.

The declaration or payment of any such dividend or distribution may have tax consequences not discussed under "Certain Canadian Federal Income Tax Considerations" in Section 15 of the Circular or under "Certain Australian Income Tax Considerations" in Section 16 of the Circular.

## **10. NOTICE AND DELIVERY**

Without limiting any other lawful means of giving notice, any notice to be given by the Offeror or the Depositaries pursuant to the Offer will be deemed to have been properly given if it is mailed by first class mail, postage prepaid, to the registered Shareholders at their addresses as shown on the share register maintained by or on behalf of Golden China and will be deemed to have been received on the first business day following the date of mailing. For this purpose, "business day" means any day other than a Saturday, Sunday or statutory holiday in Ontario. These provisions apply notwithstanding any accidental omission to give notice to any one or more Shareholders and notwithstanding any interruption of mail services following mailing. In the event of any interruption of mail service following mailing, the Offeror intends to make reasonable efforts to disseminate the notice by other means, such as publication. Except as otherwise required or permitted by law, if post offices in Canada are not open for the deposit of mail, any notice which the Offeror or the Depositary may give or cause to be given to Shareholders under the Offer will be deemed to have been properly given and to have been received by Shareholders if it is given to the TSX and ASX for dissemination through their respective facilities or it is published once in the National Edition of The Globe and Mail or The National Post and in La Presse or it is given to the CNW Group for dissemination through its facilities in Canada and is published in The Australian or is given for dissemination through a news wire service in Australia.

The Offer, the Circular, the Letter of Transmittal, the Notice of Guaranteed Delivery and the Australian Prospectus and accompanying CDI Acceptance Form (if applicable) will be mailed to holders of the Golden China Shares (including CDI Holders) and will be furnished by the Offeror to brokers, investment advisors, banks and similar persons whose names, or the names of whose nominees, appear in the register maintained by or on behalf of Golden China in respect of the Golden China Shares or, if security position listings are available, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to the beneficial owners of the Golden China Shares where such listings are received.

These security holder materials are being sent to both registered and non-registered owners of securities. If you are a non-registered owner, and the Offeror or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable regulatory requirements from the intermediary holding on your behalf.

Wherever the Offer calls for documents to be delivered to the Depositories or an address specified on the applicable forms, such documents will not be considered delivered unless and until they have been physically received at the address listed for the Depository specified in the Letter of Transmittal, or in the Notice of Guaranteed Delivery, as applicable or at the address specified in the CDI Acceptance Form, if applicable. Wherever the Offer calls for documents to be delivered to a particular office of the Depository, such documents will not be considered delivered unless and until they have been physically received at the particular office at the address indicated in the Letter of Transmittal, or Notice of Guaranteed Delivery, as applicable.

#### **11. MAIL SERVICE INTERRUPTION**

Notwithstanding the provisions of the Offer, the Circular, the Letter of Transmittal (printed on yellow paper) and the Notice of Guaranteed Delivery, the CDI Acceptance Form, cheques and any other relevant documents will not be mailed if the Offeror determines that delivery thereof by mail may be delayed. Persons entitled to any other relevant documents which are not mailed for the foregoing reason may take delivery thereof at the office of the Depository to which the deposited certificate(s) for the Golden China Shares were delivered until such time as the Offeror has determined that delivery by mail will no longer be delayed. The Offeror shall provide notice of any such determination not to mail made under this Section 11 as soon as reasonably practicable after the making of such determination and in accordance with Section 10 of the Offer, "Notice and Delivery". Notwithstanding Section 6 of the Offer, "Take up of and Payment for Deposited Golden China Shares", any other relevant documents not mailed for the foregoing reason will be conclusively deemed to have been delivered on the first day upon which they are available for delivery to the Depositing Shareholder at the appropriate office of the Depository.

#### **12. ACQUISITION OF GOLDEN CHINA SHARES NOT DEPOSITED UNDER THE OFFER**

If such right is available, the Offeror currently intends to proceed with the Compulsory Acquisition of the Golden China Shares, which would result in the acquisition of all of the issued and outstanding the Golden China Shares in exchange for the Sino Gold Shares and the distribution of such Sino Gold Shares to the remaining Shareholders on the basis of 0.2222 of a Sino Gold Share per Golden China Share (subject to adjustment as provided in the Offer and Circular) upon a redemption of their Golden China Shares.

If the statutory right of Compulsory Acquisition is not available or the Offeror elects not to pursue such right, Sino Gold has covenanted in the Support Agreement to use all commercially reasonable efforts to complete an amalgamation, plan of arrangement, amendment to articles, capital reorganization, share consolidation or other transaction involving Golden China and the Offeror

and/or one or more affiliates of the Offeror for the purpose of enabling the Offeror or an affiliate of the Offeror to acquire all of the Golden China Shares not acquired by the Offeror pursuant to the Offer (or already owned directly or indirectly by the Offeror) at the same consideration per Golden China Share paid by the Offeror under the Offer. The timing and details of any such transaction will necessarily depend on a variety of factors, including the number of the Golden China Shares acquired pursuant to the Offer. See Section 13 of the Circular, "Second Step Transactions".

### **13. MARKET PURCHASES**

The Offeror and any Persons affiliated or associated with the Offeror reserve the right to, and may, purchase the Golden China Shares as permitted by Law, including by making purchases through the facilities of the TSX, subject to applicable Law, at any time and from time to time before the Expiry Time. In no event will the Offeror or any Persons affiliated or associated with the Offeror make any such purchases of the Golden China Shares through the facilities of the TSX until the third clear trading day following the date of the Offer. The aggregate number of Golden China Shares acquired by the Offeror or any Persons affiliated or associated with the Offeror through the facilities of the TSX during the Offer Period will not exceed 5% of the number of Golden China Shares outstanding on the date of the Offer and the Offeror will issue and file a press release containing the information prescribed by Law forthwith after the close of business of the TSX on each day on which any such Golden China Shares have been purchased. Any of the Golden China Shares so purchased will be counted in determining whether the Minimum Tender Condition has been fulfilled.

For the purposes of this Section 13, "the Offeror" includes the Offeror and any Person or company acting jointly or in concert with the Offeror.

The Offeror may, in applicable circumstances, make or enter into an arrangement, commitment or understanding at or prior to the Expiry Time to sell any of the Golden China Shares taken up under the Offer after the Expiry Time.

### **14. OTHER TERMS OF THE OFFER**

**No broker, investment dealer or other Person (including soliciting brokers, the Information Agents or the Depositaries) has been authorized to give any information or make any representation on behalf of the Offeror other than as contained herein or in the accompanying Circular, and if any such information is given or made it must not be relied upon as having been authorized.**

The Offer and the accompanying Circular constitute the take-over bid circular required under applicable Laws with respect to the Offer.

The Offer and all contracts resulting from the acceptance hereof will be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein. Each party to a contract resulting from an acceptance of the Offer unconditionally and irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

The provisions of the Offer Documents, including the instructions contained herein and therein, as applicable, form part of the terms and conditions of the Offer. The Offeror, in its sole discretion, will be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the Circular and the Letter of Transmittal, the CDI Acceptance Form, the validity of any acceptance of the Offer and the validity of any withdrawals of the Golden China Shares.

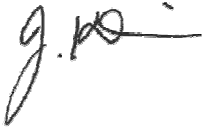


The Offeror reserves the right to waive any defect in acceptance with respect to any particular Golden China Shares or any particular Shareholder. There shall be no duty or obligation of the Offeror, the Depositaries, the Information Agents, or any other person to give notice of any defect or irregularity in the deposit of any of the Golden China Shares or in any notice of withdrawal and in each case no liability shall be incurred or suffered by any of them for failure to give such notice.

The Offeror reserves the right to transfer to one or more Persons affiliated or associated with it the right and obligation to purchase all or any portion of the Golden China Shares deposited pursuant to the Offer but any such transfer will not relieve the Offeror of its obligations under the Offer and in no way will prejudice the rights of Depositing Shareholders to receive payment for the Golden China Shares validly deposited and accepted for payment pursuant to the Offer. In addition, the Offeror intends, under applicable circumstances, to sell, following completion of the Offer, to one or more Persons affiliated or associated with it or to third Persons, any portion of the Golden China Shares acquired under the Offer.

Dated: October 24, 2007

**SINO GOLD MINING (CANADA) LTD.**

A handwritten signature in black ink, appearing to read 'J. Klein', with a horizontal line extending to the right.

Jacob Klein

Chief Executive Officer, Sino Gold Mining (Canada) Ltd. and Sino Gold Mining Limited

## CIRCULAR

*This Circular is furnished in connection with the accompanying Offer dated October 24, 2007 by the Offeror to purchase all the issued and outstanding Golden China Shares, including the Golden China Shares that become outstanding during the Offer Period. Shareholders should refer to the Offer for details of its terms and conditions, including details as to deposit, acceptance and payment arrangements and withdrawal rights.*

**The information concerning Golden China contained in the Offer and this Circular has been taken from or is based upon publicly available documents and records of Golden China on file with Canadian Securities Regulatory Authorities and other public sources at the time of the Offer, and has not been independently verified by the Offeror. Although the Offeror has no knowledge that would indicate that any of the statements contained herein and taken from or based on such information are untrue or incomplete, the Offer does not assume any responsibility for the accuracy or completeness of such information, or for any failure by Golden China to disclose publicly events or acts that may have occurred or that may affect the significance or accuracy of any such information and that are unknown to the Offeror. Unless otherwise indicated, information concerning Golden China is given as at October 19, 2007.**

### **1. THE OFFEROR AND SINO GOLD**

The Offeror was incorporated under the laws of British Columbia on October 2, 2007 and has not carried on any business prior to the date hereof other than in connection with matters directly related to the Offer. The registered office of the Offeror is located at 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8. The Offeror is a wholly-owned subsidiary of Sino Gold.

Sino Gold is a public company incorporated in New South Wales, Australia and listed on the ASX and the HKSE. The head office of Sino Gold is located in Sydney, Australia.

Sino Gold explores, evaluates, develops and operates gold mines in the PRC through CJV companies, each of which is formed by a subsidiary of Sino Gold and a local PRC partner. Sino Gold's predecessor (from which Sino Gold's business was spun-off) was one of the first foreign companies to operate a gold mine in the PRC. Sino Gold currently owns 82% of the Jinfeng Gold Mine in Guizhou Province and 95% of the White Mountain Project in Jilin Province. In 1996, Sino Gold's predecessor initiated the development of the Jianchaling Gold Mine in Shaanxi Province and the Jianchaling Gold Mine was successfully operated until its divestment in September, 2006.

As at October 19, 2007, Sino Gold had a market capitalization of approximately A\$1.50 billion (approximately C\$1.29 billion, based on the Bank of Canada noon exchange rate on October 19, 2007). Its total assets as at June 30, 2007 were approximately A\$461 million (approximately C\$416.2 million based on the Bank of Canada noon exchange rate on June 30, 2007).

Further information related to Sino Gold is set forth in Schedule "B", "Information Concerning Sino Gold Mining Limited".

### **2. GOLDEN CHINA**

Golden China is a Toronto-based mining company principally engaged in a mix of exploration and development and processing in China. Golden China also has a substantial ownership interest in the Gold Ridge Mine in the Solomon Islands through its approximately 19.3% equity holding in Australian Solomons Gold Limited (TSX: ASG).

The immediate focus for Golden China is the development of its Beyinhar gold project in the Chinese province of Inner Mongolia and the expansion of its BioGold facility in Shandong. Beyinhar is a substantial asset for Golden China as demonstrated in a recent scoping study (Preliminary

Assessment of the Beyinhar Gold Project, Inner Mongolia, People's Republic of China by Kappes Cassiday Australia and Associates Pty Ltd). In March 2007, Golden China registered a 95% CJV with the Inner Mongolia Non-Ferrous Metals Bureau of Geology and Exploration Co. ("Non-Ferrous") to hold the Beyinhar lease (known as EL1). Under the terms of the CJV, Golden China will pay US\$0.2 million upon the registration of the CJV bank account and a further US\$2.8 million upon the transfer of the Exploration and Mining Licenses currently held by Non-Ferrous to the CJV. Non-Ferrous and Golden China are currently discussing the necessity of certain procedural actions in relation to license transfer to the CJV. To mitigate delay of the license transfer, Golden China may make separate multi-stage payments based on the achievement of certain agreed procedural milestones.

The Golden China Shares are listed on the TSX under the symbol "GCX" and on the ASX (in the form of CDIs) under the symbol "GCX". Golden China's head office is located at 8 King Street East, Suite 1438, Toronto, Ontario, Canada M5C 1B5 (Telephone: 416-366-8818).

For further information regarding Golden China, refer to Golden China's filings with the Canadian Securities Regulatory Authorities, which may be obtained through the SEDAR website at [www.sedar.com](http://www.sedar.com).

### ***Share Capital of Golden China***

#### *Golden China Shares*

The authorized share capital of Golden China consists of an unlimited number of common shares without nominal or par value. Each Golden China Share entitles the holder to one vote at meetings of shareholders, to receive dividends if, as and when declared by the board of directors and to participate rateably in any distribution of assets upon liquidation, dissolution or winding up. There were issued and outstanding 62,073,879 Golden China Shares on September 30, 2007 of which 23,455,931 (approximately 37.8%) were represented by CDIs.

#### *Convertible Securities*

The following warrants (the "Warrants") exercisable into Golden China Shares were outstanding as at September 30, 2007:

- (a) warrants entitling the holders to acquire an aggregate of 8,025,000 Golden China Shares at exercise prices ranging from C\$1.25 to C\$2.10 per Golden China Share;
- (b) options to acquire 3,500,000 Golden China Shares at an exercise price of C\$1.25 per Golden China Share;
- (c) compensation options exercisable at prices ranging from C\$0.87 to C\$1.75 per Golden China Share entitling the holders to acquire an aggregate of 755,786 Golden China Shares and an aggregate of 120,750 warrants (the warrants entitle the holders to acquire an aggregate of 120,750 Golden China Shares at an exercise price of C\$1.25 per Golden China Share); and
- (d) 336 compensation options expiring May 23, 2009 to acquire C\$336,000 principal amount of 7% Convertible Senior Secured (Subordinated) Debentures due May 23, 2012 of Golden China.

In addition, as at September 30, 2007, Golden China had outstanding 3,337,870 options ("Options") at exercise prices ranging from C\$0.01 to C\$5.00 per Golden China Share issued pursuant to certain incentive stock option plans and deferred share units ("DSUs") entitling the holders to acquire an aggregate of 885,659 Golden China Shares issued under the Deferred Share Unit Plan for

directors of Golden China. Each DSU represents the right to receive one Golden China Share of Golden China at the earlier of the third anniversary of the date that the DSU was credited to the DSU account and the director's termination date.

An aggregate of C\$4.8 million principal amount 7% convertible senior secured debentures, due May 24, 2012, were issued pursuant to a trust indenture dated May 24, 2007 (the "Convertible Debentures"). The Convertible Debentures are convertible by the holders thereof into Golden China Shares at a conversion price of C\$0.95 per Golden China Share. As of October 19, 2007, the aggregate principal amount of Convertible Debentures outstanding is convertible into 5,052,631 Golden China Shares based on the conversion price of C\$0.95 per Golden China Share. Upon a change of control, which would include the acquisition by the Offeror of 66 ⅔% or more of the Golden China Shares, a holder of the Convertible Debentures is entitled to exercise a put right to sell all or a portion of the Convertible Debentures, within a certain number of days following receipt from Golden China of notice of a change in control, the number of days to be set by Golden China and not to be later than 35 business days following the change of control, at a price equal to 103% of the principal amount of the Convertible Debentures, together with accrued and unpaid interest to but excluding the date on which the purchase of the Convertible Debentures will be completed.

#### *Non-Convertible Debentures*

Golden China has C\$18 million aggregate principal amount outstanding of 11.5% senior secured non-convertible debentures due on April 27, 2008 (the "Non-Convertible Debentures"). The Non-Convertible Debentures were issued on April 27, 2006 under a trust indenture made as of April 27, 2006. The Non-Convertible Debentures are redeemable for cash at 102% of the principal amount, together with accrued interest. Holders of the Non-Convertible Debentures have the right to receive payments of interest in the form of Golden China Shares in lieu of cash and may exercise such right by delivering notice to Golden China at least six business days prior to the interest payment date the next such date to occur on January 31, 2008.

#### *Dividends and Dividend Policy*

According to publicly available information, no dividends have been paid on Golden China Shares. Any decision to pay dividends on Golden China Shares is made by the board of directors of Golden China on the basis of earnings, financial position and financing requirements and other relevant factors.

#### *Additional Information Regarding Golden China*

In connection with the Offer, Shareholders should review the following documents of Golden China filed with the Canadian Securities Regulatory Authorities, which may be obtained at [www.sedar.com](http://www.sedar.com):

- (a) the initial annual information form dated September 28, 2007;
- (b) the management information circular, dated July 6, 2007;
- (c) the comparative financial statements, together with the accompanying report of the auditors, for the fiscal years ended June 30, 2007 and 2006;
- (d) management's discussion and analysis of financial condition and results of for the fiscal year ended June 30, 2007 and June 30, 2006;
- (e) the business acquisition report, dated February 28, 2007;

- (f) the material change reports, dated August 15, 2007 and September 7, 2007, in connection with the Offer, and the material change report, dated August 31, 2007, with respect to the filing of Golden China's Appendix 4E (preliminary final report) with the ASX; and
- (g) all material change reports, financial statements and information circulars filed by Golden China after the date of the Offer and this Circular.

### 3. BACKGROUND TO THE OFFER

During May to August 2007, Jake Klein, the Chief Executive Officer of Sino Gold and Greg Starr, the Chief Executive Officer of Golden China met on a number of occasions to discuss the possible acquisition of Golden China by Sino Gold. On May 30, 2007, Sino Gold and Golden China executed a mutual confidentiality and non-disclosure agreement, following which Sino Gold was given access to certain proprietary non-public information of Golden China and Sino Gold commenced its due diligence investigations into the business and affairs of Golden China.

Sino Gold representatives conducted site visits to the Nibao project on June 2, 2007, the Beyinhar project during June 11-13, 2007, and the BioGold facility during June 13-15, 2007. Golden China representatives visited the Jinfeng Gold Mine on June 8, 2007.

The discussions and negotiations between Sino Gold and Golden China culminated in the entering into of the Letter Agreement on August 13, 2007. On August 13, 2007, Sino Gold also entered into Lock-up Agreements with Peter Secker and Stephen Everett, who hold in aggregate approximately 4.9% of the currently outstanding Golden China Shares.

In the Letter Agreement, the parties agreed, among other things, to negotiate in good faith and to use their best efforts to enter into a definitive support agreement on or before September 10, 2007 on customary terms to provide for the making and support of the Offer. The entry into of the definitive support agreement was subject to a number of conditions precedent, including, among others, receipt by Golden China of a fairness opinion from a financial advisor that the Offer consideration was fair from a financial point of view to the Golden China shareholders, mutual board of director approvals, and mutual no material adverse change conditions. In the Letter Agreement, Golden China also agreed that it would not directly or indirectly solicit any third party with respect to alternative transactions to the Offer. The Letter Agreement was terminable by either party if a definitive support agreement was not entered into by September 10, 2007, or if Golden China entered into a binding agreement before then with respect to a bona fide unsolicited superior proposal. If Golden China terminated the Letter Agreement in order to enter into an agreement with respect to a bona fide unsolicited superior proposal that Sino Gold failed to match, a C\$500,000 "break" fee would have been payable by Golden China to Sino Gold.

From August 13, 2007 to September 7, 2007, among other things, Sino Gold continued its review of the business and affairs of Golden China and Golden China engaged Genuity Capital Markets Inc. to provide a fairness opinion that the Offer consideration is fair from a financial point of view to the Shareholders. During this time, the parties also negotiated the terms of the Support Agreement. On September 7, 2007, the parties entered into the Support Agreement.

On September 10, 2007, Sino Gold also entered into a lock-up agreement with Gold 2000 Ltd, which holds approximately 5.6% of the currently outstanding Golden China Shares.

In the Support Agreement (more particularly described below), subject to receiving certain required regulatory approvals, Sino Gold also agreed to subscribe for 5,882,352 Golden China Shares

at a price of C\$0.85 per share on a private placement basis to assist Golden China with its operations (the "Private Placement"). Following the receipt of the necessary regulatory approvals, the Private Placement was completed on September 18, 2007, resulting in Sino Gold owning approximately 9.5% of the issued and outstanding Golden China Shares.

### *Support Agreement*

The provisions of the Support Agreement are the result of arm's length negotiations conducted between representatives of Sino Gold and Golden China. The following discussion describes certain material provisions of the Support Agreement and is subject to, and qualified in its entirety by reference to, the Support Agreement, a copy of which was filed on SEDAR at www.sedar.com. All capitalized terms used herein and not otherwise defined in this Circular have the meanings ascribed to them in the Support Agreement.

#### *The Making of the Offer*

The Support Agreement provides for the making of the Offer by Sino Gold and for the support of the Offer by Golden China.

#### *Conditions of the Offer*

The Support Agreement provides that the Offer was to be made subject to certain conditions, as described in Section 4 of the Offer, "Conditions to the Offer".

#### *Representation and Warranties*

Golden China represented to Sino Gold in the Support Agreement that its board of directors has determined unanimously that, as at the date of the Support Agreement:

- (a) the Offer was fair to the Golden China Shareholders from a financial point of view (and it has received a fairness opinion to such effect); and
- (b) it had approved the entering into of the Support Agreement and it intended, subject to the determination of a Superior Proposal (See "Superior Proposal and Right to Match"), to recommend that Golden China Shareholders accept the Offer.

The Support Agreement contains a number of representations and warranties of Golden China customary for a transaction of this type relating to:

- (a) the organization, existence and power of Golden China and each of its subsidiaries and their authority to own their properties and conduct their businesses as presently owned and conducted; the capitalization of Golden China; the absence of any changes amounting to a Material Adverse Change; permits and licences; no unlawful payments; public disclosure filings (including matters relating to financial statements and mineral reserves and resources); no default, breach of, or termination under any material contract; the absence of any claim, action, proceeding, arbitration or investigation which would reasonably be expected to cause a Material Adverse Change; compliance with applicable laws by Golden China and its subsidiaries; and the absence of liabilities except as reserved against in Golden China's financial statements, non-material liabilities incurred in the ordinary course of business since March 31, 2007 and liabilities disclosed to Sino Gold;

- (b) property rights, environmental matters, advisors, internal controls and disclosure controls, insurance, non-arm's length transactions, tax matters and labour and employment matters;
- (c) the Support Agreement and the Offer, including, without limitation, that: Golden China has the power and authority to enter into the Support Agreement and perform its obligations under the Support Agreement; the enforceability of the Support Agreement against Golden China; and the execution and delivery of the Support Agreement, the performance by Golden China of its obligations under the Support Agreement and the completion of the transactions contemplated under the Support Agreement will not: (i) result in a violation or breach of, require any consent to be obtained under or give rise to any termination rights under any provision of Golden China's or any subsidiary's certificate of incorporation, articles, by-laws or other charter documents, any applicable law, regulation, order, judgment or decree or any material contract by which Golden China or any subsidiary is bound, (ii) give rise to any right of termination or acceleration of indebtedness or (iii) result in the imposition of any encumbrance, charge or lien upon any of Golden China's or any subsidiary's assets or restrict, hinder or impair or limit the ability of Golden China or any subsidiary to carry on the business of Golden China or any subsidiary as and where it is now carried on or as and where it may be carried on in the future; and
- (d) matters relating to the Private Placement.

The Support Agreement contains a number of representations and warranties of Sino Gold customary for a transaction of this type relating to:

- (a) the organization, existence and power of Sino Gold; the absence of any changes amounting to a Material Adverse Change; permits and licences; public disclosure filings (including matters relating to financial statements and mineral reserves and resources); no default, breach of, or termination under any material contract; the absence of any claim, action, proceeding, arbitration or investigation which would reasonably be expected to cause a Material Adverse Change; compliance with applicable laws by Sino Gold and its subsidiaries; compliance with corporate governance matters; the absence of liabilities except as reserved against in Sino Gold's financial statements and non-material liabilities incurred in the ordinary course of business since June 30, 2007; property rights; and environmental matters;
- (b) the Support Agreement and the Offer, including, without limitation, that: Sino Gold has the power and authority to enter into the Support Agreement and perform its obligations under the Support Agreement; the Sino Gold shares issuable under the terms of the Offer will upon issuance be issued as fully paid and non-assessable; the enforceability of the Support Agreement against Sino Gold; and the execution and delivery of the Support Agreement, the performance by Sino Gold of its obligations under the Support Agreement and the completion of the transactions contemplated under the Support Agreement will not result in a violation or breach of, require any consent to be obtained under or give rise to any termination rights under any provision of Sino Gold's certificate of incorporation, articles, by-laws or other charter documents or any applicable law, regulation, order, judgment or decree (except in connection with applicable competition and anti-trust laws); and
- (c) matters relating to the Private Placement.

The representations and warranties of Golden China and Sino Gold contained in the Support Agreement are qualified (as applicable) by disclosure letters exchanged by the parties prior to the execution of the Support Agreement and will not survive the completion of the Offer.

*Covenants of Golden China*

Golden China covenanted in favour of Sino Gold that it would, and would cause each of its subsidiaries to, among other things, carry on business in the ordinary course, preserve its business organization, and maintain its goodwill and business. Golden China has also agreed to certain limitations on its financing activities and its ability to enter into contracts and certain transactions. Golden China and its subsidiaries must also, among other things, use commercially reasonable efforts to cause their existing insurance policies not to be cancelled or terminated (except where replaced with insurance providing equal or greater coverage for substantially similar premiums). Golden China has also covenanted that from and after the date of the Support Agreement, except as disclosed to Sino Gold prior to entering into the Support Agreement or with Sino Gold's prior written consent, it would not, and would cause each of its subsidiaries not to, conduct any exploration or drilling activities.

Golden China agreed to take, or cause to be taken, all reasonable actions proper or advisable to consummate the Offer and to cooperate with Sino Gold, including:

- (a) applying for and using commercially reasonable efforts to obtain all Regulatory Approvals relating to Golden China or any of the subsidiaries and, in doing so, keep Sino Gold reasonably informed, subject to applicable Laws, as to the status of the proceedings related to obtaining such Regulatory Approvals;
- (b) using commercially reasonable efforts to obtain the requisite approvals of the applicable holders of Convertible Securities for the arrangements described in Section 8 of the Offer, "Treatment of Convertible Securities";
- (c) using commercially reasonable efforts to defend, in consultation with Sino Gold, all lawsuits or other legal, regulatory or other proceedings to which it is a party challenging or affecting the Support Agreement or the consummation of the transactions contemplated in the Support Agreement;
- (d) using commercially reasonable efforts to have lifted or rescinded any injunction or restraining order relating to Golden China or other order which may adversely affect the ability of the parties to consummate the transactions contemplated in the Support Agreement;
- (e) complying promptly with all requirements which applicable Laws may impose on Golden China or its subsidiaries with respect to the transactions contemplated in the Support Agreement and by the Offer;
- (f) effecting all necessary registrations, filings and submissions of information required by Governmental Entities from Golden China or any of its subsidiaries relating to the Offer and the treatment of Convertible Securities;
- (g) take all necessary steps required under the terms of its technology licence agreement with BacTech (Barbados) Limited and BacTech (Australia) Pty Ltd to allow BacTech (Barbados) Limited, BacTech (Australia) Pty Ltd to tender their Golden China Shares to the Offer; and



- (h) promptly advise Sino Gold orally and in writing of any Material Adverse Change in respect of Golden China.

#### *Compensation Plans*

Among its covenants relating to the Offer, Golden China has agreed to not amend, vary or modify the Convertible Securities or the plans governing the Options without Sino Gold's consent.

#### *Non-Solicitation*

Subject to the provisions of the Support Agreement concerning a Superior Proposal (as defined in the Support Agreement), Golden China agreed that it would not, directly or indirectly, through any officer, director, employee, shareholder, advisor, agent or representative (including for greater certainty any investment banker, lawyer or accountant) of Golden China or any of its subsidiaries, (i) solicit, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) the initiation of any inquiries or proposals regarding an Acquisition Proposal, (ii) participate in any discussions or negotiations regarding any Acquisition Proposal, (iii) approve or recommend any Acquisition Proposal, or (iv) accept or enter into any agreement, letter of intent, arrangement or understanding related to any Acquisition Proposal.

Notwithstanding the foregoing, until Shareholders approve the Offer, nothing in the Support Agreement would prevent the board of directors of Golden China from complying with Golden China's disclosure obligations under applicable Laws with regard to an Acquisition Proposal or from considering, participating in any discussions or negotiations, or entering into a confidentiality agreement and providing information regarding a bona fide written Acquisition Proposal that was not solicited after the date of the Letter Agreement and (a) that did not occur in connection with a breach of Golden China's disclosure obligations, and (b) which the board of directors of Golden China has determined in good faith, after consultation with financial advisors and with outside counsel, is a Superior Proposal. The material non-public information may be furnished or disclosed to such Person upon request if such third party has entered into a permitted confidentiality agreement with respect to the disclosure of such non-public information and if Sino Gold is notified and provided with certain information as described in the Support Agreement.

#### *Superior Proposal and Right to Match*

Notwithstanding Golden China's non-solicitation obligations, but subject to Sino Gold's rights concerning Termination and Break Fees, the Support Agreement provides that Golden China may accept, approve or recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal if, and only if: (i) it has provided Sino Gold with a copy of the Superior Proposal document; (ii) Golden China and the Superior Proposal comply with the terms of the Support Agreement, and (iii) five Business Days (the "Matching Period") would have elapsed from the later of the date Sino Gold received written notice advising Sino Gold that Golden China's board of directors of Golden China has resolved, to accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal and the date Sino Gold received a copy of such Superior Proposal.

During the Matching Period, Sino Gold would have the right, but not the obligation, to offer to amend the terms of the Support Agreement. The board of directors of Golden China will review any amended offer by Sino Gold in good faith in order to determine, in its discretion in the exercise of its fiduciary duties, whether Sino Gold's amended offer (having regard to its value at the time), upon acceptance by Golden China would, if consummated in accordance with its terms, result in the

Acquisition Proposal not being a Superior Proposal as compared to Sino Gold's amended offer. If the board of directors of Golden China so determines, it will enter into an amended agreement with Sino Gold reflecting Sino Gold's amended offer. If the board of directors of Golden China continues to believe, in good faith, after consultation with its financial advisors and outside counsel, that such Superior Proposal remains a Superior Proposal and therefore rejects Sino Gold's amended offer, Golden China and its board of directors of Golden China may approve, recommend, accept or enter into an agreement, understanding or arrangement with respect to the Superior Proposal, provided that Golden China first terminates the Support Agreement and pays the break fee as contemplated therein.

Golden China has acknowledged and agreed that each successive material amendment to any Acquisition Proposal would constitute a new Acquisition Proposal and thus an additional Matching Period.

*Return of Confidential Information; Enforcement of Standstills*

In addition, Golden China further agreed, among other things that it would, and would cause the officers, directors, employees, advisors, agents and representatives of Golden China and its subsidiaries to, cease immediately, as of the date of the Support Agreement, all current discussions and negotiations regarding any proposal that constitutes, or may reasonably be expected to lead to, an Acquisition Proposal, and promptly request the return or destruction of all confidential information provided in connection therewith. Golden China and its subsidiaries would not waive any standstill agreement or covenant in their favour to which they are or become party (except to allow such party to propose or to make a Superior Proposal to the board of directors of Golden China).

*Covenants of Sino Gold*

Sino Gold has covenanted in favour of Golden China that it will perform all obligations required or reasonably desirable to be performed by it under the Support Agreement, to co-operate with Golden China in connection therewith, and to do all such other acts and things as may be desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Support Agreement and, without limiting the generality of the foregoing, to:

- (a) apply for and use commercially reasonable efforts to obtain all Regulatory Approvals relating to Sino Gold, and, in doing so, to keep Golden China reasonably informed, subject to applicable Laws, as to the status of the proceedings related to obtaining the Regulatory Approvals;
- (b) use commercially reasonable efforts to defend, in consultation with Golden China, all lawsuits or other legal, regulatory or other proceedings to which it is a party challenging or affecting the Support Agreement or the consummation of the transactions contemplated in the Support Agreement;
- (c) use commercially reasonable efforts to have lifted or rescinded any injunction or restraining order relating to Sino Gold or other order which may adversely affect the ability of the parties to consummate the transactions contemplated in the Support Agreement; and
- (d) effect all necessary registrations, filings and submissions of information required by Governmental Entities from Sino Gold or any of its subsidiaries relating to the Offer.

Sino Gold has also covenanted in favour of Golden China that it will:

- (a) comply promptly with all requirements which applicable Laws may impose on Sino Gold or its subsidiaries with respect to the transactions contemplated in the Support Agreement and by the Offer;
- (b) not split, consolidate or reclassify any of its outstanding shares nor declare, set aside or pay any dividends (other than cash dividends in the ordinary course) on or make any other distributions on or in respect of its outstanding shares, without making a similar or other appropriate adjustment to the Offer consideration to provide for similar value;
- (c) use its reasonable best efforts to obtain the approval of the Australian Securities Exchange and the Hong Kong Stock Exchange for the listing of the Sino Gold Shares to be issued under the terms of the Offer;
- (d) take up and pay for Golden China Shares tendered, directly or indirectly, under the Offer at the Expiry Time, provided that all of the conditions of the Offer are satisfied or waived by the Offeror at or prior to the time the Offeror proposes to accept Golden China Common Shares for take up under the Offer;
- (e) use reasonable commercial efforts to make arrangements with an Australian depository and/or broker to permit Golden China Shareholders to direct that their Sino Gold Shares be sold on their behalf (these arrangements will be subject to a cap on the maximum number of shares permitted for sale and such other conditions as the Offeror determines are necessary or appropriate, acting reasonably); and
- (f) promptly advise Golden China orally and in writing of any Material Adverse Change in respect of Sino Gold.

#### *Termination*

The rights, obligations, representations and warranties, as the case may be, of Sino Gold and Golden China under the Support Agreement may be terminated:

- (a) by the mutual agreement of Golden China and Sino Gold;
- (b) by Golden China: (A) if the Offeror has not mailed the Offer Documents by no later than the 45th day after the date of the Support Agreement; (B) if Golden China has entered into an agreement, understanding, or arrangement with respect to a Superior Proposal; (C) if Sino Gold has not complied in all material respects with its covenants or obligations under the Support Agreement; or (D) if any representation or warranty of Sino Gold shall have been at the date of the Support Agreement untrue or incorrect or shall have become untrue or incorrect at any time prior to the Expiry Time and such non-compliance or untrue or incorrect representation or warranty is not curable or, if curable, is not cured by Sino Gold on the earlier of such date which is ten days from the date of notice of such breach and the Expiry Time, except for any untrue or incorrect representations or warranties which, individually or in the aggregate, would not, or would not reasonably be expected to, have a Material Adverse Effect on Sino Gold;

- (c) by Sino Gold: (A) if Golden China has not complied in all material respects with any of its covenants or obligations under the Support Agreement; or (B) if any representation or warranty of Golden China shall have been at the date of the Support Agreement untrue or incorrect or shall have become untrue or incorrect at any time prior to the Expiry Time and such non-compliance or untrue or incorrect representation or warranty is not curable or, if curable, is not cured by Golden China on the earlier of such date which is ten days from the date of notice of such breach and the Expiry Time, except for any untrue or incorrect representations or warranties which, individually or in the aggregate, would not, or would not reasonably be expected to, prevent or materially delay the completion of the Offer prior to the Expiry Time or the completion of the transactions contemplated under the Support Agreement or have a Material Adverse Effect on Golden China or Sino Gold; or
- (d) by Sino Gold: (A) if the board of directors of Golden China would have failed to recommend or shall have withdrawn, modified or changed in a manner adverse to Sino Gold its approval or recommendation of the Offer (unless as a result of Sino Gold having suffered a Material Adverse Change or having made a material misrepresentation at the date of the Support Agreement or materially breached a covenant in the Support Agreement, in each case that is not cured by Sino Gold on the earlier of such date which is ten days from the date of notice of such breach and the Expiry Time); (B) if the board of directors of Golden China shall have approved or recommended any Acquisition Proposal, or (C) if Golden China has entered into an agreement, understanding or arrangement with respect to a Superior Proposal.

Either Sino Gold or Golden China may also terminate the Support Agreement:

- (a) if there shall be passed any Law that makes consummation of the transactions contemplated by the Support Agreement illegal or otherwise prohibited or if any final and non-appealable judgement or decision of a Governmental Entity prevents completion of the transactions contemplated by the Support Agreement;
- (b) after the Outside Date if the Offeror has not taken up and paid for Golden China Common Shares under the Offer;
- (c) if any orders that may be required from the applicable Canadian securities regulatory authorities to permit the issuance and first resale of the Sino Gold Shares issued pursuant to the Offer, without qualification with or approval of or the filing of any prospectus shall not have been obtained by the deadline and on the terms specified in the Support Agreement;
- (d) if the Australian Prospectus shall not have been delivered (for reason other than accidental failure) to Australian resident Golden China Shareholders, as notified by Golden China to Sino Gold, as required by applicable Australian securities Laws, provided that in the case of a proposed termination by Golden China for this reason, (1) Golden China shall have complied with its obligation to provide all information regarding Golden China in sufficient detail to permit Sino Gold to prepare and finalize the Australian Prospectus, and (2) Golden China shall have provided such cooperation and assistance as Sino Gold shall have reasonably requested in respect of the preparation and finalization and delivery of the Australian Prospectus; or

- (e) if the approval of the Australian Securities Exchange for the listing of Sino Gold Shares to be issued in connection with the Offer shall not have been obtained at least three Business Days preceding the Business Day on which the Expiry Time occurs.

*Break Fee, Fees and Expenses*

Golden China is required to pay to Sino Gold a break fee of C\$1,000,000 (the "Break Fee"), subject to a gross up to take into account any deductions or withholdings for any withholding taxes imposed on the Break Fee under Part XIII of the Income Tax Act, Sino Gold receives an amount equal to the amount it would have received had no such deductions or withholdings been made, if:

- (a) Golden China terminates the Support Agreement by reason of having entered into an agreement, understanding, or arrangement with respect to a Superior Proposal (unless Sino Gold shall have suffered a Material Adverse Change or shall have made a material misrepresentation on the date of the Support Agreement or materially breached a covenant in the Support Agreement, in each case that is not cured by Sino Gold on the earlier of such date which is ten days from the date of notice of such breach and the Expiry Time);
- (b) Sino Gold terminates the Support Agreement because (A) the board of directors of Golden China shall have failed to recommend or shall have withdrawn, modified or changed in a manner adverse to the Purchaser its approval or recommendation of the Offer (unless as a result of the Purchaser having suffered a Material Adverse Change or made a material misrepresentation at the date of the Support Agreement or materially breached a covenant in this Agreement, in each case that is not cured by the Purchaser on the earlier of such date which is ten days from the date of notice of such breach and the Expiry Time), or (B) the board of directors of Golden China shall have approved or recommended any Acquisition Proposal, or (C) Golden China has entered into an agreement, understanding or arrangement with respect to a Superior Proposal; or
- (c) the Support Agreement has been terminated by Sino Gold or Golden China as a result of Sino Gold not having taken up and paid for Golden China Common Shares under the Offer prior to the Outside Date in circumstances where an Acquisition Proposal has been publicly announced or is otherwise publicly disclosed or is publicly known prior to the Expiry Time (unless as a result of Sino Gold having suffered a Material Adverse Change or made a material misrepresentation at the date of the Support Agreement or materially breached a covenant in the Support Agreement, in each case that is not cured by Sino Gold on the earlier of such date which is ten days from the date of notice of such breach and the Expiry Time), and such Acquisition Proposal is ultimately consummated within 12 months of the date of termination of the Support Agreement.

Except as otherwise expressly provided in the Support Agreement, Sino Gold and Golden China agreed that all out-of-pocket expenses of the parties relating to the Offer, including legal fees, accounting fees, financial advisory fees, regulatory filing fees, stock exchange fees, all disbursements of advisors and printing and mailing costs, shall be paid by the party incurring such expenses.

*Lock-up Agreements*

Sino Gold has entered into lock up agreements (the "Lock-up Agreements") with each of Peter Secker, Stephen Everett and Gold 2000 Ltd. (each a "Locked-up Party") with respect to an aggregate

of 6,480,666 Golden China Shares held by the Locked-up Parties and 1,725,000 Convertible Securities held by Gold 2000 Ltd. The following discussion describes certain material provisions of the Lock-up Agreements and is subject to, and qualified in its entirety by reference to, the Lock-up Agreements, copies of which have been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

*Covenants, Representations and Warranties*

Pursuant to the Lock-up Agreements, the Locked-up Party will submit and deposit under the Offer: (a) all of the Golden China Shares currently beneficially owned or controlled by the Locked-up Party; and (b) any Golden China Shares subsequently acquired by the Locked-up Party, upon the exercise of outstanding Convertible Securities held by the Locked-up Party (the "Subsequently Acquired Shares" and, together with the Golden China Shares and Convertible Securities currently owned or controlled by the Locked-up Parties, the "Locked-up Shares"). As well, for any Convertible Securities not exercised for Golden China Shares which are deposited into the Offer, the applicable Locked-up Party agrees to support the proposed amendments to the terms of the Convertible Securities. See Section 8 of the Offer, "Treatment of Convertible Securities".

In addition to such covenants described herein, each Locked-up Party agrees to certain other negative covenants, such as not to engage in:

- (a) acts that would adversely affect in any material respect the success of the Offer;
- (b) the acquisition of additional Golden China Shares;
- (c) the entering into of any voting or pooling agreements;
- (d) the facilitation of any Acquisition Proposal, provided that nothing in the Lock-up Agreement shall prevent any officer or director from exercising his fiduciary duties;
- (e) the arrangement or assistance to Persons through the sale or purchase of Golden China Shares or Convertible Securities that could affect the control of Golden China;
- (f) the sale, assignment or pledge of the Locked-up Shares; and
- (g) the voting of shares that would prevent or delay the successful completion of the Offer.

In addition to the above negative covenants, each Locked-up Party covenants that it shall:

- (a) cease any discussions that can lead to any potential Acquisition Proposal provided that a director or officer may act in accordance with its fiduciary duties to consider a bona fide Acquisition Proposal;
- (b) immediately notify Sino Gold of any inquiry that could lead to a bona fide Acquisition Proposal or any request in connection with an Acquisition Proposal or any non-public information of Golden China;
- (c) exercise any Convertible Securities owned by the Locked-up Party and tender such securities to the Offer; and

- (d) exercise voting rights attached to the Locked-up Shares to prevent any transaction that could delay completion of the Offer or could result in a material adverse effect on Sino Gold.

The Lock-Up Agreements also contain representations and warranties customary for agreements of this nature including with respect to title to Locked-up Shares; qualification and authorization of the Locked-up Party, due execution, validity and enforceability of the Lock-Up Agreement; and no legal proceedings or claims.

*Termination*

The Lock-up Agreements may be terminated by notice in writing at any time by mutual consent of Sino Gold and the Locked-Up Party. The Locked-up Party may terminate the Lock-up Agreement only if:

- (a) Sino Gold has not (for any reason other than the failure of the Locked-up Party to deposit its Locked-up Shares) taken up and paid for all Locked-up Shares deposited under the Offer by December 31, 2007; or
- (b) the Support Agreement is terminated in accordance with its terms by Golden China in order for Golden China to enter into an agreement with a third party regarding a Superior Proposal or as a result of an uncured (within a reasonable period following written notice thereof) material breach of the Support Agreement by Sino Gold.

The Offeror may terminate the Lock-up Agreements only if:

- (a) the Locked-up Party has not complied in any material respect with its covenants contained in the Lock-up Agreement (following written notice to Locked-up Party by Sino Gold of such non-compliance and provided such default is not rectified within three business days of that notice) or if any representation or warranty of the Locked-up Party under the Lock-up Agreement is untrue or incorrect in any material respect, provided that at the time of such termination by Sino Gold, Sino Gold is not in material default in the performance of its obligations thereunder;
- (b) any condition of the Offer is not satisfied at the Expiry Time and Sino Gold elects not to waive such condition; or
- (c) the Support Agreement is terminated in accordance with its terms by Sino Gold. Upon termination, the Locked-up Party would be entitled to withdraw any of the Locked-up Shares deposited under the Offer.

#### **4. PURPOSE OF THE OFFER AND THE OFFEROR'S PLANS FOR GOLDEN CHINA**

The purpose of the Offer is to enable the Offeror to acquire all of the outstanding Golden China Shares. If the Offeror takes up and pays for the Golden China Shares validly deposited under the Offer, the Offeror currently intends to acquire any Golden China Shares not deposited under the Offer through a Compulsory Acquisition, or to propose a Subsequent Acquisition Transaction, in each case for the same consideration per Golden China Share paid by the Offeror under the Offer. The exact timing and details of any such transaction will depend upon a number of factors, including the number of Golden China Shares acquired by the Offeror pursuant to the Offer. Although Sino Gold has covenanted under the Support Agreement to use reasonable commercial efforts to proceed by way of a Compulsory Acquisition or a Subsequent Acquisition Transaction generally on the terms described herein, it is possible that, as a result of the inability or delays in the Offeror's ability to

effect such a transaction, information subsequently obtained by the Offeror, changes in general economic or market conditions or in the business of Golden China, or other currently unforeseen circumstances, such a transaction may not be proposed, may be delayed or abandoned or may be proposed on different terms. Accordingly, the Offeror reserves the right not to proceed by way of a Compulsory Acquisition or Subsequent Acquisition Transaction, or to proceed by way of a Subsequent Acquisition Transaction on terms other than as described herein. See Section 12 of the Offer, "Acquisition of Golden China Shares Not Deposited under the Offer".

If the Offer is accepted and the Offeror acquires all of the outstanding Golden China Shares, the Offeror intends to conduct a detailed review of Golden China and its assets, operations, management and personnel to determine how best to integrate the operations and management of Golden China into the operations and management of Sino Gold following the completion of the Offer. Other than as set forth above and elsewhere in the Offer and Circular, no specific proposals with respect to Golden China, its operations, assets, management or personnel following completion of the transaction have been developed by the Offeror. If permitted by applicable Law, subsequent to the completion of the Offer and any Compulsory Acquisition or Subsequent Acquisition Transaction, the Offeror intends to delist the Golden China Shares from the TSX and, subject to applicable securities Laws, to cause Golden China to cease to be a reporting issuer under the securities laws of each province and territory of Canada in which it is a reporting issuer. See Section 12 of the Offer, "Acquisition of Golden China Shares Not Deposited under the Offer".

## **5. EXPECTED BENEFITS OF AND REASONS TO ACCEPT THE OFFER**

If the Offer and the Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable, are successful, they will result in, among other things, the integration where appropriate of the businesses carried on by Sino Gold and its subsidiaries and by Golden China and its subsidiaries. The benefits described below are based on market and business conditions existing as of the date hereof and reflect Sino Gold management's estimate of the expected effects of such integration. There can be no assurance that the benefits discussed below will ultimately be achieved. See also the Directors' Circular.

### ***Unanimous Support of the Golden China Board***

The board of directors of Golden China unanimously supports the Offer and have advised that they each intend to tender the Golden China Shares that they own to the Offer.

Golden China has received a fairness opinion from its financial advisor, Genuity Capital Markets, that the Offer consideration is fair from a financial point of view to Shareholders other than Sino Gold.

### ***A Significant Premium***

The Exchange Ratio under the Offer represented a premium of approximately 49% over the closing price of the Golden China Shares on the Toronto Stock Exchange on August 10, 2007, the last trading day prior to the announcement of the proposed Offer (based on the Sino Gold Share price on August 10, 2007 and the Bank of Canada noon exchange rate on August 10, 2007), and a premium of approximately 20% over the volume weighted average trading price of the Golden China Shares on the Toronto Stock Exchange for the 30 trading days ended October 19, 2007 (based on the Sino Gold Share price on October 19, 2007 and the Bank of Canada noon exchange rate on October 19, 2007). Shareholders are urged to obtain current quotes for the Sino Gold Shares, the Golden China Shares and the applicable currency exchange rate. Sino Gold believes the premium it is offering represents full and fair value for your Golden China Shares.



### *A Larger and Stronger Mining Company*

Sino Gold has a successful track record for developing gold mines in China and enhancing shareholder value. Golden China Shareholders will benefit from:

- greater depth in management and technical expertise;
- stronger balance sheet and cash position;
- greater access to financing for development projects;
- a solid presence in China; and
- cost savings from potential synergies inherent in integrating Golden China's operations with Sino Gold, such as reduced costs of compliance with applicable laws and regulations;

to result in a stronger competitive position and greater opportunities for growth.

### *Enhanced Liquidity*

Shareholders should also benefit from improved liquidity by holding Sino Gold Shares, which are listed on both the Australian Securities Exchange and the Hong Kong Stock Exchange. Shareholders may also elect to have the Sino Gold Shares which they would receive pursuant to the Offer issued on their behalf to a trustee or selling agent who will seek to arrange for the sale of such Sino Gold Shares on their behalf and pay them the net proceeds of such sale, less a 4.4% brokerage commission (including GST in Australia) and less any applicable taxes, withholdings and deductions.

## **6. CERTAIN EFFECTS OF THE OFFER**

The purchase of the Golden China Shares pursuant to the Offer will reduce the number of holders of Golden China Shares and the number of Golden China Shares that might otherwise trade publicly and is likely to adversely affect the liquidity and market value of the remaining Golden China Shares held by the public. If the Offeror takes up and pays for less than all of the outstanding Golden China Shares under the Offer, the Golden China Shares may no longer meet the standards for continued listing on the TSX or the ASX. According to their published guidelines, the TSX and the ASX would give consideration to delisting the Golden China Shares if, among other things, the Golden China Shares did not substantially meet their standards for continued listing. The CDIs are expected to be delisted from the ASX at the CDI Expiry Time, subject to the completion of the Offer, and from the TSX at or shortly after completion of the Offer and the Compulsory Acquisition or the Subsequent Acquisition Transaction, as applicable.

Sino Gold has applied to have the Sino Gold Shares that are to be issued pursuant to the Offer listed on the ASX and the HKSE. Quotation will not be automatic but will depend on the ASX and the HKSE exercising their discretion. Sino Gold cannot guarantee, and does not represent or imply, that the Sino Gold Shares will be so quoted. The fact that the ASX and the HKSE may admit the Sino Gold Shares to quotation is not to be taken in any way as an indication of the merits of Sino Gold or the Sino Gold Shares. In the event that the applications for admission to quotation on the ASX or the HKSE are rejected, then the Offer will be withdrawn or terminated, and any Golden China Shares which have been deposited to the Offer will be returned to the relevant Shareholders.

## **7. HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

Shareholders should refer to the historical financial information of Sino Gold and the pro forma financial information contained in Schedule "A" to the Offer and Circular, "Financial Information".

Sino Gold has received exemptive relief from the applicable Canadian Securities Regulatory Authorities from the requirements to include historical financial statements for Golden China in the Circular. The historical financial statements of Golden China for the fiscal years ended June 30, 2007 and June 30, 2006, together with the accompanying report of the auditors, may be obtained at [www.sedar.com](http://www.sedar.com).

#### **8. OWNERSHIP OF AND TRADING IN SECURITIES OF GOLDEN CHINA**

Except for the Golden China Shares acquired by Sino Gold pursuant to the Private Placement on September 18, 2007, as more particularly described in Section 3 of the Circular, "Background to the Offer", none of the Offeror, the Offeror's directors or senior officers, nor, to the knowledge of the Offeror and its directors and senior officers after reasonable inquiry, (i) any associate of a director or senior officer of the Offeror, (ii) any Person or company holding more than 10% of any class of equity securities of the Offeror, or (iii) any Person or company acting jointly or in concert with the Offeror, beneficially owns, directly or indirectly, or controls or exercises direction over, any securities of Golden China.

Except for the Golden China Shares acquired by Sino Gold pursuant to the Private Placement, during the six month period preceding the date of the Offer, no securities of Golden China have been traded by any of the Offeror, or any of its directors or senior officers, or, to the knowledge of the Offeror and its directors and senior officers after reasonable inquiry, (i) any associate of a director or senior officer of the Offeror, (ii) any Person or company holding more than 10% of any class of equity securities of the Offeror, or (iii) any Person or company acting jointly or in concert with the Offeror.

#### **9. COMMITMENTS TO ACQUIRE SECURITIES OF GOLDEN CHINA**

Other than as disclosed herein and pursuant to the Offer, there are no commitments to acquire securities of Golden China by the Offeror, or any of its directors or senior officers, or, to the knowledge of the Offeror and its directors and senior officers, after reasonable inquiry, (i) any associate of a director or senior officer of the Offeror, (ii) any Person or company holding more than 10% of any class of equity securities of the Offeror, or (iii) any Person or company acting jointly or in concert with the Offeror. See Section 3 of the Circular, "Background to the Offer".

#### **10. MATERIAL CHANGES AND OTHER INFORMATION CONCERNING GOLDEN CHINA**

The Offeror does not have any information that indicates any material change in the affairs of Golden China since the date of the last published financial statements of Golden China other than as has been publicly disclosed by Golden China. The Offeror does not have any knowledge of any material fact concerning securities of Golden China that has not been generally disclosed by Golden China or any other matter that has not previously been generally disclosed but which would reasonably be expected to affect the decision of Shareholders to accept or reject the Offer.

**11. PRICE RANGE AND TRADING VOLUMES OF GOLDEN CHINA SHARES AND SINO GOLD SHARES**

*Golden China*

The Golden China Shares are listed and posted for trading on the TSX and the ASX. Based upon publicly available information, the Offeror believes that as at September 30, 2007 there were approximately 62,073,879 Golden China Shares outstanding. The following tables set forth the high and low closing prices and volumes of the Golden China Shares traded on the TSX and the ASX for the periods indicated:

<u>2007</u>	<u>Price Range of Golden China Shares on the TSX (in C\$)</u>		<u>Total Volume</u>
	<u>High</u>	<u>Low</u>	
October (to October 19).....	1.45	1.30	4,362,553
September.....	1.30	1.00	3,851,148
August.....	1.07	0.85	3,785,361
July.....	0.95	0.66	5,054,917
June.....	0.67	0.58	1,586,493
May.....	0.81	0.60	1,718,454
April.....	0.87	0.66	1,392,309
March.....	0.90	0.67	464,380
February.....	1.02	0.83	1,603,011
January.....	1.74	1.04	1,010,864

At the close of business on October 19, 2007, the closing sale price of the Golden China Shares on the TSX was C\$1.43.

<u>2007</u>	<u>Price Range of Golden China Shares on the ASX (in A\$)</u>		<u>Total Volume</u>
	<u>High</u>	<u>Low</u>	
October (to October 19).....	1.75	1.51	5,013,717
September.....	1.65	1.25	2,354,545
August.....	1.30	0.90	2,066,731
July.....	1.00	0.58	1,331,903
June.....	0.61	0.54	1,294,254
May.....	0.75	0.58	1,501,126
April.....	0.86	0.70	266,121
March.....	0.93	0.68	379,038
February.....	1.01	0.80	1,359,906
January.....	1.50	0.98	775,461

At the close of business on October 19, 2007, the closing sale price of the Golden China Shares on the ASX was A\$1.75 (C\$1.51, based on the Bank of Canada noon exchange rate on the same date). **Shareholders are urged to obtain current market quotations for the Golden China Shares.**

### *Sino Gold*

The Sino Gold Shares are listed and posted for trading on the ASX. As at October 19, 2007, there were 184,876,415 Sino Gold Shares outstanding. The following table sets forth the high and low closing prices and volumes of the Sino Gold Shares traded on the ASX for the periods indicated:

<u>2007</u>	<u>Price Range of Sino Gold Shares on the ASX (in A\$)</u>		<u>Total Volume</u>
	<u>High</u>	<u>Low</u>	
October (to October 19).....	8.11	6.88	14,607,386
September.....	7.52	5.83	24,139,990
August.....	6.60	5.00	21,820,634
July.....	6.50	5.06	21,569,796
June.....	6.26	5.38	14,256,819
May.....	6.22	5.32	18,230,561
April.....	6.39	5.88	12,752,734
March.....	7.63	6.04	25,214,086
February.....	8.04	6.80	14,541,166
January.....	7.16	5.82	8,459,437

At the close of business on October 19, 2007, the closing price of the Sino Gold Shares on the ASX was A\$8.11 (C\$6.98, based on the Bank of Canada noon exchange rate on the same date). **Shareholders are urged to obtain current market quotations for the Sino Gold Shares and current exchange rate information.**

## 12. REGULATORY CONSIDERATIONS

The Offeror's obligation to take up and pay for Golden China Shares tendered under the Offer is conditional upon, among other things, all regulatory approvals required by law to complete the Offer having been obtained on terms satisfactory to the Offeror, acting reasonably. The Offer will not be subject to pre-merger notification under the *Competition Act* (Canada) or review under the *Investment Canada Act*.

The distribution of the Sino Gold Shares and other securities to be issued in connection with the Offer (including in connection with any compulsory acquisition or subsequent acquisition transaction) is being made pursuant to statutory exemptions from the prospectus qualification and dealer registration requirements under applicable Canadian securities Laws. While the resale of Sino Gold Shares issued under the Offer is subject to restrictions under the securities Laws of certain Canadian provinces and territories, Shareholders in such provinces and territories generally will be able to rely on statutory exemptions from such restrictions and, where such statutory exemptions are not available, the Offeror has received exemptive relief from the applicable Canadian Securities Regulatory Authorities to the effect that the Sino Gold Shares and other securities to be received in connection with the Offer (including any Compulsory Acquisition or Subsequent Acquisition Transaction), and the underlying Sino Gold Shares issued pursuant to such securities, may be resold

without a prospectus, provided that such trade is made through an exchange, or a market, outside of Canada and that such trade is not a control distribution (as defined in applicable Canadian securities Laws). Such resale of Sino Gold Shares and other securities remains subject to dealer registration requirements in accordance with applicable Canadian securities Laws.

#### *ASX and HKSE*

The Sino Gold Shares are currently listed on the ASX and the HKSE. It is a condition to the Offer that the application for listing on the ASX and the HKSE of the Sino Gold Shares to be issued in connection with the Offer and the Compulsory Acquisition or a Subsequent Acquisition Transaction not be rejected by the ASX or the HKSE. The CDIs are expected to be delisted from the ASX at the CDI Expiry Time subject to the completion of the Offer and the Golden China Shares are expected to be delisted from the TSX at or shortly after completion of the Offer and the Compulsory Acquisition or the Subsequent Acquisition Transaction, as applicable.

### **13. SECOND STEP TRANSACTIONS**

Provided that the Offeror takes up and pays for the Golden China Shares pursuant to the Offer, Sino Gold has covenanted under the Support Agreement to use reasonable commercial efforts to complete the Offer by way of a Compulsory Acquisition or Subsequent Acquisition Transaction. If the Offeror takes up and pays for the Golden China Shares deposited under the Offer and such right is available, it currently intends to effect a Compulsory Acquisition. If the statutory right of Compulsory Acquisition is not available or the Offeror elects not to pursue such right, Sino Gold has covenanted in the Support Agreement to use all commercially reasonable efforts to enter into one or more transactions to enable the Offeror or an affiliate of the Offeror to acquire all of the Golden China Shares not acquired pursuant to the Offer at the same consideration per Golden China Share paid by the Offeror under the Offer. There is no assurance that such transaction will be completed.

#### *Compulsory Acquisition*

Section 206 of the CBCA permits an offeror to acquire, within 120 days of the date of the take-over bid, the shares of any class of shares to which the take-over bid relates not tendered to a take-over bid on the same terms as the shares acquired by the offeror under the take-over bid if holders of not less than 90% of such shares, excluding the securities held by or on behalf of the offeror and its affiliates and associates (as such terms are defined in the CBCA), have accepted the take-over bid.

If, within 120 days after the date of the Offer, the Offer has been accepted by Shareholders of not less than 90% of the outstanding Golden China Shares as at the Expiry Time, excluding those Golden China Shares held on the date of the Offer by or on behalf of the Offeror or its affiliates or associates (as such terms are defined in the CBCA), if any, on the date of the Offer, the Offeror may acquire (a "Compulsory Acquisition") the remainder of the Golden China Shares from those Shareholders who have not accepted the Offer on the same terms as such Golden China Shares were acquired under the Offer, pursuant to the provisions of Section 206 of the CBCA. In determining whether or not 90% of the outstanding Golden China Shares have been acquired under the Offer for the purposes of the CBCA, any of the Golden China Shares acquired by the Offeror during the course of the Offer are included in the number of outstanding Golden China Shares but excluded from the number or the Offeror elects not to pursue a Compulsory Acquisition of the Golden China Shares acquired under the Offer. If a Compulsory Acquisition cannot be effected or the Offeror elects not to pursue a Compulsory Acquisition, the Offeror may choose to acquire the Golden China Shares not tendered to the Offer pursuant to a Subsequent Acquisition Transaction, as discussed below under "Subsequent Acquisition Transaction".

To exercise such statutory right of compulsory acquisition, the Offeror must give notice (the "Offeror's Notice") to each holder of the Golden China Shares who did not accept the Offer, and to each person who subsequently acquires any such Golden China Shares (in each case, a "Dissenting Offeree") of such proposed acquisition on or before the earlier of the 60<sup>th</sup> day following the Expiry Time and the 180<sup>th</sup> day following the date of the Offer. Within 20 days of giving the Offeror's Notice, the Offeror must pay or transfer to Golden China the consideration the Offeror would have had to pay to the Dissenting Offerees if they had elected to accept the Offer, to be held in trust for the Dissenting Offerees. In accordance with Section 206 of the CBCA, within 20 days after receipt of the Offeror's Notice, each Dissenting Offeree must send the certificate(s) representing the Golden China Shares held by such Dissenting Offeree to Golden China, and may elect either to transfer such Golden China Shares to the Offeror on the terms of the Offer or to demand payment of the fair value of such Golden China Shares held by such holder by so notifying the Offeror. If a Dissenting Offeree has elected to demand payment of the fair value of such Golden China Shares, the Offeror may apply to a court having jurisdiction to hear an application to fix the fair value of such Golden China Shares of the Dissenting Offeree. If a Dissenting Offeree fails to notify the Offeror of such election, such holder is deemed to have elected to transfer to the Offeror the Golden China Shares on the same terms as holders who accepted the Offer. If the Offeror fails to apply to such court within 20 days after it made the payment or transferred the consideration to Golden China referred to above, the Dissenting Offeree may then apply to the court within a further period of 20 days to have the court fix the fair value. If there is no such application by the Dissenting Offeree within such period, the Dissenting Offeree will be deemed to have elected to transfer such Golden China Shares to the Offeror on the terms of the Offer. Any judicial determination of the fair value of the Golden China Shares could be more or less than the amount paid pursuant to the Offer.

The foregoing is a summary only of the rights of Compulsory Acquisition and is qualified in its entirety by the provisions of Section 206 of the CBCA. **Section 206 of the CBCA is complex and may require strict adherence to notice and timing provisions, failing which a Dissenting Offeree's rights thereunder may be lost or altered. In the event the Offeror acquires the Golden China Shares not tendered to the Offer pursuant to Section 206 of the CBCA, Shareholders should review Section 206 of the CBCA for the full text of the relevant statutory provisions and Shareholders who wish to be better informed about those provisions of the CBCA should consult their legal advisors.**

See Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations", for a discussion of the tax consequences to Shareholders in the event of a Compulsory Acquisition.

#### *Subsequent Acquisition Transaction*

If the foregoing statutory right of Compulsory Acquisition is not available or the Offeror elects not to pursue such right, Sino Gold has covenanted in the Support Agreement to use all commercially reasonable efforts to complete an amalgamation, plan of arrangement, amendment to articles, capital reorganization, share consolidation or other transaction involving Golden China and the Offeror and/or one or more affiliates of the Offeror (a "Subsequent Acquisition Transaction") for the purpose of enabling the Offeror or an affiliate of the Offeror to acquire all of the Golden China Shares not acquired by the Offeror pursuant to the Offer (or already owned directly or indirectly by the Offeror) at the consideration per Golden China Share paid by the Offeror under the Offer. The timing and details of any such transaction will necessarily depend on a variety of factors, including the number of the Golden China Shares acquired pursuant to the Offer.

Rule 61-501 and Regulation Q-27 may respectively deem a Subsequent Acquisition Transaction to be a "business combination" or "going private transaction" if such Subsequent Acquisition Transaction would result in the interest of a holder of the Golden China Shares being

terminated without the consent of the holder and a “related party” of Golden China, directly or indirectly, acquiring Golden China or combining with Golden China through an amalgamation, arrangement or otherwise. Following completion of the Offer, the Offeror would be a “related party” of Golden China for purposes of Rule 61-501 and Regulation Q-27. Rule 61-501 and Regulation Q-27 provide that, unless exempted, a corporation proposing to carry out a business combination or going private transaction is required to prepare a valuation of the affected securities (and any non-cash consideration being offered therefor) and provide to the holders of the affected securities a summary of such valuation. The Offeror intends to rely on available exemptions (or, if such exemptions are not available, to seek waivers pursuant to Rule 61-501 and Regulation Q-27 exempting Golden China and the Offeror or one or more of its affiliates, as appropriate) from the valuation requirements of Rule 61-501 and Regulation Q-27. An exemption is available under Rule 61-501 and Regulation Q-27 for certain business combinations or going private transactions completed within 120 days after the expiry of a formal take-over bid where the consideration under such transaction is at least equal in value to and is in the same form as the consideration that tendering securityholders were entitled to receive in the take-over bid, provided that certain disclosure is given in the take-over bid disclosure documents.

Depending on the nature and terms of the Subsequent Acquisition Transaction, the provisions of the CBCA may require the approval of 66 $\frac{2}{3}$ % of the votes cast by holders of the outstanding Golden China Shares at a meeting duly called and held for the purpose of approving the Subsequent Acquisition Transaction. Rule 61-501 and Regulation Q-27 would also require that, in addition to any other required securityholder approval, in order to complete a business combination or going private transaction, the approval of a simple majority of the votes cast by “minority” Shareholders of each class of affected securities must be obtained. If, however, following the Offer, the Offeror and its affiliates are the registered holders of 90% or more of the Golden China Shares at the time the Subsequent Acquisition Transaction is initiated, the requirement for minority approval would not apply to the transaction if an enforceable appraisal right or substantially equivalent right is made available to minority Shareholders.

In relation to the Offer and any business combination or going private transaction, the “minority” Shareholders will be, unless an exemption is available or discretionary relief is granted by applicable securities regulatory authorities, all Shareholders other than the Offeror, related parties of the Offeror or any person or company acting jointly or in concert with the Offeror in connection with the Offer or any subsequent business combination or going private transaction. Rule 61-501 and Regulation Q-27 also provide that the Offeror may treat the Golden China Shares acquired pursuant to the Offer as “minority” shares and to vote them, or to consider them voted, in favour of such business combination or going private transaction if, among other things, the consideration per security in the business combination or going private transaction is at least equal in value to and in the same form as the consideration paid under the Offer and the Shareholder that tendered the Golden China Shares was not: (a) acting jointly or in concert with the Offeror in respect of the Offer; (b) a direct or indirect party to any connected transaction to the Offer; or (c) entitled to receive, directly or indirectly, in connection with the Offer consideration per security that is not identical in amount and form to the entitlement of Shareholders in Canada or a collateral benefit. The Offeror currently intends that the consideration offered for the Golden China Shares under any Subsequent Acquisition Transaction proposed by it would be identical to the Offered Consideration and the Offeror intends to cause the Golden China Shares acquired under the Offer to be voted in favour of any such transaction and, where permitted by Rule 61-501 and Regulation Q-27, to be counted as part of any minority approval required in connection with any such transaction.

Any such Subsequent Acquisition Transaction also may result in Shareholders having the right to dissent in respect thereof and demand payment of the fair value of their Golden China Shares. The exercise of such right of dissent, if certain procedures are complied with by the holder,

could lead to a judicial determination of fair value required to be paid to such dissenting Shareholder for its Golden China Shares. The fair value so determined could be more or less than the amount paid per Golden China Share pursuant to such transaction or pursuant to the Offer.

The details of any such Subsequent Acquisition Transaction, including the timing of its implementation and the consideration to be received by the minority holders of the Golden China Shares, would necessarily be subject to a number of considerations, including the number of the Golden China Shares acquired pursuant to the Offer.

The tax consequences to a Shareholder of a Subsequent Acquisition Transaction may differ from the tax consequences to such Shareholder of accepting the Offer. See Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations", and Section 16 of the Circular, "Certain Australian Income Tax Considerations".

Shareholders should consult their legal advisors for a determination of their legal rights with respect to a Subsequent Acquisition Transaction.

#### *Other Alternatives*

If the Offeror is unable or decides not to effect a Compulsory Acquisition, or proposes a Subsequent Acquisition Transaction but cannot obtain any required approvals or exemptions promptly, the Offeror will evaluate other alternatives. Such alternatives could include, to the extent permitted by applicable Laws, purchasing additional Golden China Shares in the open market, in privately negotiated transactions, in another take-over bid or exchange offer or otherwise, or from Golden China, or taking no action to acquire additional Golden China Shares. Subject to applicable Laws, any additional purchases of the Golden China Shares could be at a price greater than, equal to, or less than the price to be paid for the Golden China Shares under the Offer and could be for cash, securities and/or other consideration. Alternatively, the Offeror may take no action to acquire additional Golden China Shares, or, subject to applicable Laws, may either sell or otherwise dispose of any or all of the Golden China Shares acquired pursuant to the Offer, on terms and at prices then determined by the Offeror, which may vary from the price paid for the Golden China Shares under the Offer.

#### *Judicial Developments*

Certain judicial decisions may be considered relevant to any business combination or going private transaction that may be proposed or effected subsequent to the expiry of the Offer. Canadian courts have, in a few instances prior to the adoption of Rule 61-501 (or its predecessor, OSC Policy 9.1) and Regulation Q-27, granted preliminary injunctions to prohibit transactions involving certain business combinations or going private transactions. The current trend in both legislation and Canadian jurisprudence is toward permitting business combinations or going private transactions to proceed, subject to evidence of procedural and substantive fairness in the treatment of minority Shareholders.

Shareholders should consult their legal advisors for a determination of their legal rights with respect to any transaction that may constitute a business combination or going private transaction.

#### **14. RISK FACTORS RELATED TO THE OFFER**

The combination of Sino Gold's business and operations with those of Golden China following a successful completion of the Offer is subject to certain risks, which should be considered by Shareholders in evaluating whether to accept the Offer. The risk factors set out below relate to the combination of the business and operations of Sino Gold and Golden China. For information on



additional risks and uncertainties relating to the business of Sino Gold, reference should be made to Section “Risk Factors” in Schedule “B”.

*Shareholders will receive Sino Gold Shares based on the fixed exchange ratio of 0.2222 Sino Gold Shares for each Golden China Share. The exchange ratio will not vary with market price and currency fluctuations and consequently, the Sino Gold Shares issued under the Offer may have a market value lower in C\$ or A\$ than expected.*

The Offeror is offering to purchase Golden China Shares on the basis of 0.2222 of a Sino Gold Share for each Golden China Share. Because the Exchange Ratio will not be adjusted to reflect any changes in the market value of Sino Gold Shares or in the applicable currency exchange rate, the market values in Canadian dollars or Australian dollars of the Sino Gold Shares and the Golden China Shares at the time of any take-up of Golden China Shares under the Offer may vary significantly from the values at the date of this Offer and Circular or the date that Shareholders tender their Golden China Shares.

*After the consummation of the Offer, Golden China could become a majority-owned subsidiary of Sino Gold and Sino Gold’s interest could differ from that of any remaining minority Shareholders or other securityholders of Golden China.*

After the consummation of the Offer, Sino Gold may have the power to elect the directors of Golden China, appoint new management, approve certain actions requiring the approval of Shareholders, including adopting certain amendments to Golden China’s constating documents and approving mergers or sales of Golden China’s assets. In particular, after the consummation of the Offer, Sino Gold intends to integrate Golden China and Sino Gold, by merger or other transaction whereby the operations of Golden China and Sino Gold are combined. Sino Gold’s interests with respect to Golden China may differ from, and conflict with, those of any remaining minority Shareholders or other securityholders of Golden China.

*Following the completion of the Offer and prior to the completion of any Compulsory Acquisition or Subsequent Acquisition Transaction, the trading liquidity for Golden China Shares not deposited under the Offer will be reduced, which may affect the price of the Golden China Shares, the ability of a Shareholder to dispose of their Golden China Shares and the ability of a holder of Convertible Securities to dispose of the Convertible Securities or underlying Golden China Shares.*

If the Offer is successful, the liquidity and market value of the remaining Golden China Shares held by the public could be adversely affected by the fact that they will be held by a smaller number of holders. Depending upon the number of Golden China Shares acquired pursuant to the Offer, following the completion of the Offer, the Golden China Shares may no longer meet the TSX requirements for continued listing. In addition, to the extent permitted under applicable law and stock exchange regulations, Sino Gold intends to seek to cause the delisting of the Golden China Shares on the TSX. As such, the market for the Golden China Shares could be adversely affected.

If Golden China Shares are delisted and Golden China ceases to be a “public corporation” for the purposes of the Tax Act, Golden China Shares would cease to be qualified investments for trusts governed by registered retirement savings plans, registered education savings plans, registered retirement income funds and deferred profit sharing plans. Delisting can also have adverse tax consequences to non-resident holders of Golden China Shares, as described in Section 15 of the Circular, “Certain Canadian Federal Income Tax Considerations – Shareholders Not Resident in Canada – Delisting of Shares Following Completion of the Offer”.

In addition, with effect from the CDI Expiry Time, Golden China intends to delist from the ASX. If CDI Holders hold CDIs at the CDI Expiry Time, such remaining CDIs will be cancelled, and the CDI Holders will become the legal holders of the underlying Golden China Shares.

*Shareholders of Golden China will realize dilution of their interest.*

Sino Gold expects to issue approximately 12,682,550 Sino Gold Shares under the Offer (including DSUs). In addition, Sino Gold has also made offers for Convertible Securities that could result in approximately an additional 4,698,579 Sino Gold Shares being issued. As well, on October 11, 2007, Sino Gold made an offer to all holders of convertible notes (“Convertible Noteholders”) issued by Sino Gold on March 17, 2005 (“Convertible Notes”) inviting them to surrender their Convertible Notes for conversion into Sino Gold Shares. The maximum number of Sino Gold Shares to be issued to Convertible Noteholders (i.e. if all Convertible Noteholders surrender their Convertible Notes for conversion into Sino Gold Shares) is 15,383,045. These issuances would result in Sino Gold having a total of 224,350,589 Sino Gold Shares outstanding. As a result of these issuances, the Shareholders’ ownership interest in the combined company will be diluted, relative to their current ownership interest in Golden China. Golden China Shareholders will hold approximately 5.6% of the Sino Gold Shares outstanding upon the completion of the Offer and the Sino Gold Share issuances described above. See Schedule “B”, “Information Relating to Sino Gold Mining Ltd. – Consolidated Capitalization”.

*The sale of Elected Sino Gold Shares may result in a “market overhang” that could adversely affect the market price of Sino Gold Shares for a short period immediately after completion of the Offer.*

If a large number of Golden China Shareholders make the Cash Sales Election as described in Section 3 of the Offer, “Manner of Acceptance – Cash Sales Elections”, this may lead to a significant increase in the number of Sino Gold Shares available for sale or the perception that such additional sales may occur, either of which may adversely affect the market for, and the market price of, Sino Gold Shares.

*The integration of Sino Gold and Golden China may not occur as planned.*

The Offer has been made with the expectation that its successful completion will result in cost savings and enhanced growth opportunities for the combined company. These anticipated benefits will depend in part on whether the operations of Sino Gold and Golden China can be integrated in an efficient and effective manner. Most operational and strategic decisions, and certain staffing decisions, with respect to the combined company have not yet been made. These decisions and the integration of the two companies will present challenges to management, including the integration of systems and personnel of the two companies, and special risks including possible unanticipated liabilities, unanticipated costs, and the loss of key employees.

*The combination of Sino Gold and Golden China may not be successfully completed without the possibility of Shareholders exercising dissent and appraisal rights in connection with a Compulsory Acquisition or Subsequent Acquisition Transaction.*

In order for the Offeror to acquire all of the issued and outstanding Golden China Shares, it is likely to be necessary, following the completion of the Offer, for the Offeror or an affiliate of the Offeror to effect a Compulsory Acquisition or a Subsequent Acquisition Transaction. A Compulsory Acquisition or Subsequent Acquisition Transaction may result in Shareholders having the right to dissent and demand payment of the fair value of their Golden China Shares or similar rights. If the statutory procedures governing dissent rights are available and are complied with, this right could lead to a judicial determination of the fair value required to be paid to such dissenting Shareholders

for their Golden China Shares. There is no assurance that a Compulsory Acquisition or Subsequent Acquisition Transaction can be completed without Shareholders exercising dissent or similar rights in respect of a substantial number of Golden China Shares, which could result in the Offeror being required to make a very substantial cash payment that could have a material adverse effect on Sino Gold's financial position and its liquidity.

*Shareholders who become shareholders of Sino Gold will have different rights under applicable Laws in Australia than under applicable Laws in Canada.*

Upon completion of the Offer, Shareholders will become Sino Gold Shareholders. Since Sino Gold is a corporation registered under the laws of Australia, the rights of Sino Gold Shareholders are governed by the applicable Laws of the Australian state of New South Wales, including the *Corporations Act*, and by the constitution of Sino Gold. Since Golden China is a Canadian company, the rights of Shareholders are governed by the CBCA and by Golden China's articles and by-laws. There are differences to the rights and privileges of Shareholders and Sino Gold Shareholders and shareholders of Golden China may be adversely affected by these differences. See Schedule "C", "Comparison of Shareholder Rights", for a summary of some of these differences.

*A different public disclosure regime applies to Sino Gold.*

Golden China is subject to Canadian disclosure requirements. These disclosure requirements are different than those of Australia and to which Sino Gold is subject. The public disclosure obligations and filings applicable to Golden China may not be comparable to the public disclosure obligations and filings applicable to Sino Gold. As a result a shareholder of Sino Gold may not receive or have access to the same disclosure and filings as a shareholder of Golden China.

*The enforcement of shareholder rights by Shareholders resident in Canada may be adversely affected by the combination of Golden China and Sino Gold.*

The enforcement by Shareholders of civil liabilities under Canadian securities Laws may be affected adversely by the fact that Sino Gold is organized under the laws of Australia and has locations and assets outside Canada, and that the Sino Gold officers and directors and some of the experts named in this Offer and Circular are residents of countries other than Canada.

*Sino Gold may not realize the benefits of the combined company's growth projects.*

As part of its strategy, Sino Gold will continue its efforts to develop new gold projects and will have an expanded portfolio of such projects as a result of the combination with Golden China. A number of risks and uncertainties are associated with the development of gold projects, including political, regulatory, design, construction, labour, operating, technical and technological risks, gold prices, uncertainties relating to capital and other costs and financing risks.

## **15. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Stikeman Elliott LLP, the following is a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act, as of the date hereof, to a Shareholder who sells Golden China Shares pursuant to the Offer or otherwise disposes of Golden China Shares pursuant to certain transactions described in Section 13 of the Circular, "Second Step Transactions", and who, for the purposes of the Tax Act and at all relevant times, (i) deals at arm's length with the Offeror and Golden China, (ii) is not affiliated with the Offeror or Golden China, and (iii) holds the Golden China Shares and will hold the Sino Gold Shares received in exchange for Golden China Shares as capital property.

Golden China Shares will generally be considered to be capital property to a Shareholder unless such Golden China Shares are held in the course of carrying on a business or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Shareholders who are residents of Canada for the purposes of the Tax Act and whose Golden China Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have their Golden China Shares and every other “Canadian security” (as defined in the Tax Act) owned by such Shareholder in the taxation year of the election, and in all subsequent taxation years, deemed to be capital property. Shareholders who do not hold their Golden China Shares as capital property should consult their own tax advisors for advice with respect to whether an election under subsection 39(4) of the Tax Act is available and advisable in their particular circumstances. Such election is not available in respect of the Sino Gold Shares.

This summary is based on the current provisions of the Tax Act and counsel’s understanding of the current published administrative and assessing practices of the Canada Revenue Agency (“CRA”). This summary also takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”), and assumes all such Proposed Amendments will be enacted in their present form. No assurances can be given that the Proposed Amendments will be enacted in their present form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations, and except for the Proposed Amendments, does not take into account or anticipate any changes in law, whether by judicial, governmental or legislative action or decision, or changes in the administrative and assessing practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is not applicable to (i) a Shareholder that is a “financial institution” for purposes of the “mark-to-market property” rules; (ii) a Shareholder that is a “specified financial institution”; (iii) a Shareholder an interest in which is a “tax shelter investment”; (iv) a Shareholder in respect of which Sino Gold will be a “foreign affiliate”, as each of those terms is defined in the Tax Act; or (v) a Shareholder to whom proposed subsection 261(4) of the Tax Act applies. In addition, this summary is not applicable to Shareholders who acquired their Golden China Shares on the exercise of employee stock options. Such Shareholders should consult their own tax advisors.

The tax consequences to holders of Convertible Securities of exercising their Convertible Securities or exchanging or replacing their Convertible Securities with other securities, as described in Section 8 of the Offer, “Treatment of Convertible Securities”, are not described in this Section 15 or in Section 16 of the Circular, “Certain Australian Income Tax Considerations”. Holders of Convertible Securities should consult their own tax advisors for advice with respect to the potential income tax consequences to them in connection with the decision to exercise, exchange, or replace or not to exercise, exchange or replace, as the case may be, their Convertible Securities.

All amounts, including dividends, adjusted cost base and proceeds of disposition of Golden China Shares or Sino Gold Shares, must be determined in Canadian dollars for purposes of the Tax Act. Pursuant to proposed amendments to the Tax Act, any amount denominated in Australian dollars must be converted to Canadian dollars using the rate of exchange quoted by the Bank of Canada at noon on the date such amounts first arose, or such other rate of exchange as is acceptable to the CRA.

**This summary is not exhaustive of all Canadian federal income tax considerations and is of a general nature only. It is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder, and no representations with respect to the tax consequences**

to any particular Shareholder are made. Accordingly, Shareholders should consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, state or other local tax authority.

### **Shareholders Resident in Canada**

This portion of the summary is generally applicable to a Shareholder who, for the purposes of the Tax Act and at all relevant times, is or is deemed to be, resident in Canada (a “Resident Shareholder”)

#### ***Sale Pursuant to the Offer***

##### *Sale of Golden China Shares Under the Offer*

A Resident Shareholder who sells Golden China Shares will be considered to have disposed of such Golden China Shares for proceeds of disposition equal to the fair market value, at the date of such disposition, of the Sino Gold Shares received for the Golden China Shares. The Resident Shareholder’s cost of a Sino Gold Share received in exchange for Golden China Shares will be equal to the fair market value of the Sino Gold Share at the time of the exchange. The adjusted cost base of such Sino Gold Share to a Resident Shareholder will be determined by averaging the cost to the Resident Shareholder of the Sino Gold Share with the adjusted cost base to the Resident Shareholder of all other Sino Gold Shares owned by the Resident Shareholder and held as capital property immediately prior to such exchange. Generally, such Resident Shareholder will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Golden China Share to the Resident Shareholder immediately before the disposition. The general tax consequences to a Resident Shareholder realizing a capital gain or capital loss are described below under “Taxation of Capital Gains and Capital Losses”.

##### *Sale of Elected Sino Gold Shares*

An Electing Shareholder who is a Resident Shareholder and who makes the Election to have its Elected Sino Gold Shares issued on its behalf to the Selling Agent who will, as agent for such Electing Shareholder, arrange for the sale of such Elected Sino Gold Shares on the Electing Shareholder’s behalf will realize a capital gain (or a capital loss) on any such sale equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Sino Gold Share to the Electing Shareholder immediately before the disposition. The general tax consequences to a Resident Shareholder realizing a capital gain or capital loss are described below under “Taxation of Capital Gains and Capital Losses”.

##### *Taxation of Capital Gains and Capital Losses*

A Resident Shareholder generally will be required to include in computing its income for the taxation year of disposition one-half of the amount of any capital gain (a “taxable capital gain”) realized in such year. Subject to and in accordance with the provisions of the Tax Act, a Resident Shareholder will be required to deduct one-half of the amount of any capital loss (an “allowable capital loss”) against taxable capital gains realized in the taxation year of disposition. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

In general, a capital loss otherwise arising upon the disposition of a Golden China Share by a Resident Shareholder that is a corporation may be reduced by dividends previously received or deemed to have been received by it on such share, to the extent and under the circumstances prescribed in the Tax Act. Similar rules may apply where the corporation is a member of a partnership or a beneficiary of a trust that owns Golden China Shares or where a partnership or trust of which a corporation is a member or a beneficiary is a member of a partnership or a beneficiary of a trust that owns Golden China Shares. Resident Shareholders to whom these rules apply should consult their own tax advisors.

A Resident Shareholder that throughout the taxation year is a “Canadian controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional 6 2/3% refundable tax on certain investment income, including an amount in respect of taxable capital gains.

Capital gains realized by an individual or trust, other than certain specified trusts, may be subject to alternative minimum tax under the Tax Act. Resident Shareholders should consult their own tax advisors with respect to the alternative minimum tax provisions.

### *Compulsory Acquisition of Shares*

As described under Section 13 of the Circular, “Second Step Transactions – Compulsory Acquisition”, the Offeror may, in certain circumstances, acquire Golden China Shares not deposited under the Offer pursuant to a Compulsory Acquisition. A Resident Shareholder who disposes of Golden China Shares in exchange for Sino Gold Shares in such circumstances generally will realize a capital gain (or a capital loss) calculated in the manner and subject to the treatment described above under “Sale of Shares Under the Offer” and “Taxation of Capital Gains and Losses”.

A Resident Shareholder who dissents in a Compulsory Acquisition and is entitled to receive the fair value of its Golden China Shares will be considered to have disposed of such shares for proceeds of disposition equal to the amount fixed as such by the court (excluding the amount of any interest awarded by the court). As a result, such dissenting Resident Shareholder will realize a capital gain (or a capital loss) generally calculated in the same manner and with the tax consequences as described above under “Sale of Golden China Shares Under the Offer” and “Taxation of Capital Gains and Capital Losses”.

Any interest awarded to a dissenting Resident Shareholder by a court will be included in computing such Resident Shareholder’s income for the purposes of the Tax Act.

Resident Shareholders whose Golden China Shares may be acquired in these circumstances should consult their own tax advisors in this regard.

### *Subsequent Acquisition Transaction*

As described under Section 13 of the Circular, “Second Step Transactions – Subsequent Acquisition Transaction”, if the Offeror does not acquire all of the Golden China Shares pursuant to the Offer or by means of a Compulsory Acquisition, the Offeror may propose other means of acquiring the remaining issued and outstanding Golden China Shares. Such means include an amalgamation, arrangement, capital reorganization, share consolidation, or other transaction. The tax treatment of a Subsequent Acquisition Transaction to a Resident Shareholder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out. Resident Shareholders should consult their own tax advisors for advice with respect to the income tax consequences to them of having their Golden China Shares acquired pursuant to a Subsequent Acquisition Transaction.

A Subsequent Acquisition Transaction could be implemented by means of an amalgamation of Golden China with the Offeror pursuant to which Shareholders who did not tender their Golden China Shares under the Offer would have their Golden China Shares exchanged on the amalgamation for redeemable preference shares of the amalgamated corporation ("Redeemable Shares") which would then be immediately redeemed for Sino Gold Shares. A Resident Shareholder generally would not realize a capital gain or capital loss as a result of the exchange of its Golden China Shares for Redeemable Shares, and the Resident Shareholder's cost of the Redeemable Shares received would be equal to the aggregate adjusted cost base of the Golden China Shares to the Resident Shareholder immediately before the amalgamation. Upon the redemption of the Redeemable Shares, the holder thereof would generally be deemed to have received a dividend (subject to the potential application of subsection 55(2) of the Tax Act to holders of such Redeemable Shares that are corporations, as discussed below) equal to the amount, if any, by which the fair market value on the date of the redemption of the Sino Gold Shares received on the redemption exceeded the paid-up capital for the purposes of the Tax Act of the Redeemable Shares. The difference between the aggregate of fair market value on the date of the redemption of the Sino Gold Shares and the amount of the deemed dividend would be treated as proceeds of disposition of such Redeemable Shares for the purpose of computing any capital gain or capital loss arising on the redemption of such Redeemable Shares. The tax consequences in respect of any such capital gain or capital loss generally would be as described above under "Sale of Golden China Shares Under the Offer" and "Taxation of Capital Gains and Capital Losses". A Resident Shareholder's cost of Sino Gold Shares received in exchange for Redeemable Shares would be equal to the fair market value of such Sino Gold Shares on the date of redemption.

Subsection 55(2) of the Tax Act provides that where a Resident Shareholder that is a corporation is deemed to receive a dividend under the circumstances described above, all or part of the deemed dividend may be deemed not to be a dividend and instead may be treated as proceeds of disposition of the Redeemable Shares for the purposes of computing the Resident Shareholder's capital gain on the disposition of Redeemable Shares. Accordingly, Resident Shareholders that are corporations should consult their own tax advisors for specific advice with respect to the potential application of this provision to them. Subject to the potential application of this provision, dividends deemed to be received by a Resident Shareholder that is a corporation as a result of the redemption of the Redeemable Shares would be included in computing the corporation's income, but normally would also be deductible in computing the corporation's taxable income.

A Resident Shareholder that is a "private corporation" or a "subject corporation" (as such terms are defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax of 33 1/3% on dividends deemed to be received on the Redeemable Shares to the extent that such dividends are deductible in computing the Resident Shareholder's taxable income. Dividends deemed to be received by a Resident Shareholder who is an individual (including a trust) as a result of the redemption of the Redeemable Shares would be included in computing the Resident Shareholder's income, and would be subject to the gross-up and dividend tax credit rules generally applicable to taxable dividends received from a taxable Canadian corporation. Recent changes to the Tax Act enhance the gross up and dividend tax credit for "eligible dividends". A dividend is eligible for these purposes if the paying corporation designates the dividend as an eligible dividend. There are limitations on the ability of a corporation to designate dividends as eligible dividends.

Under the current administrative practice of the CRA, Resident Shareholders who exercise their statutory right of dissent in respect of an amalgamation should be considered to have disposed of their Golden China Shares for proceeds of disposition equal to the amount paid by the amalgamated corporation to the dissenting Resident Shareholder in respect of such Golden China Shares (excluding any interest awarded by a court). However, because of uncertainty under the relevant legislation as to whether such amounts paid to a dissenting Resident Shareholder would be

treated entirely as proceeds of disposition, or in part as the payment of a deemed dividend, dissenting Resident Shareholders should consult with their own tax advisors in this regard. Any interest awarded to the Resident Shareholder by a court would be included in the Resident Shareholder's income for the purposes of the Tax Act.

A Subsequent Acquisition Transaction could also be implemented by means of a capital reorganization of Golden China pursuant to which Resident Shareholders who did not tender their Golden China Shares under the Offer would have their Golden China Shares exchanged for special shares of Golden China ("Special Shares") which would then be immediately sold to the Offeror for consideration consisting of Sino Gold Shares. A Resident Shareholder generally would not realize a capital gain or capital loss as a result of the exchange of its Golden China Shares for Special Shares, and the cost of the Special Shares received would be equal to the aggregate adjusted cost base of the Golden China Shares to the Resident Shareholder immediately before the exchange. Upon the sale of the Special Shares, the Resident Shareholder would realize a capital gain (or a capital loss) calculated in the manner and subject to the treatment described above under "Sale Pursuant to the Offer", but Resident Shareholders whose Special Shares may be so acquired should consult their own tax advisors in this regard. A Resident Shareholder's cost of Sino Gold Shares received in exchange for Special Shares would be equal to the fair market value of such Sino Gold Shares at the time of the exchange.

As an alternative to the amalgamation and capital reorganization discussed herein, the Offeror may propose a Subsequent Acquisition Transaction to be effected by an arrangement, share consolidation or other transaction, the tax consequences of which may differ from those arising on the sale of Golden China Shares under the Offer or an amalgamation or capital reorganization and would depend on the particular form and circumstances of such alternative transaction. No view is expressed herein as to the tax consequences of any such alternative transaction to a Resident Shareholder.

## **Holding and Disposing of Sino Gold Shares**

### *Dividends on Sino Gold Shares*

Dividends, if any, received or deemed to be received on Sino Gold Shares will be required to be included in computing the Resident Shareholder's income for the purposes of the Tax Act. Such dividends received by a Resident Shareholder who is an individual will not be subject to the gross-up and dividend tax credit rules in the Tax Act. A Resident Shareholder that is a corporation will not be entitled to deduct the amount of such dividends in computing its taxable income. A Resident Shareholder that is throughout the relevant taxation year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" for the year, which will include such dividends. Subject to the detailed rules in the Tax Act, a Resident Shareholder may be entitled to a foreign tax credit or deduction for any foreign withholding tax paid with respect to dividends that the Resident Shareholder receives on the Sino Gold Shares.

### *Disposition of Sino Gold Shares*

A disposition or deemed disposition of Sino Gold Shares by a Resident Shareholder will generally result in a capital gain (or a capital loss) equal to the amount by which the Resident Shareholder's proceeds of disposition of such Sino Gold Shares, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Sino Gold Share to the Resident Shareholder immediately before the disposition. The general tax consequences to a Resident



Shareholder realizing a capital gain or capital loss are described above under "Taxation of Capital Gains and Capital Losses".

*Proposed Foreign Investment Entity Legislation*

On November 22, 2006, the Minister of Finance (Canada) released proposed legislation relating to the income tax treatment of investments by Canadian residents in non-resident entities that constitute "foreign investment entities" ("FIEs") applicable for taxation years commencing after 2006 (the "FIE Tax Proposals"). The FIE Tax Proposals would apply to require a Resident Shareholder that holds a "participating interest" (that is not an "exempt interest") in a non-resident entity that is a FIE at the entity's taxation year-end to take into account in computing the holder's income for the holder's taxation year that includes such taxation year-end: (i) an amount based on a prescribed rate of return on the holder's "designated cost" of such participating interest; (ii) in certain limited circumstances, any gains and losses accrued on such participating interest for the holder's taxation year; or (iii) in certain limited circumstances, a proportionate share of the FIE's income (or loss) for the FIE's taxation year ending in the holder's taxation year calculated using Canadian tax rules.

For the purposes of the FIE Tax Proposals, the Sino Gold Shares will constitute "participating interests" in Sino Gold. However, Sino Gold will not be a FIE at a particular time if either (a) at the end of the taxation year that includes that time, the "carrying value" of all of Sino Gold's "investment property" is not greater than one-half of the "carrying value" of all the property of Sino Gold, or (b) throughout the taxation year that includes that time, the principal undertaking of Sino Gold is the carrying on of a business that is not an "investment business". The determination of whether or not Sino Gold is a FIE must be made on an annual basis at the end of each taxation year of Sino Gold.

Even if Sino Gold is a FIE, a Sino Gold Share may be an "exempt interest" provided that throughout the period that Sino Gold Shares are held by a Resident Shareholder during a taxation year of Sino Gold: (i) Sino Gold is resident in Australia; (ii) the ASX continues to be a "prescribed stock exchange" for the purposes of the Tax Act (or, following the implementation of other proposed amendments to the Tax Act, a "designated stock exchange"); (iii) the Sino Gold Shares constitute an "arm's length interest" of the Resident Shareholder (as defined for the purposes of the FIE Tax Proposals) and (iv) Sino Gold Shares continue to be listed on the ASX (or on any other prescribed stock exchange or designated stock exchange, as the case may be). It is expected that the Sino Gold Shares will be "arm's length interests" of a particular Resident Shareholder for the purposes of the FIE Tax Proposals provided that such holder (together with entities and individuals with whom the holder does not deal at arm's length) does not hold, in the aggregate, more than 10% of all of the common shares of Sino Gold based on the fair market value of such securities. An additional requirement for a Sino Gold Share to constitute an "exempt interest" of a Resident Shareholder is that it is reasonable to conclude that the holder has no "tax avoidance motive" in respect of such share. For this purpose, the Resident Shareholder will be regarded as having a tax avoidance motive only if it is reasonable to conclude that the main reasons for acquiring or holding such shares include directly or indirectly benefiting principally from income, profits, gains or increases in value in respect of investment property and from the deferral or reduction of tax that would have been payable on such income, profits or gains.

The determination of whether the Sino Gold Shares constitute an exempt interest must be made on an annual basis at the end of the taxation year of Sino Gold and no assurances can be given that the Sino Gold Shares will constitute an exempt interest at any subsequent taxation year-end of Sino Gold. Resident Shareholders should consult their tax advisors about the application of the FIE Tax Proposals with respect to their particular circumstances.

### *Foreign Reporting*

A Resident Shareholder who is a “specified Canadian entity” for a taxation year or a fiscal period and whose total cost amount of “specified foreign property”, including Sino Gold Shares, at any time in the year or fiscal period exceeds C\$100,000 will be required to file an information return with the CRA for the year or period disclosing prescribed information in respect of such property.

Subject to certain exceptions, a Resident Shareholder will be a “specified Canadian entity”. Resident Shareholders are encouraged to consult their tax advisors as to whether they must comply with these rules.

### *Eligibility for Investment*

As long as the Sino Gold Shares are listed on a prescribed stock exchange (which currently includes the ASX and the HKSE) or, following implementation of proposed amendments to the Tax Act, on a “designated stock exchange” (which is currently proposed to include the ASX and HKSE), the Sino Gold Shares will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans within the meaning of the Tax Act and, following implementation of proposed amendments to the Tax Act, a trusts governed by registered disability savings plans.

### **Shareholders Not Resident in Canada**

The following summary is generally applicable to a Shareholder who, for the purposes of the Tax Act and at all relevant times, is not resident or deemed to be resident in Canada and does not use or hold, and is not deemed to use or hold, Golden China Shares in connection with carrying on a business in Canada (a “Non-Resident Shareholder”). Special rules not discussed in this summary may apply to a non-resident insurer carrying on an insurance business in Canada and elsewhere, and any such insurers should consult their own tax advisors.

### *Sale Pursuant to the Offer*

#### *Sale of Golden China Shares Under the Offer*

A Non-Resident Shareholder who disposes of Golden China Shares to the Offeror pursuant to the Offer will not be subject to income tax under the Tax Act in respect of any capital gain realized on the disposition of such Shares provided the Golden China Shares are not “taxable Canadian property” (as defined in the Tax Act) to the Non-Resident Shareholder at the time of the disposition of such Golden China Shares.

Generally, Golden China Shares will not constitute taxable Canadian property to a Non-Resident Shareholder at a particular time provided that (a) the Golden China Shares are listed on a prescribed stock exchange (which currently includes the ASX and TSX) at that time, and (b) the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder does not deal at arm’s length, or the Non-Resident Shareholder together with all such persons, has not owned 25% or more of the shares of any class or series of Golden China at any time during the 60 month period that ends at that time. Golden China Shares may also be deemed to constitute taxable Canadian property to a Non-Resident Shareholder in certain circumstances specified under the Tax Act. Even if the Golden China Shares are taxable Canadian property to a Non-Resident Shareholder, any capital gain realized upon the disposition or deemed disposition thereof may not be subject to tax under the Tax Act if such gain is exempt from tax pursuant to the provisions of an applicable income tax treaty or convention. Non-Resident Shareholders should consult their own tax advisors with respect to the

availability of any relief under the terms of an applicable income tax treaty or convention in their particular circumstances.

In the event that the Golden China Shares constitute taxable Canadian property to a Non-Resident Shareholder and a capital gain that is realized upon a disposition of such Golden China Shares to the Offeror is not exempt from Canadian tax by virtue of an applicable income tax treaty or convention, then, in such circumstances, the tax consequences as described above under “Shareholders Resident in Canada” will generally apply. Such Non-Resident Shareholders whose Golden China Shares are taxable Canadian property should consult their own tax advisors in this regard.

#### *Sale of Elected Sino Gold Shares*

An Electing Shareholder who is a Non-Resident Shareholder and who makes the Election to have its Elected Sino Gold Shares issued on its behalf to the Selling Agent who will, as agent for such Electing Shareholder, arrange for the sale of such Elected Sino Gold Shares on the Electing Shareholder’s behalf will not be subject to income tax under the Tax Act on any capital gain realized on the disposition of such Sino Gold Shares.

#### *Compulsory Acquisition*

As described under Section 13 of the Circular, “Second Step Transactions – Compulsory Acquisition”, the Offeror may, in certain circumstances, acquire Golden China Shares not deposited under the Offer pursuant to a Compulsory Acquisition. Subject to the discussion below under “Delisting of Shares Following Completion of the Offer”, the Canadian federal income tax consequences to a Non-Resident Shareholder who disposes of Golden China Shares in exchange for Sino Gold Shares in such circumstances generally will be as described above under “Shareholders Not Resident in Canada – Sale Pursuant To The Offer”. Any interest awarded by a court and paid or credited to a Non-Resident Shareholder exercising its right to dissent in respect of a Compulsory Acquisition will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Shareholder is entitled pursuant to the provisions of an applicable income tax treaty or convention. Non-Resident Shareholders whose Golden China Shares may be acquired in these circumstances should consult their own tax advisors in this regard.

#### *Subsequent Acquisition Transaction*

As described under Section 13 of the Circular, “Second Step Transactions – Subsequent Acquisition Transaction”, if the Offeror does not acquire all of the Golden China Shares pursuant to the Offer or by means of a Compulsory Acquisition, the Offeror may propose other means of acquiring the remaining issued and outstanding Golden China Shares.

The tax treatment of a Subsequent Acquisition Transaction to a Non-Resident Shareholder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out and may be substantially the same as or materially different than described above. A Non-Resident Shareholder may realize a capital gain or a capital loss and/or be deemed to receive a dividend pursuant to a Subsequent Acquisition Transaction, as discussed above under “Shareholders Resident in Canada – Subsequent Acquisition Transaction”. Whether or not a Non-Resident Shareholder will be subject to tax under the Tax Act on any such capital gain will depend on whether the Golden China Shares, Redeemable Shares or Special Shares, as the case may be, are “taxable Canadian property” to the Non-Resident Shareholder for purposes of the Tax Act and whether the Non-Resident Shareholder is entitled to relief under an applicable income tax treaty or convention, and other circumstances at that time (see in particular the discussion below under “Delisting of Shares

Following Completion of the Offer”). Dividends paid or deemed to be paid to a Non-Resident Shareholder will be subject to Canadian withholding tax at a rate of 25%. Such rate may be reduced under the provisions of an applicable income tax treaty or convention. Any interest awarded by a court and paid or credited to a Non-Resident Shareholder exercising its right to dissent in respect of a Subsequent Acquisition Transaction will be subject to Canadian withholding tax in the same manner as described above under “Shareholders Not Resident in Canada – Compulsory Acquisition”. Non-Resident Shareholders should consult their own tax advisors for advice with respect to the potential income tax consequences to them of having their Golden China Shares acquired pursuant to a Subsequent Acquisition Transaction.

### *Delisting of Shares Following Completion of the Offer*

As described above in Section 12 of the Circular, “Regulatory Considerations – ASX and HKSE”, the Golden China Shares are expected to be delisted from the ASX at the CDI Expiry Time and may cease to be listed on the TSX following the completion of the Offer and may not be listed on the ASX or the TSX at the time of their disposition by a Non-Resident Shareholder pursuant to a Compulsory Acquisition or a Subsequent Acquisition Transaction. Non-Resident Shareholders are cautioned that if the Golden China Shares are not listed on a prescribed stock exchange (which includes the ASX and the TSX) at the time they are disposed of: (a) the Golden China Shares will generally be “taxable Canadian property” to the Non-Resident Shareholder; (b) the Non-Resident Shareholder may be subject to tax under the Tax Act in respect of any capital gain realized on such disposition, unless any such gain is exempt from taxation under the Tax Act pursuant to the provisions of an applicable income tax treaty or convention; and (c) the notification and withholding provisions of section 116 of the Tax Act will apply to the Non-Resident Shareholder, in which case the Offeror will be entitled, pursuant to the Tax Act, to deduct or withhold an amount from any payment made to the Non-Resident Shareholder and to remit such amount to the Receiver General for Canada on behalf of the Non-Resident Shareholder. Non-Resident Shareholders should consult their own tax advisors for advice with respect to the potential income tax consequences to them of not disposing of their Golden China Shares pursuant to the Offer.

## **16. CERTAIN AUSTRALIAN INCOME TAX CONSIDERATIONS**

In the opinion of Deacons, the information in this Section 16 is intended only to provide a general overview of the Australian income and capital gains tax implications for persons who are non-residents of Australia for Australian tax purposes. It does not address tax considerations for shareholders in the jurisdiction in which they are resident. This overview is not intended to be comprehensive, nor is it a discussion of all possible tax consequences. Shareholders should not rely on the information provided herein as tax advice in relation to their own affairs but should seek independent taxation advice with respect to the tax consequences of an investment in the Shares having regard to their particular circumstances.

### *Australian Dividend Withholding Tax*

Shareholders may be subject to Australian dividend withholding tax on dividends paid in relation to Sino Gold Shares they acquire. The general rate of dividend withholding tax is 30% of the gross dividend. Where the shareholder is resident in a country that has a double tax agreement with Australia, that double tax agreement may specify a lower rate of dividend withholding tax that is applicable. For example, at the date of this Circular, the rate of Australian dividend withholding tax that is applicable to Canadian resident shareholders is generally a rate not exceeding 15% of the gross dividend.

Dividends paid to a non-resident will not be subject to Australian dividend withholding tax in certain circumstances, such as:

- (a) to the extent to which the dividend has been “franked” under Australia’s imputation system of company taxation. Dividends will be franked to the extent that the profits from which the dividends are been paid have been subject to Australian corporate tax; or
- (b) to the extent to which the dividend is declared to be “conduit foreign income”. Conduit foreign income includes amounts from sources outside Australia that would not be subject to taxation in Australia.

#### ***Australian Capital Gains Tax (CGT)***

A non-resident of Australia holding shares on capital account will only be subject to Australian capital gains tax (“CGT”) on disposal of their shares (or another CGT event occurring in relation to their shares) if the shares are an “indirect Australian real property interest”. In general terms the Golden China Shares (or the CDIs), or the Sino Gold Shares acquired by a Shareholder in respect of the Offer, will be treated as an “indirect Australian real property interest” if:

- (a) the non-resident shareholder (together with associates) holds an interest of 10% or more in a company; and
- (b) more than 50% of the value of the company’s assets is attributable to “taxable Australian real property” (namely, real property situated in Australia or mining, quarrying or prospecting rights in Australia).

It is not considered that more than 50% of the value of the assets of Golden China are attributable to “taxable Australian real property” and, therefore, the Golden China Shares should not be treated as an “indirect Australian real property interest”. Accordingly, Australian CGT should not apply on disposal of the Golden China Shares or the CDIs (or other CGT event occurring in relation to the Golden China Shares or the CDIs). Given that Australian CGT should not apply, an Electing Shareholder that is a non resident of Australia and who makes the Election to have its Elected Sino Gold Shares issued on its behalf to the Selling Broker who will, as trustee or agent for such Electing Shareholder, arrange for the sale of such Elected Sino Gold Shares on the Electing Shareholder’s behalf, should not be subject to Australian withholding tax from the proceeds paid to that Electing Shareholder.

It is also not considered that more than 50% of the value of the assets of Sino Gold are attributable to “taxable Australian real property” as at the date of this Offer and, therefore, the Sino Gold Shares acquired by a Shareholder in respect of the Offer should not be treated as an “indirect Australian real property interest” as at the date of this Offer. If it is the case that not more than 50% of the value of the assets of Sino Gold are attributable to “taxable Australian real property” at the time of disposal of the Sino Gold Shares (or other CGT event occurring in relation to the Sino Gold Shares) the Sino Gold Shares should not be treated as an “indirect Australian real property interest” at that time. Shareholders should seek independent taxation advice as to the CGT implications of disposal of the Sino Gold Shares at the relevant time.

Shareholders that hold their Golden China Shares on revenue account or as trading stock should seek independent taxation advice as to the Australian taxation implications of disposal of their Golden China Shares.

#### **17. ACCEPTANCE OF OFFER**

As previously disclosed in Sino Gold’s press release announcing the signing of the Support Agreement, Baker Steel Capital Managers (which owned approximately 5.4% of Golden China Shares

as at September 7, 2007) indicated verbal support for the Offer and have advised Sino Gold that unless there is any material change in circumstances they will be tendering their Golden China Shares to the Offer. Except for the foregoing and as otherwise set forth herein (see Section 3 of the Circular, "Background to the Offer – Lock-up Agreements"), the Offeror has no knowledge regarding whether any Shareholders will accept the Offer.

#### **18. LEGAL MATTERS AND LEGAL PROCEEDINGS**

Certain legal matters relating to the Offer (including the issuance of the Sino Gold Shares offered under the Offer) will be passed upon on behalf of the Offeror by Stikeman Elliott LLP in Canada and Deacons in Australia.

#### **19. EXPERTS**

As at the date hereof, to the knowledge of the Offeror's directors, the partners and associates of Stikeman Elliott LLP and the partners and employees of Deacons, each collectively beneficially own, directly or indirectly, less than 1% of the outstanding securities of Golden China and less than 1% of the outstanding securities of Sino Gold.

As at the date hereof, to the knowledge of the Offeror's directors, the partners, employees, engineers and qualified persons of SRK Consulting (Australasia) Pty Ltd., beneficially own, directly or indirectly, less than 1% of the outstanding securities of Golden China and less than 1% of the outstanding securities of Sino Gold.

#### **20. DEPOSITARIES AND INFORMATION AGENTS**

Computershare Investor Services Inc. (in respect of Golden China Shares only) and Computershare Investor Services Pty Limited (for CDIs only) have been retained as the Depositaries, and Georgeson Shareholder Communications Canada Inc. in North America and Georgeson Shareholder Communications Pty Ltd. in Australia and internationally outside North America have been retained as the Information Agents, for the Offer. The Depositaries and Information Agents may contact Shareholders by mail, telephone, telecopy, telegraph and personal interview and may request banks, brokers, dealers and other nominees to forward materials relating to the Offer to beneficial owners of the Golden China Shares.

The Depositaries and the Information Agents will each receive reasonable and customary compensation from the Offeror for their services in connection with the Offer, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith.

Except as otherwise set forth in this Offer and Circular, no broker, depository, information agent, dealer, bank or trust company shall be deemed to be an agent of the Offeror for the purposes of the Offer.

#### **21. SOLICITING BROKERS**

Investment dealers, investment advisors and/or registered representatives employed by any dealers may, if permitted by applicable securities Laws, solicit acceptances of the Offer (each such Person soliciting acceptances of the Offer is referred to herein as a "Soliciting Dealer"). The Offeror has (subject to the qualifications in the next paragraph) agreed to pay to each Soliciting Dealer a broker handling fee equal to C\$0.05 (or A\$0.06) (the "Broker Handling Fee") for each such Golden China Share deposited through such Soliciting Dealer and taken up by the Offeror under the Offer.

The aggregate amount payable with respect to any single beneficial holder of Golden China Shares is subject to a minimum payment of approximately C\$43 or A\$50, and a maximum payment of approximately C\$645 or A\$750 for each acceptance. When Golden China Shares deposited are

beneficially owned by more than one Person, only one minimum and maximum amount will be applied. The Broker Handling Fee is payable in Canadian dollars to any Soliciting Dealer located in Canada and in Australian dollars to any Soliciting Dealer located in Australia or elsewhere internationally. No fee will be payable for deposits of less than 500 Golden China Shares or for deposits of Golden China Shares held by shareholders, directors or officers subject to Lock-up Agreements. See Section 3 of the Circular, "Background to the Offer".

Soliciting Dealers may pay an investment advisor or registered representative a portion of the solicitation fee for Golden China Shares deposited by clients of the investment advisor or registered representative.

In addition to the foregoing, the Offeror has also appointed Austock Corporate Finance ("Austock"), an Australian broker, to facilitate the sale of the Elected Sino Gold Shares, as well as to assist the Offeror with the solicitation of major institutional shareholders of Golden China Shares. Austock is expected to receive reasonable and customary compensation from the Offeror for their services in connection with the Offer, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith.

## **22. AUDITORS, TRANSFER AGENTS AND REGISTRARS**

The auditors of Sino Gold are Ernst and Young Chartered Accountants, 680 George Street, Sydney, NSW, Australia.

The Australian share registry for the Sino Gold Shares is Registries Limited, at its principal office at 28 Margaret Street, Sydney, NSW 2000, Australia. The Hong Kong share registrar for the Sino Gold Shares is Computershare Hong Kong Investor Services Limited, at its principal office at Shops 1712 - 1716, 17<sup>th</sup> floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## **23. OTHER MATTERS RELATING TO THE OFFER**

No fee or commission will be payable by Shareholders to the Offeror for the deposit of the Golden China Shares under the Offer, however, a Depositing Shareholder's broker or other nominee may charge a fee or commission in connection with the Offer. Shareholders should contact their broker or other nominee for information on any such fees and commissions that are payable.

## **24. OFFEREES' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides shareholders with, in addition to any other rights they may have at Law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular that is required to be delivered to the shareholders. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer. Such rights may in certain cases need to be exercised through CDS on behalf of a Shareholder. Shareholders should accordingly also contact their broker or other nominee for assistance as required.

## AUDITORS' CONSENT

To: The Board of Directors of Sino Gold Mining (Canada) Ltd. (the "Offeror")

We have read the Offer and Circular of the Offeror dated October 24, 2007 (the "Circular") relating to the offer by the Offeror to purchase all of the issued and outstanding shares of Golden China Resources Corporation.

We hereby give our consent to the inclusion in the aforementioned Circular of:

- our Independent Accountant's Report dated 24 October, 2007 to the Board of Directors of Sino Gold on the audited consolidated Balance Sheet as at 31 December, 2004, 2005 and 2006 and the Income Statement, Statement of Changes in Equity, Cash Flow Statement and applicable notes to these statements for the years ended 31 December, 2004, 2005 and 2006;
- our independent review report dated August 21, 2007 to the members of Sino Gold on the condensed financial report for the half year ended June 30, 2007; and
- our compilation report dated 24 October, 2007 to the Board of Directors of Sino Gold on the unaudited pro forma consolidated balance sheet as at June 30, 2007 and the unaudited pro forma consolidated operating statement for the six months ended June 30, 2007 and the year ended December 31, 2006.

Ernst & Young has made no other statement that is included in the Circular or any statement on which a statement made in the Circular is based. Ernst & Young expressly disclaims and takes no responsibility for any statements in or omissions from this Circular. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given above.

(Signed) Ernst & Young  
Sydney, Australia  
October 24, 2007



**CONSENT OF COUNSEL**

To: The Board of Directors of the Offeror

We hereby consent to the reference to our opinion contained under "Certain Canadian Federal Income Tax Considerations" in the Circular accompanying the Offer dated October 24, 2007 made by the Offeror to the holders of the Golden China Shares.

Toronto, Canada  
October 24, 2007

(Signed) STIKEMAN ELLIOTT LLP

**CONSENT OF COUNSEL**

To: The Board of Directors of the Offeror

We hereby consent to the reference to our opinion contained under "Certain Australian Income Tax Considerations" in the Circular accompanying the Offer dated October 24, 2007 made by the Offeror to the holders of the Golden China Shares.

Sydney, Australia  
October 24, 2007

(Signed) DEACONS

**APPROVAL AND CERTIFICATE OF THE OFFEROR**

Dated: October 24, 2007

The contents of the Offer and Circular have been approved and the sending, communication or delivery thereof to the Shareholders has been authorized by the board of directors of the Offeror. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it is made.

**SINO GOLD MINING (CANADA) LTD.**

(Signed) Jacob Klein  
Chief Executive Officer

(Signed) Wayne Rossiter  
Chief Financial Officer

On behalf of the Board of Directors of Sino Gold Mining (Canada) Ltd.

(Signed) Jacob Klein  
Director

(Signed) Ivo Polovineo  
Director

**APPROVAL AND CERTIFICATE OF SINO GOLD MINING LIMITED ABN 42 093 518 579**

Dated: October 24, 2007

The contents of the Offer and Circular have been approved and the sending, communication or delivery thereof to the Shareholders has been authorized by the board of directors of Sino Gold Mining Limited. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it is made.

**SINO GOLD MINING LIMITED ABN 42 093 518 579**

(Signed) Jacob Klein  
Chief Executive Officer

(Signed) Wayne Rossiter  
Chief Financial Officer

On behalf of the Board of Directors of Sino Gold Mining Limited ABN 42 093 518 579

(Signed) Jim Askew  
Director

(Signed) Brian Davidson  
Director

*Questions and requests for assistance may be directed to the Information Agents for the Offer:*

**GEORGESON SHAREHOLDER COMMUNICATIONS CANADA INC.  
(in North America)**

**100 University Avenue  
11th Floor, South Tower  
Toronto, Ontario  
M5J 2Y1  
North American Toll Free: 1-888-605-7644**

**GEORGESON SHAREHOLDER COMMUNICATIONS AUSTRALIA PTY LTD.  
(Australia and International (except North America))**

**Level 1, 60 Carrington Street,  
Sydney, NSW 2000**

**Telephone: 61 3 9415 4682  
(for International CDI holders, excluding North American holders)  
1-800-339-135 (Free call for holders of CDIs in Australia)**

*The Depositary for the Offer is:*

**COMPUTERSHARE INVESTOR SERVICES INC.  
(in respect of Golden China Shares only)**

***By Mail:*  
P.O. Box 7021  
31 Adelaide Street East  
Toronto, ON, Canada M5C 3H2  
Attention: Corporate Actions**

***By Registered Mail, by Hand or by Courier:*  
9<sup>th</sup> Floor  
100 University Avenue  
Toronto, ON, Canada M5J 2Y1  
Attention: Corporate Actions**

**North American Toll Free Number: 1-800-564-6253  
Outside North America, Call Collect: 1-514-982-7555  
e-mail: [corporateactions@computershare.com](mailto:corporateactions@computershare.com)**

**COMPUTERSHARE INVESTOR SERVICES PTY LIMITED  
(for CDIs only)**

**By Mail: GPO Box 7043, Sydney NSW 2001  
By Hand or by Courier: Level 2, 60 Carrington Street, Sydney NSW 2000**

Shareholders may also contact their investment dealer, broker, bank manager, accountant, lawyer or professional advisor for assistance. See also "Questions and Answers" on page 9. Reasonably required additional copies of the Offer and Circular may be obtained without charge on request from the Depositaries.

CDI Holders should contact their brokers or the CDI Nominee for further information.

**SCHEDULE "A"**  
**FINANCIAL INFORMATION**

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# **Sino Gold Mining Limited**

ABN 42 093 518 579

## **Half-Year Financial Report**

for the half-year ended 30 June 2007



# Condensed Income Statement

HALF-YEAR ENDED 30 JUNE 2007

Notes

CONSOLIDATED

Half-year  
to June 2007

Half-year  
to June 2006

A\$000

A\$000

Revenue from sale of gold	2	-	5,429
Other expenses	2	(4,958)	(8,166)
Other income	2	2,677	580
Finance costs	2	(5,123)	(2,214)
		(7,404)	(4,371)
Gain / (loss) on fair value of vested share options - derivative	2	4,287	(3,626)
<b>Total loss from continuing operations before tax</b>		<b>(3,117)</b>	<b>(7,997)</b>
Income tax expense		-	-
<b>NET LOSS ATTRIBUTABLE TO MEMBERS OF SINO GOLD LIMITED</b>		<b>(3,117)</b>	<b>(7,997)</b>
Basic loss per share (cents per share)		(1.72)	(5.23)
Diluted loss per share (cents per share)		(1.72)	(5.23)



# Condensed Balance Sheet

AS AT 30 JUNE 2007

Notes

CONSOLIDATED

AS AT  
30 June 2007  
A\$000AS AT  
31 December 2006  
A\$000**CURRENT ASSETS**

Cash and cash equivalents		100,518	13,923
Restricted cash	5(c)	53,022	7,582
Trade and other receivables		2,891	2,550
Inventories		14,401	1,412
Prepayments		342	6,967
<b>TOTAL CURRENT ASSETS</b>		<b>171,174</b>	<b>32,434</b>

**NON-CURRENT ASSETS**

Receivables		1,841	3,067
Property, plant and equipment	3	385	226
Deferred exploration, evaluation and development costs	4	287,604	240,074
<b>TOTAL NON-CURRENT ASSETS</b>		<b>289,830</b>	<b>243,367</b>
<b>TOTAL ASSETS</b>		<b>461,004</b>	<b>275,801</b>

**CURRENT LIABILITIES**

Trade and other payables		29,386	25,258
Provisions		602	645
Interest bearing liabilities	5	56,987	9,742
Derivatives	6	25,709	25,205
<b>TOTAL CURRENT LIABILITIES</b>		<b>112,684</b>	<b>60,850</b>

**NON-CURRENT LIABILITIES**

Interest bearing liabilities	5	78,850	89,900
Derivatives	6	61,794	71,138
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>140,644</b>	<b>161,038</b>
<b>TOTAL LIABILITIES</b>		<b>253,328</b>	<b>221,888</b>

**NET ASSETS**

	<b>207,676</b>	<b>53,913</b>
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**EQUITY**

Issued capital	7	327,594	168,259
Convertible notes – equity component		3,228	3,228
Accumulated losses		(67,422)	(64,305)
Other reserves		(98,472)	(87,343)
<b>Total parent entity interest in equity</b>		<b>164,928</b>	<b>19,839</b>
Outside equity interests		42,748	34,074
<b>TOTAL EQUITY</b>		<b>207,676</b>	<b>53,913</b>





# Condensed Cash Flow Statement

HALF-YEAR ENDED 30 JUNE 2007

CONSOLIDATED

	Half-year to June 2007	Half-year to June 2006
	A\$000	A\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	5,430
Payments to suppliers, employees and others	(5,178)	(6,371)
Interest received	2,681	330
Interest paid	(5,181)	(1,776)
Other	(263)	250
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(7,941)	(2,137)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(271)	(15)
Payments for exploration, evaluation and development	(58,050)	(51,688)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(58,321)	(51,703)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	171,007	69,942
Share issue costs	(10,752)	(7,646)
Proceeds from borrowings	43,803	20,180
Proceeds from repayment of employee loans	1,196	193
NET CASH FLOWS FROM FINANCING ACTIVITIES	205,254	82,669
NET INCREASE / (DECREASE) IN CASH HELD	138,992	28,829
Cash and cash equivalents at beginning of period	21,505	28,769
Effects of exchange rate changes on cash	(6,957)	(150)
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) AT END OF PERIOD</b>	<b>153,540</b>	<b>57,448</b>



## Condensed Statement of Changes in Equity

HALF-YEAR ENDED 30 JUNE 2007

<b>CONSOLIDATED</b>	Issued capital A\$'000	Convertible notes Equity component A\$'000	Retained earnings A\$'000	Other Reserves A\$'000	Outside Equity interests A\$'000	Total A\$'000
<b>At 1 January 2007</b>	168,259	3,228	(64,305)	(87,343)	34,074	53,913
Currency translation differences	-	-	-	(11,386)	-	(11,386)
Movement in fair value of cashflow hedges	-	-	-	(1,281)	-	(1,281)
<b>Total income / (expense) for the period recognised directly in equity</b>	-	-	-	(12,667)	-	(12,667)
Loss for the period	-	-	(3,117)	-	-	(3,117)
<b>Total income / (expense) for the period</b>	-	-	(3,117)	(12,667)	-	(15,784)
Share issue costs	(11,672)	-	-	-	-	(11,672)
Allotment of new shares	169,391	-	-	-	-	169,391
Exercise of options	1,616	-	-	-	-	1,616
Cost of share based payments	-	-	-	1,538	-	1,538
Minority equity uplift in development and production assets	-	-	-	-	8,674	8,674
<b>At 30 June 2007</b>	327,594	3,228	(67,422)	(98,472)	42,748	207,676



## Condensed Statement of Changes in Equity

HALF-YEAR ENDED 30 JUNE 2007 (Continued)

<b>CONSOLIDATED</b>	Issued capital A\$'000	Convertible notes Equity component A\$'000	Retained earnings A\$'000	Other Reserves A\$'000	Outside Equity interests A\$'000	Total A\$'000
<b>At 1 January 2006</b>	101,949	3,228	(44,337)	(34,183)	11,491	38,148
Currency translation differences	-	-	-	120	-	120
Movement in fair value of cashflow hedges	-	-	-	(50,952)	-	(50,952)
<b>Total income / (expense) for the period recognised directly in equity</b>	-	-	-	(50,832)	-	(50,832)
Loss for the period	-	-	(7,997)	-	-	(7,997)
<b>Total income / (expense) for the period</b>	-	-	(7,997)	(50,832)	-	(58,829)
Share issue costs	(3,685)	-	-	-	-	(3,685)
Allotment of new shares	63,531	-	-	-	-	63,531
Exercise of options	6,411	-	-	-	-	6,411
Cost of share based payments	-	-	-	626	-	626
Minority equity uplift in development and production assets	-	-	-	-	7,549	7,549
<b>At 30 June 2006</b>	168,206	3,228	(52,334)	(84,389)	19,040	53,751



# Notes to the Half-Year Financial Statements

30 JUNE 2007

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## 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

### Corporate information

The financial report of Sino Gold Mining Limited (the Company) for the half-year ended 30 June 2007 was authorised for issue on 21 August 2007 in accordance with a resolution of the directors. Sino Gold Mining Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited.

### Summary of significant accounting policies

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Sino Gold Mining Limited as at 31 December 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Sino Gold Mining Limited and its controlled entities during the half-year ended 30 June 2007 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

### (a) Basis of preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost convention except for derivative financial instruments and vested share options which have been measured at fair value. The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars(\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

### (b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2006. There have been no changes in accounting policies as a result of the adoption of amending standards mandatory for annual reporting periods beginning on or after 1 January 2007.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sino Gold Mining Limited and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.



# Notes to the Half-Year Financial Statements

30 JUNE 2007 (Continued)

	Notes	CONSOLIDATED	
		Half-year to June 2007	Half-year to June 2006
		A\$000	A\$000
<b>2. LOSS FROM ORDINARY ACTIVITIES</b>			
<b>(a) Specific Items</b>			
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
<b>(i) Revenues from ordinary activities</b>			
Revenue from sale of gold		-	5,429
Other income			
Other operating revenue		(4)	250
Interest revenue		2,681	330
		<b>2,677</b>	<b>580</b>
		<b>2,677</b>	<b>6,009</b>
<b>(ii) Other expenses</b>			
Depreciation and amortisation		57	28
Employee benefits		493	339
Share based payments expense		1,220	626
Mining costs, raw materials and consumables		-	4,344
Deferred exploration costs written off		702	-
Loss on ineffective hedges		798	-
Corporate overheads		3,075	2,423
Foreign exchange (gain)/loss		(1,387)	250
Royalties paid		-	156
		<b>4,958</b>	<b>8,166</b>
<b>(iii) Finance costs</b>			
Interest paid and charged		4,687	2,070
Other borrowing costs		436	144
		<b>5,123</b>	<b>2,214</b>
<b>(iv) Gain / (loss) on fair value of vested share options – derivatives</b>			
Gain / (loss) on fair value of vested share options - derivatives		4,287	(3,626)



# Notes to the Half-Year Financial Statements

30 JUNE 2007 (Continued)

	June 2007 A\$000	December 2006 A\$000
<b>3. PROPERTY PLANT &amp; EQUIPMENT</b>		
<i>Plant, equipment and leasehold</i>		
Opening book value	226	339
Additions	271	107
Disposals	(55)	(142)
Depreciation for period	(57)	(78)
<b>Net book value</b>	<b>385</b>	<b>226</b>
<b>4. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS</b>		
Opening book value	240,074	102,868
Additions	55,176	121,917
Value of exploration licence contributed by minority interest partner	8,674	22,583
Deferred exploration costs written off	(702)	-
Foreign exchange adjustment	(15,618)	(7,294)
<b>Net book value</b>	<b>287,604</b>	<b>240,074</b>
<b>5. INTEREST BEARING LIABILITIES</b>		
<i>- Current</i>		
Jinfeng Project Loan (b)	7,718	2,061
Jinfeng Standby L/C Loan (c)	48,233	6,847
Jinfeng Financing Lease (d)	-	148
Deferred gold put option premium	1,036	686
	<b>56,987</b>	<b>9,742</b>



# Notes to the Half-Year Financial Statements

30 JUNE 2007 (Continued)

	June 2007 A\$000	December 2006 A\$000
<b>5. INTEREST BEARING LIABILITIES - continued</b>		
<b>- Non-current</b>		
Convertible notes (a)		
Convertible notes at face value	38,341	41,122
Accrued interest	536	376
Un-amortised borrowing costs	(1,266)	(1,500)
	37,611	39,998
Jinfeng Project Loan (b)		
Principal	41,231	48,884
Un-amortised borrowing costs	(1,124)	(1,403)
	40,107	47,481
Jinfeng Financing Lease (d)	-	593
Deferred gold put option premium	1,132	1,828
	78,850	89,900

(a) In March 2005 the company issued 35,000 convertible notes at an issue price of US\$1,000 per note, raising a total of US\$35 million. The notes are seven-year convertible notes maturing in March 2012. Interest is payable on the notes at the rate of 5.75% per annum. The price for conversion of the notes into ordinary shares in the Company is A\$2.89 per share. The fair value of the liability was originally assessed at US\$32.5 million. The company also has access to a further US\$20 million under the Convertible Note facility.

(b) Jinfeng Project Loan - this financing facility is arranged and jointly underwritten by Standard Bank London Limited and Bayerisch Hypo-und Vereinsbank AG for US\$40 million plus US\$2 million capitalised interest with a 7 year term. Repayments are made quarterly commencing 31 December 2007. Interest rate is LIBOR plus 3.25% margin pre-financial completion and 2.75% margin after financial completion.

The facility is secured against the following:

- Mortgage on all present and future immovable assets in the project;
- Pledge over all present and future movable equipment in the project;
- Pledge over the projects land use right, mining license, exploration license and operating permits; and
- Pledge over all material project contracts.

In addition, the Company and Sino Mining Guizhou Pty Limited has guaranteed until completion of the project construction, a first ranking charge over all shares of the Company in Sino Mining Guizhou Pty Limited and a first ranking pledge of the interest of Sino Mining Guizhou Pty Limited in the Borrower.

At 30 June 2007 the total drawdown amount was US\$41.5 million (A\$49.0 million).

(c) Jinfeng Standby L/C loan - The company has secured a standby cash collateralised L/C facility issued by its bankers to secure advances made by China Construction Bank, Guizhou Branch to the Jinfeng Project. The interest rate for this loan is currently 5.95%. Restricted cash held on deposit as security for this facility at 30 June 2007 was US\$45.0 million (A\$53.0 million).

(d) Jinfeng Financing Lease - The contract period is 5 years. Monthly payment of RMB97,000 are made to the lessor. This contract was terminated in March 2007 and all the outstanding balance was repayed.

(e) The Company has entered into a Cost Overrun facility in relation to the Jinfeng Project in the principal amount of US\$3.7 million. No amounts have been drawn under this facility.



# Notes to the Half-Year Financial Statements

30 JUNE 2007 (Continued)

	June 2007 A\$000	December 2006 A\$000
<b>6. DERIVATIVES</b>		
<i>- Current</i>		
Fair value of non-employee vested share options	14,420	19,845
Fair value of gold forward contracts & options	11,289	5,360
	25,709	25,205
<i>- Non-current</i>		
Fair value of gold forward contracts & options	61,794	71,138
	61,794	71,138
<b>7. ISSUED CAPITAL</b>		
Ordinary shares		
Issued and fully paid	327,594	168,259

	Number of shares '000	A\$000
<b><i>Movements in ordinary shares on issue</i></b>		
At 1 January 2007	153,061	168,259
Issue of shares	28,155	171,007
Share issue and transaction costs	-	(11,672)
	181,216	327,594

## 8. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2007.

## 9. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed.

## 10. SEGMENT INFORMATION

The group operates entirely in the mining industry and in the sole geographical area of China. The operations comprise the mining and processing of gold ore and the sale of extracted gold.





# Notes to the Half-Year Financial Statements

30 JUNE 2007 (Continued)

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## 11. SUBSEQUENT EVENTS

On 3 August 2007 the Company's Board of Directors approved the development of the White Mountain project. Highlights of the White Mountain project are: 1) gold production of approximately 70,000 ounces per annum; 2) forecast capital cost of US\$55 million (including contingency); 3) operating costs of less than US\$250 per ounce; and 4) commissioning to commence in late 2008 with commercial production in early 2009.

On 13 August 2007 the Company announced a proposed offer to acquire all of the outstanding shares in Golden China Resources Corporation ("Golden China"). Under the key terms of the proposed offer, Golden China shareholders would receive one Sino Gold share for every 4.5 Golden China shares held which would result in an additional 12,616,790 Sino Gold shares being issued. A Definitive Support Agreement is expected to be finalised by 10 September 2007 and following this Sino Gold will provide interim funding to Golden China by subscribing to a private placement in Golden China shares. The subscription will be for the lesser of either Canadian \$5 million worth of Golden China common shares or such a number of Golden China shares to result in Sino Gold owning a 9.9% interest in Golden China.

## 12. CAPITAL EXPENDITURE COMMITMENT

The group has commenced development and construction of its second gold mine, the White Mountain project in Jilin Province PRC which has a capital cost estimate of approximately US\$55.0 million of which approximately US\$2.7 million has been spent to 30 June 2007. The company has arranged sufficient funding to ensure that the balance of the commitment will be met.



## Directors Declaration

In accordance with a resolution of the directors of Sino Gold Mining Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 30 June 2007 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'J. Askew', written in a cursive style.

J. Askew  
Chairman

A handwritten signature in black ink, appearing to be 'J. Klein', written in a cursive style.

J. Klein  
CEO

Sydney, 21 August 2007



# Independent Audit Review Report



■ Ernst & Young Centre  
680 George Street  
Sydney NSW 2000  
Australia

■ Tel 61 2 9248 5555  
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DX Sydney Stock  
Exchange 10172

GPO Box 2646  
Sydney NSW 2001

To the members of Sino Gold Mining Limited

## Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of Sino Gold Mining Limited and the entities it controlled during the half-year, which comprises the condensed balance sheet as at 30 June 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Half-Year Condensed Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Sino Gold Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Liability limited by a scheme approved under  
Professional Standards Legislation.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Sino Gold Mining Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Paul Flynn  
Partner  
Sydney  
21<sup>st</sup> August 2007

# AUDITED FINANCIAL INFORMATION FOR THE THREE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The Financial Information has been prepared in accordance with IFRS. The Financial Information has been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. The accounting policies set out below have been consistently applied throughout the Relevant Periods. The Financial Information is presented in Australian dollars and all values are rounded to the nearest thousand except when otherwise indicated.

#### Impact of new and revised IFRS

The following standards have been early adopted as at the beginning of the Relevant Periods:

IAS 1 (amended 2004)	Presentation of Financial Statements
IAS 2 (revised 2003)	Inventories
IAS 7 (amended 2003)	Cash Flow Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (amended 2004)	Events after the Balance Sheet Date
IAS 11 (revised 2004)	Construction Contracts
IAS 12 (amended 2004)	Income Taxes
IAS 14 (amended 2004)	Segment Reporting
IAS 16 (amended 2004)	Property, Plant and Equipment
IAS 17 (amended 2004)	Leases
IAS 18 (amended 2004)	Revenue
IAS 19 (amended 2004)	Employee Benefits
IAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 20 (amended 2003)	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21 (amended 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 23 (amended 2003)	Borrowing Costs
IAS 24 (revised 2003)	Related Party Disclosures
IAS 26 (amended 2004)	Accounting and Reporting by Retirement Benefit Plans
IAS 27 (amended 2004)	Consolidated and Separate Financial Statements
IAS 28 (amended 2004)	Investments in Associates
IAS 31 (amended 2004)	Interests in Joint Ventures
IAS 32 (amended 2004)	Financial Instruments: Disclosure and Presentation
IAS 33 (amended 2004)	Earnings per Share
IAS 36 (amended 2004)	Impairment of Assets
IAS 37 (amended 2004)	Provision, Contingent Liabilities and Contingent Assets
IAS 38 (amended 2004)	Intangible Assets
IAS 39 (amended 2004)	Financial Instruments: Recognition and Measurement
IAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 Amendment	The Fair Value Option

IAS 39 & IFRS 4	Financial Guarantee Contracts
Amendments	
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held For Sale and Discontinued Operations
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Numbers' shares in Co-operative Entities and Similar Instruments
IFRIC — Int 4	Determining whether an Arrangement contains a Lease
IFRIC — Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC — Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

#### Impact of issued but not yet effective IFRS

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective in the Financial Information.

IAS 1 Amendment	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC — Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC — Int 8	Scope of IFRS 2
IFRIC — Int 9	Reassessment of Embedded Derivatives
IFRIC — Int 10	Interim Financial Reporting and Impairment
IFRIC — Int 11	IFRS 2 — Group and Treasury Share Transaction

The IAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

IFRS 7 requires disclosure that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risk arising from those financial instruments and also incorporates many of the disclosure requirements of IAS 32. This IFRS shall be applied for annual periods beginning on or after 1 January 2007.

The Group has commenced its assessment of the impact of these IAS/IFRS/IFRIC pronouncements but it is not yet in a position to state whether these standards and interpretations would have a material impact on its results of operations and financial position.

#### **(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Sino Gold Mining

Limited and its subsidiaries.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The parent entity measures its investments in subsidiaries at cost.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Sino Gold Mining Limited has control.

The minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

**(c) Subsidiaries**

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

**(d) Joint ventures**

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly

or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

**(e) Foreign currency translation**

Following the issue of the US\$ denominated convertible notes in March 2005, the functional currency of the Company was deemed to be US\$. Prior to this event, the functional currency of the Company was considered to be Australian dollars. The functional currency of overseas subsidiaries is Renminbi ("RMB"). The Financial Information has been presented in Australian dollars (A\$) as the Company is primarily listed on the Australian Stock Exchange ("ASX").

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the Company's functional currency using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated to the Company's functional currency using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the functional currency of Sino Gold Mining Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

As at the reporting date, the Group's results and financial position are translated from functional currency into presentation currency using the following procedures:

- assets and liabilities are translated at the closing rate at the date of balance sheet;
- income and expenses for each income statement are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised as a separate component of equity.

**(f) Related parties**

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group



- that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
  - (c) the party is a jointly-controlled entity;
  - (d) the party is a member of the key management personnel of the Group or its parent;
  - (e) the party is a close member of the family of any individual referred to in (a) or (d);
  - (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
  - (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

**(g) Property, plant and equipment**

*Cost*

Items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

*Depreciation*

Depreciation is provided on a straight-line basis over the estimated useful life of the asset, other than mine properties and equipment, which are depreciated on a unit of production basis to an estimated residual value.

Major depreciation periods are 5 to 15 years for non-mining plant and equipment or the lease term for leasehold improvements.

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

**(h) Recoverable amount of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(i) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are utilised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

**(j) Convertible notes**

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time, is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

The corresponding equity dividends on those shares are charged as a distribution of profit and loss.

Issue costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

**(k) 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for the Group's obligations for land reclamation are based on estimates of required expenditure at the mines in accordance with PRC rules regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset in the period in which the liability is incurred. The asset is depreciated using the Units of Production method over its expected life and the liability is accreted to the projected expenditure date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and asset are recognised at the appropriate discount rate.

#### **(I) Share-based payment transactions**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The Executive and Employee Option Plan (EOP) is in place to provide these benefits. Options granted under this vest over a three-year period and have no attaching market or performance conditions.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black Scholes option pricing model.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at the balance sheet date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any

expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Options granted to investors where there is no share based payment relationship and are denominated in a foreign currency are accounted for as derivative liabilities. These options are recorded on the balance sheet at fair value with any movements in fair value recorded directly in the income statement. Up until March 2005, the functional currency of the Company was A\$, therefore, the US\$ denominated option was accounted for as a derivative liability. Thereafter, the functional currency of the Company was US\$, therefore, all A\$ denominated options are accounted for as derivative liabilities from this time.

As the Company is now considered US\$ functional, the US\$ denominated options are no longer considered as derivative liabilities and the derivative liabilities previously created have been released to equity reserve of the Company.

#### **(m) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer, being when the gold leaves the mine site.

##### Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

##### Management fees

Revenue from management fees is recognised in the period when services are rendered.

#### **(n) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- . Consumable stores and spares — purchase cost on the first-in-first-out basis;
- . Finished goods and work-in-progress — cost of direct material and labour and a proportion of manufacturing overhead based on normal operating capacity;

- . Gold in circuit and in transit — cost of direct material and labour and a proportion of manufacturing overhead based on normal operating capacity;
- . Ore stockpiles — cost of direct material and labour and a proportion of manufacturing overhead based on normal operating capacity.

**(o) Derivative financial instruments**

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

*Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

The consolidated entity enters into forward gold hedges where it agrees to sell specified ounces of gold at a predetermined gold price. The objective of these hedges is to match the forward agreements with anticipated cash flows from future gold sales and as such are considered cash flow hedges under IAS 39.

Purchased put options represent option contracts giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time.

Fixed forwards represent cash market transactions in which delivery of the commodity is deferred until after the contract has been made. Although the delivery is made in the future, a fixed price is determined on the initial trade date.

Spot deferred represents forward contracts with flexible delivery dates that enable management to choose to deliver into the contract on a specified date or defer the delivery until a future date. If the delivery is postponed, a new contract price is established based on the old

contract price plus a premium.

**(p) Income tax**

Tax-effect accounting is applied using the balance sheet method where deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where:

- . The deferred income tax asset or liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- . In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

**(q) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(r) Investments and other financial assets**

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the

effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**(s) Impairment of financial assets**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**(t) Derecognition of financial assets and liabilities**

*Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- . the rights to receive cash flows from the asset have expired;
- . the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- . the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred

control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

#### **(u) Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

#### *Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.



Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

**(v) Exploration and evaluation costs**

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at the balance sheet date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. When the existence of economically recoverable reserves is not probable, provision for impairment is made in respect of the costs carried forward.

Grants and subsidies are offset against costs as incurred.

Costs carried forward in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

**(w) Mining operation development costs**

Costs incurred in the development and construction of a mining operation are capitalised to the extent that the carrying amount does not exceed recoverable amount. Once production commences the carrying value is transferred to property, plant and equipment and depreciated accordingly.

**(x) Mining rights**

Mining rights are stated at the lower of cost and recoverable amount. The costs are capitalised as construction costs. Once production commences the carrying value is transferred to property, plant and equipment and depreciate over the life of mine.

**(y) Borrowing costs**

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

**(z) Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Impairment of mining and exploration assets*

The carrying value of mining and exploration assets, including property, plant and equipment and deferred exploration, evaluation and development costs, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of these assets, or, where appropriate, the cash generating unit

to which they belong, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use required the Group to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

*Provision for obsolete inventories*

Management reviews the condition of inventories of the Group and provides provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. For gold in circuit and ore stockpiles, management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. For consumable stores and spares, management reviews the condition for impairment when the carrying value may not be recoverable. The recoverable amount of consumable stores and spares, or, where appropriate, the cash generating units to which they belong, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The Group carries out an inventory review at each balance sheet date and makes provision for obsolete items.

*Cash flow hedge*

The management considers the hedged sales transactions to be highly probable and the gold derivatives are accounted for as cash flow hedge. This requires an estimation of production volume of Jinfeng mine. The carrying amount of gold derivatives liabilities at 31 December 2006 was A\$76,498,000 (2005: A\$25,924,000; 2004: A\$6,308,000).

## 2. CONSOLIDATED INCOME STATEMENTS

The following is a summary of the consolidated income statements of the Group for the Relevant Periods:

	Notes	Year ended 31 December		
		2004 A\$000	2005 A\$000	2006 A\$000
Revenue . . . . .	(a)	20,044	11,024	8,695
Cost of sales . . . . .		<u>(24,455)</u>	<u>(16,642)</u>	<u>(7,803)</u>
Gross profit/(loss) . . . . .		<u>(4,411)</u>	<u>(5,618)</u>	<u>892</u>
Other income . . . . .	(b)	2,389	1,333	3,962
Administrative expenses . . . . .		(5,598)	(6,953)	(8,243)
Other operating expenses . . . . .		(11,345)	(12,548)	(10,489)
Finance costs . . . . .	(e)	<u>(373)</u>	<u>(2,503)</u>	<u>(6,176)</u>
Loss before tax . . . . .	(c)	<u>(19,338)</u>	<u>(26,289)</u>	<u>(20,054)</u>
Tax . . . . .	(f)	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year . . . . .		<u><u>(19,338)</u></u>	<u><u>(26,289)</u></u>	<u><u>(20,054)</u></u>
Attributable to:				
Equity holders of the parent . . . . .		<u><u>(19,338)</u></u>	<u><u>(26,289)</u></u>	<u><u>(20,054)</u></u>
Dividends . . . . .	(g)	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Loss per share . . . . .	(h)			
— basic (cents per share) . . . . .		(15.0)	(20.3)	(13.7)
— diluted (cents per share) . . . . .		N/A	N/A	N/A

Notes:

### (a) Revenue

Revenue represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts. An analysis of the Group's revenue for the Relevant Periods is as follows:

	Year ended 31 December		
	2004 A\$000	2005 A\$000	2006 A\$000
Revenue from the sale of gold . . . . .	<u>20,044</u>	<u>11,024</u>	<u>8,695</u>

**(b) Other income**

	Year ended 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Interest received . . . . .	2,076	1,019	1,516
Management fees . . . . .	55	24	—
Gain on sale of the Jianchaling Gold Mine (Note) . . . . .	—	—	2,129
Others . . . . .	258	290	317
	<u>2,389</u>	<u>1,333</u>	<u>3,962</u>

Note: Pursuant to a sale and purchase agreement effective on 30 September 2006, the Company disposed of its equity interests in Jianchaling Gold Mine, a gold mine located in Shaanxi, the PRC, for a consideration of RMB12 million (A\$2.0 million), resulting in a gain on disposal of A\$2.1 million. During 2006, RMB7 million of the consideration was received in the form of specialised mining assets which were purchased for the Jinfeng joint venture. The remaining RMB5 million is due 180 days following the effective date of the agreement. This balance is non-interest bearing.

**(c) Loss before tax**

Loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2004	2005	2006
		A\$000	A\$000	A\$000
Cost of inventories recognised as an expense . . . . .		24,455	16,642	7,803
Depreciation and amortisation . . . . .	3(a)	7,224	6,320	79
Operating lease rentals . . . . .		227	263	250
Provision/(reversal of provision) for restoration and rehabilitation . . . . .	3(k)	622	—	—
Provision for employee entitlements . . . . .	3(n)	38	60	78
Auditors' remuneration . . . . .		109	90	571
Employee benefits expenses (including directors' remuneration — Note 2(d)), analysed into:				
— wages and salaries . . . . .		5,423	3,567	4,261
— equity-settled share option expense . . . . .	6	445	568	1,296
— pension scheme contributions . . . . .		675	592	541
		<u>6,543</u>	<u>4,727</u>	<u>6,098</u>
Gains on gold hedging *(Note i) . . . . .		(28)	—	—
Mine property and equipment written off* . . . . .	3(a)	10,865	4,735	—
Exploration and evaluation costs written off* . . . . .	3(c)	2,251	—	—
Fair value losses/(gains) on option derivatives *(Note ii) . . . . .		(1,618)	7,863	11,421
Foreign exchange gains, net* . . . . .		(291)	(182)	(962)

Notes: \* Items included in "other operating expenses" in the consolidated income statement.

- (i) The Group qualified for hedge accounting from 1 January 2005. Prior to this the Group did not have the necessary documentation requirements in place to qualify for hedge accounting. As such, according to the accounting policy described in note 1(o), all fair value movements in the gold forward derivatives up to 1 January 2005 are recorded directly in the income statement. Thereafter, all fair value movements have been recorded in equity.
- (ii) In accordance with the accounting policy described in note 1(l), the fair value of options granted to seed investors that are denominated in a foreign currency are treated as derivative liabilities. As such, these options are recorded at fair value with any movements in fair value being recorded in the income statement. From March 2005, being the date when the Company issued a US\$ convertible note, the functional currency of the Company was deemed to

be US\$. Therefore, from this date, all Australian dollar denominated options issued to seed investors were considered as derivative liabilities.

**(d) Directors' and senior executives' emoluments**

Details of the remuneration of directors during the Relevant Periods are as follows:

	Year ended 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Fees . . . . .	268	324	389
Other emoluments:			
Salaries, allowances and benefits in kind . . . . .	1,272	1,256	983
Performance related bonuses . . . . .	80	135	275
Retirement benefits . . . . .	—	360	—
Employee share option benefits . . . . .	314	285	535
Pension scheme contributions . . . . .	130	101	152
	<u>2,064</u>	<u>2,461</u>	<u>2,334</u>

During the Relevant Periods, certain directors were granted share options in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 3(i) to the Accountants' Report. The fair value of such options, which has been amortised to the income statement, was determined as at the date of grant and included in the above directors' remuneration disclosure.

The name of the directors of the Company and their remuneration for the Relevant Periods are as follows:

	Salaries, allowances and benefits in kind		Performance related bonuses		Retirement benefits		Employee share option benefits		Pension scheme contributions		Total remuneration	
	Fees	benefits in kind	related bonuses	benefits	option benefits	contributions	remuneration					
	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000					
Year ended 31 December												
2004												
Executive directors:												
N Curtis . . . . .	—	331	—	—	85	29	445					
J Klein . . . . .	—	585	40	—	85	45	755					
H Xu . . . . .	—	356	40	—	60	23	479					
	<u>—</u>	<u>1,272</u>	<u>80</u>	<u>—</u>	<u>230</u>	<u>97</u>	<u>1,679</u>					
Non-executive directors:												
P Cassidy . . . . .	69	—	—	—	25	6	100					
B Davidson . . . . .	55	—	—	—	25	20	100					
J Askew . . . . .	75	—	—	—	25	—	100					
J Zhong . . . . .	52	—	—	—	—	5	57					
D Zhang (retired on 19 March 2004) . . . . .	17	—	—	—	9	2	28					
	<u>268</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>84</u>	<u>33</u>	<u>385</u>					
Total . . . . .	<u>268</u>	<u>1,272</u>	<u>80</u>	<u>—</u>	<u>314</u>	<u>130</u>	<u>2,064</u>					

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefits	Employee share option benefits	Pension scheme contributions	Total remuneration
	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000
2005							
Executive directors:							
N Curtis							
(retired on 10 November 2005)	—	310	—	360	76	20	766
J Klein	—	590	75	—	76	45	786
H Xu	—	356	60	—	54	23	493
	—	1,256	135	360	206	88	2,045
Non-executive directors:							
P Cassidy	108	—	—	—	22	4	134
B Davidson	72	—	—	—	22	3	97
J Askew	75	—	—	—	22	—	97
J Zhong	69	—	—	—	13	6	88
	324	—	—	—	79	13	416
Total	324	1,256	135	360	285	101	2,461
2006							
Executive directors:							
J Klein	—	608	150	—	309	47	1,114
H Xu	—	375	125	—	189	24	713
	—	983	275	—	498	71	1,827
Non-executive directors:							
P Cassidy	131	—	—	—	8	31	170
B Davidson	85	—	—	—	8	—	93
J Askew	95	—	—	—	8	—	103
J Zhong	78	—	—	—	13	7	98
P. Housden							
(appointed on 22 June 2006)	—	—	—	—	—	43	43
	389	—	—	—	37	81	507
Total	389	983	275	—	535	152	2,334

The number of directors whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2004	2005	2006
	Number of individuals	Number of individuals	Number of individuals
Nil to HK\$1,000,000 . . . . .	5	4	4
HK\$1,000,001 to HK\$1,500,000 . . . . .	—	—	1
HK\$1,500,001 to HK\$2,000,000 . . . . .	—	—	—
HK\$2,000,001 to HK\$2,500,000 . . . . .	—	—	—
HK\$2,500,001 to HK\$3,000,000 . . . . .	2	1	—
HK\$3,000,001 to HK\$3,500,000 . . . . .	—	—	—
HK\$3,500,001 to HK\$4,000,000 . . . . .	1	—	—
HK\$4,000,001 to HK\$4,500,000 . . . . .	—	2	1
HK\$6,500,001 to HK\$7,000,000 . . . . .	—	—	1

The five highest paid employees of the Group during the Relevant Periods include three (2006: two) directors.

The remuneration paid to the remaining two (2006: three) non-directors, highest paid employees is as follows:

	Year ended 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Salaries, allowances and benefits in kind . . . . .	531	395	682
Performance related bonuses . . . . .	15	90	235
Employee share option benefits . . . . .	34	76	110
Pension scheme contributions . . . . .	54	65	243
	<u>634</u>	<u>626</u>	<u>1,270</u>

The number of the remaining non-director, highest paid employees, whose remuneration fell within the following bands are as follows:

	Year ended 31 December		
	2004	2005	2006
	Number of individuals	Number of individuals	Number of individuals
HK\$1,500,001 to HK\$2,000,000 . . . . .	1	1	—
HK\$2,000,001 to HK\$2,500,000 . . . . .	1	1	—
HK\$2,500,001 to HK\$3,000,000 . . . . .	—	—	2
HK\$3,500,001 to HK\$4,000,000 . . . . .	—	—	1

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are 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. None of the persons who are directors of the Company waived or agreed to waive any emoluments during the Relevant Periods.

The following table details the number of options granted to and held by directors during the Relevant Periods.

	Balance at 1 Jan	Number of options granted as remuneration	Options exercised	Forfeited/ transferred to "Options to employees" upon retirement	Balance at 31 Dec
<b>2004</b>					
N Curtis	300,000	100,000	—	—	400,000
P Cassidy	120,000	20,000	—	—	140,000
J Klein	300,000	100,000	—	—	400,000
H Xu	200,000	75,000	—	—	275,000
B Davidson	120,000	20,000	—	—	140,000
J Askew	120,000	20,000	—	—	140,000
D Zhang (retired)	120,000	—	—	(120,000)	—
	<u>1,280,000</u>	<u>335,000</u>	<u>—</u>	<u>(120,000)</u>	<u>1,495,000</u>
<b>2005</b>					
N Curtis (retired)	400,000	—	—	(400,000)	—
P Cassidy	140,000	—	—	—	140,000
J Klein	400,000	150,000	—	—	550,000
H Xu	275,000	100,000	—	—	375,000
B Davidson	140,000	—	—	—	140,000
J Askew	140,000	—	—	—	140,000
J Zhong	—	120,000	—	—	120,000
	<u>1,495,000</u>	<u>370,000</u>	<u>—</u>	<u>(400,000)</u>	<u>1,465,000</u>
<b>2006</b>					
P Cassidy	140,000	—	—	—	140,000
J Klein	550,000	500,000	—	—	1,050,000
H Xu	375,000	300,000	(200,000)	—	475,000
B Davidson	140,000	—	(120,000)	—	20,000
J Askew	140,000	—	—	—	140,000
J Zhong	120,000	—	—	—	120,000
	<u>1,465,000</u>	<u>800,000</u>	<u>(320,000)</u>	<u>—</u>	<u>1,945,000</u>

(e) **Finance costs**

	Year ended 31 December		
	2004 A\$000	2005 A\$000	2006 A\$000
Interest on related party's loans (Note 10(i))	193	78	—
Interest on bank loans	—	—	2,817
Unwinding of discount on joint venture liability (Note)	180	37	—
Interest on convertible notes	—	2,388	3,359
	<u>373</u>	<u>2,503</u>	<u>6,176</u>

Note: Being unwinding of discount on the amount owing to the minority shareholder of Shaanxi Australia Sino Mining Limited which operates the Jianchaling Gold Mine. Please refer to note 3(m) for details.



**(f) Tax**

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it did not have assessable income currently arising in Hong Kong during the Relevant Periods.

A reconciliation of the income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the Group's effective tax rate, and a reconciliation of the statutory income tax rate to the effective tax rate, for each of the Relevant Periods, are as follows:

	Year ended 31 December					
	2004		2005		2006	
	A\$000	%	A\$000	%	A\$000	%
Loss before tax . . . . .	<u>(19,338)</u>		<u>(26,289)</u>		<u>(20,054)</u>	
At the Australian statutory tax rate . . . . .	(5,801)	(30.0)	(7,887)	(30.0)	(6,016)	(30.0)
Overseas tax rate differential . . . . .	531	2.7	625	2.4	—	—
Capital expenses . . . . .	120	0.6	—	—	—	—
Deferred tax assets not recognised . . . . .	<u>5,150</u>	<u>26.7</u>	<u>7,262</u>	<u>27.6</u>	<u>6,016</u>	<u>30.0</u>
	<u>—</u>		<u>—</u>		<u>—</u>	

At 31 December 2006, the Group and the Company has tax losses arising in Australia of A\$34,970,000 (2005: A\$31,790,000; 2004: A\$4,230,000). Deferred tax assets have not been recognised in respect of these tax losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in companies that have been loss-making for some time.

**(g) Dividends**

The Company has not paid or declared any dividends during the Relevant Periods.

**(h) Loss per share**

The calculations of the basic loss per share are as follows:

	Year ended 31 December		
	2004	2005	2006
<b>Loss</b>			
Net loss attributable to equity holders of the parent (A\$000) . . . . .	(19,338)	(26,289)	(20,054)
<b>Shares</b>			
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation . . . . .	<u>129,176,859</u>	<u>129,474,315</u>	<u>146,168,242</u>

No diluted loss per share amounts have been presented for the years ended 31 December 2004, 2005 and 2006 because the share options and convertible notes outstanding had an anti-dilutive effect on the basic loss per share for these years.

### 3. BALANCE SHEETS

Set out below is a summary of the consolidated balance sheets of the Group and the balance sheets of the Company as at the end of each of the Relevant Periods:

#### Group

		<b>As at 31 December</b>		
		<b>2004</b>	<b>2005</b>	<b>2006</b>
		<b>A\$000</b>	<b>A\$000</b>	<b>A\$000</b>
Notes				
<b>ASSETS</b>				
<b>Non-current assets</b>				
	Property, plant and equipment . . . . .	(a) 10,045	339	226
	Other receivables . . . . .	(b) 4,442	4,916	3,067
	Deferred exploration, evaluation and development costs . . . . .	(c) <u>37,339</u>	<u>102,868</u>	<u>240,074</u>
		<u>51,826</u>	<u>108,123</u>	<u>243,367</u>
<b>Current assets</b>				
	Inventories . . . . .	(e) 2,270	2,211	1,412
	Other receivables . . . . .	(f) 2,515	1,384	2,550
	Other current assets . . . . .	(g) 1,502	438	6,967
	Cash and cash equivalents . . . . .	(h) <u>35,692</u>	<u>28,769</u>	<u>21,505</u>
		<u>41,979</u>	<u>32,802</u>	<u>32,434</u>
	<b>TOTAL ASSETS . . . . .</b>	<u>93,805</u>	<u>140,925</u>	<u>275,801</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
	Share capital . . . . .	(i) 96,282	101,949	168,259
	Convertible note — equity component . . . . .	6 —	3,228	3,228
	Accumulated losses . . . . .	6 (10,192)	(36,481)	(56,535)
	Other reserves . . . . .	6 <u>(17,028)</u>	<u>(40,013)</u>	<u>(95,113)</u>
		<u>69,062</u>	<u>28,683</u>	<u>19,839</u>
	<b>Minority interests . . . . .</b>	6 <u>3,708</u>	<u>11,491</u>	<u>34,074</u>
	<b>Total equity . . . . .</b>	<u>72,770</u>	<u>40,174</u>	<u>53,913</u>
<b>Non-current liabilities</b>				
	Interest-bearing bank and other loans . . . . .	(j) —	45,883	89,899
	Provision for restoration and rehabilitation . . . . .	(k) 2,104	1,984	—
	Derivatives . . . . .	(l) <u>8,797</u>	<u>38,309</u>	<u>71,138</u>
		<u>10,901</u>	<u>86,176</u>	<u>161,037</u>
<b>Current liabilities</b>				
	Trade and other payables . . . . .	(m) 7,063	14,008	25,258
	Provisions . . . . .	(n) 507	567	645
	Interest-bearing bank and other loans . . . . .	(j) 2,564	—	9,743
	Derivatives . . . . .	(l) —	—	25,205
		<u>10,134</u>	<u>14,575</u>	<u>60,851</u>
	<b>Total liabilities . . . . .</b>	<u>21,035</u>	<u>100,751</u>	<u>221,888</u>
	<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>	<u>93,805</u>	<u>140,925</u>	<u>275,801</u>

**Company**

		<b>As at 31 December</b>		
		<b>2004</b>	<b>2005</b>	<b>2006</b>
		<b>A\$000</b>	<b>A\$000</b>	<b>A\$000</b>
Notes				
<b>ASSETS</b>				
<b>Non-current assets</b>				
	Property, plant and equipment . . . . .	(a) 376	339	226
	Other receivables . . . . .	(b) 57,827	37,931	83,304
	Investments in subsidiaries . . . . .	(d) <u>12,286</u>	<u>50,585</u>	<u>55,116</u>
		<u>70,489</u>	<u>88,855</u>	<u>138,646</u>
<b>Current assets</b>				
	Other receivables . . . . .	(f) 2,090	676	1,735
	Other current assets . . . . .	(g) 67	226	6,967
	Cash and cash equivalents . . . . .	(h) <u>11,243</u>	<u>14,565</u>	<u>19,119</u>
		<u>13,400</u>	<u>15,467</u>	<u>27,821</u>
	<b>TOTAL ASSETS</b> . . . . .	<u>83,889</u>	<u>104,322</u>	<u>166,467</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
	Share Capital . . . . .	(i) 96,282	101,949	168,259
	Convertible note — equity component . . . . .	6 —	3,228	3,228
	Accumulated losses . . . . .	6 (25,476)	(61,211)	(64,385)
	Other reserves . . . . .	6 631	(25,626)	(87,938)
	<b>Total equity</b> . . . . .	<u>71,437</u>	<u>18,340</u>	<u>19,164</u>
<b>Non-current liabilities</b>				
	Interest-bearing bank and other loans . . . . .	(j) —	45,883	41,826
	Derivatives . . . . .	(l) <u>8,797</u>	<u>38,309</u>	<u>71,138</u>
		<u>8,797</u>	<u>84,192</u>	<u>112,964</u>
<b>Current liabilities</b>				
	Trade and other payables . . . . .	(m) 584	1,223	7,803
	Provisions . . . . .	(n) 507	567	645
	Interest-bearing bank and other loans . . . . .	(j) 2,564	—	686
	Derivatives . . . . .	(l) —	—	25,205
		<u>3,655</u>	<u>1,790</u>	<u>34,339</u>
	<b>Total liabilities</b> . . . . .	<u>12,452</u>	<u>85,982</u>	<u>147,303</u>
	<b>TOTAL EQUITY AND LIABILITIES</b> . . . . .	<u>83,889</u>	<u>104,322</u>	<u>166,467</u>

Notes:

**(a) Property, plant and equipment**

**Group**

	Leasehold improvements	Plant & equipment	Mine properties and equipment	Mining rights	Total
	A\$000	A\$000	A\$000	A\$000	A\$000
<b>Cost:</b>					
At 1 January 2004 . . . . .	36	476	39,997	4,802	45,311
Additions . . . . .	40	67	4,574	—	4,681
Write-off* . . . . .	—	—	(10,865)*	—	(10,865)
Impact of foreign exchange movements	1	19	(708)	(184)	(872)
Transfers (Note 3(c)) . . . . .	—	—	3,040	—	3,040
At 31 December 2004 . . . . .	<u>77</u>	<u>562</u>	<u>36,038</u>	<u>4,618</u>	<u>41,295</u>
Impact of foreign exchange movements	—	(1)	1,315	—	1,314
Write-off* . . . . .	—	—	(37,353)*	(4,618)	(41,971)
At 31 December 2005 . . . . .	<u>77</u>	<u>561</u>	<u>—</u>	<u>—</u>	<u>638</u>
Additions . . . . .	—	108	—	—	108
Disposals . . . . .	—	(142)	—	—	(142)
Impact of foreign exchange movements	—	—	—	—	—
At 31 December 2006 . . . . .	<u>77</u>	<u>527</u>	<u>—</u>	<u>—</u>	<u>604</u>
<b>Accumulated depreciation:</b>					
At 1 January 2004 . . . . .	(28)	(188)	(21,156)	(2,748)	(24,120)
Provided during the year . . . . .	(9)	(65)	(5,751)	(1,399)	(7,224)
Impact of foreign exchange movements	—	27	(120)	187	94
At 31 December 2004 . . . . .	<u>(37)</u>	<u>(226)</u>	<u>(27,027)</u>	<u>(3,960)</u>	<u>(31,250)</u>
Provided during the year . . . . .	(11)	(60)	(5,591)	(658)	(6,320)
Write-off* . . . . .	—	—	32,618	4,618	37,236
Impact of foreign exchange movements	6	29	—	—	35
At 31 December 2005 . . . . .	<u>(42)</u>	<u>(257)</u>	<u>—</u>	<u>—</u>	<u>(299)</u>
Provided during the year . . . . .	(11)	(68)	—	—	(79)
At 31 December 2006 . . . . .	<u>(53)</u>	<u>(325)</u>	<u>—</u>	<u>—</u>	<u>(378)</u>
<b>Net book value:</b>					
At 31 December 2004 . . . . .	40	336	9,011	658	10,045
At 31 December 2005 . . . . .	35	304	—	—	339
At 31 December 2006 . . . . .	24	202	—	—	226

\* The book value of mine properties and equipment located at Jianchaling mine was written off during 2005 following a revised estimate of the residual value of the mine.

**Company**

	Leasehold	Plant &	Total
	improvements	equipment	
	A\$000	A\$000	A\$000
Cost:			
At 1 January 2004 . . . . .	37	495	532
Additions . . . . .	40	67	<u>107</u>
At 31 December 2004 . . . . .	77	562	639
Additions . . . . .	—	—	<u>—</u>
At 31 December 2005 . . . . .	77	562	639
Additions . . . . .	—	107	107
Disposals . . . . .	<u>—</u>	<u>(142)</u>	<u>(142)</u>
At 31 December 2006 . . . . .	<u>77</u>	<u>527</u>	<u>604</u>
Accumulated depreciation:			
At 1 January 2004 . . . . .	(27)	(162)	(189)
Provided during the year . . . . .	<u>(9)</u>	<u>(65)</u>	<u>(74)</u>
At 31 December 2004 . . . . .	(36)	(227)	(263)
Provided during the year . . . . .	(11)	(60)	(71)
Impact of foreign exchange movements . . . . .	<u>6</u>	<u>28</u>	<u>34</u>
At 31 December 2005 . . . . .	(41)	(259)	(300)
Provided during the year . . . . .	<u>(12)</u>	<u>(66)</u>	<u>(78)</u>
At 31 December 2006 . . . . .	<u>(53)</u>	<u>(325)</u>	<u>(378)</u>
Net book value:			
At 31 December 2004 . . . . .	41	335	376
At 31 December 2005 . . . . .	36	303	339
At 31 December 2006 . . . . .	24	202	226

(b) Non-current other receivables  
Group

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Employee loans (Note (i)) . . . . .	2,881	2,817	2,423
Amounts due from sale of non-current assets (Note (ii)) . . . . .	1,561	1,195	644
Debt establishment costs (Note (iii)) . . . . .	<u>—</u>	<u>904</u>	<u>—</u>
	<u>4,442</u>	<u>4,916</u>	<u>3,067</u>

Company

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Employee loans (Note (i))	2,881	2,817	2,423
Amounts due from the sale of non-current assets (Note (ii))	1,561	1,195	644
Debt establishment costs (Note (iii))	—	904	—
Due from subsidiaries (Note (iv))	53,385	40,315	80,237
	57,827	45,231	83,304
Less: Impairment	—	(7,300)	—
	<u>57,827</u>	<u>37,931</u>	<u>83,304</u>

Notes:

- (i) The Company had established the Employee Share Incentive Scheme (the “ESIS”). The ESIS provided loans to employees for the purpose of purchasing shares in the Company. No interest is paid on the loans. Each loan is for 10 years and the outstanding balance of the loan to each director or non-director is payable within three months of a transfer of the shares issued under the ESIS or the date the director or non-director ceases to be an employee of the Company. The loan is secured over the shares. If an employee does not repay the loan, the shares will revert back to the Company. The ESIS shares rank equally with ordinary shares in respect of dividend entitlements with half of all cash dividends declared by the Company being credited towards repaying the loans. On 28 August 2002 the Directors resolved that no further shares would be issued under the ESIS.

Movement of the employee loans under the ESIS is disclosed in note 3(i)(b).

- (ii) Being the amount arising from the sale of the Tanjiashan project. In 2003, the Group disposed of its equity interests in the Tanjiashan project, a gold mine located in Qinghai, the PRC to Afcan Mining Corporation (“Afcan”), a Canadian listed company. Under the sale and purchase agreement, the consideration for the sale was US\$2.7 million to be received by instalment between 2004 and 2009 and in Afcan shares. The gain on the sale amounted to US\$2.6 million (A\$3.5 million). Subsequently, during 2005, the Company sold its Afcan shares realising a further gain of US\$1.1 million (A\$1.5 million).
- (iii) Being the debt establishment costs paid to Standard Bank Plc which acted as an arranger for the preparation, execution and completion of the syndicated loan facilities granted to the Group relating to the Jinfeng project facility. These costs were reclassified to offset the amount of debt drawn down in 2006. The costs are being amortised over the life of the loan using the effective interest method. The amortisation expense is included in finance costs on the face of the consolidated income statement.
- (iv) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company’s directors, these balances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of these amounts due from subsidiaries approximated to their fair values.

(c) Deferred exploration, evaluation and mining operation development costs

Group

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Deferred exploration and evaluation costs . . . . .	31,698	52,144	104,899
Capitalised development costs* . . . . .	5,641	50,724	135,175
	<u>37,339</u>	<u>102,868</u>	<u>240,074</u>
		Deferred	Mining operation
		exploration and	development costs
		evaluation costs	
		A\$000	A\$000
At 1 January 2004		26,858	—
Additions		11,031	5,801
Transfer to property, plant and equipment (Note 3(a))		(3,040)	—
Write-off**		(2,251)	—
Impact of foreign exchange movements		(900)	(160)
At 31 December 2004 and 1 January 2005		31,698	5,641
Additions		19,405	44,071
Impact of foreign exchange movements		1,041	1,012
At 31 December 2005 and 1 January 2006		52,144	50,724
Additions		55,942	88,558
Impact of foreign exchange movements		(3,187)	(4,107)
At 31 December 2006		<u>104,899</u>	<u>135,175</u>

\* Relate to the construction and development of the Jinfeng project which is the Company's gold mine project in Guizhou, the PRC.

\*\* Relates to the write-off of the Jinkang project, a gold mine located in Sichuan, the PRC, which was relinquished during the year.

(d) Investments in subsidiaries

Company

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Unlisted shares, at cost . . . . .	12,286	62,871	55,116
Less: Impairment . . . . .	—	(12,286)	—
	<u>12,286</u>	<u>50,585</u>	<u>55,116</u>

(e) Inventories

Group

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Gold in circuit and in transit . . . . .	349	248	—
Ore stockpiles . . . . .	267	491	145
Consumable stores and spares . . . . .	2,047	1,887	1,267
	2,663	2,626	1,412
Less: Provision . . . . .	(393)	(415)	—
	<u>2,270</u>	<u>2,211</u>	<u>1,412</u>

(f) Other receivables

Group

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Deposits . . . . .	49	10	—
Amounts due arising from the sale of non-current assets (Notes 2(b) and 3(b)(ii)) . . . . .	1,654	544	1,315
Others . . . . .	812	830	1,235
	<u>2,515</u>	<u>1,384</u>	<u>2,550</u>

Company

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Amounts due from sale of non-current assets (Notes 2(b) and 3(b)(ii)) . . . . .	1,654	544	1,315
Others . . . . .	436	132	420
	<u>2,090</u>	<u>676</u>	<u>1,735</u>



(g) Other current assets

Group

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Prepayments . . . . .	274	438	622
Prepaid and accrued listing costs . . . . .	—	—	6,345
Advance payment for ore purchases* . . . . .	1,228	—	—
	<u>1,502</u>	<u>438</u>	<u>6,967</u>

\* The amount was written off in 2005.

Company

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Prepayments . . . . .	67	226	622
Prepaid and accrued listing costs . . . . .	—	—	6,345
	<u>67</u>	<u>226</u>	<u>6,967</u>

(h) Cash and cash equivalents

Group

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Cash and bank balances (note) . . . . .	<u>35,692</u>	<u>28,769</u>	<u>21,505</u>

Company

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Cash and bank balances (note) . . . . .	<u>11,243</u>	<u>14,565</u>	<u>19,119</u>

Note: Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash as at 31 December 2006 includes A\$12 million held in term deposits. The Group is restricted from using this cash which represents security for a loan provided by the China Construction Bank to the Jinfeng project.

As at 31 December 2006, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to A\$2,132,000 (2005: A\$3,965,000; 2004: A\$2,272,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(i) Share capital

(a) Movement in the Company's paid-up registered capital during the Relevant Periods are as follows:

	Notes	Year ended 31 December		
		2004 A\$000	2005 A\$000	2006 A\$000
At beginning of year . . . . .		95,707	96,282	101,949
Private placement . . . . .	(i)	—	—	61,050
Share purchase plan . . . . .	(ii)	522	—	2,481
Share issue costs . . . . .		(133)	(158)	(3,685)
Exercise of options . . . . .	(iii)	186	5,825	6,464
At end of year . . . . .		<u>96,282</u>	<u>101,949</u>	<u>168,259</u>

Notes:

- (i) In February 2006, the Company completed a share placement with the issue of 18,500,000 ordinary shares at A\$3.30 with total of A\$61,050,000.
- (ii) In 2004, the Company allotted 241,922 ordinary shares at A\$2.16 per share pursuant to the terms of the Share Purchase Plan ("Plan 1") which was closed on 5 March 2004. Shares were issued under Plan 1 at a price based on 90% of the weighted average share price for the five business days preceding the issue date and was offered to existing shareholders only.
- In 2006, the Company allotted 752,097 ordinary shares at A\$3.30 per share pursuant to the terms of another Share Purchase Plan ("Plan 2") which closed on 5 April 2006. Shares were issued under Plan 2 at a price based on 90% of the weighted average share price for the five business days preceding the issue date and was offered to existing shareholders only.
- (iii) In 2004, 155,000 ordinary shares were allotted as a result of the exercise of options at A\$1.20 each pursuant to the EOP. In 2005, 2,200,000 ordinary shares were issued to seed inventors as a result of the exercise of options. The market value of the shares as at the grant date was A\$5,825,000. In 2006, 2,365,000 options were exercised as detailed in note 3(i)(b) below from which the Company received a total of A\$2,503,000. In addition, the fair value of the seed options exercised during the year was A\$3,961,000, which was transferred from derivatives, resulting in a total increase in the issued capital of A\$6,464,000.

(b) Share options

The Company operates the EOP for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the EOP include the Company's directors and other employees of the Group. The maximum number of unexercised share options currently permitted to be granted under the EOP is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. There is no maximum entitlement for each participant and the entitlement for each participant is at the discretion of the board of directors. The exercise period of the share options granted commences after vesting period of three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier. The exercise price of share options is the weighted average price of the shares on the ASX over the five trading days prior to the date of offer of the options.

The following table illustrates the number of and movements in share options during the Relevant Periods:

	Year ended 31 December		
	2004	2005	2006
	Number of options	Number of options	Number of options
Outstanding at beginning of year	10,257,776	10,621,776	10,656,776
Granted during the year	579,000	2,485,000	2,655,000
Exercised during the year	(155,000)	(2,200,000)	(2,365,000)
Forfeited during the year	(60,000)	(250,000)	—
Outstanding at end of year	<u>10,621,776</u>	<u>10,656,776</u>	<u>10,946,776</u>
Exercisable at end of year	<u>8,377,776</u>	<u>8,152,776</u>	<u>6,371,776</u>
Weighted average fair value of options at grant date	<u>1.27</u>	<u>0.94</u>	<u>1.47</u>
Weighted average share price of the Company at the date of exercise of options	<u>2.22</u>	<u>2.67</u>	<u>3.53</u>

The following share options were outstanding during the Relevant Periods:

	As at 1 Jan 2004		during 2004			As at 31 Dec 04		during 2005				As at 31 Dec 05		during 2006		As at 31 Dec 06		Expiry date
	Number	exercise price	granted	exercised	forfeited	Number	exercise price	granted	exercised	forfeited	transferred	Number	exercise price	granted	exercised	Number	exercise price	
Seed investors	1,350,000*	AS1.00	—	—	—	1,350,000	AS1.00	—	—	—	—	1,350,000	AS1.00	—	—	1,350,000	AS1.00	11/10/2007
	2,700,000*	AS1.00	—	—	—	2,700,000	AS1.00	—	(1,000,000)	—	—	1,700,000	AS1.00	—	(1,700,000)	—	—	N/A
	1,777,776*	US\$0.5625	—	—	—	1,777,776	US\$0.5625	—	—	—	—	1,777,776	US\$0.5625	—	—	1,777,776	US\$0.5625	21/10/2007
	1,200,000*	AS1.50	—	—	—	1,200,000	AS1.50	—	(1,200,000)	—	—	—	—	—	—	—	—	N/A
	1,350,000*	AS1.00	—	—	—	1,350,000	AS1.00	—	—	—	—	1,350,000	AS1.00	—	—	1,350,000	AS1.00	21/10/2007
	—	—	—	—	—	—	—	500,000	—	—	—	500,000	AS2.53	—	—	500,000	AS2.53	16/9/2010
Directors	1,280,000*	AS1.00	—	—	(60,000)	1,220,000	AS1.00	—	—	—	(60,000)	1,160,000	AS1.00	—	(320,000)	840,000	AS1.00	14/10/2007
	—	—	335,000	—	—	335,000	AS2.69	—	—	—	—	335,000	AS2.69	—	—	335,000	AS2.69	31/12/2008
	—	—	—	—	—	—	—	370,000	—	—	—	370,000	AS2.00	—	—	370,000	AS2.00	31/12/2009
	—	—	—	—	—	—	—	—	—	—	—	—	—	800,000	—	800,000	AS3.29	31/12/2010
Employees	—	—	—	—	—	—	—	—	—	60,000	60,000	AS1.00	—	(60,000)	—	—	—	N/A
	440,000*	AS1.20	—	(155,000)	—	285,000	AS1.20	—	—	(30,000)	—	255,000	AS1.20	—	(180,000)	75,000	AS1.20	31/12/2007
	40,000**	AS1.85	—	—	—	40,000	AS1.85	—	—	—	—	40,000	AS1.85	—	(40,000)	—	—	N/A
	80,000**	AS1.85	—	—	—	80,000	AS1.85	—	—	(80,000)	—	—	—	—	—	—	—	N/A
	40,000**	AS1.85	—	—	—	40,000	AS1.85	—	—	(40,000)	—	—	—	—	—	—	—	N/A
	—	—	40,000	—	—	40,000	AS2.51	—	—	(40,000)	—	—	—	—	—	—	—	N/A
	—	—	204,000	—	—	204,000	AS2.69	—	—	(60,000)	—	144,000	AS2.69	—	—	144,000	AS2.69	31/12/2008
	—	—	—	—	—	—	—	150,000	—	—	—	150,000	AS2.06	—	—	150,000	AS2.06	15/10/2009
	—	—	—	—	—	—	—	50,000	—	—	—	50,000	AS2.12	—	(25,000)	25,000	AS2.12	27/10/2009
	—	—	—	—	—	—	—	80,000	—	—	—	80,000	AS2.08	—	—	80,000	AS2.08	15/12/2009
	—	—	—	—	—	—	—	355,000	—	—	—	355,000	AS2.00	—	(40,000)	315,000	AS2.00	31/12/2009
	—	—	—	—	—	—	—	980,000	—	—	—	980,000	AS3.29	—	—	980,000	AS3.29	31/12/2010
	—	—	—	—	—	—	—	—	—	—	—	—	—	150,000	—	150,000	AS3.81	6/3/2010
	—	—	—	—	—	—	—	—	—	—	—	—	—	40,000	—	40,000	AS4.88	3/6/2011
	—	—	—	—	—	—	—	—	—	—	—	—	—	1,665,000	—	1,665,000	AS6.50	31/3/2010
	<u>10,257,776</u>		<u>579,000</u>	<u>(155,000)</u>	<u>(60,000)</u>	<u>10,621,776</u>		<u>2,485,000</u>	<u>(2,200,000)</u>	<u>(250,000)</u>	<u>—</u>	<u>10,656,776</u>		<u>2,655,000</u>	<u>(2,365,000)</u>	<u>10,946,776</u>		

\* Granted during 2002

\*\* Granted during 2003

The fair value of equity-settled share options granted during the Relevant Periods was estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used during the Relevant Periods:

	Year ended 31 December		
	2004	2005	2006
Expected volatility (%) . . . . .	40%	40%	45%
Historical volatility (%) . . . . .	40%	40%	45%
Risk-free interest rate (%) . . . . .	5.7%	5.7%	6.5%
Expected life of options (years) . . . . .	5	5	5

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The Company has established the ESIS (Note 3(b)(i)) and the Executive and Employee Option Plan (the "EOP").

In addition, the Company has also granted options to various seed investors in October 2002, immediately prior to the Company's initial public offering. The options vest immediately and can be exercised at any time within five years from the date of issue (except for a parcel of 1.2 million options which can only be exercised within three years from the issue date). On 16 September 2005, a further 500,000 options were granted to Standard Bank as part of the debt facility fee.

ESIS:

Details of movements of shares issued pursuant to the ESIS are as follows:

	Number of shares	Employee loans outstanding A\$000s
Balance at 1 January 2004	6,629,226	3,100
Loan repayments	<u>(545,000)</u>	<u>(219)</u>
Balance at 31 December 2004 and 1 January 2005	6,084,226	2,881
Loan repayments	<u>(34,000)</u>	<u>(64)</u>
Balance at 31 December 2005 and 1 January 2006	6,050,226	2,817
Loan repayments	<u>(676,000)</u>	<u>(394)</u>
Balance at 31 December 2006	<u>5,374,226</u>	<u>2,423</u>

The following table details the loans granted to directors under the ESIS plan:

	Number of shares		Loans outstanding	
	J Klein	H Xu	J Klein A\$000s	H Xu A\$000s
Balance at 31 December 2004, 2005 and 2006	<u>2,500,000</u>	<u>900,000</u>	<u>1,149</u>	<u>414</u>

There was no movement in the balances of loans granted to directors during the Relevant Periods.

#### EOP:

Pursuant to the EOP, no money is payable for the issue of the options and the exercise price is the weighted average price of the Company's shares on the Australian Stock Exchange Limited over the five trading days prior to the date of offer of the options. The options expire five years after they are issued and may only be exercised three years after they are issued or such other periods as the board of directors may determine. The total number of options over unissued shares that may be issued under the EOP, which added to the number of shares or options issued under all other employee or executive share or option plans of the Company must not exceed 10% of the total number of shares in issue at any time.

The board remuneration committee determines, at its sole discretion, the number of options to be granted under the EOP. In addition, only employees at or above the senior manager level are eligible for the EOP.

#### (j) Interest-bearing bank and other loans

##### Group

	Notes	As at 31 December		
		2004 A\$000	2005 A\$000	2006 A\$000
<b>Non-current:</b>				
Secured bank loan . . . . .	(i)	—	—	47,480
<b>Other loans:</b>				
Convertible notes . . . . .	(ii)	—	43,372	39,998
Deferred option premium . . . . .	(iii)	—	2,511	1,828
Finance lease liability . . . . .		—	—	593
		—	<u>45,883</u>	<u>42,419</u>
		—	<u>45,883</u>	<u>89,899</u>
<b>Current:</b>				
Secured bank loan . . . . .	(i)	—	—	8,908
Unsecured loan . . . . .	(iv)	2,564	—	—
Deferred option premium . . . . .	(iii)	—	—	686
Finance lease liability . . . . .		—	—	149
		<u>2,564</u>	—	<u>9,743</u>
		<u>2,564</u>	<u>45,883</u>	<u>99,642</u>

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Analysed into:			
Bank loan repayable:			
Within one year . . . . .	—	—	8,908
In the second year . . . . .	—	—	11,320
In the third to fifth years, inclusive . . . . .	—	—	29,428
Beyond five years . . . . .	—	—	6,732
	<u>—</u>	<u>—</u>	<u>56,388</u>
Other loans repayable:			
Within one year . . . . .	2,564	—	835
In the second year . . . . .	—	685	1,062
In the third to fifth years, inclusive . . . . .	—	1,826	1,359
Beyond five years . . . . .	—	43,372	39,998
	<u>2,564</u>	<u>45,883</u>	<u>43,254</u>
	<u>2,564</u>	<u>45,883</u>	<u>99,642</u>

Company

	Notes	As at 31 December		
		2004	2005	2006
		A\$000	A\$000	A\$000
Non-current:				
Other loans:				
Convertible notes . . . . .	(ii)	—	43,372	39,998
Deferred option premium . . . . .	(iii)	—	2,511	1,828
		<u>—</u>	<u>45,883</u>	<u>41,826</u>
Current:				
Unsecured loan . . . . .	(iv)	2,564	—	—
Deferred option premium . . . . .	(iii)	—	—	686
		<u>2,564</u>	<u>—</u>	<u>686</u>
		<u>2,564</u>	<u>45,883</u>	<u>42,512</u>
Analysed into:				
Other loans repayable:				
Within one year . . . . .		2,564	—	686
In the second year . . . . .		—	685	914
In the third to fifth years, inclusive . . . . .		—	1,826	914
Beyond five years . . . . .		—	43,372	39,998
		<u>2,564</u>	<u>45,883</u>	<u>42,512</u>

Notes:

- (i) This financing facility is arranged and jointly underwritten by Standard Bank London Limited and Bayerlisch Hypo-und Vereinsbank AG for US\$40 million plus US\$2 million capitalised interest with a 7-year term including a 2-year grace period and is subject to terms and conditions normally expected for a facility of this type. Interest rate is LIBOR plus 3.25% margin pre-financial completion and 2.75% margin after financial completion. At 31 December 2006, the amount drawn down on the facility was US\$40.31 million (equivalent to A\$50.95 million).

The facility is secured against the following:

- mortgage on all present and future immovable assets in the project;
- pledge over all present and future movable equipment in the project;
- pledge over the projects' land use rights, mining licence, exploration licence and operating permits; and
- pledge over all material project contracts.

In addition, the Company and Sino Mining Guizhou Pty Limited has guaranteed until completion of the project construction, a first ranking charge over all shares of the Company in Sino Mining Guizhou Pty Limited and a first ranking pledge of the interest of Sino Mining Guizhou Pty Limited in the borrower.

Also included in this balance is a separate loan from the China Construction bank for A\$6.8 million to the Jinfeng project. This loan is secured over cash placed in term deposit accounts by Sino Gold Mining Limited.

The interest rate for this loan is based on a 5% discount to the Chinese People's Bank indicated working capital loan interest which is currently 5.814%. The term of the loan is 12 months.

- (ii) On 15 March 2005, the Company issued 35,000 convertible notes with a nominal value of US\$1,000 each raising a total of US\$35 million. The notes are seven-year convertible notes maturing in March 2012. Interest is payable on the notes at the rate of 5.75% per annum. The price for conversion of the notes into ordinary shares in the Company is A\$2.89 per share. The Company also has access to a further US\$20 million under the Convertible Note "tap facility".

The fair value of the liability component was estimated at the issue date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity. The net proceeds received from the issue of the convertible bonds were split between the liability (US\$32.54 million) and equity (US\$2.46 million). The liability was measured based on an interest rate of 7% p.a. for an equivalent debt instrument with no conversion option.

At balance sheet date, the carrying value of convertible notes approximated to its fair value.

- (iii) The balance relates to option premium on gold put options (refer to note 3(1)). This premium has been deferred and is payable as the options mature.
- (iv) The balance represents the loan made by Sino Mining International Limited, a shareholder, to the Company for US\$2 million. The loan accrues interest at a rate of 7% p.a. only if the gold price exceeds US\$325/ounce, otherwise the loan is interest-free. The balance is fully settled in 2005.

(k) **Provision for restoration and rehabilitation**

**Group**

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Restoration and rehabilitation . . . . .	<u>2,104</u>	<u>1,984</u>	<u>—</u>
Carrying amount at beginning of year . . . . .	1,513	2,104	1,984
Additional provision . . . . .	622	—	—
Provision utilised . . . . .	—	(205)	—
Provision reversed on the sale of the Jianchaling Gold Mine . . . . .	—	—	(1,984)
Exchange realignment . . . . .	<u>(31)</u>	<u>85</u>	<u>—</u>
Carrying amount at end of year . . . . .	<u>2,104</u>	<u>1,984</u>	<u>—</u>

The restoration and rehabilitation provision represents management estimates of the restoration and exit costs of the Jianchaling Gold Mine.

(l) **Derivatives**

**Group and Company**

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
<b>Non-current:</b>			
Fair value of gold derivatives . . . . .	6,308	25,924	71,138
Fair value of options (Note) . . . . .	<u>2,489</u>	<u>12,385</u>	<u>—</u>
	<u>8,797</u>	<u>38,309</u>	<u>71,138</u>
<b>Current:</b>			
Fair value of gold derivatives . . . . .	—	—	5,360
Fair value of options (Note) . . . . .	<u>—</u>	<u>—</u>	<u>19,845</u>
	<u>—</u>	<u>—</u>	<u>25,205</u>

Note: These options relate to the share options granted to seed investors which are denominated in Australian dollars (2004: United States dollars). These are accounted for as derivative liabilities in accordance with the accounting policy described in note 1(l).



The following is a summary of the Company's hedge position at the end of each of the Relevant Periods:

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
<b>Gold derivatives</b>			
Fixed forwards:			
— ounces . . . . .	—	150,000	335,000
— average price (US\$/oz) . . . . .	—	540.50	525.00
— maturity . . . . .	—	2007–2012	2007–2012
Spot deferreds:			
— ounces . . . . .	35,000	155,000	—
— average price (US\$/oz) . . . . .	293.93	446.05	—
Purchased put options:			
— ounces . . . . .	—	204,000	204,000
— average price (US\$/oz) . . . . .	—	400.00	400.00
— maturity . . . . .	—	2007–2009	2007–2009

The fair values of gold derivatives are determined by reference to quoted market price. The cash flow hedges of the expected future sale were assessed to be highly effective and the amounts included in equity were detailed as follows:

	2005	2006
	A\$000	A\$000
Total fair value losses included in the hedging reserve	21,765	52,550
Currency translation differences included in the foreign currency translation reserve	(2,149)	(1,976)
Movement in fair values of gold derivatives	<u>19,616</u>	<u>50,574</u>

In 2004, the gold derivatives were not qualified for hedge accounting. As such, no amount was recognised in the hedging reserve and fair value gains of A\$28,000 were included in the consolidated income statement in 2004. Please refer to note 2(c)(i) for details.

In addition, the Company has granted share options to seed investors which are denominated in foreign currency and do not meet the criteria for hedge accounting. Fair value losses of non-hedging option derivatives amounting to A\$11,421,000 were charged to the consolidated income statement in 2006 (2005: losses of A\$7,863,000; 2004: gains of A\$1,618,000). Please refer to note 3(i)(b) for the methods and significant assumptions applied in determining fair values of option derivatives.

**(m) Trade and other payables**

**Group**

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Trade creditors . . . . .	860	283	142
Amount owing to SJMDC (Note) . . . . .	1,538	504	—
Other creditors and accruals . . . . .	4,665	13,221	25,116
	<u>7,063</u>	<u>14,008</u>	<u>25,258</u>

**Company**

	<b>As at 31 December</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>A\$000</b>	<b>A\$000</b>	<b>A\$000</b>
Other creditors and accruals . . . . .	<u>584</u>	<u>1,223</u>	<u>7,803</u>

An aged analysis of the trade creditors as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

**Group**

	<b>As at 31 December</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>A\$000</b>	<b>A\$000</b>	<b>A\$000</b>
Within 3 months . . . . .	807	251	142
3 to 6 months . . . . .	<u>53</u>	<u>32</u>	<u>—</u>
	<u>860</u>	<u>283</u>	<u>142</u>

Note: Being the amount owing to the minority shareholder of Shaanxi Australia Sino Mining Limited which operates the Jianchaling Gold Mine. Under the joint venture agreement, the Group is entitled to 100% of the profits from the Jianchaling mine but is required to pay RMB10 million per annum for the first five years of the joint venture and RMB5 million per annum thereafter in return for the joint venture partners contribution of the mine properties. The liability represents the net present value of the remaining consideration, discounted at a rate of 10% p.a. The amount was fully settled during 2006.

**(n) Current provisions****Group and Company**

	<b>As at 31 December</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>A\$000</b>	<b>A\$000</b>	<b>A\$000</b>
Employee entitlements . . . . .	<u>507</u>	<u>567</u>	<u>645</u>
Carrying amount at beginning of year . . . . .	469	507	567
Additional provision . . . . .	<u>38</u>	<u>60</u>	<u>78</u>
	<u>507</u>	<u>567</u>	<u>645</u>

The employee entitlement liability is composed of the provision for long service payment and annual leave. The Company and subsidiaries within the Group contribute to a superannuation fund, which exists to provide benefits for employees and their dependants in retirement, disability or death.

All Australian employees are entitled to varying levels of benefits on settlement, disability or death. The superannuation plans provide defined contributions by reference to accumulated contributions plus income from funds contributed. Contributions by the Group of up to 9% of the Australian employees' wages and salaries are legally enforceable in Australia.

The joint venture companies in Mainland China contribute on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in Mainland China. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the joint venture companies have no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(o) **Commitments**

Operating lease commitments

**Group**

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Within 1 year . . . . .	199	298	267
After 1 year but not more than 2 years . . . . .	203	72	566
After 2 years but not more than 5 years . . . . .	68	—	613
	<u>470</u>	<u>370</u>	<u>1,446</u>

At each of the balance sheet date, the Company did not have any operating lease commitments.

**Capital Commitments**

The Group has entered into contracts and commitments in relation to the development and construction of Jinfeng project. As at 31 December 2006, the capital cost estimate was approximately US\$95 million, of which approximately US\$90 million had been incurred.

On 22 November 2006, the Company agreed to acquire 15,305,604 ordinary shares (representing its 19.9% equity interests) in Golden Tiger Mining ML at a consideration of A\$1,531,000. The acquisition was completed in January 2007.

In addition, the Group has entered into several cooperative joint venture agreements in relation to the exploration of gold mines located in Mainland China. As at 31 December 2006, the Group's capital commitment in these joint venture companies is US\$8.1 million.

**4. FINANCIAL INSTRUMENTS**

Financial assets of the Group mainly include cash and cash equivalents, other receivables and other current assets. Financial liabilities of the Group mainly include trade payables, other payables, interest-bearing bank and other loans and derivative financial instruments.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the balance sheet date. Fair value estimates are made at a specific point in time and all based on the relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other loans and cash at banks. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as other receivables and trade and others payables, which arise directly from its operations.

The Group also enters into gold derivative transactions, including principally forward contracts and purchased put options. Gold derivatives are used to partly mitigate the Group's exposure to gold price movements.

It is, and has been, throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and commodity price risk. The directors reviews and approves policies for managing each of these risks and they are summarised below:

**(i) Interest rate risk**

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses from bank balances and other interest-bearing loans. The Group's policy is to obtain the most favourable interest rates available. The Group has not used any derivatives to mitigate its interest rate risk exposure.

**(ii) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of other interest-bearing loans. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures the availability of bank credit facilities to address any short term funding requirements.

The Group's surplus funds are also managed centrally by placing them with reputable financial institutions.

**(iii) Credit risk**

Credit risk arises mainly from the risk that counterparties defaulting on the terms of their agreements. The carrying amounts of cash and cash equivalents and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group minimise the concentration of credit risk to trade receivables by implementing strict receivable policies when undertaking transactions with customers operating within its industry, also by selling directly to a number of large institutions.

All gold derivatives have been taken out pursuant to the Company's approved project financing facility. The counterparty for all gold derivatives is Standard Bank Plc.

As at 31 December 2004, 2005 and 2006, there was no significant concentration of credit risk.

**(iv) Commodity price risk**

The Group is exposed to future movements in the price of gold. As part of its project financing for the Jinfeng mine, the Group was required to enter into gold forwards and options of 539,000 ounces of future production. These derivatives mature over the period from 2007 until 2012 and represent approximately two-thirds of annual production over this period. Further details are set out in note 3(l).

## 6. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The changes in the consolidated shareholders' equity of the Group for the Relevant Periods are as follows:

### Group

Notes	Attributable to members of the parent							Minority interests	Total
	Issued capital	Convertible notes	Retained profits/ (accumulated losses)	Foreign currency translation reserve*	Share-based payments reserve*	Derivative cash flow hedges reserve*			
	AS000	AS000	AS000	(Note (i)) AS000	(Note (ii)) AS000	(Note (iii)) AS000	AS000		
As at 1 January 2004 . . . . .	95,707	—	9,146	(13,449)	186	—	—	91,590	
Currency translation differences	—	—	—	(4,210)	—	—	—	(4,210)	
Loss for the year . . . . .	—	—	(19,338)	—	—	—	—	(19,338)	
Allotment of new shares . . . . . 3(i)	522	—	—	—	—	—	—	522	
Share issue costs . . . . . 3(i)	(133)	—	—	—	—	—	—	(133)	
Exercise of options . . . . . 3(i)	186	—	—	—	—	—	—	186	
Share-based payments . . . . . 2(c)	—	—	—	—	445	—	—	445	
Transfer to retained earnings . .	—	—	—	—	—	—	—	—	
Share of Jinfeng construction costs . . . . .	—	—	—	—	—	—	3,708	3,708	
As at 31 December 2004 . . . . .	<u>96,282</u>	<u>—</u>	<u>(10,192)</u>	<u>(17,659)</u>	<u>631</u>	<u>—</u>	<u>3,708</u>	<u>72,770</u>	

	Attributable to members of the parent								Total
	Notes	Issued capital	Convertible notes	Retained profits/ (accumulated losses)	Foreign	Share-based payments reserve*	Derivative cash flow hedges reserve*	Minority interests	
					currency translation reserve* (Note (i))				
	AS000	AS000	AS000	AS000	AS000	AS000	AS000	AS000	
As at 1 January 2005 . . . . .		96,282	—	(10,192)	(17,659)	631	—	3,708	72,770
Currency translation differences . . .		—	—	—	3,272	—	—	—	3,272
Movement in fair value of cash flow hedges . . . . .		—	—	—	—	—	(21,765)	—	(21,765)
Loss for the year . . . . .		—	—	(26,289)	—	—	—	—	(26,289)
Share issue costs . . . . .	3(i)	(158)	—	—	—	—	—	—	(158)
Exercise of options . . . . .	3(i)	5,825	—	—	—	—	—	—	5,825
Adjustment to seed option values . .		—	—	—	—	(5,060)	—	—	(5,060)
Issue of convertible notes . . . . .	3(j)(ii)	—	3,228	—	—	—	—	—	3,228
Share-based payments . . . . .	2(c)	—	—	—	—	568	—	—	568
Share of Jinfeng construction costs .		—	—	—	—	—	—	7,783	7,783
As at 31 December 2005 . . . . .		<u>101,949</u>	<u>3,228</u>	<u>(36,481)</u>	<u>(14,387)</u>	<u>(3,861)</u>	<u>(21,765)</u>	<u>11,491</u>	<u>40,174</u>
As at 1 January 2006 . . . . .		101,949	3,228	(36,481)	(14,387)	(3,861)	(21,765)	11,491	40,174
Currency translation differences . . .		—	—	—	(3,846)	—	—	—	(3,846)
Movement in fair value of cash flow hedges . . . . .		—	—	—	—	—	(52,550)	—	(52,550)
for the year . . . . .		—	—	(20,054)	—	—	—	—	(20,054)
Allotment of new shares . . . . .	3(i)	63,531	—	—	—	—	—	—	63,531
Share issue costs . . . . .	3(i)	(3,685)	—	—	—	—	—	—	(3,685)
Exercise of options . . . . .	3(i)	6,464	—	—	—	—	—	—	6,464
Share-based payments . . . . .	2(c)	—	—	—	—	1,296	—	—	1,296
Share of Jinfeng construction costs .		—	—	—	—	—	—	22,583	22,583
As at 31 December 2006 . . . . .		<u>168,259</u>	<u>3,228</u>	<u>(56,535)</u>	<u>(18,233)</u>	<u>(2,565)</u>	<u>(74,315)</u>	<u>34,074</u>	<u>53,913</u>

\* These reserve accounts comprise the consolidated reserves in the consolidated balance sheet.

The changes in the shareholders' equity of the Company for the Relevant Periods are as follows:

Company

	Notes	Issued capital AS000	Convertible notes AS000	Accumulated losses AS000	Foreign currency translation reserve* (Note (i)) AS000	Share-based payments reserve* (Note (ii)) AS000	Derivative cash flow hedges reserve* (Note (iii)) AS000	Total AS000
As at 1 January 2004		95,707	—	(24,605)	—	186	—	71,288
Loss for the year		—	—	(871)	—	—	—	(871)
Allotment of new shares	3(i)	522	—	—	—	—	—	522
Share issue costs	3(i)	(133)	—	—	—	—	—	(133)
Exercise of options	3(i)	186	—	—	—	—	—	186
Share-based payments		—	—	—	—	445	—	445
As at 31 December 2004		<u>96,282</u>	<u>—</u>	<u>(25,476)</u>	<u>—</u>	<u>631</u>	<u>—</u>	<u>71,437</u>
As at 1 January 2005		96,282	—	(25,476)	—	631	—	71,437
Movement in fair value of cash flow hedges		—	—	—	—	—	(21,765)	(21,765)
Loss for the year		—	—	(35,735)	—	—	—	(35,735)
Share issue costs	3(i)	(158)	—	—	—	—	—	(158)
Exercise of options	3(i)	5,825	—	—	—	—	—	5,825
Adjustment to seed option values		—	—	—	—	(5,060)	—	(5,060)
Issue of convertible notes	3(j)(ii)	—	3,228	—	—	—	—	3,228
Share-based payments		—	—	—	—	568	—	568
As at 31 December 2005		<u>101,949</u>	<u>3,228</u>	<u>(61,211)</u>	<u>—</u>	<u>(3,861)</u>	<u>(21,765)</u>	<u>18,340</u>
As at 1 January 2006		101,949	3,228	(61,211)	—	(3,861)	(21,765)	18,340
Currency translation differences		—	—	—	(11,058)	—	—	(11,058)
Movement in fair value of cash flow hedges		—	—	—	—	—	(52,550)	(52,550)
Loss for the year		—	—	(3,174)	—	—	—	(3,174)
Allotment of new shares	3(i)	63,531	—	—	—	—	—	63,531
Share issue costs	3(i)	(3,685)	—	—	—	—	—	(3,685)
Exercise of options	3(i)	6,464	—	—	—	—	—	6,464
Share-based payments		—	—	—	—	1,296	—	1,296
As at 31 December 2006		<u>168,259</u>	<u>3,228</u>	<u>(64,385)</u>	<u>(11,058)</u>	<u>(2,565)</u>	<u>(74,315)</u>	<u>19,164</u>

Under S.254T of the Corporations Act, dividends may only be paid out of profits of the Company. As there were no profits during the period, there is no amount recorded as a distributable reserve.

\* These reserve accounts comprise the consolidated reserves in the balance sheet.

Notes:

**(i) Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of non-United States dollar functional entities into the United States dollar functional currency and the translation of functional currency into presentation currency.

(ii) **Share-based payments reserve**

The share based payments reserve is used to record: 1) the value of equity benefits provided to employees and directors as part of their remuneration; and 2) the movement in the value of functional currency denominated options granted to seed investors from the date such options are granted to the vesting date.

(iii) **Derivative cash flow hedges reserve**

This reserve is used to record the effective component of the fair value of all qualifying cash flow hedges at year end.

## 7. RECONCILIATION TO PREVIOUSLY AUDITED FINANCIAL STATEMENTS

### Group

	As at 31 December		
	2004	2005	2006
	A\$000	A\$000	A\$000
Equity per previously audited financial statements . . . . .	78,077	52,559	53,913
Adjustments:			
— Fair value of gold derivatives* . . . . .	(2,818)	—	—
— Fair value of options** . . . . .	(2,489)	(12,385)	—
Adjusted equity . . . . .	<u>72,770</u>	<u>40,174</u>	<u>53,913</u>
Loss per previously audited financial statements . . . . .	(21,135)	(18,294)	(20,054)
Adjustments:			
— Fair value of gold derivatives* . . . . .	345	—	—
— Fair value of options** . . . . .	1,618	(7,863)	—
— Share-based payments*** . . . . .	(166)	(132)	—
Adjusted loss . . . . .	<u>(19,338)</u>	<u>(26,289)</u>	<u>(20,054)</u>

\* Under Australian equivalents to International Financial Reporting Standards (“AIFRS”), AASB139: “Financial Instruments: Recognition and Measurement” was only applicable from 1 January 2005 and could only be applied on a prospective basis. AASB139 contains strict documentation requirements in order for entity’s to achieve hedge accounting. Under the Australian Accounting Standards applicable prior to 1 January 2005, there were no such documentation requirements. The financial information presented has been prepared on the basis that IFRS applies in full retrospectively. Accordingly, the Group does not qualify for hedge accounting prior to 1 January 2005 due to the documentation requirements of IAS39 not being met. However, the previously published financial statements have been prepared on the basis that hedge accounting could be applied.

\*\* As outlined in note 1(l), foreign currency denominated options granted to seed investors are treated as derivative liabilities. This accounting treatment was the result of guidance issued by the International Financial Reporting Interpretations Committee (the “IFRIC”). This accounting policy was not applied in the 2004 to 2005 published financial statements.

\*\*\* The 2004 financial statements were presented under previous Australian Accounting Standards and AIFRS had not been adopted. Under these accounting policies, the value of options granted to the providers of goods and services (including employees) was not required to be expensed. Adjustments have been made in year 2004 to comply with IFRS. Furthermore, in applying IFRS2, the Company was not required to recognise an expense for options granted prior to 7 November 2002. The value of these options have been expensed in this Accountants’ Report.



## 8. CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statements of the Group for the Relevant Periods are as follows:

	Notes	Years ended 31 December		
		2004 A\$000	2005 A\$000	2006 A\$000
<b>Cash flows from operating activities</b>				
Operating loss before tax . . . . .		(19,338)	(26,289)	(20,054)
Non cash items:				
Depreciation and amortisation . . . . .	2(c)	7,224	6,320	78
Exploration and evaluation costs written off . . . . .	2(c)	2,251	—	—
Impairment of mine property and equipment . . . . .	2(c)	10,865	4,735	—
Provision/(reversal of provision) for restoration and rehabilitation . . . . .	2(c)	622	—	(1,984)
Equity-settled share option expenses . . . . .	2(c)	445	568	1,296
Profit on sale of non-current assets . . . . .	2(b)	—	—	(2,129)
Gains on gold hedging . . . . .	2(c)	(28)	—	—
Movement in fair value of options derivatives . . . . .	2(c)	(1,618)	7,863	11,421
Unrealised foreign exchange gains . . . . .		(186)	—	—
Changes in assets and liabilities:				
Receivables . . . . .		873	1,656	(5,551)
Inventories . . . . .		82	59	799
Deferred income . . . . .		(1,813)	—	—
Trade and other payables . . . . .		(4,445)	5,819	7,894
Provision for employee entitlements . . . . .	2(c)	38	60	78
Net operating cash flows . . . . .		<u>(5,028)</u>	<u>791</u>	<u>(8,152)</u>
<b>Cash flows from investing activities</b>				
Purchase of items of property, plant & equipment . . . . .		(4,681)	—	(107)
Payment for exploration, evaluation and development cost . . . . .		<u>(13,124)</u>	<u>(57,746)</u>	<u>(117,893)</u>
Net investing cash flows . . . . .		<u>(17,805)</u>	<u>(57,746)</u>	<u>(118,000)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issue of convertible notes . . . . .		—	45,932	—
Proceeds from bank loans . . . . .		—	—	60,640
Proceeds from employee's loan repayments . . . . .		219	18	394
Repayment of shareholder loans . . . . .		—	(2,564)	—
Proceeds from share issues . . . . .		708	2,800	66,034
Share issue costs . . . . .	3(i)	(133)	(158)	(3,685)
Payment of Hong Kong listing fees . . . . .		—	—	(854)
Net financing cash flows . . . . .		<u>794</u>	<u>46,028</u>	<u>122,529</u>
Net (decrease)/increase in cash and cash equivalents . . . . .		(22,039)	(10,927)	(3,623)
Cash and cash equivalents at beginning of year . . . . .		61,931	35,692	28,769
Effects of exchange rate changes on cash . . . . .		<u>(4,200)</u>	<u>4,004</u>	<u>(3,641)</u>
<b>Cash and cash equivalents at end of year . . . . .</b>		<u><u>35,692</u></u>	<u><u>28,769</u></u>	<u><u>21,505</u></u>

## **9. SEGMENT INFORMATION**

The Group operates entirely in the mining industry and in the sole geographical area of Mainland China. The operations comprise the exploration, evaluation and development of gold mining projects, mining and processing of gold ore and the sale of extracted gold.

## **10. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

### **(i) Loan from a shareholder**

The outstanding loan balance of A\$2,564,000 and its terms made by a shareholder of the Company are disclosed in note 3(j) to the Accountants' Report. The interest paid thereon is also disclosed in note 2(e) to the Accountants' Report. The loan was fully repaid in 2005.

### **(ii) Loans to directors**

The outstanding loan balance advanced to directors of the Company is disclosed in note 3(i)(b) to the Accountants' Report.

### **(iii) Compensation of key management**

Details of directors' and key management's remuneration are included in note 2(d) to the Accountants' Report.

## **11. SUBSEQUENT EVENTS**

The following significant events have occurred after 31 December 2006:

- A placement of 6,500,000 shares to Gold Fields Australasia (BVI) Limited ("Gold Fields") at A\$5.58 per share was completed on 10 January 2007. This placement is part of the formation of a strategic alliance which combines Sino Gold's proven and recognised operational, development and business capabilities in China with the technical, financial and human resourcing expertise of Gold Fields, the world's fourth largest gold company.
- On 16 January 2007, the company completed the acquisition of 15,305,604 shares in Golden Tiger Mining NL at a price of A\$0.10 per share. This investment represents a 19.9% interest in Golden Tiger Mining NL.
- On 17 January 2007, an extraordinary general meeting of shareholders was held at which the following resolutions were duly passed;
  - The change of the company's name to Sino Gold Mining Limited.
  - The ratification of the share placement made to Gold Fields on 10 January 2007 of 6,500,000 shares at A\$5.58 per share.

## **12. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2006.

24 October 2007

The Directors  
Sino Gold Mining Limited  
Level 22, 44 Market Street  
Sydney, AUSTRALIA

Dear Sirs

## **Independent Accountant's Report**

### **1. Introduction**

We have prepared this Independent Accountant's report (Report) at the request of the Directors of Sino Gold Mining Limited and its controlled entities hereafter referred to as "the Company" for inclusion in a the Offering Circular to be dated 24 October 2007 relating to the offer of the Company to all of the issued and outstanding shares of Golden China Resources Corporation ("Golden China").

Expressions defined in the Offering Circular have the same meaning in this report.

### **2. Scope**

We have been requested to prepare an Independent Accountant's Report covering the Historical Financial Information comprising the historical Balance Sheet as at 31 December 2004, 2005 and 2006 and the historical Income Statement, Statement of Changes in Equity, Cash Flow Statement and applicable notes to these statements for the years ended 31 December 2004, 2005 and 2006 as set out in Schedule A of the Offering Circular; and

The Historical Financial Information has been extracted from the audited statutory financial statements of the Company which were audited by us and on which an unqualified audit opinion was issued. No adjustments have been made to the audited statutory financial statements.

The Directors have prepared and are responsible for the historical and proforma financial information. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the full Offering Circular.

#### ***Audit of Historical Financial Information***

We have conducted an independent audit of the historical financial information in order to express an audit opinion. Our audit has been conducted in accordance with Australian Auditing and Assurance Standards applicable to audit engagements to provide reasonable assurance whether the historical financial information is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the historical financial information, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the historical financial information is presented fairly in accordance with the measurement and recognition requirements of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the Company financial position as at 31 December 2004, 2005 and 2006, and of its performance as represented by the results of its operations and its cash flows for the years then ended.

### **3. Opinion and Statement**

In our opinion, the historical financial information of the Company as set out in Section [X] of the Offering Circular presents fairly, in all material respects, in accordance with the measurement and recognition requirements applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Company as at 31 December 2004, 2005 and 2006 and its performance as represented by the results of its operations and its cash flows for the years then ended.

### **4. Disclosure**

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Ernst & Young provides audit and other advisory services to the Company, and will receive a professional fee for the preparation of this Report.

Yours faithfully

(Signed)  
Ernst & Young

**SINO GOLD MINING LIMITED**

**PRO FORMA CONSOLIDATED BALANCE SHEET**

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007

(Unaudited)

A\$000s	Sino Gold	Golden China (Schedule 1(a))	Pro forma adjustments	Notes	Pro forma consolidated
<b>Current assets</b>					
Cash and cash equivalents	100,518	7,138	(2,000)	3	105,656
Restricted cash	53,022	1,817	-		54,839
Marketable securities	-	14,883	-		14,883
Trade and other receivables	2,891	-	-		2,891
Inventories	14,401	13,038	-		27,439
Other	342	4,210	-		4,552
<b>Total current assets</b>	<b>171,174</b>	<b>41,086</b>	<b>(2,000)</b>		<b>210,260</b>
<b>Non current assets</b>					
Receivables	1,841	-	-		1,841
Property, plant & equipment	385	13,334	-		13,719
Deferred exploration, evaluation and development	287,604	29,984	104,779	3	422,367
Goodwill	-	26,339	(26,339)	3	-
Other non current assets	-	1,763	-		1,763
<b>Total non current assets</b>	<b>289,830</b>	<b>71,419</b>	<b>78,440</b>		<b>439,690</b>
<b>Total assets</b>	<b>461,004</b>	<b>112,505</b>	<b>76,440</b>		<b>649,950</b>
<b>Current liabilities</b>					
Trade and other payables	29,386	11,892	-		41,278
Provisions	602	-	-		602
Interest bearing liabilities	56,987	30,693	-		87,680
Derivatives	25,709	-	-		25,709
<b>Total current liabilities</b>	<b>112,684</b>	<b>42,585</b>	<b>-</b>		<b>155,269</b>
<b>Non current liabilities</b>					
Interest bearing liabilities	78,850	7,437	-		86,287
Deferred tax liability	-	3,648	26,195	3	29,843
Derivatives	61,794	290	-		62,084
<b>Total non current liabilities</b>	<b>140,644</b>	<b>11,375</b>	<b>26,195</b>		<b>178,214</b>
<b>Total liabilities</b>	<b>253,328</b>	<b>53,960</b>	<b>26,195</b>		<b>333,483</b>
<b>Net assets</b>	<b>207,676</b>	<b>58,546</b>	<b>50,245</b>		<b>316,467</b>
<b>Shareholders equity</b>					
Issued capital	327,594	80,292	22,634	3	430,521
Convertible notes - equity component	3,228	-	-		3,228
Other reserves	(98,472)	4,349	683	3	(93,440)
Accumulated losses	(67,422)	(26,928)	26,928	3	(67,422)
<b>Total parent entity interests</b>	<b>164,928</b>	<b>57,714</b>	<b>50,245</b>		<b>272,886</b>
Outside equity interests	42,748	832	-		43,580
<b>Total shareholders equity</b>	<b>207,676</b>	<b>58,546</b>	<b>50,245</b>		<b>316,467</b>

**SINO GOLD MINING LIMITED**

**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**

(Expressed in thousands of Australian dollars unless otherwise stated)

Half Year ended June 30, 2007

(Unaudited)

<b>A\$000s</b>	<b>Sino Gold</b>	<b>Golden China (Schedule 1(b))</b>	<b>Pro forma adjustments</b>	<b>Notes</b>	<b>Pro forma consolidated</b>
Sales revenue	-	32,250	-		32,250
Cost of sales	-	(31,980)	-		(31,980)
Gross profit / (loss)	-	270	-		270
Other income	(4)	-	-		(4)
Administrative expenses	(4,845)	(5,369)	-		(10,214)
Write off of mineral interests	(702)	-	-		(702)
Foreign exchange gains/(loss)	1,387	(262)	-		1,125
Gain/(loss) from marketable securities	-	(5,612)	-		(5,612)
Loss on ineffective hedges	(798)	-	-		(798)
Loss on fair value of vested share options	4,287	-	-		4,287
Profit / (loss) before tax and financing costs	(675)	(10,972)	-		(11,647)
Finance costs (net of finance income)	(2,442)	(3,146)	-		(5,588)
Profit / (loss) before income tax	(3,117)	(14,118)	-		(17,235)
Income tax expense	-	1,358	-		1,358
Profit / (loss) after income tax	(3,117)	(12,760)	-		(15,877)
Outside equity interests	-	19	-		19
Profit / (loss) after income tax attributable to members of the parent	(3,117)	(12,741)	-		(15,858)

**SINO GOLD MINING LIMITED**

**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**

(Expressed in thousands of Australian dollars unless otherwise stated)

Year ended December 31, 2006

(Unaudited)

A\$000s	Sino Gold	Golden China (Schedule 1(c))	Michelago	Pro forma adjustments	Notes	Pro forma consolidated
Sales revenue	8,695	1,848	89,709	-		100,252
Cost of sales	(7,803)	(1,761)	(85,293)	-		(94,857)
Gross profit / (loss)	892	87	4,416	-		5,395
Other income	2,446	-	704	-		3,150
Administrative expenses	(8,273)	(4,873)	(11,234)	-		(24,380)
Write off of mineral interests	-	(3,915)	-	-		(3,915)
Foreign exchange gains/(loss)	962	(111)	2,324	-		3,175
Gain/(loss) from marketable securities	-	(610)	-	5,913		5,304
Loss on fair value of vested share options	(11,421)	-	-	-		(11,421)
Profit / (loss) before tax and financing costs	(15,394)	(9,422)	(3,790)	5,913		(22,692)
Finance costs (net of finance income)	(4,660)	(962)	(6,816)	-		(12,438)
Profit / (loss) before income tax	(20,054)	(10,384)	(10,606)	5,913		(35,130)
Income tax expense	-	1,111	-	-		1,111
Profit / (loss) after income tax	(20,054)	(9,273)	(10,606)	5,913		(34,020)
Outside equity interests	-	-	145	-		145
Profit / (loss) after income tax attributable to members of the parent	(20,054)	(9,273)	(10,461)	5,913		(33,875)

## SINO GOLD MINING LIMITED

### NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007 and December 31, 2006

(Unaudited)

#### 1. Basis of presentation

On August 13, 2007, Sino Gold Mining Limited (“Sino Gold” or the “Company”) entered an agreement with Golden China Resources Corporation (“Golden China”), regarding, among other things, a proposed offer by Sino Gold for all of the outstanding common shares of Golden China whereby Golden China shareholders would receive one Sino Gold ordinary share for every 4.5 Golden China common shares held.

These unaudited *pro forma* consolidated financial statements have been prepared to give effect to the Company’s acquisition of Golden China (the “Acquisition”). These unaudited *pro forma* consolidated financial statements have been prepared on the basis that each shareholder will receive shares of common stock of Sino Gold in exchange for their Golden China common shares.

The unaudited *pro forma* consolidated financial statements have also been prepared to give effect to Golden China’s acquisition of Michelago Limited.

These unaudited *pro forma* consolidated financial statements have been compiled from and include:

- (a) An unaudited *pro forma* consolidated balance sheet combining the unaudited balance sheet of Sino Gold as at June 30, 2007 with the audited balance sheet of Golden China as at June 30, 2007, giving effect to the transaction as if it occurred on June 30, 2007.
- (b) An unaudited *pro forma* consolidated statement of operations combining the audited statement of operations of the Company for the year ended December 31, 2006 with the following:
  - a. Unaudited constructed statement of operations of Golden China for the twelve months ended December 31, 2006, giving effect to the transaction as if it occurred on January 1, 2006. Golden China’s statement of operations for the twelve months ended December 31, 2006 has been constructed by adding together (a) the results for the six months ended June 30, 2006 (derived from Golden China’s audited financial statements for the year ended June 30, 2006 and the unaudited financial statements for the six months ended December 31, 2005) and (b) the unaudited interim results for the six months ended December 31, 2006.
  - b. Unaudited constructed statement of operations of Michelago Limited (Michelago) for the period from January 1, 2006 to December 22, 2006, giving effect to the transaction as if it occurred on January 1, 2006. Michelago’s statement of operations for the period ended December 22, 2006 has been constructed by adding together (a) the results for the six months ended June 30, 2006 (derived from Michelago’s audited financial statements for the year ended June 30, 2006 and the unaudited financial statements for the six months ended December 31, 2005) and (b) the unaudited results for the period from July 1, 2006 to December 22, 2006.
- (c) An unaudited *pro forma* consolidated statement of operations combining the unaudited statement of operations of the Company for the six months ended June 30, 2007 with the unaudited constructed statement of operations of Golden China for the six months ended June 30, 2007 (derived from Golden China’s audited financial statements for the year ended June 30, 2007 and the unaudited interim results for the six months ended December 31, 2006), giving effect to the transaction as if it occurred on January 1, 2006.



## SINO GOLD MINING LIMITED

### NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007 and December 31, 2006

(Unaudited)

The unaudited *pro forma* consolidated balance sheet and statements of operations have been presented on the above basis to ensure that the unaudited *pro forma* consolidated financial statements reflect the acquired business financial statements for a period that is no more than 93 days from Sino Gold's year-end, as required pursuant to *pro forma* presentation requirements contained in Canadian securities legislation.

The unaudited *pro forma* consolidated financial statements have been compiled using the significant accounting policies as set out in the audited financial statements of Sino Gold for the year ended December 31, 2006 which are included elsewhere in this document. The unaudited *pro forma* consolidated financial statements should be read in conjunction with the historical financial statements and notes thereto of the Company.

Golden China prepares its financial statements in accordance with Canadian GAAP and in Canadian dollars. Golden China's financial statements included in the *pro forma* consolidated financial statements have been translated to AIFRS, as more fully described in note 2. The conversion from Canadian dollars to Australian dollars has been reflected at the rates described in the following table.

As at June 30, 2007.....	1.108
Average for the six months ended June 30, 2007 .....	1.104
Average for the twelve months ended December 31, 2006 .....	1.145

Golden China financial statements for all prior years have been translated in Australian dollars using the current rate method pursuant to IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Management of Sino Gold has consolidated certain line items from Golden China's financial statements in an attempt to conform to the presentation of the Company's financial statements. It is management's opinion that these unaudited *pro forma* consolidated financial statements include all adjustments necessary for the fair presentation of the transactions described in Note 3 in accordance with Australian equivalents to International Financial reporting Standards ("AIFRS").

The unaudited *pro forma* consolidated financial statements are not intended to reflect the results of operations or the financial position of the Company which would have actually resulted had the proposed transactions been effected on the dates indicated. Further, the unaudited *pro forma* financial information is not necessarily indicative of the results of operations that may be obtained in the future. The *pro forma* adjustments and allocations of the purchase price for Golden China are based in part on provisional estimates of the fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized. The final valuation will be based on the actual net tangible and intangible assets of Golden China that exist as of the date of the completion of the acquisition. Any final adjustments may change the allocation of purchase price which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited *pro forma* consolidated financial statements. In addition, the impact of integration activities, the timing of completion of the acquisition and other changes in Golden China's net tangible and intangible assets prior to the completion of the acquisition, which have not been incorporated into these unaudited *pro forma* consolidated financial statements, could cause material differences in the information presented.

## SINO GOLD MINING LIMITED

### NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007 and December 31, 2006

(Unaudited)

#### 2. Reconciliation to AIFRS

##### (i) Subscription monies

On 24 May 2007, C\$1,640,025 was raised by Golden China by way of subscription receipts. These funds were placed into an escrow account pending shareholder approval for the issuance of the common shares underlying the subscription receipts. In the Canadian GAAP financial statements of Golden China these receipts were classified as a liability as at June 30, 2007 on the basis that the monies would be repaid if the shareholders did not approve the issue of additional shares. Furthermore, costs associated with raising these funds of C\$132,000 were capitalized as an asset as at June 30, 2007.

Under AIFRS, these subscription monies would typically be classified as equity rather than debt. Therefore, the costs associated with raising these funds would be offset against the funds received in equity.

##### (ii) Debt establishment costs

Under Canadian GAAP, debt establishment costs are capitalized as an asset and amortised over the life of the debt using the effective interest method. Under AIFRS, debt establishment costs are included in the amortised cost of the debt which is then measured using the effective interest method.

As at June 30, 2007, the capitalized debt establishment costs in the financial statements of Golden China are C\$627,000 (including \$156,000 relating to agents options – refer (iv) below) relating to the convertible note. These have been reclassified and included in the amortised cost of the convertible debt in the AIFRS pro forma balance sheet. There is no impact on the pro forma statement of operations.

##### (iii) Tax gross up on exploration and evaluation costs with no tax base

Under Canadian GAAP, a deferred tax asset or liability is recognized based on differences between the accounting book value of assets and liabilities and the corresponding tax bases of those assets and liabilities. Accordingly, when capitalized exploration costs are incurred for which no future tax deduction can be obtained (ie – zero tax base) the capitalized value of the expenditure is “grossed up” and an offsetting deferred tax liability recognized.

Under AIFRS, deferred tax liabilities are not recognized where such a liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit (or loss) nor taxable income (or loss). Accordingly, no deferred tax liability would be recognized with respect to exploration expenditure which has a zero tax base when incurred.

As at June 30, 2007 Golden China had grossed up deferred exploration and evaluation costs by C\$779,000 and recognized a corresponding deferred tax liability. This has been reversed in the AIFRS pro forma balance sheet. There is no impact on the pro forma statement of operations.

##### (iv) Options issued to Agent

Golden China has provided to an Agent, in consideration for the completion of a private placement, 7% of the aggregate proceeds raised and compensation options (the “Agents Options”)

## SINO GOLD MINING LIMITED

### NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007 and December 31, 2006

(Unaudited)

which entitle the Agent to subscribe for:

- (a) such price and amount of Convertible Debentures as is equal to 7% of the aggregate price and amount of Debentures issued on the closing date, at an exercise price of C\$1,000 per Debenture. The value of these options as at the grant date (C\$156,000) has been capitalized as debt establishment costs (refer (ii) above) with a corresponding entry to creditors and accruals;
- (b) Units equal to 7% of the number of units and subscription receipts issued. The exercise price of these options is C\$0.87 per Unit. Each Unit is comprised of one common share and one-half a common share purchase warrant. The value of these options as at the grant date (C\$106,000) has been offset against the equity proceeds raised.

Under AIFRS, an option that provides the holder the right to be granted an instrument with a derivative equity component (eg – a convertible debenture or an option over shares) is classified as derivative liability rather than equity. This liability is then required to be marked-to-market through the income statement.

During the period from the grant date (May 15, 2007) to June 30, 2007 there has been no material movement in the value of these options. Therefore, no mark-to-market gains or losses have been recognized as an AIFRS adjustment.

(v) Interest on debentures

Debenture holders have the right to elect to receive interest payments in common shares rather than cash subject to the receipt of any required legal or regulatory approval. The number of common shares to be issued in lieu of interest payments is calculated based on an 80% discount of the 5 days average share price immediately before the interest due date.

In the Golden China Canadian GAAP financial statements interest has been accrued and expensed based on the fixed coupon rate of 11.5% per annum. No additional expense has been recorded representing the option of debenture holders to receive interest in common shares at a discount to their market price.

Under AIFRS, the value of this option feature provided to debenture holders would be valued and included in the measurement of financing costs. The additional financing cost associated with this item for the six months ended June 30, 2007 and the year ended December 31, 2006 is C\$258,000 and C\$348,000 respectively. A corresponding increase in issued capital as at June 30, 2007 has also been recorded.

(vi) Investment in Mundoro

Under Canadian GAAP, temporary investments are carried at the lower of aggregate cost or current market value, with any unrealized gain or loss included in the statement of operations. Long-term investments are carried on the cost or equity basis and are only written down when there is evidence of a decline in value that is other than temporary.

Under AIFRS temporary investments are designated as either (a) “held for trading” where the investment is recorded at fair value with any movements in fair value being reflected in the statement of operations; or (b) “available-for-sale” where the investment is held at fair value with any movements in fair value being reflected in equity reserves unless the investment is considered impaired.

## SINO GOLD MINING LIMITED

### NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007 and December 31, 2006

(Unaudited)

The effects of the foregoing differences are summarized as follows:

- (a) The book value of the investment as at 31 December 2006 has been increased by C\$102,000 with a corresponding gain recorded in the pro forma statement of operations;
- (b) an additional loss of C\$102,000 is recorded in the pro forma statement of operations for the six months ended June 30, 2007 reflecting the lower gain on the disposal of this investment during this period.

#### (vii) Foreign currency translation

Under AIFRS transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date.

Upon translation from an operation's functional currency to the Group's presentation currency, assets and liabilities are translated at the rate prevailing at the balance sheet date. The statement of operations is translated at a weighted average exchange rate. Any differences arising on translation from functional currency to presentation currency is recorded in equity.

Under Canadian GAAP, the Company's subsidiaries are accounted for as "integrated" foreign operations. Transactions of the Company and its subsidiaries originating in foreign currencies are translated at the rates in effect at the time of the transaction. Monetary items denominated in foreign currencies are translated to Australian dollars at exchange rates in effect at the balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in income.

While the application of the AIFRS foreign currency translation rules does not result in a difference to Golden China's Canadian GAAP balance sheet and statement of operations, Sino Gold management will reassess the functional currency of the Golden China operations according to their own circumstances and AIFRS.

### 3. Acquisition of Golden China by Sino Gold

On 13 August 2007 Sino Gold announced that the Company had entered into an agreement regarding the proposed offer by Sino Gold for all the outstanding common shares of Golden China. Under the proposed offer, Golden China shareholders would receive one Sino Gold share for every 4.5 Golden China common shares held.

The business combination will be accounted for as a purchase transaction, with Sino Gold as the acquirer of Golden China.

In consideration for the acquisition of Golden China, the Company will issue 0.2222 shares of Sino Gold common stock for each outstanding common share and convertible debenture of Golden China totaling approximately 13.7 million common shares to shareholders of Golden China, representing approximately \$102.9 million total value based on the closing price of Sino Gold's common stock of \$7.52 as at September 28, 2007.

## SINO GOLD MINING LIMITED

### NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007 and December 31, 2006

(Unaudited)

Each Golden China warrant or stock option which gives the holder the right to acquire shares in the common stock of Golden China when presented for execution will be exchanged for a warrant or stock option which will give the holder the right to acquire shares in the common stock of Sino Gold on the same basis as the exchange of Golden China common shares for Sino Gold common shares. These options and warrants have been included in the purchase consideration at their fair value of approximately \$5.0 million based on the Black-Scholes pricing model.

The principal assumptions used in applying the Black-Scholes option-pricing model were as follows:

Risk-free interest rate	<b>6.5%</b>
Dividend yield	<b>N/A</b>
Volatility factor	<b>45%</b>
Expected life – options	<b>3 years</b>
Remaining period to expiry date – warrants (weighted average)	<b>12 months</b>

The value of the purchase consideration for accounting purposes may differ from the amount assumed in the unaudited *pro forma* consolidated financial statement information due to any future changes in the negotiation process.

After reflecting the *pro forma* purchase adjustments, the excess of the purchase consideration over the adjusted book values of Golden China's assets and liabilities as at June 30, 2007 has been allocated in full to Acquired Mineral Property Interests, included in Deferred exploration, evaluation and development costs. Upon consummation of the proposed acquisition of Golden China, the fair value of all identifiable assets and liabilities acquired will be determined. On completion of valuations, with a corresponding adjustment to the historic carrying amounts of property, plant and equipment, or on recording of any finite life intangible assets on acquisition, these adjustments will impact the measurement of amortization recorded in consolidated income statements of Sino Gold for periods after the date of acquisition. Typically, any increase in the values assigned by Sino Gold to Golden China's capital assets would result in increased amortization charges. The fair value of the net assets of Golden China to be acquired will ultimately be determined after the closing of the transaction. Therefore, it is likely that the fair values of assets and liabilities acquired will vary from those shown below and the differences may be material. The provisional purchase price allocation is subject to change and is summarized as follows:

**SINO GOLD MINING LIMITED**

**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007 and December 31, 2006

(Unaudited)

	<b>AUD'000s</b>
Purchase price	
Shares issued on acquisition	102,927
Sino Gold warrants issued	1,060
Sino Gold options issued	3,971
Acquisition costs (estimated)	2,000
	109,958
Fair value of net assets acquired	
Cash and cash equivalents	7,138
Restricted cash	1,817
Marketable securities	14,883
Inventories	13,038
Other	4,210
Property, plant & equipment	13,334
Deferred exploration, evaluation and development	134,763
Other non current assets	1,763
Trade and other payables	(11,892)
Interest bearing liabilities	(30,693)
Interest bearing liabilities	(7,437)
Minority interest	(832)
Deferred tax liability*	(29,843)
Derivatives	(290)
	109,958

\* A deferred tax liability of \$26,195,000 has been recognized on the acquisition of Golden China relating to the excess of the value allocated to Acquired Mineral Properties Interests over the existing net book value of these assets. As this excess of \$104,779,000 (including deferred tax uplift) does not carry a tax base, a deferred tax liability is recognized at the applicable Chinese statutory tax rate of 25%.

**4. Pro forma assumptions and adjustments**

The unaudited *pro forma* consolidated financial statements incorporate the following *pro forma* assumptions:

- (a) The purchase price for the Acquisition has been allocated to the acquired assets and liabilities on a proforma basis as described in Note 3.
- (b) Transaction costs have been assumed to be \$2,000,000 representing management's best estimate.
- (c) Future income taxes have been taken into consideration in connection with the purchase price allocation where assumed fair values are not the same as the carry forward book values.
- (d) Elimination of acquired business capital stock, equity accounts and accumulated deficit.
- (e) Michelago's investment in Australian Solomons Gold Limited has been accounted for a "held for trading" financial asset in accordance with AASB 139 "Financial Instruments: Recognition and Measurement".

**SINO GOLD MINING LIMITED**

**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of Australian dollars unless otherwise stated)

June 30, 2007 and December 31, 2006

(Unaudited)

**5. Pro forma share capital**

*Pro forma* share capital as at June 30, 2007 has been determined as follows:

	<u>Number of shares</u>	<u>Amount A\$'000s</u>
Issued common shares of Sino Gold	181,216,000	327,594
Shares issued for the acquisition of Golden China	<u>13,687,041</u>	<u>102,927</u>
Pro forma balance	<u><u>194,903,041</u></u>	<u><u>430,521</u></u>

**6. Pro forma loss per share**

*Pro forma* basic loss per share for the six months ended June 30, 2007 and the year ended December 31, 2006 has been calculated based on actual weighted average number of Sino Gold common shares outstanding for the respective periods and the assumed number of Sino Gold common shares issued to Golden China shareholders being effective on January 1, 2007 and January 1, 2006 respectively.

	<u>Six months ended June 30, 2007</u>	<u>Year ended December 31, 2006</u>
Actual weighted average number of Sino Gold common shares outstanding	169,280,728	146,168,242
Assumed number of Sino Gold common shares issued to Golden China shareholders	<u>13,687,041</u>	<u>13,687,041</u>
Pro forma weighted average number of Sino Gold common shares outstanding	<u><u>182,967,769</u></u>	<u><u>159,855,283</u></u>
Pro forma net loss (A\$'000s)	(15,858)	(33,875)
Pro forma adjusted basic and diluted loss per share (AUD / share)	(0.09)	(0.21)

**SINO GOLD MINING LIMITED**  
**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
**BALANCE SHEET OF GOLDEN CHINA RESOURCES CORPORATION INC.**

(Expressed in thousands of dollars unless otherwise stated)

As at June 30, 2007

(Unaudited)

Schedule 1(a)	As reported C GAAP CAD'000s	AIFRS adjustments CAD'000s	Notes	AIFRS CAD'000s	AIFRS AUD'000s
<b>Current assets</b>					
Cash and cash equivalents	6,442	-		6,442	7,138
Restricted cash	1,640	-		1,640	1,817
Marketable securities	13,432	-		13,432	14,883
Inventories	11,767	-		11,767	13,038
Other	3,800	-		3,800	4,210
<b>Total current assets</b>	<b>37,081</b>	<b>-</b>		<b>37,081</b>	<b>41,086</b>
<b>Non current assets</b>					
Deferred costs	759	(759)	2(i),(ii)	-	-
Property, plant & equipment	12,034	-		12,034	13,334
Deferred exploration, evaluation and development	27,840	(779)	2(iii)	27,061	29,984
Goodwill	23,772	-		23,772	26,339
Other non current assets	1,591	-		1,591	1,763
<b>Total non current assets</b>	<b>65,996</b>	<b>(1,538)</b>		<b>64,458</b>	<b>71,419</b>
<b>Total assets</b>	<b>103,077</b>	<b>(1,538)</b>		<b>101,539</b>	<b>112,505</b>
<b>Current liabilities</b>					
Trade and other payables	10,889	(156)	2(iv)	10,733	11,892
Interest bearing liabilities	27,701	-		27,701	30,693
<b>Total current liabilities</b>	<b>38,590</b>	<b>(156)</b>		<b>38,434</b>	<b>42,585</b>
<b>Non current liabilities</b>					
Interest bearing liabilities	7,339	(627)	2(ii)	6,712	7,437
Subscription receipts	1,640	(1,640)	2(i)	-	-
Deferred tax liability	4,071	(779)	2(iii),(iv)	3,292	3,648
Derivatives	-	262	2(iv)	262	290
<b>Total non current liabilities</b>	<b>13,050</b>	<b>(2,784)</b>		<b>10,266</b>	<b>11,375</b>
<b>Total liabilities</b>	<b>51,640</b>	<b>(2,940)</b>		<b>48,700</b>	<b>53,960</b>
<b>Net assets</b>	<b>51,437</b>	<b>1,402</b>		<b>52,839</b>	<b>58,546</b>
<b>Shareholders equity</b>					
Issued capital	70,458	2,008	2(i),(iv),(v)	72,466	80,292
Other reserves	3,925	-		3,925	4,349
Accumulated losses	(23,697)	(606)	2(v)	(24,303)	(26,928)
<b>Total parent entity interests</b>	<b>50,686</b>	<b>1,402</b>		<b>52,088</b>	<b>57,714</b>
Outside equity interests	751	-		751	832
<b>Total shareholders equity</b>	<b>51,437</b>	<b>1,402</b>		<b>52,839</b>	<b>58,546</b>



**SINO GOLD MINING LIMITED**  
**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
**STATEMENT OF OPERATIONS OF GOLDEN CHINA RESOURCES CORPORATION INC.**  
(Expressed in thousands of dollars unless otherwise stated)  
Six months ended June 30, 2007  
(Unaudited)

Schedule 1(b)	As reported	AIFRS	Notes	AIFRS	AIFRS
	C GAAP	adjustments		CAD'000s	AUD'000s
	CAD'000s	CAD'000s		CAD'000s	AUD'000s
Sales revenue	29,212	-		29,212	32,250
Cost of sales	(28,967)	-		(28,967)	(31,980)
Gross profit / (loss)	<u>245</u>	<u>-</u>		<u>245</u>	<u>270</u>
Administrative expenses	(4,863)	-		(4,863)	(5,369)
Foreign exchange gains/(loss)	(237)	-		(237)	(262)
Gain/(loss) from marketable securities	(4,981)	(102)	2(vi)	(5,083)	(5,612)
Profit / (loss) before tax and financing costs	<u>(9,836)</u>	<u>(102)</u>		<u>(9,938)</u>	<u>(10,972)</u>
Finance costs (net of finance income)	(2,592)	(258)	2(v)	(2,850)	(3,146)
Profit / (loss) before income tax	<u>(12,428)</u>	<u>(360)</u>		<u>(12,788)</u>	<u>(14,118)</u>
Income tax expense	1,230	-		1,230	1,358
Profit / (loss) after income tax	<u>(11,198)</u>	<u>(360)</u>		<u>(11,558)</u>	<u>(12,760)</u>
Outside equity interests	17	-		17	19
Profit / (loss) after income tax attributable to members of the parent	<u>(11,181)</u>	<u>(360)</u>		<u>(11,541)</u>	<u>(12,741)</u>

**SINO GOLD MINING LIMITED**  
**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
**STATEMENT OF OPERATIONS OF GOLDEN CHINA RESOURCES CORPORATION INC.**  
(Expressed in thousands of dollars unless otherwise stated)  
Twelve months ended December 31, 2006  
(Unaudited)

Schedule 1(c)	As reported	AIFRS	Notes	AIFRS	AIFRS
	C GAAP	adjustments		CAD'000s	AUD'000s
	CAD'000s	CAD'000s		CAD'000s	AUD'000s
Sales revenue	1,614	-		1,614	1,848
Cost of sales	<u>(1,538)</u>	-		<u>(1,538)</u>	<u>(1,761)</u>
Gross profit / (loss)	<u>76</u>	-		<u>76</u>	<u>87</u>
Administrative expenses	(4,256)	-		(4,256)	(4,873)
Write off of mineral interests	(3,419)	-		(3,419)	(3,915)
Foreign exchange gains/(loss)	(97)	-		(97)	(111)
Gain/(loss) from marketable securities	<u>(635)</u>	102	2(vi)	<u>(533)</u>	<u>(610)</u>
Profit / (loss) before tax and financing costs	<u>(8,331)</u>	102		<u>(8,229)</u>	<u>(9,422)</u>
Finance costs (net of finance income)	<u>(492)</u>	<u>(348)</u>	2(v)	<u>(840)</u>	<u>(962)</u>
Profit / (loss) before income tax	<u>(8,823)</u>	<u>(246)</u>		<u>(9,069)</u>	<u>(10,384)</u>
Income tax expense	<u>970</u>	-		<u>970</u>	<u>1,111</u>
Profit / (loss) after income tax	<u><u>(7,853)</u></u>	<u><u>(246)</u></u>		<u><u>(8,099)</u></u>	<u><u>(9,273)</u></u>

24 October 2007

The Board of Directors of  
Sino Gold Mining Limited  
Level 22, 44 Market Street  
Sydney, NSW  
AUSTRALIA

### **Compilation Report on Pro Forma Consolidated Financial Statements**

We have read the accompanying unaudited pro forma consolidated balance sheet of Sino Gold Mining Limited (“SGML” or the “Company”) as at June 30, 2007 and the unaudited pro forma consolidated statements of operations for the six months then ended and for the year ended December 31, 2006, and have performed the following procedures:

#### **Pro forma consolidated balance sheet as at June 30, 2007**

1. Compared the figures in the column captioned “Sino Gold” to the unaudited consolidated financial statements of the Company as at June 30, 2007, and found them to be in agreement;
2. Compared the figures in the column captioned “Golden China” to the the figures in the column captioned “AIFRS AUD ‘000s” as shown in Schedule 1(a) to the pro forma consolidated financial statements and found them to be in agreement.
3. Compared the figures in the column captioned “As reported C GAAP CAD ‘000s” as shown in Schedule 1(a) to the pro forma consolidated statements to the audited consolidated financial statements of Golden China Resources Corporation Inc (“Golden China”) as at June 30, 2007, and found them to be in agreement.
4. Compared the figures in the column “AIFRS adjustments CAD ‘000s” as shown in Schedule 1(a) to the pro forma consolidated financial statements to a schedule prepared by the Company’s management outlining the significant measurement differences between Canadian generally accepted accounting principles and the Australian equivalent to International Financial Reporting Standards applicable to Golden China and found them to be in agreement.
5. Recalculated the figures in the column captioned “AIFRS CAD ‘000s” as shown in Schedule 1(a) to the pro forma consolidated financial statements based on the figures in the columns captioned “As reported “C GAAP CAD ‘000s” and “AIFRS adjustments CAD ‘000s” and found the amounts to be arithmetically correct.
6. Recalculated the figures in the column captioned “AIFRS AUD ‘000s” as shown in Schedule 1(b) to the pro forma consolidated financial statements based on the figures in the column captioned “AIFRS CAD ‘000s” as shown in Schedule 1(a) to the pro forma consolidated financial statements and the foreign exchange rate of CAD1.00 = AUD\$1.108 and found the amounts to be arithmetically correct.

### **Pro forma consolidated statement of operations for the six months ended June 30, 2007**

7. Compared the figures in the column captioned "Sino Gold" to the unaudited consolidated financial statements of the Company for the six months ended June 30, 2007 and found them to be in agreement;
8. Compared the figures in the column captioned "Golden China" to the figures in the column captioned "AIFRS AUD '000s" as shown in Schedule 1(b) to the pro forma consolidated financial statements and found them to be in agreement.
9. Recalculated the figures in the column captioned "As reported C GAAP CAD '000s" as shown in Schedule 1(b) to the pro forma consolidated statements based on the audited consolidated financial statements of Golden China for the year ended June 30, 2007 and the unaudited consolidated financial statements of Golden China for the six months ended December 31, 2006 and found the amounts to be arithmetically correct.
10. Compared the figures in the column "AIFRS adjustments CAD '000s" as shown in Schedule 1(b) to the pro forma consolidated financial statements to a schedule prepared by the Company's management outlining the significant measurement differences between Canadian generally accepted accounting principles and the Australian equivalent to International Financial Reporting Standards applicable to Golden China and found them to be in agreement.
11. Recalculated the figures in the column captioned "AIFRS CAD '000s" as shown in Schedule 1(b) to the pro forma consolidated financial statements based on the figures in the columns captioned "As reported "C GAAP CAD '000s" and "AIFRS adjustments CAD '000s" and found the amounts to be arithmetically correct.
12. Recalculated the figures in the column captioned "AIFRS AUD '000s" as shown in Schedule 1(b) to the pro forma consolidated financial statements based on the figures in the column captioned "AIFRS CAD '000s" as shown in Schedule 1(b) to the pro forma consolidated financial statements and the foreign exchange rate of CAD1.00 = AUD\$1.104 and found the amounts to be arithmetically correct.

### **Pro forma consolidated statement of operations for the year ended December 31, 2006**

13. Compared the figures in the column captioned "Sino Gold" to the audited consolidated financial statements of the Company for the year ended December 31, 2006 and found them to be in agreement.
14. Compared the figures in the column captioned "Golden China" to the figures in the column captioned "AIFRS AUD '000s" as shown in Schedule 1(c) to the pro forma consolidated financial statements and found them to be in agreement.
15. Recalculated the figures in the column captioned "As reported C GAAP CAD '000s" as shown in Schedule 1(c) to the pro forma consolidated statements based on the audited consolidated financial statements of Golden China for the year ended June 30, 2006 and the unaudited consolidated financial statements of Golden China for the six months ended December 31, 2006 and 2005 and found the amounts to be arithmetically correct.
16. Compared the figures in the column "AIFRS adjustments CAD '000s" as shown in Schedule 1(c) to the pro forma consolidated financial statements to a schedule prepared by the Company's management outlining the significant measurement differences between Canadian generally accepted accounting

principles and the Australian equivalent to International Financial Reporting Standards applicable to Golden China and found them to be in agreement.

17. Recalculated the figures in the column captioned "AIFRS CAD '000s" as shown in Schedule 1(c) to the pro forma consolidated financial statements based on the figures in the columns captioned "As reported "C GAAP CAD '000s" and "AIFRS adjustments CAD '000s" and found the amounts to be arithmetically correct.
18. Recalculated the figures in the column captioned "AIFRS AUD '000s" as shown in Schedule 1(c) to the pro forma consolidated financial statements based on the figures in the column captioned "AIFRS CAD '000s" as shown in Schedule 1(c) to the pro forma consolidated financial statements and the foreign exchange rate of CAD1.00 = AUD\$1.145 and found the amounts to be arithmetically correct.
19. Recalculated the figures in the column captioned "Michelago" based on the audited consolidated financial statements of Michelago Limited for the year ended June 30, 2006 and the unaudited consolidated financial statements of Michelago Limited for the six months ended December 31, 2006 and 2005 and found the amounts to be arithmetically correct.

#### **Pro forma adjustments**

20. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about;
  - (a) the basis for determination of the pro forma adjustments and the adjustments necessary to reconcile Golden China's audited consolidated financial statements as at June 30, 2007 and 2006 and for the years then ended and Golden China's unaudited consolidated financial statements for the six months ended December 31, 2006 and 2005 measured in accordance with Canadian generally accepted accounting principles to the Australian equivalent to International Financial Reporting Standards; and
  - (b) whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with the published requirements of Canadian securities legislation.

The officials:

- (a) described to us the basis for determination of the pro forma adjustments and the adjustments necessary to reconcile Golden China's audited consolidated financial statements as at June 30, 2007 and 2006 and for the years then ended and Golden China's unaudited consolidated financial statements for the six months ended December 31, 2006 and 2005 measured in accordance with Canadian generally accepted accounting principles to the Australian equivalent to International Financial Reporting Standards; and
  - (b) stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the published requirements of Canadian securities legislation.
21. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described for determination of the pro forma adjustments and the adjustments necessary to reconcile Golden China's audited consolidated financial statements as at June 30, 2007 and 2006 and for the years then ended and Golden China's unaudited consolidated financial statements

for the six months ended December 31, 2006 and 2005 measured in accordance with Canadian generally accepted accounting principles to the Australian equivalent to International Financial Reporting Standards.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed)  
Ernst & Young  
Sydney, Australia

**SCHEDULE "B"**  
**INFORMATION RELATING TO SINO GOLD MINING LIMITED**

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## Definitions

In addition to the terms defined under the heading “Definitions” on page 1 of the Circular, the following capitalized terms have the meanings set out in this Schedule “B”:

“**Administrative Regulations**” means the “Administration Regulations of the PRC on Gold and Silver” promulgated and implemented in June 1983;

“**AMC**” means AMC Resource Consultants Pty Ltd;

“**Approval Authority**” means the Ministry of Commerce of the PRC or its authorized local branch;

“**BGMR**” means the Bureau of Geology and Mineral Resources of the PRC;

“**Biomim**” means Biomim Technologies S.A.;

“**Brigade 105**” means Brigade No. 105 of Guizhou Bureau of Geology and Mineral Resource Development, a legal entity registered under the laws of the PRC;

“**Brigade 117**” means Brigade No. 117 of Guizhou Bureau of Geology and Mineral Resource Development, a legal entity registered under the laws of the PRC;

“**Brigade 707**” means Brigade No. 707 of Heilongjiang Non-ferrous Metals Geology Exploration, a legal entity registered under the laws of the PRC;

“**BVI**” means British Virgin Islands;

“**China Gold**” means China Gold Group Guizhou Limited (formerly known as Guizhou Provincial Gold Corporation), a company incorporated under the laws of the PRC;

“**China Review Project**” means the searchable digital database of Sino Gold that was initiated to compile, assess and interpret mine and exploration data from various regions across the PRC;

“**CIL**” means carbon in leach;

“**CJV**” means cooperative joint venture, a form of foreign investment permitted in the PRC under applicable Laws;

“**Convertible Notes**” means the US\$35million, 5.75% convertible subordinated notes due 2012 issued by Sino Gold;

“**Early Consent Deadline**” means October 22, 2007;

“**Early Consent Payment**” means a payment of US\$130 per US\$1,000 of Convertible Notes deposited by Convertible Noteholders;

“**EIA**” means Environmental Impact Assessment;

“**Eligible Persons**” means eligible participants of the EOP which include full or part-time employees of Sino Gold and its subsidiaries;

“**EOP**” means Executive and Employee Option Plan, a share option scheme adopted by Sino Gold pursuant to a resolution passed by the Sino Gold Board on August 28, 2002 and the Sino Gold Shareholders on May 30, 2006;

“**EPB**” means Environmental Protection Bureau;

“**Equity-settled Transactions**” means share based payment transactions, whereby employees render services in exchange for shares or rights over shares;

“**ESIS**” means Employee Share Incentive Scheme, a share incentive scheme adopted by Sino Gold pursuant to a resolution passed by the Sino Gold Shareholders on May 1, 2001;

**“ESIS Loans”** means loans provided to employee shareholders to acquire Sino Gold Shares pursuant to the ESIS;

**“Excluded Area”** collectively means the area excluded under the Heads of Agreement, namely the Jinfeng Project area comprising the Laizhishan Dome and a 10km wide band surrounding the current outer edges of the Laizhishan Dome and the White Mountain Project area and a 10km wide band surrounding the outer edges of the White Mountain Project’s exploration leases;

**“Exercise Period”** means the exercise period in relation to a Sino Gold Option under the EOP;

**“Exercise Price”** has the meaning attributed to it in the section of this Schedule “B” entitled “Sino Gold Options”;

**“Exploration Licence”** means an exploration licence granted by the Ministry of Land and Resources of the PRC or its local branch;

**“GFS Scale Deposit”** means a gold project that: (a) has the potential of a minimum 5,000,000 oz of gold, or gold equivalent (as defined in the Heads of Agreement), in resources; and (b) is potentially capable of producing at an approximate minimum annual rate of 500,000 oz of gold or gold equivalent;

**“Gold Fields”** means Gold Fields Limited, a company incorporated under the laws of the Republic of South Africa;

**“Gold Fields Australasia”** means Gold Fields Australasia BVI Ltd (formerly known as Gold Fields Australasia Ltd), a company incorporated under the laws of BVI and a company associated with Gold Fields;

**“Gold Operating Permit”** means a gold operating permit issued by the NDRC;

**“Golden Tiger”** means Golden Tiger Mining NL;

**“Golden Triangle CJV”** means Sino Guangxi Golden Triangle Mining Limited, a CJV company formed on December 14, 2006 by SG Golden Triangle and the Guangxi Institute under the laws of the PRC which owns and operates the Golden Triangle Project;

**“Golden Triangle Guangxi Project”** means one of Sino Gold’s projects located in Guangxi, in which Sino Gold holds a 70% interest through its wholly-owned subsidiary SG Golden Triangle;

**“Greatland CJV”** means Sino Guizhou Greatland Mining Limited, a CJV company formed on May 31, 2007 by SG Greatland and Brigade 105 under the laws of the PRC which owns and operates the Greatland Project;

**“Greatland Project”** means one of Sino Gold’s projects located in Guangxi in which Sino Gold holds a 60% interest through its wholly-owned subsidiary SG Greatland;

**“Guangxi Institute”** means Guangxi Institute of Regional Geology Survey, a legal entity registered under the laws of the PRC;

**“Guiyang Minerals”** means Guiyang Minerals and Geology Company, a company incorporated under the laws of the PRC;

**“Heads of Agreement”** means the Heads of Agreement dated November 22, 2006 between Sino Gold and Gold Fields Australasia forming an alliance between them for the joint development of gold mining projects in the PRC and, pursuant to which, Gold Fields Australasia subscribed for 6,500,000 ordinary shares in the capital of Sino Gold at a price of A\$5.58 per share;

**“Hexi CJV”** means Sino Zhaoyuan Xin Xin Mining Limited, a CJV company formed on May 25, 2007 by SG Jiaodong and Zhaoyuan Hexi under the laws of the PRC which owns and operates the Hexi Project;

**“Hexi Project”** means one of Sino Gold’s projects located in Shandong Province in which Sino Gold holds a 70% interest through its wholly-owned subsidiary SG Jiaodong;

“**HVB**” means Bayerische Hypo-und Vereinsbank AG;

“**IFRIC**” means the International Financial Reporting Interpretations Committee;

“**IFRS**” means International Financial Reporting Standards - Australia;

“**Jianchaling Gold Mine**” means the former gold mine of Sino Gold located in Jianchaling, Shaanxi Province, the PRC;

“**Jindu CJV**” means Sino Gold Guizhou Jindu Mining Limited, a CJV company formed on August 30, 2007 by SG Jindu and China Gold under the laws of the PRC which owns and operates the Jindu Project;

“**Jindu Project**” means one of Sino Gold’s projects located in Guizhou Province in which Sino Gold holds a 75% interest through its wholly-owned subsidiary SG Jindu;

“**Jinfeng**” or “**Jinfeng Gold Mine**” means Sino Gold’s mining project located in Guizhou Province, the PRC in which Sino Gold holds an 82% interest through its wholly-owned subsidiary, SG Guizhou;

“**Jinfeng CJV**” means Sino Guizhou Jinfeng Mining Limited, a CJV company formed on July 8, 2002 by SG Guizhou and Lannigou under the laws of the PRC, which owns and operates the Jinfeng Project;

“**Jinfeng Standby L/C Loan**” means the standby cash collateralised letter of credit facility to secure advances made by China Construction Bank, Guizhou Branch to the Jinfeng Gold Mine;

“**Jinfeng Technical Report**” means the technical report on Jinfeng prepared by SRK dated October 10, 2007;

“**Jinluo CJV**” means Sino Gold Guizhou Jinluo Mining Limited, a CJV company formed on January 18, 2005 by SG Jinluo and Brigade 117 under the laws of the PRC, which owns and operates the Jinluo Project;

“**Jinluo Project**” means one of Sino Gold’s projects located in Guizhou Province in which Sino Gold holds a 65% interest through its wholly-owned subsidiary SG Jinluo;

“**JORC Code**” means the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia;

“**Laizhishan Dome**” means a large (25x12km) geological structure associated with gold mineralization in the Golden Triangle;

“**Lannigou**” means Lannigou Gold Mine Limited, a company incorporated under the laws of the PRC;

“**LIBOR**” means London Interbank Offered Rate;

“**Licence Agreement**” means the BIOX licence agreement between the Jinfeng CJV and Minsaco BIOX Pty Ltd., holder of a licence from Biomin Technologies S.A.;

“**Ludi CJV**” means Shandong Sino Gold Fields Ludi Limited, a CJV company formed on July 26, 2004 by SG SPD and Shandong Bureau under the laws of the PRC, which owns and operates the Ludi Project;

“**Ludi Project**” one of Sino Gold’s projects located in Shandong Province in which Sino Gold holds a 70% interest through its wholly-owned subsidiary SG SPD;

“**Mine Safety Law**” means the “Law on Mine Safety of the PRC”, which became effective as of May 1, 1993;

“**Mineral Resources Law**” means the “Mineral Resources Law of the PRC”, which became effective as of January 1, 1997;

“**Mining Permit**” means the Mining Permit obtained from the Ministry of Land and Resources of the PRC or its local branch;

“**Minxing**” means Yiwu Minxing Mining Science and Technology Development Limited, a company incorporated under the laws of the PRC;

“**MOF**” means the Ministry of Finance of the PRC;

“**NDRC**” means the National Development and Reform Commission of the PRC;

“**North Mountain CJV**” Sino Minxing Mining Limited, a CJV company to be formed by SG Guoxing and Minxing under the laws of PRC pursuant to the CJV agreement between these two parties dated August 28, 2006, which is expected to own and operate the North Mountain Project;

“**North Mountain Project**” one of Sino Gold’s pending projects, which is located in Xinjiang Uygur Autonomous Region of the PRC;

“**Noteholders**” means holders of Notes;

“**Notes**” means the U.S.\$35,000,000 5.75% convertible subordinated notes due 2012 issued by Sino Gold;

“**NWGI**” means the Northwest Geological Institute;

“**oz**” means ounce(s);

“**PBOC**” means the People’s Bank of China, the central bank of the PRC;

“**PRC**” means the People’s Republic of China;

“**Qualification Period**” means the period commencing from the Issue Date and ending on the date which is three years after the Issue Date;

“**RC**” means reverse circulation;

“**RMB**” means Renminbi, the lawful currency of the PRC;

“**Sanjianfang CJV**” means Sino HLJ Gold Strike Mining Limited, a CJV company formed on September 26, 2007 by SG HLJ and Brigade 707 under the laws of the PRC, which owns and operates the Sanjianfang Project;

“**SBBH Options**” means the options issued or issuable in accordance with the terms in the fee letter to Standard Bank plc and HVB dated September 16, 2005;

“**Senior Loan Facility**” means the financing facility provided to the Jinfeng CJV pursuant to a senior loan agreement dated September 16, 2005 entered into between the Jinfeng CJV, SG Guizhou, Sino Gold, Standard Bank plc, HVB, and China Construction Bank Corporation;

“**SG BMZ**” means Sino Gold BMZ Limited, a wholly-owned subsidiary of Sino Gold incorporated on May 22, 2003 under the laws of the Cayman Islands;

“**SG Golden Triangle**” means Sino Gold Golden Triangle Limited, a wholly-owned subsidiary of Sino Gold incorporated on July 31, 2006 under the laws of the Cayman Islands;

“**SG Greatland**” means Sino Gold Greatland Limited, a wholly-owned subsidiary of Sino Gold incorporated on October 16, 2006 under the laws of the Cayman Islands;

“**SG Guizhou**” means Sino Mining Guizhou Pty Limited, a wholly-owned subsidiary of Sino Gold incorporated on October 9, 2000 under the laws of NSW;

“**SG Guoxing**” means Sino Gold Guoxing Limited, a wholly-owned subsidiary of Sino Gold incorporated on July 25, 2006 under the laws of the Cayman Islands;

“**SG HLJ**” means Sino Gold HLJ Limited, a wholly-owned subsidiary of Sino Gold incorporated on August 8, 2005 under the laws of the Cayman Islands;

“**SG Jiaodong**” means Sino Gold Jiaodong Limited, a wholly-owned subsidiary of Sino Gold incorporated on August 21, 2006 under the laws of the Cayman Islands;

“**SG Jindu**” means Sino Gold Jindu Limited, a wholly-owned subsidiary of Sino Gold incorporated on July 24, 2003 under the laws of the Cayman Islands;

“**SG Jinluo**” means Sino Gold Jinluo Limited, a wholly-owned subsidiary of Sino Gold incorporated on June 24, 2003 under the laws of the Cayman Islands;

“**SG SPD**” means Sino Gold SPD Limited, a wholly-owned subsidiary of Sino Gold incorporated on June 26, 1998 under the laws of BVI;

“**Shandong Bureau**” means the Shandong Provincial Bureau of Geo-mineral Exploration & Development, a government entity of the PRC;

“**Sino Gold Board**” means the board of directors of Sino Gold;

“**Sino Gold Director**” means a director of Sino Gold Board;

“**Sino Gold Options**” means options to purchase Sino Gold Shares;

“**SRK**” means SRK Consulting (Australasia) Pty Ltd;

“**State**” means the central government of the PRC including all political subdivisions, (including provincial, municipal and other regional or local government entities) and instrumentalities thereof;

“**State Council**” means the State Council of the PRC;

“**TEM**” means transient electromagnetic;

“**Tonghua**” means Jilin Tonghua Institute of Geology and Minerals Exploration and Development, a legal entity registered under the Laws of the PRC;

“**Trust Deed**” means trust deed dated March 17, 2005 made between Sino Gold and the BNY Corporate Trustee Services Limited (formerly known as JPMorgan Chase Bank, N.A.) constituting the Notes;

“**VAT**” means value added tax;

“**White Mountain CJV**” means Sino Gold Jilin BMZ Mining Limited, a CJV company formed on November 14, 2003 by SG BMZ and Tonghua under the laws of the PRC, which owns and operates the White Mountain Project;

“**White Mountain Project**” means one of Sino Gold’s projects located in Jilin Province in which Sino Gold holds a 95% interest through its wholly-owned subsidiary, SG BMZ;

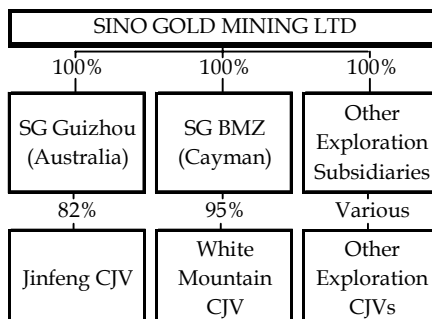
“**WM Technical Report**” means the technical report on the White Mountain Project prepared by SRK dated October 10, 2007; and

“**Zhaoyuan Hexi**” means Zhaoyuan Hexi Yuli Limited, a legal entity registered under the laws of the PRC.

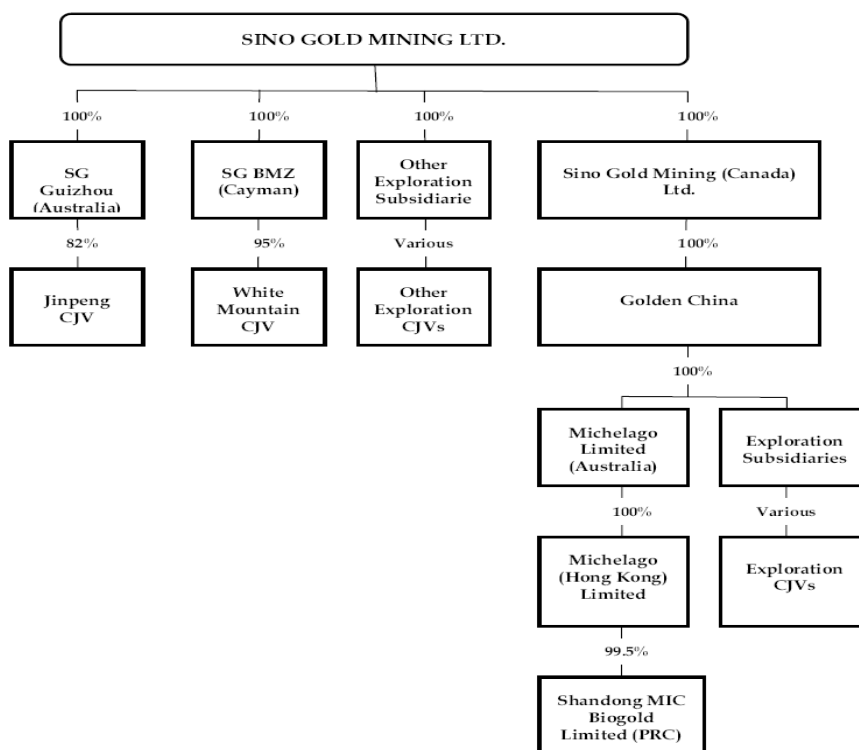
## Corporate Information

Pursuant to the Corporations Act, Sino Gold was incorporated under the laws of the Australian state of New South Wales as a public company limited by shares with the name Sino Mining Limited on June 28, 2000. Sino Gold changed its name to Sino Gold Limited effective October 1, 2002. Sino Gold changed its name to Sino Gold Mining Limited effective January 19, 2007. Sino Gold listed on the ASX on December 3, 2002 and listed on the HKSE on March 16, 2007. Sino Gold's head and registered office is at Level 22, 44 Market Street, Sydney, New South Wales, Australia.

The following chart sets out the material subsidiaries of Sino Gold prior to completion of the Offer:



The following chart sets out the material subsidiaries of Sino Gold post completion of the Offer and the Compulsory Acquisition or Subsequent Acquisition Transaction, if any, as applicable.



Set out below is a table providing further information in relation to each of the incorporated CJV companies of Sino Gold.

Name	Established	Principal Business	Equity Interests
Jinfeng CJV	July 8, 2002	Gold exploration and development in the Jingeng Project and anticipated production in the Jinfeng Project mine	SG Guizhou (82%)* Lannigou (18%)
White Mountain CJV	November 14, 2003	Gold exploration and development in the White Mountain Project	SG BMZ (95%) Tonghua (5%)
Jinluo CJV	January 18, 2005	Gold exploration and development in the Jinluo Project	SG Jinluo (65%) Guiyang Minerals (35%)
Ludi CJV	July 26, 2004	Gold exploration and development in the Ludi Project	SG SPD (70%) Shandong Bureau (30%)
Golden Triangle CJV	December 14, 2006	Gold exploration and development in the Golden Triangle Project	SG Golden Triangle (70%) Guangxi Institute (30%)
Greatland CJV	May 31, 2007	Gold exploration and development in the Greatland Project	SG Greatland (60%) Brigade 105 (40%)
Hexi CJV	May 25, 2007	Gold exploration and development in the Hexi Project	SG Jiaodong (70%) Zhaoyuan Hexi (30%)
Jindu CJV	August 30, 2007	Gold exploration and development in the Jindu Project	SG Jindu (75%) China Gold (25%)
Sanjianfang CJV	September 26, 2007	Gold exploration and development in the Sanjianfang Project	SG HLJ (70%) Brigade 707 (30%)

\* Sino Gold holds a legal 85% equity interest in the Jinfeng CJV however, in a letter dated December 11, 2001, Sino Gold confirmed to its partner, Lannigou, that it would transfer 3% of its equity interest to Lannigou subject to certain conditions. These conditions have now been fulfilled and accordingly Sino Gold has commenced negotiations with Lannigou regarding the specific terms and conditions of the transfer. Sino Gold therefore considers itself to have an 82% equity interest in the Jinfeng CJV and all references herein to such interest are made on this basis.

In addition to the CJV companies that have been incorporated, set out below is a table providing information in relation to each proposed CJV company that is still pending governmental approval.

Name	Date of Execution of CJV Agreement	Principal Business	Equity Interests
North Mountain CJV	August 28, 2006	Gold exploration and development in the North Mountain Project	SG Guoxing (70%) Minxing (30%)

Currently it is unclear when the governmental approvals for the incorporation of the North Mountain CJV is expected to be obtained.

For further details of the CJV agreements, please refer to the sections headed "CJV Agreements" in this Schedule "B".

On November 22, 2006, Sino Gold entered into a strategic alliance with Gold Fields Australasia to explore for multi-million ounce deposits in China; primarily porphyry, high-sulphidation epithermal or sediment-hosted disseminated orogenic style gold deposits. For details of the alliance agreement, please refer to the section headed "Other Assets of Sino Gold" in this Schedule "B".



## General Development of the Business

### History

The history of Sino Gold can be traced back to 1995 when China National Non-Ferrous Metals Industry Corporation, a Chinese state-owned company, formed Sino Mining International Limited, Sino Gold's founding shareholder. Sino Gold and its predecessor have actively engaged in mining and exploration of gold in the PRC since its inception.

Sino Gold's key milestones are as follows:

1995	Sino Mining International Limited was established by China National Non-Ferrous Metals Industry Corporation
1996	The Jianchaling Gold Mine was initiated
1998	The Jianchaling Gold Mine was commissioned with a designed gold output of 65,000 oz p.a.
1999	The China Review Project was initiated
2000	Sino Gold was formed as a result of a spin-off of Sino Mining International Limited's gold business including the Jianchaling Gold Mine
2001	The Jinfeng CJV agreement was executed
2002	The initial public offering of Sino Gold was completed and Sino Gold was listed on the ASX
2003	The White Mountain CJV was established
2004	The feasibility study for the Jinfeng Gold Mine was completed Exploration at the White Mountain Project generated positive results
2005	The project development permit for the Jinfeng Gold Mine was issued Development at the Jinfeng Gold Mine commenced
2006	The Heads of Agreement with Gold Fields Australasia was executed The Jianchaling Gold Mine was successfully divested
2007	Sino Gold listed on the SEHK First gold poured at the Jinfeng Gold Mine Development at the White Mountain Project commenced

## Business of Sino Gold

### Overview

Sino Gold explores, evaluates, develops and operates gold mines in the PRC through CJV companies, each of which is formed by a wholly-owned subsidiary of Sino Gold and a local PRC partner. Sino Gold's predecessor (from which Sino Gold's business was spun-off) was one of the first foreign companies to operate a gold mine in the PRC. In 1996, Sino Gold's predecessor initiated the development of the Jianchaling Gold Mine in Shaanxi Province and the Jianchaling Gold Mine was successfully operated until its divestment in September 2006.

Sino Gold is currently focused on ramping up the Jinfeng Gold Mine which is owned through the Jinfeng CJV. Sino Gold has an 82% interest in the Jinfeng CJV through SG Guizhou, a wholly-owned subsidiary of Sino Gold. The Jinfeng Gold Mine commenced gold production in May 2007, and achieved commercial production status in September 2007.



The Jinfeng Gold Mine, located in Guizhou Province in southern PRC, is one of the largest gold mines in the PRC. Based on the technical report prepared by Mike Warren of SRK, dated October 10, 2007, titled Jinfeng Gold Mine, Guizhou Province, China ("Jinfeng Technical Report"), initial gold production is estimated at approximately 180,000 ounces per annum. Based on current ore reserves and production plans the Jinfeng Gold Mine is expected to be a long-life (13.7 years), low-cost operation.

The White Mountain Project, located in Jilin Province, northeast China, is scheduled to become Sino Gold's next producing gold mine. Basic engineering work for the project has been completed and development works have commenced. The White Mountain Project is held through the White Mountain CJV. Sino Gold has a 95% interest in the White Mountain CJV through SG BMZ, a wholly-owned subsidiary of Sino Gold. Based on the technical report prepared by Mike Warren of SRK, dated October 10, 2007, titled White Mountain Project, Jilin Province, China ("WM Technical Report"), the White Mountain Project is expected to produce approximately 70,000 ounces of gold per annum once commissioned.

In addition to the Jinfeng CJV and the White Mountain CJV, Sino Gold has entered into eight other CJV agreements that cover prospective exploration areas. Sino Gold intends to undertake appropriate exploration programs to determine if these properties contain economically-exploitable mineralisation.

Sino Gold is pursuing a strategy of growth through exploration and acquisitions. Sino Gold's China Review Project, a searchable digital database containing more than 8,000 identified gold deposits or mines and approximately another 2,000 base metal deposits, was initiated to compile, assess and interpret mine and exploration data from various regions across the PRC. Sino Gold has used its extensive knowledge of the gold mining industry in the PRC in conjunction with its established position in the country to enter into several exploration CJVs.

### Strategy

Sino Gold's goal is to become the leading gold producer in the PRC, which it seeks to accomplish through the following strategies:

#### *A Continuing Focus on Gold in the PRC*

Sino Gold believes that while the PRC is a significant gold producing country, it continues to be very prospective and relatively under-explored. Sino Gold's strategy is to leverage the core skills and expertise of its management team and employees, the knowledge it has developed through its geological database, the China Review Project, and its on-going working relationship at different levels of government and with key service providers, to continue its growth and pursue further value creating opportunities in the gold sector in the PRC.

#### *Full Value Optimisation of the Jinfeng Gold Mine*

Sino Gold is committed to fully optimising the value of the Jinfeng Gold Mine. The immediate priority is the successful ramp-up of the open-pit and gold processing production facilities to achieve nameplate capacity. A key part of the value optimisation strategy is to evaluate the economic viability of an expansion of the current processing facilities and increase ore production through the development of an underground mine. In August 2006, Sino Gold approved the early development of the underground mine at Jinfeng at an estimated pre-production capital cost of US\$20 million and development work commenced in November 2006. Based on the current development plan, Sino Gold is scheduled to produce its first ore from the underground mine in the third quarter of 2008. In addition, exploration to fully define the extent of the Jinfeng Gold Mine mineral resource continues as well as further exploration for potential future ore sources in the vicinity of the Jinfeng Gold Mine.

### *Advance the White Mountain Project*

The White Mountain Project is scheduled to become Sino Gold's next producing gold mine. The Sino Gold Board approved development of the White Mountain Project in August 2007 and development works subsequently commenced. Sino Gold expects to achieve commercial production in early 2009. Sino Gold has reported an ore reserve estimate of 3.2 million tonnes grading 4.2 gpt gold, containing 434,000 oz. of gold. Significant potential remains to increase this reserve, particularly to the northeast and at depth.

### *Pursue Growth Through Successful Exploration*

Since entering the PRC, Sino Gold has been dedicated to pursuing a strategy of growing its resource base through exploration. As such, Sino Gold and its management have built the China Review Project applying modern technology and interpretation on existing mine and exploration data from various regions across the PRC. Sino Gold's strategy is to apply the significant knowledge it has developed through this database, identify key exploration prospects, and team up with local partners in exploring these prospective exploration areas. Sino Gold seeks to enter into CJV agreements with these strategic local exploration partners, and maintain a controlling stake in the CJV. Sino Gold has been successful in entering into a number of these CJV agreements to date and currently holds a controlling stake in all of its CJV companies.

### *Pursue Growth Through Successful Acquisitions*

The gold sector in the PRC is relatively fragmented and Sino Gold believes that consolidation in the sector is likely. PRC legislation aiming to control environmental damage, safety problems and waste of resources have forced many smaller mining (including gold) operations to close due to high compliance costs, and the issuance of Mining Permits for small to medium operations has been restricted. As one of the largest foreign gold companies in the PRC, Sino Gold is well positioned to selectively pursue attractive acquisition opportunities and take advantage of the expected consolidation in the sector.

### *Operate Safely and in an Environmentally and Culturally Sensitive Manner*

Sino Gold is committed to high standards in relation to the safety of its people and the impact it has on the environment and communities in which it operates. As a foreign company with a long term objective of investing in the PRC, Sino Gold considers sustained high performance in these key areas as critical to its long term success. Sino Gold believes it has previously demonstrated high levels of performance in these areas at the Jianchaling Gold Mine. At the Jinfeng Gold Mine, Sino Gold is committed to working with its employees and stakeholders to ensure a similar level of performance as it transitions from project construction to operation.

### Competitive Advantages

Management believes that Sino Gold possesses the following competitive advantages:

#### *First-Mover Position in the PRC*

Sino Gold is one of the first foreign companies to operate a gold mine in the PRC and until recently, it was the only foreign producer of gold in the PRC. As such, Sino Gold has gained a significant first mover advantage and grown successfully in the PRC. Some of the managers and executives of Sino Gold were involved in the financing, development and operations of the Jianchaling Gold Mine which was initiated in 1996 and commissioned in October 1998.

In particular:

- the business of Sino Gold (and/or its predecessor) has been operated in the PRC for over ten years. With the experience that Sino Gold inherited from its predecessor and which improves

with each new project, Sino Gold can be more efficient in evaluating opportunities and operating mines than companies without experience in the PRC;

- Sino Gold's presence in the PRC, particularly in the areas where it already has projects, gives it the advantage of proximity and should enable it to identify and evaluate new opportunities in these areas more quickly than companies without such presence;
- Sino Gold has considerable experience in dealing with, and has developed working relationships with provincial and central levels of government, semi-governmental bodies, engineering and construction groups and suppliers across the PRC; and
- Sino Gold already has a significant establishment in the PRC, with infrastructure and manpower in place. Therefore, Sino Gold's initial cost of evaluating new exploration and acquisition opportunities should be considerably lower than that for companies without a comparable presence in the PRC.

#### *Database of PRC Mining Opportunities*

For over 50 years, the PRC has been systematically explored and mapped by state-owned geology brigades. Many prospects and mines have been discovered and large geological datasets created. However, most of this information is difficult to obtain because it is de-centralised and held by numerous independent state and provincial exploration or mining groups and relatively little information has been shared with external parties.

In addition, relatively few of the known resources in the PRC have a defined resource of more than one million ounces of gold. Sino Gold believes that, by properly compiling, assessing and interpreting existing data, some PRC deposits, which at the moment have only a small defined resource, have the potential to become significant projects.

For these reasons, in January 1999, some members of Sino Gold's current management team initiated the China Review Project to gather data on various regions. Over a three-year period, mine and exploration data from various regions across the PRC was compiled, assessed and interpreted by Sino Gold. In November 2002, the initial work on the China Review Project was completed, but it has since been progressively updated. This work has been conducted by managers and employees of Sino Gold using information acquired from a range of sources including state-owned geology brigades, other mining companies and government agencies. The China Review Project now consists of a searchable digital database containing more than 8,000 identified gold deposits or mines and approximately another 2,000 base metal deposits.

The opportunities identified by the China Review Project have been assessed and ranked by Sino Gold according to their attractiveness, creating a pipeline of potential exploration projects for Sino Gold. It would take significant time and resources for other companies to compile a similar database.

#### *Relationships and Experience in the PRC*

Sino Gold's management team comprises a combination of foreign and PRC nationals, giving it the ability to effectively manage PRC business and cultural issues and also access international mining practices and foreign capital. This assists with:

- negotiations with local parties in the establishment of CJV companies; and
- the design, development and construction of mining projects.

Having developed and operated the Jianchaling Gold Mine and other projects for the past ten years in the PRC, Sino Gold (partly through its predecessor) has built up a strong network of suppliers and contractors. Some of the suppliers and contractors who worked with Sino Gold during the construction and operation of the Jianchaling Gold Mine are now working at the Jinfeng Gold Mine.

### *Adopting Best Practice*

Sino Gold seeks to differentiate itself from other mining operations in the PRC by introducing and adhering to applicable PRC or international standards (whichever is higher) in dealing with environmental, health and safety and community relations issues.

The delivery of sustainable benefits for all key stakeholders is a guiding value for Sino Gold's activities. Sino Gold aims to achieve this by implementing appropriate policies to health, safety, environmental and community relations in a consistent manner.

Sino Gold has significant experience in implementing these policies from engaging in exploration projects, mine development and mine operations.

## **Doing Business in China**

### *Laws and Regulations Relating to CJVs*

A CJV is a form of foreign investment permitted in the PRC. Under the amended "PRC Sino-Foreign CJV Law", which became effective as of October 31, 2000, and the "Implementing Rules For the PRC Sino-Foreign CJV Law" which became effective as of September 4, 1995, a CJV may be a Chinese legal person with limited liability or, alternatively, a non-legal person entity. To establish a CJV, the Chinese and foreign parties must submit documents such as the CJV agreement, the articles of association etc., to the Approval Authority for examination and approval. The Approval Authority must, within 45 days upon accepting the application, decide whether or not to grant the approval. Within 30 days after receipt of the approval certificate issued by the Approval Authority, the parties must apply to the competent administration for industry and commerce for registration to obtain the business licence of the CJV. The issuance date of the business licence is the establishment date of the CJV.

A CJV may be managed by a board of directors or, alternatively, by a joint management committee. The CJV Rules require a CJV to obtain unanimous board (or management committee) approval on the following decisions:

- amendment of the CJV's articles of association;
- termination or dissolution of the CJV;
- reduction or increase of the registered capital of the CJV;
- merger, division or change in the organisational form of the CJV;
- mortgage of assets of the CJV; and
- other matters agreed to by the parties to the CJV.

According to the relevant PRC rules, a transfer of an equity interest in the CJV must comply with PRC laws and regulations, and be approved by approval departments and submitted for alteration registration with registration departments. A transfer without approval from the relevant approval departments is invalid.

### *Laws and Regulations relating to Mineral Resources*

Under the Mineral Resources Law, all mineral resources of the PRC are owned by the State. The Ministry of Land and Resources is responsible for the supervision and administration of the mining and exploration of mineral resources nationwide. The geology and mineral resources departments of the PRC government in the respective provinces, autonomous regions and municipalities are responsible for the supervision and administration of the exploration, development and mining of mineral resources within their own jurisdictions. Enterprises engaged in the mining or exploration of mineral resources must obtain mining and exploration permits, as the case may be, which are transferable for consideration only

in certain circumstances as provided under PRC laws, subject to approval by relevant administrative authorities.

According to the relevant PRC laws, before the exploration and mining activities relating to mineral resources can commence, the project company must first obtain the Exploration Licence and the Mining Permit, which generally entitles the project company to the exploration and mining rights attached to the relevant mining project. Furthermore, if the mining activities involve gold resources, a Gold Operating Permit must also be obtained.

Holders of exploration permits and holders of Mining Permits are subject to exploration right usage fees and mining right usage fees, respectively. Mining right usage fees are payable on an annual basis. The rate of mining right usage fee is RMB1,000 per sq.km. of mining area per annum. Exploration right usage fees are calculated according to the size of the exploration area and are also payable on an annual basis. The rate of exploration right usage fees for the first year to the third year of exploration is RMB100 per sq.km. of exploration area per annum. From the fourth year of exploration onwards, the rate increases by RMB100 per sq.km. of exploration area per annum. However, the annual maximum rate may not exceed RMB500 per sq.km. of exploration area. In addition, according to the amended "Administration Regulation for Collection of Mineral Resource Compensation Fee", which became effective as of July 3, 1997, holders of Mining Permits are subject to mineral resource compensation fees, which are equal to a certain percentage of the sales revenue of such holders.

#### *Methods of Obtaining Exploration Licence*

In accordance with the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey", the applicant must submit the following documents to the Ministry of Land and Resources of the PRC or its local branch for the Exploration Licence:

- an application form for registration and a drawing or map indicating the scope of the blocks for which the applicant is applying;
- a copy of the certificate validating the qualification of the exploration unit;
- an exploration working plan and an exploration contract or documents evidencing that the exploration unit and project are entrusted by the State;
- an implementation proposal for the exploration, and its appendixes thereto;
- documents of proof showing the source of the funds for the exploration project; and
- materials otherwise required by the relevant authority.

After reviewing these documents, the competent authority must make a decision within 40 days and notify the applicant of the result. If the application is approved, the applicant must pay an exploration right usage fee before obtaining the Exploration Licence, which is calculated according to the size of the exploration area.

The maximum valid period of the initial term of the Exploration Licence is three years. An application must be submitted to the original competent registration authority for renewal of such Exploration Licence at least 30 days prior to the expiration date stipulated thereon. Each renewal cannot exceed two years.

The applicant must obtain the Exploration Licence before carrying out exploration activities.

#### *Methods of Obtaining Mining Permit*

In accordance with the "Administrative Measures on Registration of Mineral Resources Exploitation", to apply for the Mining Permit, the applicant must submit the following documents to the Ministry of Land and Resources of the PRC or its local branch:

- an application form for registration and a drawing or map indicating the scope of the mining area;
- a certificate validating the qualification of the applicant;
- a plan for development and utilization of the mineral resources;
- approval documents for establishment of the mining enterprise;
- an environment influence evaluation report for the exploitation of the mineral resources; and
- materials otherwise required by the relevant authority.

After reviewing the above documents, the relevant authority must make a decision within 40 days and notify the applicant of the result. If the application is approved, the applicant must pay the mining right usage fee before obtaining the Mining Permit, which is calculated according to the size of the mining area.

The maximum valid period of the initial term of the Mining Permit is determined according to the construction scale of the mine. For a large-scale mine, the term may be as long as 30 years, for a middle-scale mine, 20 years, and for a small-scale mine, 10 years. An application may be submitted to the original competent registration authority for renewal of such permit at least 30 days prior to its expiration date.

If the holder of an Exploration Licence or Mining Permit fails to renew the same, such licence or permit is automatically annulled upon expiration.

#### ***Methods of Obtaining Gold Operating Permit***

According to the “Provisions on the Administration of Gold Operating Permit”, the applicant for mining of gold minerals must submit the following documents to the NDRC:

- an application form for exploitation of gold minerals;
- a formal map indicating the scope of the mining area;
- file records or the approval documents regarding the ore reserves report;
- an environment influence evaluation report approved by competent environment protection authorities;
- the contract and the articles of association of Sino Gold and the approval for establishment of Sino Gold, if the applicant is a company limited by shares; and
- the awards rendered by relevant authorities in respect of any boundary dispute concerning the mining area.

The NDRC must determine the application within 20 days of receipt of the application documents. The valid period for a Gold Operating Permit varies from 5 years to 15 years, depending upon the production scale of the mine. An application must be submitted to the NDRC for renewal of the Gold Operating Permit at least 30 days prior to the expiration date stipulated thereon. The holder of a Gold Operating Permit is entitled to exploit gold mineral resources in the areas specified in the Gold Operating Permit, subject to obtaining a corresponding Mining Permit.

#### ***Rights and Obligations of Holders of Exploration Permits***

The rights of a holder of an exploration permit include:

- rights to carry out exploration in the designated area and within the prescribed time;



- rights to set up apparatus for power supply, water supply and communication channels without prejudice to the original equipments for power supply, water supply and communication channels;
- access to the exploration area and its adjacent areas;
- use temporarily of the land in accordance with the needs of the exploration project;
- priority in obtaining the mining right of the mineral resources as specified on the exploration permit and the exploration right of other newly discovered minerals within the designated exploration area;
- upon fulfilment of the prescribed minimum expenditure requirements, the right to transfer the exploration right to any third party upon government approval; and
- rights to sell the mineral products extracted from the surface of the land in the exploration area, except for those mineral products which are required by the State Council to be sold to designated entities.

The obligations of a holder of an exploration permit include obligations:

- to commence and complete the exploration work within the term of the exploration permit;
- to carry out the exploration work in accordance with the exploration plan and to ensure that there are no occurrences of unauthorised mining activities in the designated area;
- to carry out integrated exploration and assessment activities on the para-genetic and associated mineral resources; and
- to submit an exploration report of the mineral resources to the relevant government authority for approval.

### ***Rights and Obligations of Holders of Mining Permits***

The rights of a holder of a Mining Permit include rights:

- to engage in mining activities in the designated area and within the term prescribed under the Mining Permit;
- to set up production facilities and amenities within the designated area;
- to sell the mineral products, except for those minerals which are required by the State Council to be sold to designated entities; and
- to acquire the land use rights legally based on the requirement of its production and construction.

The obligations of a holder of a Mining Permit include obligations:

- to carry out mining activities in the designated area and within the term of the Mining Permit;
- to effectively protect and reasonably extract the mineral resources and integrate the use of the mineral resources;
- to pay resources tax and mineral resources compensation fees;
- to comply with laws and regulations relating to labour safety, soil and land conservation, land rehabilitation and environment protection; and
- to submit a report on the utilisation of mineral resources to the relevant government authority.

### ***Laws and Regulations Relating to the Administration of Gold***

Under the Administrative Regulations, gold and silver were purchased centrally by the PBOC. No entity or individual was permitted to purchase gold and silver without the consent of the PBOC. All gold and silver mined and refined by mining enterprises, rural communes, the armed forces and individuals engaged in the production of gold and silver, were required to be sold to the PBOC, and were not permitted to be retained for sale, exchange or use. Entities requiring gold and silver for use were required to submit a proposal to the PBOC on the use of gold and silver, which the PBOC would then examine and possibly approve.

On October 30, 2002, the Shanghai Gold Exchange commenced operation under the supervision of the State Council. Thereafter, the PBOC ceased its gold allocation and gold purchase operation. Prices of gold on the Shanghai Gold Exchange are determined by market demand and supply, which essentially converge with the price of gold in the international market. On February 27, 2003, the State Council promulgated the Decision of the State Council in relation to Termination of the Second Batch of Administrative Approval Projects and Amendment of the Management Method of Certain Administrative Approval Projects and cancelled the approval requirements for the production and sale of gold and gold products. As a result, although the Administrative Regulations have not been abolished, the policy of "centralised purchase and allocation of gold" as stipulated under the "Administrative Regulations on Gold and Silver of the PRC" has been terminated in practice. Since the promulgation of the "Administrative Permission Law of the PRC" on August 27, 2003, which became effective as of July 1, 2004, the State Council reformed the administrative approval system and cleared the outstanding projects which were subject to administrative approval by its ministries and departments. The State Council promulgated the "Decision of the State Council on the Enactment of Administrative Permission for Certain Administrative Approval Projects which shall be Retained" on June 29, 2004 pursuant to which the import and export of gold and gold products remain subject to administrative examination and approval. The authority responsible for such examination and approval is the PBOC. The decision became effective as of July 1, 2004.

### ***Laws and Regulations Relating to Environmental Protection***

The State Environment Protection Administration Bureau is responsible in the PRC for the supervision of environmental protection, the implementation of national standards for environmental quality and discharge of pollutants, and the supervision of the environmental management system of the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The "Environmental Protection Law of the PRC", which became effective as of December 26, 1989, requires entities that operate production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. The system includes the adoption of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must register with the relevant environmental protection authorities.

The "Environmental Protection Law of the PRC" and the "Administrative regulations on Environmental Protection for Construction Projects" which became effective as of November 29, 1998 and the "Environmental Impact Assessment Law of the PRC" which became effective as of September 1, 2003 stipulate that prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project must be submitted to the relevant environmental protection authority for consent. Newly constructed production facilities are not entitled to operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards.

Under the 'Mineral Resources Law, the amended "Land Administration Law of the PRC" which became effective as of August 28, 2004 and "Rules on Land Rehabilitation" which became effective as of



January 1989, exploration of mineral resources must be in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. If any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as are appropriate to the local conditions. If there are no conditions for rehabilitation or if the rehabilitation does not comply with the relevant requirements, the mining enterprise must pay a fee for land rehabilitation. On closure of a mine, a report in relation to land rehabilitation and environmental protection must be submitted for approval. Enterprises which fail to perform or satisfy the requirements on land rehabilitation may be penalised by the relevant land administration authority.

Under the “Environmental Protection Law of the PRC”, any production facilities that could cause pollution or other public hazards must adopt measures on environmental protection and establish a system on environmental protection and administration. Effective measures must be adopted to prevent and control the pollution and harm caused to the environment by the emission of exhaust air, sewage, waste residues, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation. Enterprises that discharge pollutants must register with the relevant environmental protection authority. The State Environmental Protection Administration must formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. These local governments may formulate local standards which are more stringent than the national standards. Pursuant to the requirements under the amended ‘Law on Prevention of Water Pollution of the PRC’ which was amended on May 15, 1996, ‘Law on Prevention of Air Pollution of the PRC’, which became effective as of September 1, 2000, the amended ‘Law on Prevention of Noise Pollution of the PRC’, which became effective in March 1, 1997, and ‘Administrative Regulations on Levy and Utilisation of Pollution Discharge’, which became effective as of July 1, 2003, enterprises which discharge water or air pollutants must pay discharge fees based on the types and volume of pollutants discharged.

Under the “Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC”, which became effective as of April 1, 2005, entities and individuals collecting, storing, transporting, utilising, or disposing of solid waste must take precautions against the spread, loss, and leakage of such solid waste or adopt other measures for preventing such solid waste from polluting the environment.

The penalties for breach of the environmental protection laws vary from warnings, fines, suspending production or operation to other administrative sanctions, depending on the degree of damage or the results of the incidents. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant damage to private or public property or personal injury or death.

As environmental protection is under the administration and supervision of independent authorities, which are distinct from the authorities issuing the exploration and Mining Permits, a breach of the relevant environmental protection laws would not entail revocation of the exploration and Mining Permits directly. However, the authorities may seek cooperation from the original issuers of such permits, which are competent to revoke the exploration and Mining Permits pursuant to the Mineral Resources Law.

### ***Laws and Regulations Relating to Production Safety***

The PRC government has formulated a relatively comprehensive set of laws and regulations on production safety, including the “Law on Production Safety of the PRC”, which became effective as of July 1, 1982, the Mine Safety Law, as well as “Regulations on Mine Safety” and “Regulations on the Monitoring of Mine Safety”, which became effective as of February 13, 1982, promulgated by the State Council, which pertain to the mining, processing and smelting operation of the mining industry. The

State Administration of Work Safety is responsible for the overall supervision and management of the safety production nationwide while the departments in charge of safety production at the county level or above are responsible for the overall supervision and management of the safety production within their own jurisdictions.

The State implements a licensing system for production safety of mining enterprises under the ‘Implementation Rules of Work Safety for Non-Coal Mining Enterprises’, which became effective as of May 17, 2004. No mining enterprise may engage in production activities without holding a valid production safety certificate. Enterprises which fail to fulfil the production safety conditions may not carry out any production activity. Mining enterprises which have obtained the production safety certificate may not lower their production safety standards, and are subject to the supervision and inspection by the licensing authorities from time to time. If the licensing authorities are of the opinion that a mining enterprise does not comply with the production safety requirements, its production safety certificate may be withheld or revoked.

The State has also formulated a set of national standards on production safety for the mining industry. In general, the mine design must comply with the production safety requirements and industry practice. Each underground mine shaft is required to have at least two safety exits and the mine must be equipped with transportation and communication facilities which connect the mine to the surface. The mine design must be approved in accordance with specified procedures.

A mining enterprise must establish a management body or designated safety management team to be responsible for production safety matters. Education and training on production safety must be provided to workers to ensure that they fully understand the regulations on and the procedures required for production safety, and are able to master the necessary skills for operation safety for their own positions. Those who do not receive this education and training are not permitted to work at the mine.

Pursuant to the Mine Safety Law, the State also implements a safety supervision system in mines and establishes the mine safety supervisory authorities. The major responsibilities of such supervisory authorities include the following: (i) to supervise the provision of safety education and training by mining enterprises; (ii) to approve mine design, and carry out examinations upon completion of mine construction; (iii) to monitor the status of the construction of safety facilities carried out by the mining enterprises; (iv) to inspect the safety of mines and to require, if necessary, the mining enterprises to amend or resolve any works which fall below the requisite safety standards within a particular time limit; (v) to investigate mining accidents and to supervise the handling of mining accidents; (vi) to impose fines or administrative sanctions or submit cases to the judicial authorities for legal action against mining enterprises, management or any related staff who have severely violated the ‘‘Regulations on Mine Safety’’; and (vii) to suggest that relevant authorities suspend or close the operation of mining enterprises which cannot meet the basic safety requirements.

Upon occurrence of accidents, mining enterprises must immediately take measures to rescue their workers and report any deaths or injuries to the relevant authority. In the event of a minor accident, the mining enterprise must be responsible for investigating and handling the case. In the event of a serious accident, the government, the relevant authority, the labour union and the mining enterprise must conduct an investigation and handle the case together. In addition, mining enterprises must pay compensation to any staff injured or killed in an accident in accordance with the national requirements. Such mining enterprises may only resume production after the relevant danger at the scene has been eliminated.

In addition, under the ‘‘Law on Production Safety of the PRC’’ and the Mine Safety Law, the penalties for breach of production safety laws vary from warnings, fines, suspending production or operation, and other administrative sanctions, depending on the degree of damage or the results of the incidents. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant incidents. The State implements an accountability system over incidents relating to

production safety. The responsible person for a production safety incident may be subject to demotion or termination of employment, and may be subject to criminal liabilities.

As production safety is under the administration and supervision of independent authorities, which are different from the authorities issuing the exploration and Mining Permits, a breach of the relevant production safety laws would not entail revocation of the exploration and Mining Permits directly. However, the authorities may seek cooperation from the original issuers of such permits, which are competent to revoke the exploration and Mining Permits according to the Mineral Resources Law.

### *Laws and Regulations Relating to Taxation*

The State encourages the development of the gold industry by implementing preferential treatment on taxation. "Circular Relating to Tax Policies on Gold" issued by the MOF and the State Tax Bureau of the PRC in 2002 provides that gold production enterprises engaged in the sales of standard gold and gold sand (containing gold content), such as the activities proposed to be taken by CJV companies within Sino Gold, are exempted from VAT. Transactions made by gold trading enterprises and intermediaries, which are members of the Shanghai Gold Exchange, on the Shanghai Gold Exchange without physical settlement are exempted from VAT, and transactions with physical settlement are subject to VAT levying and immediate refund.

Enterprises engaged in the mining of mineral resources must pay resources tax in accordance with relevant regulations of the State. In accordance with the "Provisional Regulations on Resources Tax of the PRC", which became effective as of January 1, 1994, the rate of the resources tax ranges from RMB0.40 to RMB30 per tonne of mineral products. The amount of resources compensation levy payable is computed on the basis of the sales revenue of mineral products. According to the "Implementing Rules for the Provisional Regulations on Resources Tax of the PRC", which became effective as of December 30, 1993, resources tax is levied according to the grade of mines and the applicable amount of tax per tonne of ore produced as provided in the schedules attached to such implementing rules. For companies which are not listed in such schedules, the rates of resource tax will be decided by provincial government within a range of 30% and the decision will be reported to the MOF and the State Administration of Taxation for records.

On May 19, 2006, the MOF and the State Administration of Taxation issued a notice about the adjustment of tax, which among other things, adjusted upwards the rates of resource tax for various grades of rock and gold mines. For companies that are not listed in this notice, the adjustment of resource tax will be decided by provincial government within a range of 30% with reference to the rates applicable to the neighbouring mines listed in this notice and the decision will be reported to the MOF and the State Administration of Taxation for filing. This notice became effective as of May 1, 2006.

Pursuant to the "Circular No. GSF [1999] 172" issued by the State Tax Bureau of the PRC on December 8, 1999, which became effective as of January 1, 2000, foreign investment enterprises in the middle and west areas which invest in projects in encouraged categories are entitled to enjoy a concessional rate of State Corporate Income Tax of 15% subject to the approval of the competent tax administration authority. This policy initiative ends on January 1, 2010 however this policy may be extended beyond January 1, 2010. Sino Guizhou Jinfeng Mining Limited received an Encouragement Category Confirmation issued by the National Development and Reform Committee in April 2007.

### *Investment System Survey*

Under the "Decision of the State Council on the Reform of Investment System" which came into effect on July 16, 2004, significant changes have been made to the government approval regime for major investment projects in the PRC. The State Council abolished the requirements of government examination and approval for investment projects not utilising government funds, and replaced such requirements with a verification and filing system. With respect to non-government funded projects, verification would

only be required for major or restricted projects while other projects, irrespective of size, are only subject to a filing requirement. According to the “Catalogue of Investment Projects Requiring Government Verification and Approval” (2004 Version), mining development projects with a production capacity of 500 tonnes per day or above are subject to approval by the department of investment under the State Council while other mine development projects are subject to approval by the department of investment at the provincial level.

Foreign investment projects with a total investment amount of US\$100 million or more in encouraged or allowed categories, or US\$50 million or more in restricted categories, are subject to approval by the departments under the State Council while other foreign investment projects are subject to approval of governmental authorities at the provincial level or below.

## **CJV Agreements**

### *Overview*

Sino Gold has entered into 10 CJV agreements with local PRC CJV partners to undertake mining and exploration projects situated in various mining areas in the PRC. All of Sino Gold’s mining and exploration rights are currently held by CJV companies.

Sino Gold has unilateral control over each of the CJV companies because Sino Gold is entitled to appoint (i) a majority of the directors of each CJV company; and (ii) the general manager of each CJV company, who is responsible for the day-to-day operation and management of the CJV company and implementing resolutions of the Sino Gold Board.

Each matter to be considered by the board of directors of a CJV company must be approved by a majority of the directors of the CJV company. Therefore, the directors appointed by Sino Gold are able to control each of the decisions of the board of directors of the CJV company, except those decisions that, under the CJV Law and the CJV agreements, require the unanimous consent of the directors present at a meeting of the board. The decisions that require the unanimous consent of the directors present at a meeting of the board are listed in the section headed “Risk Factors”.

The following is a summary of the key terms common to the CJV agreements and some of the specific provisions:

### *Key Common Terms*

- The CJV company is to be established as an enterprise legal person with limited liability under the laws of the PRC.
- The liability of each party to the CJV company is to be limited to the full amount of such party’s equity interest in the CJV company consisting of capital investments or cooperative conditions.
- The parties are to share the CJV company’s profits and bear the losses and risks in proportion to their respective equity interests in the CJV company.
- The formation, validity, interpretation and implementation of the CJV agreement and any disputes arising under such agreement are to be governed by the laws of the PRC.

### *Specific Provisions*

#### Increase in Capital and Anti-dilution

- In the event of an increase in the registered capital in the CJV company (which is subject to obtaining unanimous approval of the board of the CJV company and the relevant PRC governmental approvals), each party is entitled to contribute proportionately, except that in the

Jinluo CJV agreement, the Golden Triangle CJV agreement, the Hexi CJV agreement, the Sanjianfang CJV agreement and the Greatland CJV agreement, depending on the circumstances:

- Sino Gold is entitled to contribute disproportionately to an increase in the registered capital of the CJV company;
  - Sino Gold is required (without a corresponding requirement on the CJV partner) to contribute to an increase in the registered capital of the CJV company; and/or
  - if a party does not contribute to an increase in the registered capital of the CJV company, the other party may make such contribution, thus diluting the non-contributing party's interest.
- In the Jinluo CJV agreement, the Golden Triangle CJV agreement, the Hexi CJV agreement, the Sanjianfang CJV agreement, the Ludi CJV agreement, the Jindu CJV agreement and the Greatland CJV agreement, any dilution of a party's equity interest is subject to the diluted party retaining a minimum level of equity interest (ranging from 5% to 20%).

#### Option to Acquire Additional Interest from the CJV Partner

- In the the Jindu CJV agreement, the Golden Triangle CJV agreement, the North Mountain CJV agreement and the Greatland CJV agreement, Sino Gold has an option to acquire an additional equity interest (ranging from 7.5% to 15%) from the CJV partner for a pre-agreed consideration, subject to obtaining the relevant PRC governmental approvals.

#### Loans and Payments to the CJV Partner

- In the North Mountain CJV agreement, the Golden Triangle CJV agreement, the Greatland CJV agreement and the Jindu CJV agreement, Sino Gold is required to provide financing to the CJV partner to assist it to make capital contributions or to prepare for the establishment of the CJV company.
- Except for the Ludi CJV agreement and the North Mountain CJV agreement, Sino Gold is required to make a payment (ranging from approximately RMB5 million to RMB15 million) to the CJV partner for the evaluation and transfer of its exploration right and mining right and the transfer of geological data.

#### Management

- Except for the Jinfeng CJV agreement, the board of directors of the CJV company is expected to consist of five directors, three of whom are appointed by the respective wholly-owned subsidiaries of Sino Gold and two of whom are appointed by the respective CJV partners. In the Jinfeng CJV agreement, the board of the Jinfeng CJV is to consist of nine directors, five of whom are to be appointed by SG Guizhou and four of whom are to be appointed by Lannigou.

#### Term and Renewal

- The CJV agreement becomes effective upon issuance of the approval certificate by relevant PRC governmental authorities.
- The term of the CJV agreement is 30 years commencing from the date the agreement becomes effective. Subject to approval by the relevant PRC government authorities, such term may be extended by mutual agreement.



### Termination

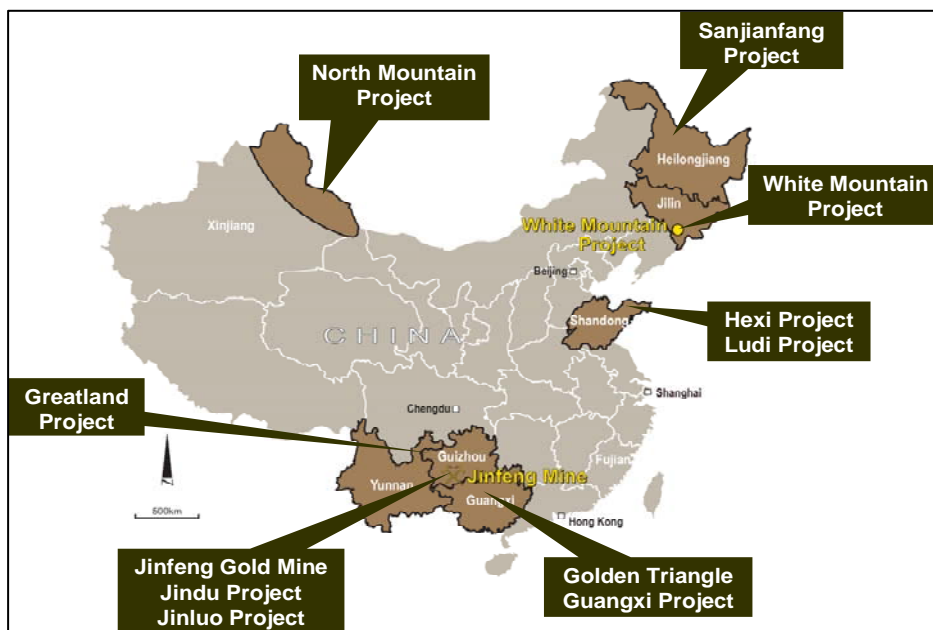
- Either party is entitled to terminate the CJV agreement prior to the expiration of the term of the agreement by delivering written notice to the other party if:
  - the other party materially breaches the CJV agreement or the articles of association of the CJV company, and such breach is not cured within 90 days (and in some cases within 180 days) of written notice to such party; or
  - the other party or the CJV company becomes bankrupt, or is the subject of proceedings for liquidation or dissolution, or ceases carrying on business, or becomes unable to pay its debts as they come due.

### **Mineral Properties of Sino Gold**

Sino Gold currently has one gold mine in commissioning stage, another gold mine under construction, seven exploration projects underway and one exploration CJV agreement that is signed but at which exploration activities have not yet commenced.

Sino Gold's material properties are the Jinfeng Gold Mine and the White Mountain Project. As at December 31, 2006, Sino Gold had a total of 453 employees, including 351 at the Jinfeng Gold Mine and 12 at the White Mountain Project. As at September 30, 2007, Sino Gold had a total of 742 employees, the increase since December 2006 reflecting the increase in activity at the Jinfeng Gold Mine.

The map below illustrates the location of Sino Gold's mining and exploration projects.



### ***Jinfeng Gold Mine***

The Jinfeng Gold Mine is the flagship project of Sino Gold. Construction at Jinfeng commenced in February 2005; gold production commenced in May 2007; and commercial production status was achieved in September 2007. Initial gold production is estimated at approximately 180,000 ounces per annum, which will make Jinfeng one of the largest gold mines in the PRC. Based on current reserves, production and cost estimates it is expected to be a long-life (13.7 years), low-cost operation. Jinfeng received the inaugural "Development of the Year" award at Beijing's China Mining Congress in November 2006.



Property Description and Location

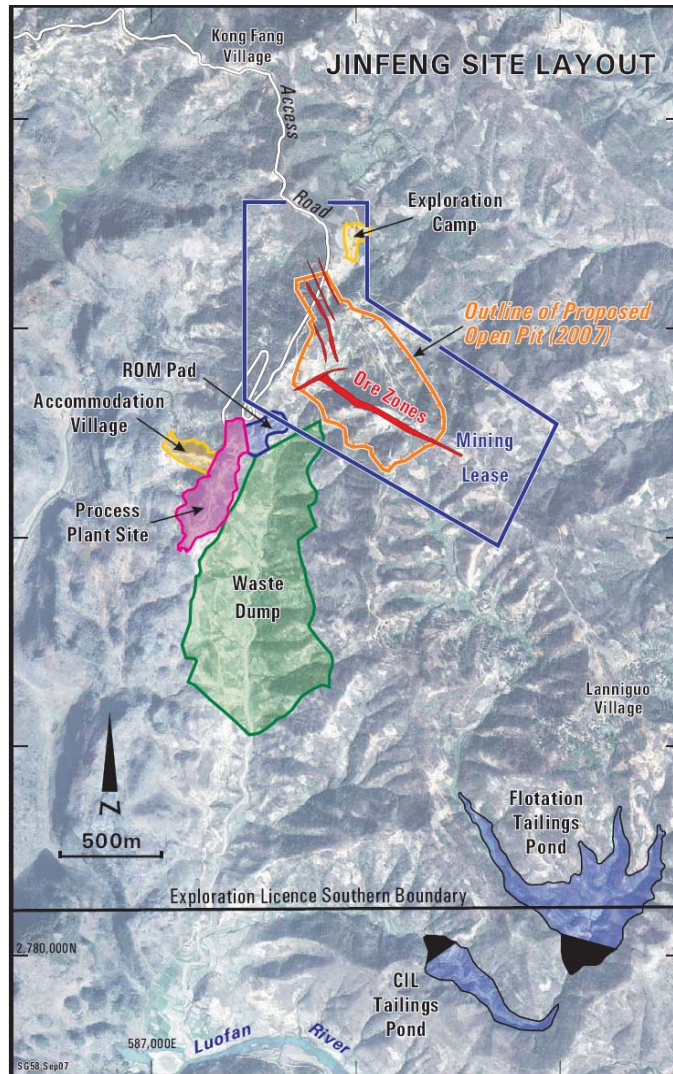
The Jinfeng Gold Mine is located in the south-west region (Guizhou Province) of the PRC. The project area is approximately 180 kilometres south-south-west of the provincial capital city Guiyang near Lannigou Village (105°50'34'E to 105°54'08'E, 25°06'48"N to 25°10'36'N), some 68 kilometres south-east of Zhenfeng County centre, Qianxinan Prefecture.

The Jinfeng Gold Mine is owned by the Jinfeng CJV, a CJV in which Sino Gold has an 82% interest, through its wholly-owned subsidiary, SG Guizhou, with the remainder held by Lannigou, the CJV partner. Lannigou is entitled to receive 3% of the net sales revenue of the gold produced each year.

The Mining Permit for both the open pit and underground mine was granted in May 2005 and is valid until May 2017 and covers an area of 1.2843 sq.km. In the PRC it is customary to include the vertical dimension as part of the Mining Permit. The Jinfeng Mining Permit currently states that Sino Gold is licenced to mine between 750m above sea level and 250m below sea level. The Jinfeng CJV also holds an Exploration Licence surrounding the Mining Permit. The Exploration Licence (Licence Number 010000620106) was granted on July 18, 2006 and is valid until July 8, 2008 and covers an area of 8.03 sq.km.

Sino Gold also has a Gold Operating Permit for the mine and processing plant which was granted on December 25, 2006 and is valid until December 25, 2016. The Jinfeng Gold Mine is expected to apply for the final environmental and safety permit at the end of the 'trial production' period and the project has been shown to be operating within the predicted impacts presented in the EIA. Normal trial production is 3 months however Jinfeng has received approval from the provincial EPB for a 6 month trial production period. The period started on May 17, 2007. During this period, a dialogue is being maintained with the relevant environmental and safety authorities to ensure that obligations are being met and standards are being correctly complied with. For a more detailed description of the nature of Sino Gold's interest in this property, including obligations to maintain rights to the property, see "Doing Business in China".

A plan showing the project infrastructure in relation to the exploration tenement boundaries is shown below.



Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Jinfeng Gold Mine is connected to the Provincial road system by 12km of sealed access road. The road to Jinfeng reverts to 72km of unsealed road through the mountainous region before connecting to sealed roads and highways.

There are four administrative villages in the Jinfeng area, Bai Ni Tian, Shi Zhu, Tingshan and Niluo with populations ranging from 1200 to 500.

There is good local infrastructure at the mine site: the 110kV electric power line connected to the Provincial electrical grid has been extended 42km from Zhenfeng; and water is sourced from the Luofan River and pumped to the process plant via a 3km pipeline.

The Jinfeng area is adjacent to rugged karst topography with vertical relief up to 420m. The climate is sub-tropical and humid with an average annual rainfall of 1,200mm, which falls primarily from May to August.



## History

The history of the project is described in the following table.

Dates	Activity
1986	Discovery of the Jinfeng deposit by Brigade 117
1990	Newmont and BHP assessed the Jinfeng deposit
2001	Sino Gold won Guizhou Government tender
April 2004	Sino Gold Bankable Feasibility Study completed
February 2005	Development commenced
May 2005	Mining Permit granted
December 2006	Gold Operating Permit granted
May 2007	Gold production commenced

## Geological Setting

The Jinfeng project is a Carlin-style gold deposit located at the north-eastern corner of the Laizhishan Dome within a district known as the Golden Triangle. The Laizhishan Dome exposes Silurian to Late Triassic age sedimentary rocks that were originally deposited in the predominantly marine Youjian Basin and have subsequently been folded and uplifted to form a number of regional scale domes including the Laizhishan Dome.

The Jinfeng gold resource is hosted within and immediately adjacent to a series of interconnected major faults (locally known as F3, F2, F20, F7 and Rongban faults).

## Exploration

Exploration drilling at Jinfeng was started by Brigade 117 and has been continued by Sino Gold.

The drilling programs are comprised of:

- Deep drilling to extend the known Jinfeng deposit downdip and down-plunge to the east-southeast;
- Rongban drilling to extend the current Jinfeng deposit to the northwest;
- Infill drilling to upgrade inferred resources and ultimately conversion to reserves; and
- Near-mine drilling to discover satellite gold deposits within trucking distance.

The drilling results have continued to demonstrate the strong potential for further additions to Jinfeng's resources and reserves

Exploration at Jinfeng is targeting the continuation of the deposit at depth to extend the known underground resource down-dip and down-plunge at the intersection of the F3 fault with the F7 fault, which plunges east-south-east.

Drilling during the September 2007 quarter continued to extend the deep, down-plunge zone to the southeast as well as extending a near-surface zone of mineralization to the west of the ore body.

## Mineralization

The mineralization consists of disseminated pyrite, arsenical pyrite and arsenopyrite which replace the shale and sandstone of the Middle Triassic Xuman Formation within the faults and in the immediate wall rock at the edge of the faults. The gold occurs in the rims of fine-grained pyrite and arsenopyrite grains and so is very finely distributed through the deposit.

### Drilling

Drilling at Jinfeng was started by Brigade 117 and has been continued by Sino Gold. Brigade 117 drilled 77 diamond drill holes from surface and 176 holes underground (from the adits), predominantly into the upper parts of the deposit and sampled half-core for gold only. Only those parts of the drill core that were considered likely to contain at least some gold were analysed. The remainder of the core was not sampled. The lack of sulphur and arsenic analyses in the upper parts of the deposit provides a gap in the information base in that part of the deposit. This has been partly infilled by surface RC drilling in the pit and horizontal drill holes within the adits, completed by Sino Gold.

Up to December 2006, Sino Gold had drilled 204 diamond and RC drill holes from surface and 14 horizontal underground drill holes (from the Brigade 117 adits) and have cut and sampled half-core for gold, arsenic, sulphur, mercury and antimony. The diamond drill core is predominantly NQ size (47.6mm diameter, approximately 70% of the core taken). PQ size core (85mm diameter) and HQ size core (63.5mm diameter) have also been taken. Only those parts of the drill core that were considered likely to contain at least some gold were analysed. The remainder of the core is not analysed at this stage.

In addition to the exploration and delineation drill holes, Sino Gold drilled closely spaced, angled RC holes (40m along strike by 40m down dip) within the F3 fault shear zone at surface to provide some grade control and additional information on sulphur and arsenic for the initial open pit mining. There is good reconciliation between the grades and tonnages so far returned from the close spaced RC drilling and the blast hole samples in the top benches of the pit.

### Sampling and Analysis / Security of Samples

Diamond and RC drill holes are sampled at one meter intervals. All drill samples are prepared and analysed by the NWGI in Xi'an, Shaanxi Province. The NWGI has demonstrated international-standard performance. Quality assurance and quality control has been monitored by incorporating appropriate certified standards, blanks, check samples and field duplicates into the sampling and analysis process. In the opinion of SRK, sampling and sample preparation procedures and practises at the Jinfeng site are adequate and generally concordant with internationally observed quality protocols.

### Mineral Resources and Mineral Reserves

The Jinfeng resource estimate as at April 30, 2007 is detailed below:

Category	Tonnes ('000)	Grade (gpt Au)	Ounces ('000)
Measured	15,408	5.3	2,617
Indicated	8,593	4.7	1,305
<b>Total Measured and Indicated</b>	<b>24,002</b>	<b>5.1</b>	<b>3,922</b>

*Note: Measured Resource includes stockpile of 253,872 tonnes at 5.7g/t gold, containing 46,524 ounces.*

The measured and indicated amounts include both proven and probable reserves.

The resources have been estimated by SRK. The resource estimate is an estimate of "recoverable resources", which are those portions of in-situ resources that are expected to be recovered during mining, and thus include a component of dilution. Above 400m RL, the resource that is potentially mineable by open-pit methods is estimated using the Uniform Conditioning method at a cut-off grade of 1.0 gpt gold; and below 400m RL, the resource that is potentially mineable by underground mining methods is estimated using the Conditional Simulation method at a cut-off grade of 2.0 gpt.

The resources are presented in accordance with the JORC Code which is equivalent to NI 43-101 and the CIM Standards.

The Jinfeng ore reserve estimate as at May 30, 2007 is detailed below:

	Category	Tonnes ('000)	Grade (gpt Au)	Ounces ('000)
<b>Open Pit</b>	Proved	5,276	5.2	889
	Probable	503	3.9	63
	Total Open Pit	5,779	5.1	952
<b>Underground</b>				
	Proved	6,435	6.2	1,282
	Probable	5,097	5.7	929
	Total Underground	11,532	6.0	2,211
<b>Stockpile</b>				
	Proved	254	5.7	47
<b>Total</b>				
	Proved	11,965	5.8	2,218
	Probable	5,600	5.5	992
	<b>Total All</b>	<b>17,565</b>	<b>5.7</b>	<b>3,210</b>

The open pit ore reserves were estimated by Sino Gold employees and have been independently audited by Mr Weifeng Li of West Swan Pty Ltd. The underground ore reserves were estimated by Dr John Chen a full time employee of Sino Gold and have not been independently audited, but estimation involved an independent consultant from AMC. The cut-off grades for the reserve estimate are based on a gold price of US\$500/oz.

#### Mining Operations

Once ramp-up is complete the Jinfeng operation is forecast to initially comprise:

- Gold production of approximately 180,000 ounces per annum;
- Ore throughput of 1.2 million tonnes per annum;
- Head grade of > 5g/t gold; and
- Metallurgical recovery of 87.5%.

Ore is expected to initially be sourced from an open pit by a local mining contractor. A modern, efficient mining fleet is expected to utilise new Komatsu production equipment with 63 tonne haul trucks and three 250 tonne excavators. The strip ratio of the open pit averages 14.9 to 1.

Operational flexibility is intended to be provided by sourcing ore concurrently from an underground mine. The underground mine is planned to primarily utilise cut-and-fill mining methods initially and be accessed via a decline.

Ore from the deposits at Jinfeng is refractory with most of the gold locked up with the mineral pyrite. The gold in refractory ores is encapsulated in sulphide minerals (such as pyrite) which prevent the gold from being directly leached in a conventional carbon-in-leach circuit. In order to extract this gold at

economic recovery rates, the Jinfeng gold processing plant has been designed and constructed on the basis of BIOX® technology.

The BIOX® technology destroys the sulphide minerals and exposes the gold for subsequent carbon-in-leach processing. The BIOX® technology uses a combination of three naturally occurring bacteria to break down the sulphide mineral matrix in the ore being treated, thus freeing the occluded gold for subsequent cyanidation. The bacteria attach themselves to the metal sulphide surfaces in the ore, resulting in the accelerated oxidation of the sulphides.

The processing stages involved at the Jinfeng gold processing plant are:

- crushing then grinding in a semi autogenous mill and a ball mill circuit;
- flotation of a pyrite concentrate containing over 90% of the gold;
- oxidation of the concentrate in a BIOX® circuit;
- extraction of gold in a standard carbon-in-leach circuit; and
- producing gold dore in an electrowinning circuit for shipment to a refinery.

The Jinfeng gold processing plant is one of the largest in China and has been designed to be readily expanded. Sino Gold is determined to increase Jinfeng's gold production to optimal levels as quickly as possible.

Gold production commenced in May 2007 following completion of lining the CIL tailings dam. Commissioning and production ramp-up proceeded in line with expectations until continuous operation was impacted by heavy rainfall across southern China in late June 2007. The unusually heavy rainfall restricted the capacity to discharge to the CIL tailings dam during July and early August 2007. It was necessary to cease operating the CIL circuit for a number of days and reduce BIOX® processing so that excess water could be removed in a controlled manner from the CIL tailings dam. The month of June is typically the peak of the wet season at Jinfeng, with May and July averaging 50% less rainfall than June. Significant work has now been completed with the aim of ensuring normal discharge to the CIL dam, including construction of diversion drains and installation of additional pumping capacity. With the cessation of the wet season and in order to ensure operations will not be interrupted during future rainy seasons, work has commenced on construction of a filter plant to produce "dry" tailings.

The crushing, grinding and BIOX® circuit capacity appear to be capable of comfortably achieving levels required to meet the design throughput rates of 1.2 million tonnes per annum.

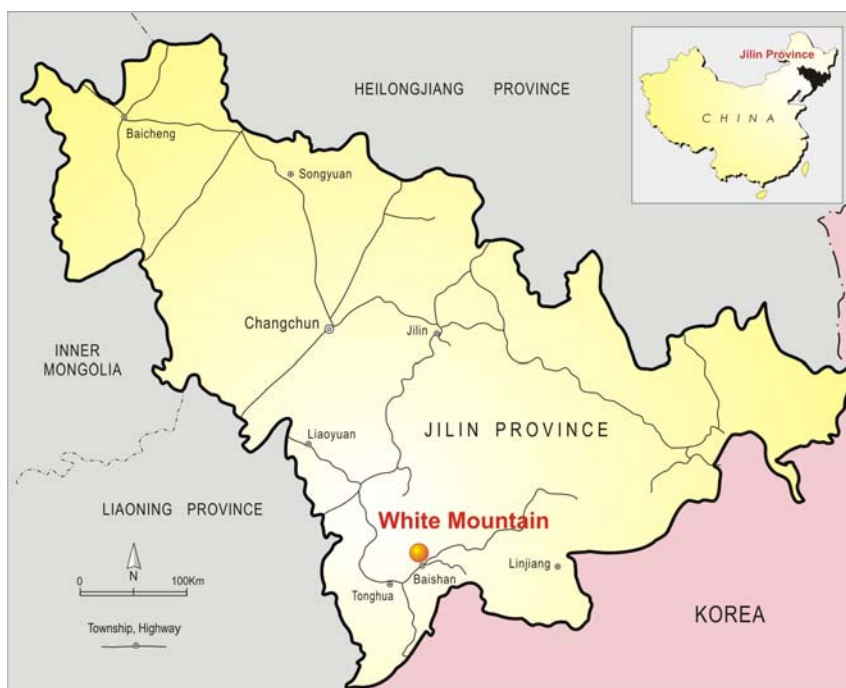
Flotation recovery of up to 84% has been achieved. However, average recoveries have been impacted due to the flotation circuit operating intermittently as concentrate feed rates have been restricted during the ramp-up to BIOX® design capacity. During August 2007, cracks were discovered in 11 of 16 of the agitator shafts for the BIOX® tanks. The cracking in six of these was so severe that these six tanks had to be removed from service. Specialist welders were mobilised to site from Australia and a program has commenced to repair all the shafts by the end of October.

### *White Mountain Project*

The White Mountain Project is expected to become Sino Gold's next producing gold mine. Basic engineering work for the project is complete and development works have commenced.

### Property Description and Location

The White Mountain Project is located at Baishan, 230km south-southeast of Changchun, the capital city of Jilin Province.



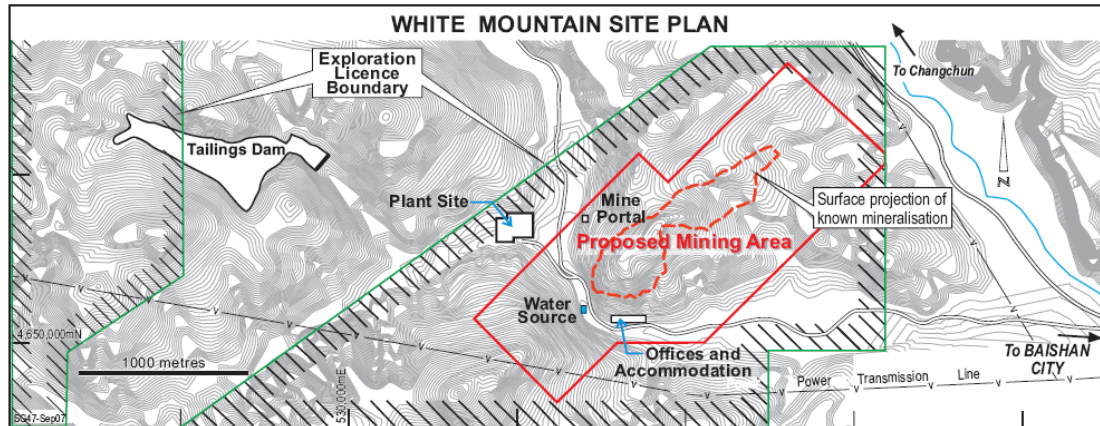
The White Mountain Project is owned by the White Mountain CJV, a CJV in which Sino Gold has a 95% interest, through its wholly-owned subsidiary SG BMZ, with the remainder held by Tonghua, the CJV partner.

The White Mountain CJV holds three Exploration Licences over the project area. As described below:

- Exploration Licence 0100000630063 granted May 12, 2006 and valid to April 27, 2008 over 62.16 sq.km;
- Exploration Licence 2200000610851 granted November 13, 2006 and valid to December 31, 2007 over 24.78 sq.km; and
- Exploration Licence 2200000610849 granted November 13, 2006 and valid to December 31, 2007 over 17.55 sq.km.

A Mining Permit from the Ministry of Land and Resources and a Project Permit Approval will need to be obtained prior to the commencement of the mining operation. A Gold Operating Permit will need to be obtained from the NDRC prior to the commencement of commissioning. For a more detailed description of the nature of Sino Gold's interests in this property see "Doing Business in China". For a more detailed description of the nature of Sino Gold's interest in this property, including obligations to maintain rights to the property, see "Doing Business in China".

A plan showing the project infrastructure in relation to the proposed Mining Permit area is shown below



#### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The White Mountain area lies in Banshijie which is a middle mountain area at an elevation of 600m above sea level or higher. The project area is located in lightly forested public land, within 2km of a newly paved concrete road that is linked to the national highway and railway systems. Grid power and water are available on site, which is only 7km from the prefecture level city of Baishan, a coal and iron ore mining centre.

The mine lies at the southeast edge of Longgang Mountain and on the northwest side of Hunjiang River Valley. The river valley floor is 100m to 300m wide with water flowing all year round.

The wet season is from June to August and the dry season is from October to April. The Baishan area is in the North Temperate Zone and experiences a continental climate with a coastal influence from the Sea of Japan. The freezing period is from October to April and the frozen depth is 1.4m. Precipitation happens mostly in summer and that in June to August accounts for more than 60% of the total precipitation in a year.

#### History

At the end of June 2003, Sino Gold entered the initial CJV agreement to acquire the initial 80% interest in the White Mountain CJV at a cost of US\$0.84M payable over three years with an exploration commitment of up to US\$0.8M over the same period. Sino Gold currently has 95% equity in the White Mountain project, which was increased from 80% in July 2006 at a cost of US\$625,000.

#### Geological Setting

The White Mountain Project is located on a regional NE-striking fault zone which is part of a regional series of thrust faults at the edge of a Proterozoic craton. The leading edge of the thrust fault complex is approximately 5 km to the north-west of the White Mountain project. The thrust faults separate the Proterozoic craton from a sequence of Phanerozoic (Cambrian - Cretaceous sedimentary rocks) which were likely to have been deposited in an intra-cratonic setting.



### Exploration

Exploration work undertaken by previous tenement holders included surface mapping, rock chip sampling and trenching to test the surface geology and geochemistry. In addition one underground adit (with two cross-cuts through the mineralisation) has been completed which returned encouraging results including 28m at 5.3gpt Au and 13.3m at 5.1gpt Au.

Since the White Mountain CJV was established, Sino Gold has completed a number of additional surface trenches, re-mapped and re-sampled the adits and completed over 191 diamond drill holes. During 2006, several ground geophysical resistivity (IP) lines over the north-east extension of the F100 and F102 fault system indicated the mineralised system continued along strike in that direction.

### Mineralization

Gold mineralization at White Mountain is generally:

- Contained within a major northeast trending regional fault zone;
- Hosted by a silicified breccia in this fault zone that overprints an iron-rich unconformity between a “hanging wall” quartzite and a “footwall” silicified dolomite or marl;
- Associated with silica, pyrite and barite; and
- Dipping approximately 45° to 50° to the southeast.

The resource extends over a strike length of approximately 1,380m, to a maximum depth of 500m, with true thickness up to 60m and an average true width of approximately 8.5m. Geological continuity is well demonstrated by the extent of the main controlling fault.

The primary control on mineralisation is interpreted to be the intersection of the two major northeast-trending regional faults (F100 and F102). Transverse faults across the F100 Fault are interpreted to localise gold mineralisation into high-grade zones.

Gold mineralisation remains open along strike to the northeast and at depth.

### Drilling

More than 50,000 metres of diamond drilling (NQ core diameter) had been completed at White Mountain to January 2007. The White Mountain resource estimate is in part based on data from 191 diamond drill holes, totalling 50,555m, all drilled by Sino Gold. Drill spacings are generally 40m along strike and in the range of 40m to 60m down dip.

### Sampling and Analysis / Security of Samples

Channel sampling in underground adits was done by a diamond saw. Channel sampling in trenches were cut channels. Channel sampling size is 10 cm X 5 cm X 100 cm. Standard tube diamond drilling (NQ core 47.6 mm diameter) was used throughout of the project. Half core was cut for analysis; the other half drill core is stored on site. Diamond drill holes are sampled at one meter intervals. Samples are prepared at the CMA laboratory in the town of Tonghua and are analysed by the NWGI in Xi'an, Shaanxi Province. Quality assurance and quality control has been monitored by incorporating appropriate certified standards, blanks, check samples and field duplicates into the sampling and analysis process.

### Mineral Resources and Mineral Reserves

The White Mountain Project resource estimate as at January 17, 2007 is detailed below (at a 1.0gpt Au cut-off):

Category	Tonnes ('000)	Grade (gpt Au)	Ounces ('000)
Measured	2,594	3.6	304
Indicated	2,288	3.5	258
<b>Total Measured and Indicated</b>	<b>4,882</b>	<b>3.6</b>	<b>562</b>
Inferred	2,861	3.1	284

The measured and indicated amounts include both proven and probable reserves.

The resources have been estimated by Mr Ross Corben a full-time employee of Sino Gold and reviewed by SRK Consulting. The resource was estimated by the geostatistical method Ordinary Kriging.

The resources are presented in accordance with the JORC Code which is equivalent to NI 43-101 and the CIM Standards.

The White Mountain Project ore reserve estimate as at March 22, 2007 is detailed below:

Category	Tonnes ('000)	Grade (gpt Au)	Ounces ('000)
Proved	1,764	4.2	239
Probable	1,440	4.2	195
<b>Total</b>	<b>3,204</b>	<b>4.2</b>	<b>434</b>

The ore reserves were estimated by Dr John Chen a full-time employee of Sino Gold and have not been independently reviewed. The cut-off grades for the reserve estimate are based on a gold price of US\$475/oz.

#### Mining Operations

White Mountain Project development capital costs are estimated to total US\$55 million (including contingency). The project is expected to be a simple operation comprising:

- Gold production of approximately 70,000 ounces per annum;
- Cash operating costs of less than US\$250 per ounce;
- Head grade of 4.2gpt gold;
- Mill throughput of approximately 650,000 tonnes per annum; and

The mine is expected to be accessed by a standard 5.5m by 5.5m decline with the mining method being predominantly a combination of bench stoping and cut-and-fill stoping.

Metallurgical testing has identified two metallurgical ore types, refractory and non-refractory. Recoveries are nominally 84% for the non-refractory ore and 65% for the refractory ore. The production schedule is based on 23% of the ore being refractory. More recent geological modelling would indicate that as little as 9% of the ore may be refractory.

Development progress is summarised in the table below:

Permit	Status
Exploration Licence	Issued
Resource Verification	Approved
Occupational Health	Approved
Chinese Feasibility Study	Completed
Geological Hazards	Approved
Water & Soil Conservation	Approved
Safety Assessment	Approved
Environmental Impact Assessment	Approved



Project Permit Approval	Pending
Gold Mining Certificate	Pending
Mining Lease	Pending

PRC regulations now require that any gold mine with a throughput in excess of 500 tonnes per day is required to have its environmental study approved at a National level. This major milestone was achieved when the National Environmental Protection Bureau approved the Environmental Impact Assessment report in August 2007.

The next key permit is the Project Permit Approval which legally authorises construction to commence. Sino Gold anticipates this permit should be received during the December 2007 quarter.

The basic engineering work for the project is complete. Various activities are now underway at the White Mountain Project site and include:

- land acquisition;
- construction of a new section of road near the mine site;
- earthworks near the proposed mine portal; and
- orders have been placed for the mills crusher, boiler, underground loader, CIL agitators and apron feeders.

#### *Exploration Projects*

Sino Gold has a number of active exploration programs underway in the PRC and has established three regional exploration teams:

- Golden Triangle Exploration Team, primarily responsible for exploration in the Yunnan, Guizhou Provinces and Guangxi Zhuang Autonomous Region.
- Northern China Exploration Team, primarily responsible for exploration in the Xinjiang Uygur Autonomous Region, and the Heilongjiang and Jilin Provinces;
- Shandong Exploration Team, primarily responsible for exploration in the Shandong Province; and

#### Golden Triangle Region

China's "Golden Triangle" mineral province in southern China contains a number of gold deposits, of which Jinfeng is the largest. Gold mineralisation in the Golden Triangle is considered to be genetically similar to the Carlin trend deposits in Nevada, USA. Most gold deposits in the Golden Triangle are located within tightly folded sedimentary sequences of Triassic age, adjacent to or along the unconformity with the underlying Permian carbonates. Gold mineralisation is generally localised within faults and by replacement of favourable rock types.

#### *Jinluo Project*

Sino Gold holds a 65% interest in the Jinluo CJV through SG Jinluo.

The Jinluo Joint Venture area covers approximately 25km strike length along the margin of the Laizhishan Dome southwest of the Jinfeng deposit. Exploration to date has identified a number of prospects along the margin of the Laizhishan Dome. These prospects are primarily defined by co-incident geochemical and geophysical anomalies in geological settings similar to Jinfeng and are often in the vicinity of historical, small-scale gold mines.

Drilling has been carried out at the Bannian prospect. Results include low gold values with anomalous arsenic in the major structures being targeted. Anomalous gold values are spread over a large area at Bannian, but drilling has not yet intersected economic mineralisation.

At the nearby Banna prospect, geological and ground geophysical work has defined drilling targets supported by rock-chip samples strongly anomalous in gold and arsenic. Drill testing of high-priority targets has commenced, with two rigs currently on site.

#### *Golden Triangle Guangxi Project*

Sino Gold holds a 70% interest in the Golden Triangle CJV through SG Golden Triangle.

All of the exploration rights held under the Golden Triangle Guangxi Project are in Guangxi Zhuang Autonomous Region and within 150km of the Jinfeng Project mine. The exploration rights cover numerous prospects with gold mineralisation in a similar geological and structural setting to the Jinfeng orebody and other major gold deposits in the region.

Previous exploration by Sino Gold's CJV partner includes geological mapping, geochemical surveys, trenching, adits and limited shallow drilling. This work has identified zones of strong gold and arsenic anomalism over several kilometres of strike and in similar settings to the Jinfeng Project deposit. Small-scale mining of oxide ore has occurred in several of these areas.

#### *Greatland Project*

Sino Gold holds a 60% interest in the Greatland CJV through SG Greatland.

The Greatland Project is located about 150km west-northwest of the Jinfeng Gold Mine and along strike from Golden China's Nibao gold deposit.

Sino Gold's CJV partner, Brigade 105, has mined gold from near surface deposits within these licences, and has also identified areas of anomalous gold, silver and base metals. A number prospective exploration targets have been identified for follow-up drilling on the tenements.

#### *Jindu Project*

Sino Gold holds a 75% interest in the Jindu CJV through SG Jindu.

The Jindu Project is located on the northern portion of the Laizhishan Dome, to the northwest and north of the Jinfeng Project mine.

Exploration is at an early stage. The exploration program to date has primarily comprised of rock chip, stream and soil geochemical sampling.

Drilling has recently commenced at the Pogao prospect, where strongly anomalous gold and arsenic geochemical values and a geophysical anomaly have been identified in a similar geological setting to Jinfeng in the same northwest-trending structural zone.

### Northern China Region

#### *Sanjianfang Project*

Sino Gold holds a 70% interest in the Sanjianfang CJV through SG HLJ.

The Sanjianfang Project is located approximately 425km north of Harbin, the capital city of Heilongjiang Province. Importantly, the Sanjianfang Project is strategically located immediately south of the Dong'an epithermal gold vein deposit and covers approximately 10km of a potentially southern extension to the Dong'an system.

Sino Gold's CJV partner, Brigade 707, has previously located four epithermal veins exposed at surface in the southern parts of the tenement. The veins are each from 300m to 600m in strike, with induced polarisation resistivity surveys indicating possible extensions under cover.

Ground geophysical surveys, including TEM, induced polarisation and ground magnetic techniques have been used to assist with interpretation of the geology and identification of targets. Drill testing of high-priority targets commenced in September 2007.

#### *North Mountain Project*

The North Mountain Project is located approximately 300km north of the city of Hami, on the southwest periphery of the Gobi Desert near the Mongolian border.

As at the date of this Circular, the North Mountain CJV has not been formed and is still subject to approval by relevant PRC government authorities.

#### Shandong Region

Shandong Province is responsible for around one-quarter of China's annual gold production. Located in the southeast portion of the Precambrian North China Craton, Shandong hosts more than 100 known gold deposits. More than 80% of these lodes are hosted within Mesozoic granitoid rocks or their contacts with Archean basement rocks. Regional, deep-seated, northeast trending faults controlled the distribution of the Mesozoic granitic intrusions and gold deposition in the area.

#### *Ludi Project*

Sino Gold holds a 70% interest in the Ludi CJV through SG SPD.

The Ludi Project is located in Longkou approximately 300km from Jinan, the capital city of Shandong Province, and consists of three strategic Exploration Licences in Shandong Province. These licences cover approximately six kilometres along the strike of the highly prospective Jiaojia Fault. Regional, deep-seated, northeast trending faults such as the Jiaojia Fault, and its footwall splays, host most of the major gold deposits in Shandong Province.

#### *Hexi Project*

Sino Gold holds a 70% interest in the Hexi CJV through SG Jiaodong.

The Hexi Project is located in Shandong Province and includes three tenement areas named Xinzhuang, Qiansungjia and Suijia.

The Xinzhuang tenements cover over 5km of strike along the northern portion of the Jiaojia Fault. In the Xinzhuang tenement area, the Jiaojia Fault is covered by approximately 30m of Quaternary sediments. Small gold occurrences in the hanging wall to the Jiaojia Fault are known from prospecting.

The Qiansunjia tenements are located on the northeast-trending Jinhuan Shan Fault and subsidiary splays. The faults are granite hosted and generally dip 70° to 75° east. Previous exploration work includes geophysics and soil geochemistry. In 1998, small-scale mining was undertaken along the Jinhuan Shan Fault to a depth of 120m, with an average grade of approximately 10gpt gold.

The Suijia tenements are located on and close to the northeast-trending Linbei Fault and subsidiary faults, which generally dip 70° to 75° southeast. The Linbei Fault has yielded some of the highest 'faulthosted' gold grades in the district. The nearby Lingshangou mine, which is hosted by the Linbei Fault, has reportedly produced approximately 300,000 oz at an average grade of 6.6gpt gold.

Sino Gold has completed reconnaissance mapping and ground-based geophysical programs at the project. Drilling has commenced at the Xinzhuang and Suijia prospects.

## **Other Assets of Sino Gold**

### ***Sino Gold Fields Alliance***

On November 22, 2006, Sino Gold entered into an agreement (the "Heads of Agreement") with Gold Fields Australasia to create an alliance between Sino Gold and Gold Fields Australasia for the joint development of gold mining projects in the PRC. The Heads of Agreement is in respect of gold projects that the parties believe to have future production potential.

The Heads of Agreement excludes the Jinfeng Project area comprising the Laizhishan Dome and a 10km wide band surrounding the current outer edges of the Laizhishan Dome; and the White Mountain Project area and a 10km wide band surrounding the outer edges of the White Mountain Project's exploration leases (together, the "Excluded Area"). The Heads of Agreement contains a non-compete clause preventing Sino Gold from exploring, exploiting or acquiring a GFS Scale Deposit (as defined in the Heads of Agreement) in the PRC, unless it is within the Excluded Area or through the Heads of Agreement.

If a GFS Scale Deposit is approved by Sino Gold and Gold Fields Australasia for exploiting, the Heads of Agreement provides for the formation of a special purpose company ("SPV"), in which Sino Gold and Gold Fields Australasia will each hold a 50% interest. The SPV would in turn hold an interest in a CJV formed for the purpose of exploiting and developing the GFS Scale Deposit. Each party will be required to contribute equally to the capital of the SPV. The amount of equity capital and debt capital required to fund the SPV will be dependent on the size and nature of the project to be developed by the SPV.

Gold Fields Australasia is a company associated with Gold Fields Limited, one of the world's largest gold producers. It invests in exploration projects in Australia, Indonesia and China and is responsible for management of Gold Fields Limited's exploration and growth activities in the Australasian region. Additional information is available on the Gold Fields website at [www.goldfields.co.za](http://www.goldfields.co.za).

### ***Investment in Golden Tiger Mining NL***

In November 2006, Sino Gold subscribed for 15,305,604 ordinary shares of ASX-listed Golden Tiger, at a price of A\$0.10 per share, and as a result now holds a 19.9% interest in that company.

Golden Tiger is a gold exploration company with projects in southern PRC. Additional information is available on Golden Tiger's website at [www.goldentiger.com.au](http://www.goldentiger.com.au).

As a result of the share subscription Sino Gold has the right:

- to participate, pro-rata in any future issue of shares by Golden Tiger;
- to nominate one director to the board of Golden Tiger (as at the date of this Circular, such right has not been exercised); and
- to participate on a priority basis with Golden Tiger in connection with any acquisition, disposal, operation or exploitation of any current or future assets of Golden Tiger.

## **Selected Consolidated Financial Information and Management's Discussion and Analysis**

This Management's Discussion and Analysis should be read in conjunction with the historical consolidated financial statements of Sino Gold and the related notes thereto included herein. This discussion is current as at the date of this Circular. The consolidated financial statements of Sino Gold and the financial information contained herein were prepared in accordance with IFRS. All amounts in this discussion are expressed in Australian dollars unless otherwise identified.

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Actual results of Sino Gold could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth herein under “Cautionary Statement Regarding Forward-Looking Information” and under “Risk Factors”.

### *Selected Annual Information*

The following information is derived from Sino Gold’s audited consolidated financial statements, which were prepared using IFRS. All amounts are presented in A\$, except per share amounts.

#### Selected Annual Information:

	<b>Year ended December 31</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	(A\$'000)	(A\$'000)	(A\$'000)
Net income (loss)	(20,054)	(26,289)	(19,338)
Profit/(Loss) per share			
- Basic (cents per share)	(13.7)	(20.3)	(15.0)
- Diluted (cents per share)	NA	NA	NA

	<b>Year ended December 31</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	(A\$'000)	(A\$'000)	(A\$'000)
Cash and cash equivalents	21,505	28,769	35,692
Total assets	275,801	140,925	93,805
Long term debt	89,899	45,883	-
Total equity	53,913	40,174	72,770

#### Selected interim information:

	<b>Half year ended June 30</b>	
	<b>2007</b>	<b>2006</b>
	(A\$'000)	(A\$'000)
<b>Income Statement</b>		
Net income (loss)	(3,117)	(7,997)
Profit/(Loss) per share - basic (cents per share)	(1.72)	(5.23)
Profit/(Loss) per share - diluted (cents per share)	(1.72)	(5.23)
<b>Balance Sheet</b>		
Cash and cash equivalents	100,518	13,923
Total assets	461,004	275,801
Long term debt	78,850	89,900

Total equity

207,676

53,913

### ***Dividends***

The Sino Gold Directors did not declare or pay a dividend for any of the years ending December 31, 2004, 2005 and 2006. The Sino Gold Directors are expected to review the dividend policy on an annual basis. Except as permitted by the Corporations Act, no dividend is payable otherwise than out of profits of Sino Gold. The Sino Gold Directors may determine that a dividend is payable and fix:

- the amount;
- the time of the payment; and
- the method of payment.

Sino Gold in general meeting may determine a dividend, but may do so only if the Sino Gold Directors have recommended a dividend. A dividend determined by Sino Gold in general meeting must not exceed the amount recommended by the Sino Gold Directors.

The Sino Gold Directors, when paying or declaring a dividend, may direct payment of the dividend wholly or partly by distribution of specific assets, including fully-paid shares in, or debentures of, Sino Gold and any other corporation.

All dividends declared but unclaimed may be invested by the Sino Gold Directors as they think fit for the benefit of Sino Gold until claimed. Sino Gold incurs a debt when a dividend is declared. A Sino Gold Shareholder's entitlement to recover an unclaimed dividend would lapse six years after the date on which the dividend is declared.

### ***Review of the six months ended June 30, 2007***

Sino Gold recorded a loss of A\$3.1 million for the half year to June 30, 2007 compared to a loss of A\$8.0 million for the half year to June 30, 2006 and a loss of A\$20.1 million for the year ended December 31, 2006.

The results in the previous half-year and full year included the results from the Jianchaling Mine which was disposed of in the previous half-year. The current period results are primarily made up of interest income, finance costs, corporate costs, exploration expenditure written off, hedge losses expensed and the accounting impact of embedded derivatives on seed share options denominated in our reporting currency (A\$) as opposed to our functional currency (US\$) which creates a material impact to the profit and loss account.

Interest income (A\$2.7 million) was earned on both cash and cash equivalents along with restricted cash. Restricted cash represents cash held on deposit to secure the RMB working capital loan within the PRC with China Construction Bank. Finance costs (A\$5.1 million) are made up of borrowing costs expensed, interest charges on the US\$42 million Jinfeng project facility, interest charges on Jinfeng Standby L/C Loan and coupon payments on the US\$35 million convertible note.

During the period Sino Gold relinquished the Zhengyuan and Heishan tenements in Shandong Province and costs associated with exploration on these tenements have been written off. New Exploration Licences have subsequently been added to our exploration portfolio in the Shandong area by our joint venture partner to replace these relinquished properties.

The half-year loss was materially impacted by the ongoing interpretation under International Financial Reporting Standards which deems certain share options to be derivative liabilities rather than equity. The International Financial Reporting Interpretations Committee continues to hold the view that contracts settled by delivering a fixed number of a company's own equity instruments in exchange for a fixed amount of a foreign currency should be classified as liabilities rather than equity. As Sino Gold has a United States dollar functional currency, all options containing an Australian dollar strike price (other



than employee and director options covered under AASB 2 – Share Based Payments) are accounted for as liabilities rather than equity. The balance sheet result of this treatment is that Sino Gold is recognising a current liability of A\$14.4 million at June 30, 2007 (A\$19.8 million at December 31, 2006) that will never be cash settled.

The resulting impact on the income statement is that movements during a given period in the fair value of the relevant options are recorded as a gain or loss and a foreign exchange gain or loss is also attributable on the translation to the functional currency. A net non-cash income gain of A\$4.3 million was recognized in the half-year made up of a non-cash income gain of A\$5.4 million due to the decrease in the share price of Sino Gold from A\$7.30 on December 29, 2006 to A\$5.63 on June 29, 2007 offset by a A\$1.1 million non-cash foreign exchange loss due to the appreciation of the Australian dollar over the United States dollar in the same period.

Net cashflow utilised in operating activities was A\$7.9 million for the six-month period, which included interest payments of A\$5.2 million. During the half-year A\$58.3 million was absorbed by investment activities, the bulk of which pertained to exploration, evaluation and development activities.

Financing activities during the period include A\$160.3 million generated from new share issues and A\$43.8 million proceeds from the full drawdown of both the Jinfeng project finance facility and the RMB working capital facility from China Construction Bank.

Sino Gold had cash reserves of A\$153.5 million at the end of the period including restricted cash of A\$53.0 million (compared to A\$21.5 million, of which A\$7.6 million was restricted, at June 30, 2006). The June 30, 2007 financial statements recognise total assets of A\$461.0 million and net assets of A\$207.7 million giving a book value of net assets per share of A\$0.35. This represents a 67% and 285% increase in total assets and net assets, respectively, from June 30, 2006 of A\$275.8 million and A\$53.9 million respectively. In accordance with IFRS net assets do not recognise the full value of Sino Gold’s reserves.

*Proposed Transactions.* Subsequent to the half year ended June 30, 2007 Sino Gold announced a proposed offer to acquire all of the outstanding shares in Golden China. Under the key terms of the proposed offer, Golden China shareholders would receive 0.2222 of a Sino Gold Share for every Golden China Share held. In addition Sino Gold has also provided interim funding to Golden China by subscribing to a C\$5 million private placement in Golden China shares. The takeover offer has a 90% minimum acceptance condition (which may, with certain limits, be waived by Sino Gold). If successful and all of the issued shares of Golden China are acquired, this would entail Sino Gold issuing approximately 12,682,550 new Sino Gold Shares (including the exercise of all outstanding DSUs), equivalent to approximately 5.6% of the fully diluted share capital of Sino Gold (including the exercise of all outstanding DSUs and the exercise of all outstanding Convertible Securities). The projected impact of these transactions is set out in “Unaudited Pro Forma Consolidated Financial Statements”.

As Sino Gold’s operations are at an early stage of development, management cannot accurately assess the potential impact of its operations on future performance.

***Comparison for the years ended December 31, 2006 and December 31, 2005***

*Revenue.* Sino Gold’s revenue decreased by A\$2.329 million, or 21.1%, from A\$11.024 million for the year ended December 31, 2005 to A\$8.695 million for the year ended December 31, 2006. This was primarily due to a reduction in gold production of 8,642 ounces, or 42.0%, from the Jianchaling Project as the resource continued to be depleted and Sino Gold divested the mine in September 2006. The effect of the gold production decline was partially offset by an increase in average gold price of 32.9%.

The revenue from the sales of gold is analysed as follows:

Year ended December 31	
2005	2006

Sales quantity (oz)	20,577	11,935
Average selling price (US\$/oz)	410	545
Revenue (A\$'000s)	<u>11,024</u>	<u>8,695</u>

*Cost of sales.* Sino Gold's cost of sales decreased by A\$8.839 million, or 53.1%, from A\$16.642 million for the year ended December 31, 2005 to A\$7.803 million for the year ended December 31, 2006. This was primarily due to a reduction in depreciation and amortisation costs of A\$6.242 million relating to the Jianchaling Project as the book value of the project was written down to Nil at December 31, 2005. Accordingly, no depreciation and amortisation was charged on mine property and equipment for the year ended December 31, 2006. In addition, a reduction in gold production occurred as discussed above.

*Gross profit.* For the reasons discussed above, Sino Gold's gross profit increased by A\$6.510 million, from a loss of A\$5.618 million for the year ended December 31, 2005 to a profit of A\$0.892 million for the year ended December 31, 2006.

*Other income.* Sino Gold's other income increased by A\$2.629 million, or 197.2%, from A\$1.333 million for the year ended December 31, 2005 to A\$3.962 million for the year ended December 31, 2006. This was primarily due to the gain on the sale of the Jianchaling Project of A\$2.129 million.

*Administrative expenses.* Sino Gold's administrative expenses increased by A\$1.290 million, or 18.6%, from A\$6.953 million for the year ended December 31, 2005 to A\$8.243 million for the year ended December 31, 2006. This was principally due to an increase in employee benefits of A\$1.371 million, or 29.0%, related predominantly to the impact of the cost of share based payments.

*Other operating expenses.* Sino Gold's other operating expenses decreased by A\$2.059 million, or 16.4%, from A\$12.548 million for the year ended December 31, 2005 to A\$10.489 million for the year ended December 31, 2006. This decrease was primarily due to a write-off of mine property and equipment at the Jianchaling Gold Mine and higher foreign exchange gains which was offset by higher fair value losses of the Company's option derivatives. At December 31, 2005 Sino Gold wrote down the value of the Jianchaling Gold Mine to Nil by charging an amount of A\$4.735 million through the income statement and no such write down was made in 2006. The fair value loss of option derivatives increased by A\$3.558 million, or 45.2%. The foreign exchange gain increased by A\$0.780 million, or 428.6%.

*Finance costs.* Sino Gold's finance costs increased by A\$3.673 million, or 146.7%, from A\$2.503 million for the year ended December 31, 2005 to A\$6.176 million for the year ended December 31, 2006. The increase was primarily due to the effect of a full year interest charge on the Convertible Notes which were issued in March 2005 and the impact of interest charged on the Senior Loan Facility for the year ended December 31, 2006. The first drawdown on the facility took place in April 2006. The interest on the Convertible Notes increased by A\$0.971 million, or 40.7%, while the interest charge on the Senior Loan Facility was A\$2.817 million, for the year ended December 31, 2006 and Nil for the year ended December 31, 2005.

*Tax.* Sino Gold was not subject to income tax for the year ended December 31, 2005 or the year ended December 31, 2006 as Sino Gold did not generate a profit in either of these year.

*Loss for the year.* For the reasons discussed above, loss for the year attributable to the equity holders of Sino Gold was reduced by A\$6.235 million, or 23.7%, from a loss of A\$26.289 million for the year ended December 31, 2005 to a loss of A\$20.054 million for the year ended December 31, 2006.

*Changes in Accounting Policy.* Sino Gold Options granted to investors where there is no share based payment relationship and the options are denominated in a foreign currency are accounted for as derivative liabilities. These options are recorded on the balance sheet at fair value with any movements in fair value are recorded directly in the income statement. This accounting treatment was the result of guidance issued by the International Financial Reporting Interpretations Committee (the "IFRIC"). This accounting policy was not applied in the 2004 to 2005 published financial statements. Up until March



2005, the functional currency of Sino Gold was A\$, therefore, the US\$ denominated options were accounted for as a derivative liabilities. Thereafter, the functional currency of Sino Gold was US\$, therefore, all A\$ denominated options are accounted for as derivative liabilities from this time. As Sino Gold is now considered US\$ functional, the US\$ denominated options are no longer considered as derivative liabilities and the derivative liabilities previously created have been released to the equity reserve of Sino Gold.

**Comparison for the years ended December 31, 2005 and December 31, 2004**

*Revenue.* Sino Gold's revenue decreased by A\$9.020 million, or 45.0%, from A\$20.044 million for the year ended December 31, 2004 to A\$11.024 million for the year ended December 31, 2005. This was primarily due to a reduction in gold production of 22,546 ounces, or 52.5%, from the Jianchaling Project as the resource continued to be depleted. The effect of the gold production decline was partially offset by an increase in average gold price of 19.2%.

The revenue from the sales of gold is analysed as follows:

	<u>Year ended December 31</u>	
	<u>2004</u>	<u>2005</u>
Sales quantity (oz)	42,892	20,577
Average selling price (US\$/oz)	344	410
Revenue (A\$'000s)	<u>20,044</u>	<u>11,024</u>

*Cost of sales.* Sino Gold's cost of sales decreased by A\$7.813 million, or 31.9%, from A\$24.455 million for the year ended December 31, 2004 to A\$16.642 million for the year ended December 31, 2005. This was primarily due to the reduction in gold production discussed above.

*Gross profit.* For the reasons discussed above, Sino Gold's gross profit decreased by A\$1.207 million, or 27.4%, from a loss of A\$4.411 million for the year ended December 31, 2004 to a loss of A\$5.618 million for the year ended December 31, 2005.

*Other income.* Sino Gold's other income decreased by A\$1.056 million, or 44.2%, from A\$2.389 million for the year ended December 31, 2004 to A\$1.333 million for the year ended December 31, 2005. This was primarily due to a reduction in interest received of A\$1.057 million, or 50.9%.

*Administrative expenses.* Sino Gold's administrative expenses increased by A\$1.355 million, or 24.2%, from A\$5.598 million for the year ended December 31, 2004 to A\$6.953 million for the year ended December 31, 2005. This was principally due to increased corporate overheads including travel costs reflecting the commencement of development of the Jinfeng Project, as well as increased activity in other projects.

*Other operating expenses.* Sino Gold's other operating expenses increased by A\$1.203 million, or 10.6%, from A\$11.345 million for the year ended December 31, 2004 to A\$12.548 million for the year ended December 31, 2005. This was primarily due to impairment charges of mine property and equipment at the Jianchaling Project, a write-off relating to an exploration property and fair value adjustments of Sino Gold's option derivatives. Sino Gold made a write down of the value of the

Jianchaling Project of A\$10.865 million and A\$4.735 million in 2004 and 2005, respectively. Sino Gold made a write-off of A\$2.251 million relating to the Jinkang Exploration Property in 2004. In 2005, Sino Gold had to charge the income statement with A\$7.863 million due to the movement in fair value of options and derivatives compared to A\$1.618 million in 2004.

*Finance costs.* Sino Gold's finance costs increased by A\$2.130 million, or 571.0%, from A\$0.373 million for the year ended December 31, 2004 to A\$2.503 million for the year ended December 31, 2005. This was principally due to the impact of interest charges on the Convertible Notes of A\$2.388 million.

*Tax.* Sino Gold was not subject to income tax for the year ended December 31, 2004 or for the year ended December 31, 2005 as Sino Gold did not generate a profit in either of these years.

*Loss for the year.* For the reasons discussed above, loss for the year attributable to the equity holders of Sino Gold was increased by A\$7.037 million, or 36.4%, from A\$19.338 million for the year ended December 31, 2004 to A\$26.375 million for the year ended December 31, 2005.

### ***Funding and Capital Requirements***

During the three years ended December 31, 2004, 2005 and 2006 Sino Gold's primary source of working capital and long-term funding has been cash flows from operation and financing activities.

Financing has consisted principally of long-term secured loans from banks, the issuance of convertible notes and the issuance of equity. Sino Gold does not expect any material variances from its proposed use of proceeds from its 2006 financing. The Directors confirm that Sino Gold did not experience any liquidity problems during the three years ended December 31, 2004, 2005 and 2006.

As at June 30, 2007, Sino Gold had bank and cash balances, and time deposits of A\$153.540 million. This included restricted cash of A\$53.022 which is used to collateralise a standby line of credit facility issued by its bankers to secure advances made by China Construction Bank, Guizhou Branch to the Jinfeng Project.

The bank and cash balances are required to finance Sino Gold's working capital requirements, as well as part of Sino Gold's expected capital expenditure for its continuing growth and expansion plans. Specific considerations in determining Sino Gold's appropriate cash position include Sino Gold's working capital requirements, capital expenditure requirements and Sino Gold's liquidity ratios. Sino Gold aims to maintain a certain level of excess cash to meet unexpected circumstances and to be able to take advantage of potential business expansion opportunities as they arise.

As at June 30, 2007, Sino Gold had drawn down approximately A\$97.182 million in general credit facilities entered into with banks and financial institutions. Of this A\$48,949 relates to the Jinfeng project loan the interest rate for which is determined by reference to US\$ LIBOR. The remaining credit facilities total A\$48,233 and is represented by the cash collateralised line of credit facility issued by China Construction Bank, Guizhou Branch to the Jinfeng Project.

### ***Capital Expenditures***

During the three years ended December 31, 2004, 2005 and 2006 Sino Gold's principal capital requirements have been in relation to the capital expenditures for the Jinfeng Gold Mine.

The following table sets forth Sino Gold's total capital expenditures for the years indicated:

#### **Capital Expenditure Summary**

	Year ended December 31		
	2004	2005	2006
	A\$'000s	A\$'000s	A\$'000s
Payments for property, plant & equipment	(4,681)	-	(107)

Payments for exploration, evaluation and development costs	(13,124)	(57,746)	(117,893)
Total capital expenditure	<u>(17,805)</u>	<u>(57,746)</u>	<u>(118,000)</u>

Sino Gold's planned future capital expenditures, mainly include:

- the development of the underground mine at the Jinfeng Project at an estimated pre-production capital cost of US\$20 million;
- the planned expansion at the Jinfeng Project, in order to accommodate the proposed acceleration of production from the open-pit and underground operations at an estimated capital cost of up to US\$18.2 million. This planned expansion is designed to expand the operating capacity of the Jinfeng Project from an estimated 180,000 oz p.a. to an operating capacity capable of processing up to an estimated 300,000 oz p.a;
- the development of the White Mountain Project at an estimated capital cost of US\$55 million; and
- exploration expenditure on Sino Gold's other projects.

Sino Gold expects to partly fund these expenditures with cash flow from its operations and cash on hand. Additional funding is expected to be required consisting of additional debt or equity financing. There can be no assurance that Sino Gold will be able to raise additional capital on terms acceptable to Sino Gold or at all. The sale of additional equity or equity-linked securities may result in dilution of Sino Gold's shareholders.

From time to time, Sino Gold evaluates possible investments, acquisitions, divestments or mergers and may, if a suitable opportunity arises, make an investment, acquisition or divestment or enter into a merger.

### **Summarised Cash Flow**

The following table summarises Sino Gold's cash flows during the years indicated:

	<b>Year ended December 31</b>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
	A\$'000s	A\$'000s	A\$'000s
Net cash inflow/(outflow) from operating activities	(5,028)	791	(8,152)
Net cash outflow from exploration and development activities	(17,805)	(57,746)	(118,000)
Net cash inflow from financing activities	794	46,028	122,529

### **Cash Flows from Operating Activities**

Sino Gold's net cash outflow from operating activities in the year ended December 31, 2006 was A\$8.152 million, although Sino Gold incurred a loss after tax for such year of A\$20.054 million. The difference was primarily attributable to non cash expense items of A\$8.682 million and a positive impact from a change in net working capital of A\$3.220 million. The non cash expense items include a fair value loss of option derivatives of A\$11.421 million and equity settled share option expenses of A\$1.296 million which was partially offset by a reversal on provision for restoration and rehabilitation of A\$1.984 million and profit on sale of non-current assets of A\$2.129 million.

Sino Gold's net cash inflow from operating activities in the year ended December 31, 2005 was A\$0.791 million, although Sino Gold incurred a loss after tax for such period of A\$26.289 million. The difference was primarily attributable to depreciation and amortisation of A\$6.320 million, impairment of

mine property and equipment of A\$4.735 million, movement in fair value of options and derivatives of A\$7.863 million and a positive impact from a change in net working capital of A\$7.594 million.

Sino Gold's net cash outflow from operating activities in the year ended December 31, 2004 was A\$5.028 million although Sino Gold incurred a loss after tax for such period of A\$19.338 million. The difference was primarily attributable to depreciation of A\$7.224 million, exploration expenditure write off of A\$2.251 million, impairment of mine property and equipment of A\$10.865 million, and a negative impact from a change in net working capital of A\$5.265 million.

#### *Cash Flows from Exploration and Development Activities*

Sino Gold's net cash outflow from exploration and development activities was A\$17.805 million, A\$57.746 million, and A\$118.000 million for the years ended December 31, 2004, 2005 and 2006, respectively.

Sino Gold's net cash outflow from exploration and development activities primarily reflects expenditure for exploration, feasibility studies and construction of the Jinfeng Project. Expenditure was also incurred on Sino Gold's other exploration projects and on sustaining capital incurred at the ageing Jianchaling Project.

#### *Cash Flows from Financing Activities*

Sino Gold's net cash from inflow from financing activities was A\$0.794 million, A\$46.028 million and A\$122.529 million for the years ended December 31, 2004, 2005 and 2006, respectively.

The net cash inflow provided by financing activities in the year ended December 31, 2006 comprised the net proceeds of share issues of A\$66.034 million and the proceeds from bank loans of A\$60.640 million.

The net cash inflow provided by financing activities in the year ended December 31, 2005 comprised of an issuance of convertible notes raising A\$45.932 million and the proceeds from share issues on the exercise of options of A\$2.642 million (net of share issue costs) and proceeds from employee ESIS Loans of A\$0.018 million. This was partially offset by repayments of shareholder loans of A\$2.564 million.

The net cash inflow provided by financing activities in the year ended December 31, 2004 comprised of proceeds from employee ESIS Loans of A\$0.219 million and the proceeds from share issues on the exercise of options of A\$0.575 million (net of share issue costs).

#### *Senior Loan Facility*

Pursuant to a senior loan agreement dated September 16, 2005 entered into between the Jinfeng CJV, SG Guizhou, Sino Gold, Standard Bank plc, HVB, and China Construction Bank Corporation the Jinfeng CJV has been provided with a financing facility (the "Senior Loan Facility") arranged and jointly underwritten by Standard Bank London plc and HVB for US\$40 million plus US\$2 million in capitalized interest with a 7 year term including a 2 year grace period. Repayments are made quarterly commencing December 21, 2007. The interest rate is LIBOR plus 3.25% margin pre-financial completion and 2.75% margin after financial completion. The Senior Loan Facility is fully drawn down.

As at June 30, 2007, the Senior Loan Facility was secured by:

- Sino Gold granting security over the shares held by it in SG Guizhou and over shareholder loans owing by SG Guizhou to Sino Gold;
- SG Guizhou granting security over all its assets, an equity pledge over its interests in the Jinfeng CJV, comprising not less than an 82% interest, and security over relevant bank accounts as required under the Senior Loan Facility;

- the Jinfeng CJV granting security over mining titles, equipment, relevant project contracts and other assets of the Jinfeng CJV connected with the project and over relevant bank accounts; and
- Sino Gold and SG Guizhou providing guarantees in relation to moneys owed by the Jinfeng CJV, as borrower, to the lenders under the Senior Loan Facility. In the case of Sino Gold, the guarantee for the Senior Loan Facility does not apply to liabilities arising after completion (being the date on which the “Lender Completion Test” for the Jinfeng Project is satisfied) except in respect of certain limited items.

### *Hedging Activities*

Pursuant to the Senior Loan Facility, SG Guizhou was required to enter into a gold hedging program. All outstanding hedging contracts as at September 30, 2007 are summarised in the table below (Sino Gold's share being 82%):

	Fixed Forwards		Bought Put Options	
	Ounces	US\$/oz	Ounces	US\$/oz
2007	16,752	523	24,728	400
2008	73,548	524	74,184	400
2009	64,612	525	74,178	400
2010	64,612	525	-	-
2011	64,612	525	-	-
2012	35,789	530	-	-
<b>Total</b>	<b>319,925</b>		<b>173,090</b>	

The mark-to-market value of the total hedge book was negative US\$89.0 million as at September 30, 2007, based on a spot gold price of US\$743.40/oz. The contracts are not subject to margin calls by counterparty banks.

Sino Gold does not anticipate putting in place any further gold hedging and does not hedge future interest rates or foreign exchange transactions.

### *Critical Accounting Estimates*

The financial statements of Sino Gold have been prepared in accordance with IFRS. All of Sino Gold's principal accounting policies are stated in Note 1 to the financial statements as set out in Schedule "A" of this Circular. IFRS requires the directors to make estimates and assumptions which may have an effect on the reported value or amount of assets, liabilities, revenue and expenses. These estimates are based on the directors' knowledge of Sino Gold's sector of activity, on historical and current information, on foreseeable future variations and on available information. These estimates and assumptions are subject to change over time.

The following are regarded as critical accounting policies which may require estimates and assumptions from the Directors.

*Impairment of assets.* At each reporting date, Sino Gold assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, Sino Gold makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

*Exploration and evaluation costs.* Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance sheet date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. When the

existence of economically recoverable reserves is not probable, provision for impairment is made in respect of the costs carried forward.

Grants and subsidies are offset against costs as incurred.

Costs carried forward in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

*Mining operation development costs.* Costs incurred in the development and construction of a mining operation are capitalized to the extent that the carrying amount does not exceed recoverable amount. Once production commences the carrying value is transferred to property, plant and equipment and depreciated accordingly.

*Derivative Financial Instruments.* Sino Gold enters into forward gold hedges where it agrees to sell specified ounces of gold at a predetermined gold price. The objective of these hedges is to match the forward agreements with anticipated cash flows from future gold sales and as such are considered "cash flow" hedges under IAS 39 "Financial Instruments: Recognition and Measurement". The fair value of all qualifying cash flow hedges is recorded on the balance sheet. Movements in fair value, to the extent the hedges are effective, are recorded as a separate component of equity and released to the profit and loss at the time the hedged transaction occurs.

*Revenue Recognition.* Revenue is recognised to the extent that it is probable that the economic benefits would flow to Sino Gold and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Sale of Goods – Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer, being when the gold leaves the mine site.
- Interest – Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

*Foreign Currency Translation.* Following the issue of the US\$ denominated convertible notes in March 2005, the functional currency of Sino Gold was deemed to be US\$. Prior to this event the functional currency of Sino Gold was considered to be Australian dollars. The functional currency of overseas subsidiaries is the RMB.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries is the RMB.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Sino Gold Mining Limited at the rate of exchange ruling at the balance sheet



date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

*Share Based Payments.* Sino Gold provides benefits to employees (including directors) of Sino Gold in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ('Equity-settled Transactions'). The EOP is in place to provide these benefits. Sino Gold Options granted under this vest over a three year period and have no attaching market or performance conditions.

The cost of these Equity-settled Transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black Scholes option pricing model.

The cumulative expense recognised for Equity-settled Transactions at each reporting date until vesting date reflects: (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the directors of Sino Gold, would ultimately vest. This opinion is formed based on the best available information at balance sheet date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Sino Gold Options granted to investors where there is no share based payment relationship and which are denominated in a foreign currency are accounted for as derivative liabilities. These options are recorded on the balance sheet at fair value with any movements in fair value recorded directly in the income statement.

Up until March 17, 2005, the functional currency of Sino Gold was A\$, therefore, the US\$ denominated option was accounted for as a derivative liability. Thereafter, the functional currency of Sino Gold was US\$, therefore, all A\$ denominated options are accounted for as derivative liabilities from this time. As Sino Gold is now considered US\$ functional, the US\$ denominated options are no longer considered as derivative liabilities and the derivative liabilities previously created have been released to the equity reserve of Sino Gold.

### ***Related Party Transactions***

Pursuant to the BIOX licence agreement ("Licence Agreement") between the Jinfeng CJV and Minsaco BIOX Pty Ltd., holder of a licence from Biomin Technologies S.A. ("Biomin") dated June 23, 2004, the Jinfeng CJV is licensed to use the BIOX process in connection with the Jinfeng Project. Inter-related with the Licence Agreement is a trademark licence agreement between the Jinfeng CJV and



Biomin dated July 26, 2005, Biomin has licensed the Jinfeng CJV to use the trademark "BIOX" in the PRC in connection with the Jinfeng Project.

Minsaco BIOX Pty Ltd. is owned by Gold Fields which is a substantial shareholder and has a representative on the board of Sino Gold.

The amounts of the payments to be made under the Licence Agreement and the related trademark licence Agreement are highly commercially confidential, and Sino Gold is not able to publicly disclose those amounts, although it can provide details of the qualitative nature of those payments. An initial licence fee is payable in three instalments as follows: (i) an instalment was due upon the decision to proceed with construction of the BIOX plant; (ii) an instalment is due on the date of commencement of operations; and (iii) an instalment is due upon the successful completion of a performance test or 12 months after the date of commencement of operations if successful completion of the performance test is not achieved through no fault of the licensor.

A royalty (payable quarterly in arrears) is payable based on a dollar amount per ounce of gold. If, subsequent to successful completion of performance tests, Sino Gold requests further personnel training, then fees are payable based on an agreed schedule of rates and if ongoing technical support is required beyond an agreed minimum amount, then a fee is payable for such additional technical support based on an agreed schedule of rates.

### Consolidated Capitalization

The following table sets forth the consolidated capitalization of Sino Gold as at the dates indicated before and after giving effect to the Offer. This table should be read in conjunction with the consolidated financial statements of Sino Gold (including the notes thereto) contained in the Circular.

	Outstanding as at Dec 31, 2006	Outstanding as at Jun 30, 2007	Outstanding as at Jun 30, 2007 after giving Effect to the Offer
	A\$'000s	A\$'000s	A\$'000s
Share Capital	168,259	327,594	430,521
Convertible Notes - Equity Component	3,228	3,228	3,228
Accumulated Losses	(56,535)	(67,422)	(67,422)
Other Reserves	(95,113)	(98,472)	(93,440)
Minority Interests	34,074	42,748	43,580
Total Equity	53,913	207,676	316,467

### Share Capital of Sino Gold

Holders of Sino Gold Shares are entitled to notice of, and to attend and vote at, general meetings. Generally, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each fully paid share. The Directors may declare a dividend to be paid to shareholders entitled to that dividend. Upon the liquidation, dissolution or winding up of Sino Gold, Sino Gold shareholders are entitled to receive on a pro-rata basis the net assets of Sino Gold after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking in priority to, or equally with, the holders of ordinary shares with respect to liquidation, dissolution or winding up. Sino Gold Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. Subject to the constitution, the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules, Sino Gold Shares are freely transferable. Sino Gold may only modify or vary the rights attaching to any class of shares with the consent in writing of the shareholders with at least 75% of the votes in the class or the sanction of a special resolution passed at a meeting of the holders of the issued shares of that class. The Corporations Act provides that the constitution can only be

amended by a special resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution.

All of the issued Sino Gold Shares comprise fully paid ordinary shares. Under the *Corporations Act*, Australian registered companies do not have an authorised capital, and there is no concept of a “par value” in respect of issued shares. All Sino Gold Shares are recorded in Sino Gold’s financial statements at their issue price less issue costs.

Details of Sino Gold’s issued capital on the date of the Circular (on a fully diluted basis) are as follows:

Fully paid Sino Gold Shares as at the date of this Circular	184,876,415
Fully paid Sino Gold Shares to be issued pursuant to the Offer	12,682,550 <sup>(1)</sup>
Maximum number of Sino Gold Shares that may be issued to holders of Golden China Convertible Debentures if conversion of all such convertible debentures occurs before the Expiry Date	1,201,283
Maximum number of Sino Gold Shares that may be issued to holders of Golden China Options if all such options are exercised before the Expiry Date	1,714,141
Maximum number of Sino Gold Shares that may be issued to holders of Golden China Warrants if all such warrants are exercised before the Expiry Date	1,783,155
Sino Gold Shares issuable upon exercise of all outstanding Sino Gold Options	6,710,000
Sino Gold Shares issuable upon conversion of all outstanding Sino Gold Convertible Notes	15,383,045
<b>Total</b>	<b>224,350,589</b>

<sup>(1)</sup> Assuming 0.2222 of a Sino Gold Share is issued for each outstanding Golden China Share and the issuance of 196,793 Sino Gold Shares as a result of the exercise of all outstanding DSUs.

The Sino Gold Shares rank *pari passu* in all respects, and in particular, for all dividends and other distributions, declared, paid or made on the shares.

Pursuant to the Heads of Agreement, Gold Fields Australasia has a right to participate pro-rata in any future issue of Sino Gold Shares or securities convertible into Sino Gold Shares by Sino Gold. This right does not extend to Sino Gold Shares or securities issued in connection with the take-over of another entity.

Except as disclosed herein, no share or loan capital of Sino Gold or any of its subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

Sino Gold’s primary listing is on the ASX. Sino Gold is also secondarily listed on the HKSE, and by undertaking the shunting procedure described below, holders of ordinary shares in Sino Gold may sell their shares on the HKSE, even if they are initially listed for official quotation on the ASX. Details of the procedure for shunting shares between Sino Gold’s Australian Share Registry and Hong Kong Share Registrar are as follows:

- the respective share registrar in each country has set up a control account as part of the issued capital for Sino Gold. For example, the Australian Share Registry has established a holding on Sino Gold’s Australian register with the name “Hong Kong Control Register”, with the current issued capital of the Hong Kong Share Registrar. This holding is excluded from any reports concerning largest shareholders and similar matters. The Hong Kong Share Registrar has set up a similar account with the issued capital of the Australian register;
- when a shareholder wishes to shunt shares from one of the two registers (the “home register”) to the other register (the “target register”), the shareholder provides the home registrar with a written direction to that effect. The home registrar then removes the shares from their holding, and places the shares into the control account. A fax or email confirmation is then sent to the

target registrar, who removes shares from their control account and places the shares into a holding in the name of the shareholder; and

- periodically (usually at the time of each shunt) the two registrars compare their respective control accounts to confirm that all figures match.

The period of time required to shunt Sino Gold Shares between the Australian Share Registry and the Hong Kong Share Registrar may vary and there is no certainty of when shunted Sino Gold Shares would be available for trading or settlement.

Sino Gold has applied to have the Sino Gold Shares that are to be issued pursuant to the Offer listed on the ASX and the HKSE. Quotation will not be automatic but will depend on the ASX and the HKSE exercising their discretion. Sino Gold cannot guarantee, and does not represent or imply, that the Sino Gold Shares will be so quoted. The fact that the ASX and the HKSE may admit the Sino Gold Shares to quotation is not to be taken in any way as an indication of the merits of Sino Gold or the Sino Gold Shares.

### **Convertible Notes**

On March 17, 2005, Sino Gold completed the issue of US\$35 million unsecured Convertible Notes. The Convertible Notes carry a coupon of 5.75% per annum and the conversion price is US\$2.2752 per Sino Gold Share based on a fixed exchange rate of US\$1:A\$1.2702. The Convertible Notes mature on March 17, 2012.

The Convertible Notes are convertible at the option of the holder at any time on and after April 26, 2005 and up to March 17, 2012.

Noteholders will have the option to put the Convertible Notes to Sino Gold at their principal amount with accrued interest:

- if the ASX announces that Sino Gold Shares have ceased or will cease to be listed and the Sino Gold Shares are not immediately re-listed on another stock exchange; and
- on March 17, 2010.

Noteholders are granted standard anti-dilution rights dealing with, among other things, share consolidations, share splits, capital distributions, extraordinary dividends, rights issues and bonus issues.

If a change of control event (as defined in the terms and conditions of the Convertible Notes) occurs in respect of Sino Gold, the noteholders will have the right for a period of 60 days to convert their Convertible Notes at a conversion price adjusted from the conversion price that would otherwise apply in accordance with the following table:

1 year from issue:	85.0%
1-2 years from issue:	87.5%
2-3 years from issue:	90.0%
3-4 years from issue:	92.5%
4-5 years from issue:	95.0%
5-6 years from issue:	97.5%
Thereafter, to maturity:	100.0%

A change of control event occurs if an offer in respect of Sino Gold Shares has become or been declared unconditional in all respects and Sino Gold becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of shareholders has or will become unconditionally vested in Sino Gold.

Holders of Convertible Notes have a right of first refusal in respect of any additional convertible notes which may be issued on the same terms as the March 17, 2005 Convertible Notes up to a principal amount not exceeding US\$20 million.

The Convertible Notes are listed on the Singapore Exchange Securities Trading Limited.

Sino Gold has made an offer, dated October 11, 2007, to all Convertible Noteholders inviting them to:

- surrender their Convertible Notes for conversion into Sino Gold Shares in accordance with the terms and conditions of the Convertible Notes; and
- amend the provisions of the terms and conditions of the Convertible Notes permitting the outstanding Convertible Notes to be redeemed at the option of Sino Gold.

Under the terms of the offer, Convertible Noteholders who tender their Convertible Notes and deliver a valid acceptance instruction and conversion notice at or before 17:00 (London, U.K. time) on October 22, 2007 (the “Early Consent Deadline”) will receive the relevant number of Sino Gold Shares corresponding to their holding of Convertible Notes in accordance with terms and conditions of the Convertible Notes, together with a payment of US\$130 per US\$1,000 of Convertible Notes (the “Early Consent Payment”). Convertible Noteholders who tender their Convertible Notes and deliver a valid acceptance instruction and conversion notice after the Early Consent Deadline but before the expiry of the offer will receive the relevant number of Sino Gold Shares corresponding to their holding of Convertible Notes in accordance with terms and conditions of the Convertible Notes, but no Early Consent Payment.

If the provisions of the terms and conditions of the Convertible Notes are amended to permit the outstanding Convertible Notes to be redeemed at the option of Sino Gold and if Sino Gold chooses to redeem the Convertible Notes, Convertible Noteholders whose Convertible Notes are redeemed will receive the principal amount of their holding of Convertible Notes together with interest accrued to the date fixed for redemption, but no Early Consent Payment.

The maximum number of Sino Gold Shares to be issued to Convertible Noteholders (i.e. if all Convertible Noteholders surrender their Convertible Notes for conversion into Sino Gold Shares) is 15,383,045. This represents approximately 7.7% of the expanded issued capital of Sino Gold prior to the Golden China Offer and approximately 7.2% of the expanded issued capital of Sino Gold after successful completion of the Golden China Offer. The maximum aggregate cost of the Early Consent Payment to Convertible Noteholders (i.e. if all Convertible Noteholders surrender their Convertible Notes for conversion into Sino Gold Shares before the Early Consent Deadline) is US\$4.55 million. This payment will be funded from working capital.

### Sino Gold Options

The following table shows the number of options to purchase Sino Gold Shares issued and outstanding as at the date of this Circular.

Class	Number of Sino Gold Shares Under Option	Market value of Sino Gold Shares Under Option at Grant Date	Market value of Sino Gold Shares Under Option at September 28, 2007	Exercise Price (A\$/share)	Expiry Date (dd/mm/yy)	Vesting Date (dd/mm/yy)
Director	215,000	623,500	1,616,800	2.69	31/12/08	Fully vested
Director	370,000	740,000	2,782,400	2.00	31/12/09	31/12/07
Director	800,000	2,800,000	6,016,000	3.29	31/12/10	31/12/08
Director	1,370,000	7,987,100	10,302,400	6.50	31/12/11	31/12/09

Class	Number of Sino Gold Shares Under Option	Market value of Sino Gold Shares Under Option at Grant Date	Market value of Sino Gold Shares Under Option at September 28, 2007	Exercise Price (A\$/share)	Expiry Date (dd/mm/yy)	Vesting Date (dd/mm/yy)
Employee	50,000	145,000	376,000	2.69	31/12/08	Fully vested
Employee	150,000	303,000	1,128,000	2.06	15/10/09	15/10/07
Employee	25,000	54,000	188,000	2.12	27/10/09	27/10/07
Employee	80,000	171,200	601,600	2.08	15/12/09	15/12/07
Employee	315,000	630,000	2,368,800	2.00	31/12/09	31/12/07
Employee	980,000	3,430,000	7,369,600	3.29	31/12/10	31/12/08
Employee	150,000	549,000	1,128,000	3.81	06/03/11	06/03/09
Employee	40,000	190,000	300,800	4.88	03/06/11	03/06/09
Employee	1,665,000	9,490,500	12,520,800	6.50	31/12/11	31/12/09
SBBH Options	500,000	1,040,000	3,760,000	2.53	16/09/10	Fully vested
<b>Total</b>	<b>6,710,000</b>					

### *Director and Employee Options*

Sino Gold has two employee option plans; the ESIS and EOP. On August 28, 2002 the Directors resolved that no further Sino Gold Shares would be issued under the ESIS and all further employee incentives would be granted under the EOP.

*Purpose.* The purpose of the EOP is to help attract and retain the best available personnel, to provide additional incentive to employees, Directors and consultants, to achieve the long term objectives of Sino Gold and to promote the success of Sino Gold's business.

*Who May Join.* Eligible participants of the EOP include full or part-time employees of; (i) Sino Gold; and (ii) a Related Body Corporate as defined under section 50 of the Corporations Act (collectively, "Eligible Persons").

*Limitation on Number of Sino Gold Options Issued.* The total number of options over unissued Sino Gold Shares that may be issued under the EOP, which added to the number of Sino Gold Shares or options issued under all other employee or executive share or option plans of Sino Gold, must not exceed 10% of the total number of Sino Gold Shares on issue from time to time.

*Option Entitlements.* The Sino Gold Board may, at its discretion, determine the extent to which Eligible Persons may participate in the EOP and Sino Gold may issue options to such Eligible Persons. An Eligible Person may only apply for Sino Gold Options in his or her own name. An application for less than the Eligible Person's full entitlement must be in respect of multiples of 100 Sino Gold Options. Sino Gold Options will only be issued under the EOP to Directors after the shareholders of Sino Gold have approved the proposed issue, if such approval is required by the Corporations Act or the ASX Listing Rules.

*Terms of the Offer of Sino Gold Options.* Each Sino Gold Option carries the right in favour of an option holder to subscribe for one share. No money will be payable for the issue of the Sino Gold Options. The Sino Gold Options expire on the earlier of five years (the "Expiry Date") from the date of issue as set out in the option certificate (the "Issue Date"); or the date on which the option holder ceases to be an Eligible Person.

*Exercise Price.* Sino Gold Shares allotted to the option holders on the exercise of options shall be issued at the exercise price calculated in the following way ("Exercise Price"):

- In respect of the offers of Sino Gold Options approved by the Sino Gold Board while Sino Gold is not admitted to the official list of the ASX, the subscription price of a share in respect of any particular Sino Gold Option granted under the EOP is the higher of (i) A\$0.20; and (ii) the price determined by the Sino Gold Board; or
- In respect of offers of Sino Gold Options approved by the Sino Gold Board while Sino Gold is admitted to the official list of the ASX, the subscription price of a share in respect of any particular Sino Gold Option granted under the EOP is the higher of (i) A\$0.20; and (ii) the weighted average price of Sino Gold Shares on the ASX over the five trading days prior to the date of offer of the Sino Gold Options.

*Performance Target.* The Sino Gold Board may in its absolute discretion, impose performance hurdles on the exercise of options by an option holder. Performance hurdles must be specified in the offer of options and state that the relevant options cannot be exercised unless the performance hurdles are satisfied.

*Exercise of Sino Gold Options.* The exercise period in relation to a Sino Gold Option under the EOP (“Exercise Period”) refers to the period commencing on the date that is three years after the Issue Date and ending on the Expiry Date, or such other period as the Sino Gold Board resolves. An option holder may at any time during the Exercise Period exercise outstanding Sino Gold Options in whole or in part, provided that, unless otherwise permitted under the EOP, the option holder wishing to exercise the Sino Gold Options is an Eligible Person at the time of exercise. Sino Gold must allot the resultant shares within five Business Days of the exercise of the Sino Gold Option. Shares allotted shall rank from the date of allotment equally with existing shares of Sino Gold in all respects. Sino Gold Options may not be listed for quotation on the official list of ASX.

*Sino Gold Options are Personal to Grantee.* Subject to the decision of the Sino Gold Board other than in cases of hardship or for any other just reason, an option holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of a Sino Gold Option during the period commencing from the Issue Date and ending on the date which is three years after the Issue Date (“Qualification Period”). After the expiration of the Qualification Period, a Sino Gold Option holder may sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of an option on the condition that the proposed new holder of the Sino Gold Option enter into a covenant with Sino Gold pursuant to which the proposed new holder acknowledges and agrees to be bound by the provisions contained in the EOP.

Sino Gold must make application to have the shares allotted pursuant to the EOP listed for official quotation in accordance with ASX Listing Rule 2.8.

*No Participation in New Issues.* An option holder is not entitled by reason only of being a holder of Sino Gold Options to participate in any: (i) cash issue; (ii) issue of shares or other equity securities or instrument which convert into shares by way of capitalisation of profits or reserves ((i) and (ii) collectively, “New Issue”); (iii) issue of rights to subscribe for additional shares or any other securities to be issued by Sino Gold, without exercising the Sino Gold Options prior to the record date for the determination of entitlements to the issue of securities and participating as a result of being a holder of shares.

*Adjustment of Exercise Price.* If Sino Gold makes a New Issue which is a pro rata cash issue to all shareholders of Sino Gold (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), and no shares have been issued in respect of a Sino Gold Option before the record date for determining entitlements to the issue, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.

If Sino Gold makes a New Issue which is a pro rata bonus issue to all shareholders of Sino Gold or is an issue of shares or other equity securities or instrument which convert into shares by way of capitalisation of profits or reserves (other than an issue in lieu or in satisfaction of dividends or by way of



dividend reinvestment), and no shares have been issued in respect of a Sino Gold Option before the record date for determining entitlements to the issue, the number of shares which will be allotted on the exercise of a Sino Gold Option pursuant to this EOP will be increased by the number of shares that would have been issued in respect of the shares the subject of the Sino Gold Option if the Sino Gold Option had been exercised immediately prior to such record date but no change will be made to the Exercise Price.

*Effect of Alterations to Share Capital.* If Sino Gold varies its share capital through a pro rata issue or a bonus issue or through a reconstruction, the number of options held by each options holder and the exercise price of each option are varied in accordance with the ASX Listing Rules.

*Lapse of Sino Gold Option.* In general, the Sino Gold Options shall lapse automatically and not be exercisable (to the extent not already exercised) on the earlier of: (i) the Expiry Date; (ii) any other date of expiry as determined by the Sino Gold Board; or on which the option holder ceases to be an employee or Director of Sino Gold or a Related Body Corporate.

However, the exercise of Sino Gold Options under the EOP shall continue to be effective if the option holder ceases to be an Eligible Person in the following circumstances:

- where an option holder dies and at the date of his death that option holder held outstanding Sino Gold Options. In such circumstances, those outstanding Sino Gold Options are automatically transferred to the estate of the deceased option holder;
- where the relevant Eligible Person is a Director and ceases to hold such office by reason of retirement pursuant to the constitution of Sino Gold or the Corporations Act or who offers himself for reappointment but is not reappointed; or
- where the Eligible Person ceases to be an Eligible Person by reason of ill health or accident (resulting in permanent disability).

*Alterations to the EOP.* The EOP may be amended at any time by resolution of the Sino Gold Board subject to the Corporations Act and the ASX Listing Rules. Any such amendment, however, shall not adversely affect the rights of option holders who are granted Sino Gold Options prior to such amendment without the consent of the option holder, unless such amendment is required by or necessitated by amendments to either the Corporations Act or the ASX Listing Rules.

*Termination of EOP.* The EOP may be terminated at any time by the Sino Gold Board. But such termination shall not affect the rights of holders of Sino Gold Options issued prior to termination.

Sino Gold had on issue 6,210,000 options under the EOP as at the date hereof. Each option gives the holder the right to acquire one Sino Gold Share. The Sino Gold Shares issuable upon exercise of the options rank equally with all other Sino Gold Shares.

Sino Gold had on issue 2,592,000 Sino Gold Shares under the ESIS as at the date hereof, which rank equally with all other Sino Gold Shares.

The following table shows the aggregate number of Sino Gold Shares under option to directors, officers and employees pursuant to the EOP as at the date hereof.

Group	Number in Group	Aggregate Number of Sino Gold Shares Under Option
Directors	7	2,755,000
Officers	2	770,000
Employees	34	2,685,000

### **SBBH Options**

Pursuant to an agreement dated September 16, 2005, Standard Bank plc and HVB were granted an aggregate 500,000 options. Each option grants a right to subscribe for one Sino Gold Share at an

exercise price of A\$2.53. The options are exercisable at any time within five years after the date of issue of the options.

### **Prior Sales**

Over the last 12 months to the date of this Circular, Sino Gold, has issued an aggregate of 31,815,688 Sino Gold Shares, at prices ranging from A\$0.7160 to A\$7.00, as follows:

- on January 9, 2007, 6,500,000 Sino Gold Shares at a price of A\$5.5800 through a placement to Gold Fields Australasia (BVI) Limited;
- on January 19, 2007, 1,777,776 Sino Gold Shares at a price of A\$0.7160 upon the exercise of Sino Gold Options;
- on March 16, 2007, 18,999,912 Sino Gold Shares at a price of A\$7.00 pursuant to the Global Offering of Sino Gold Shares to be listed on the Stock Exchange of Hong Kong Limited;
- on April 12, 2007, 709,000 Sino Gold Shares at a price of A\$7.00 allotted to cover over-allocations in the Global Offering that was completed at the time of Sino Gold's secondary listing on the Stock Exchange of Hong Kong Limited;
- on May 1, 2007, 60,000 Sino Gold Shares at a price of A\$2.69 upon the exercise of Sino Gold Options;
- on May 4, 2007, 17,000 Sino Gold Shares at a price of A\$2.69 upon the exercise of Sino Gold Options;
- on May 7, 2007, 17,000 Sino Gold Shares at a price of A\$2.69 upon the exercise of Sino Gold Options;
- on June 13, 2007, 75,000 Sino Gold Shares at a price of A\$1.20 upon the exercise of Sino Gold Options;
- on July 30, 2007, 300,000 Sino Gold Shares at a price of A\$1.00 upon the exercise of Sino Gold Options; and
- on July 30, 2007, 100,000 Sino Gold Shares at a price of A\$2.69 upon the exercise of Sino Gold Options
- on September 4, 2007, 300,000 Sino Gold Shares at a price of A\$1.00 upon the exercise of Sino Gold Options
- on September 18, 2007, 1,350,000 Sino Gold Shares at a price of A\$1.00 upon the exercise of Sino Gold Options
- on October 5, 2007, 20,000 Sino Gold Shares at a price of A\$2.69 upon the exercise of Sino Gold Options
- on October 5, 2007, 1,590,000 Sino Gold Shares at a price of A\$1.00 upon the exercise of Sino Gold Options



## Price Range and Trading Volume of Sino Gold Shares

The Sino Gold Shares are listed and posted for trading on the ASX under the symbol "SGX". The following tables sets forth the high and low closing prices and volumes of the Sino Gold Shares traded on the ASX for the periods indicated:

	<u>Price Range of Sino Gold Shares</u> <u>on the ASX (in A\$)</u>		
	<u>High</u>	<u>Low</u>	<u>Total Volume</u>
October (to October 19) 2007 .....	8.11	6.88	14,607,386
September 2007 .....	7.52	5.83	24,139,990
August 2007 .....	6.60	5.00	21,820,634
July 2007 .....	6.50	5.06	21,569,796
June Quarter 2007 .....	6.39	5.32	45,240,114
March Quarter 2007 .....	8.04	5.82	48,214,689
December Quarter 2006 .....	7.30	3.81	29,114,364
September Quarter 2006 .....	5.69	3.80	22,809,336
June Quarter 2006 .....	5.98	3.99	42,818,279
March Quarter 2006 .....	4.24	3.12	43,697,133
December Quarter 2005 .....	3.50	2.19	20,335,307

## Principal Sino Gold Shareholders

The following table sets out the name and information about holders of securities of Sino Gold who, as of the date of the Circular owned of record or, to our knowledge, owned beneficially, directly or indirectly, more than 10% of any class of securities of Sino Gold:

Name	Nature of Interest	Number of Sino Gold Shares Owned Before the Offer	Approximate Percentage of Sino Gold Shares Owned Before the Offer	Pro Forma Number of Sino Gold Shares Owned After the Offer	Pro Forma Approximate Percentage of Sino Gold Shares Owned After the Offer
Gold Fields Australasia <sup>(1)</sup>	Beneficial	33,008,185	17.9%	33,008,185	16.7%
Merrill Lynch & Co Inc <sup>(2)</sup>	Beneficial	25,534,170	13.8%	25,534,170	12.9%

<sup>(1)</sup> On a fully diluted basis Gold Fields Australasia holds an interest in Sino Gold of approximately 17.4% before the Offer and 16.3% after the Offer.

<sup>(2)</sup> On a fully diluted basis Merrill Lynch & Co Inc holds an interest in Sino Gold of approximately 13.4% before the Offer and 12.6% after the Offer.

## Directors

The table below sets out the information regarding the directors of Sino Gold.

Name Place of Residence Position Held Within Sino Gold	Principal Occupation	Date of Appointment Date of Last Election	Number of Sino Gold Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised
J Askew <sup>(1)</sup> Denver, USA Chairman of the Sino Gold Board	Professional company director	October 10, 2002 May 26, 2005	140,000 Sino Gold Shares
J Klein Sydney, Australia President and Chief Executive Officer	Chief Executive Officer of Sino Gold	June 28, 2000	2,682,178 Sino Gold Shares 1,400,000 Employee Options
H Xu <sup>(2)</sup> Beijing, PRC Executive Director	Head of Business Development of Sino Gold	June 28, 2000 May 30, 2006	800,000 Sino Gold Shares 975,000 Employee Options
J Zhong <sup>(3)</sup> Sydney, Australia Non-Executive Director	Vice-president and Chief Financial Officer of Sino Mining International Limited (4)	March 19, 2004 May 30, 2007	120,000 Employee Options
J Dowsley Johannesburg, South Africa Non-Executive Director	Head of New Business for Gold Fields Limited <sup>(5)</sup>	July 30, 2007	Nil
P Cassidy <sup>(6)</sup> Sydney, Australia Non-Executive Director	Professional company director	October 10, 2002 May 30, 2006	143,831 Sino Gold Shares 20,000 Employee Options
B Davidson <sup>(7)</sup> Sydney, Australia Non-Executive Director	Professional company director	August 28, 2002 May 30, 2007	215,347 Sino Gold Shares 20,000 Employee Options
P Housden <sup>(8)</sup> Sydney, Australia Non-Executive Director	Professional company director	June 22, 2006	10,000 Sino Gold Shares 120,000 Employee Options
<b>Total Directors' Security Holding</b>			<b>3,991,356 Sino Gold Shares 2,655,000 Employee Options</b>

<sup>(1)</sup> Member of the Risk Management Committee and the Nomination and Remuneration Committee

<sup>(2)</sup> Head of Business Development

<sup>(3)</sup> Member of the Audit Committee

<sup>(4)</sup> The principal business of Sino Mining International Limited is alumina and nickel concentrate trading between Australia and China.

<sup>(5)</sup> The principal business of Gold Fields Limited is gold mining.

<sup>(6)</sup> Chairman of the Risk Management Committee, Member of the Nomination and Remuneration Committee

<sup>(7)</sup> Chairman of the Audit Committee and the Nomination and Remuneration Committee, Member of the Risk Management Committee

<sup>(8)</sup> Member of the Audit Committee

Each director's term of office expires at the later of the third annual general meeting of Sino Gold or three years following that Director's last election or appointment (the Chief Executive Officer is

exempt from this requirement). One third of the Directors must retire at each annual general meeting. Retiring Directors are eligible for re-election.

## Officers

The table below sets out the information regarding the executive officers of Sino Gold. Sino Gold's executive officers are appointed by, and serve at the discretion of, the Sino Gold Board.

Name and Place of Residence	Position with Sino Gold	Date of Appointment	Number of Sino Gold Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised
C Johnstone Sydney, Australia	Chief Operating Officer	March 7, 2006	450,000 Employee Options
W Rossiter Sydney, Australia	Chief Financial Officer	May 7, 2007	Nil*
I Polovineo Sydney, Australia	Company Secretary in Australia	June 28, 2000	182,315 Sino Gold Shares 320,000 Employee Options
J C Y Bik Hong Kong, PRC	Company Secretary in Hong Kong	March 5, 2007	Nil
<b>Total Officers' Security Holding</b>			<b>182,315 Sino Gold Shares</b> <b>770,000 Employee Options</b>

\* Entitlement to 150,000 Employee Options. As at the date of this Circular these options have not been issued.

<b>Total Directors' and Officers' Security Holding</b>			<b>4,173,671 Sino Gold Shares</b> <b>3,425,000 Employee Options</b>
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## Biographies of Directors

### James Askew – Chairman

#### **B.E.(Mining), M.Eng.Sci, FAusIMM, MCIMM, MSME (AIME)**

Mr. Askew has been a Director of Sino Gold since 2002 and was elected Chairman of Sino Gold in November 2006.

Mr. Askew is a mining engineer with broad international experience as chief executive officer for a wide range of Australian and international publicly listed mining, mining finance and other mining-related companies. In a 25-year tenure as chief executive officer (of which 15 has been in the gold sector), he has been instrumental in founding and growing several companies and overseeing subsequent mergers and acquisitions.

Mr. Askew's most recent full-time roles have been as president and chief executive officer of North American-listed Golden Star Resources Inc. (1999) and Rayrock Resources (1998-1999), which merged with Glamis Gold in 1999 and president and managing director of Golden Shamrock Mines Ltd (1986-1996), which merged with Ashanti Goldfields in 1996.

Mr. Askew is currently a non-executive director of Ausdrill Ltd (a company listed on the ASX) and Golden Star Resources Inc. and the non-executive chairman of Asian Mineral Resources and Oceana Gold Limited (a company listed on the ASX).

Mr. Askew is a member of the Nomination and Remuneration Committee and the Risk Management Committee.

In addition to the companies referred to above, Mr. Askew has been a director of the following listed companies during the past 4 years: Climax Mining Limited (a company formerly listed on the ASX), Yamana Gold Inc (until March 2006) (a company listed on the New York Stock Exchange and on the Toronto Stock Exchange) and AGD Mining Limited (until August 2003) (a company formerly listed on the ASX).

### **Jake Klein, President and Chief Executive Officer**

#### **B.Com. (Hons), ACA**

Mr. Klein has been involved in the mining industry in the PRC since 1995. He was appointed President and Chief Executive Officer of Sino Gold at the time of its formation in June 2000. In this time he has overseen the development of Sino Gold from a single project company into one that holds interests in a number of projects in the PRC, including the Jinfeng Project.

He has over 15 years experience in senior finance and managerial positions in both South Africa and Australia. Prior to emigrating to Australia he worked for PricewaterhouseCoopers in South Africa. He joined Macquarie Bank in 1991 and in 1995, as an associate director at Macquarie, he participated in the formation of Asia Resource Capital Limited, a joint venture between Macquarie Bank and China National Non-Ferrous Metals Industry Corporation. From 1996 to June 2000 he worked for Sino Mining International Limited. During this time he served as a member of Sino Mining International Limited's executive committee and was its executive vice president for the period 1999 to June 2000. Mr. Klein is a non-executive director of Lynas Corporation Ltd (a company listed on the ASX).

### **Hanjing Xu**

Mr. Xu has been involved in the non-ferrous metal industry for more than 17 years and has extensive experience in trading, commercial negotiations and management.

He co-founded Sino Mining International Limited while president of China National Import & Export Company ('CNIEC'). Prior to his three-year presidency of CNIEC, he was a vice president from 1994 to 1996 and its Australian representative from 1989 to 1994. From 1984 to 1989 he was with the Foreign Affairs Bureau of China National Non-Ferrous Metal Industry Corporation.

His understanding of the impact of the economic changes taking place in the PRC, and his communication and negotiating skills, have been instrumental in achieving agreements which work for both Chinese owners and Western investors and developers; as well as in orienting Chinese staff and managers towards the requirements of the market economy.

Mr. Xu heads up Sino Gold's Business Development unit, which has been instrumental in securing all of Sino Gold's CJV agreements and positioning Sino Gold for the acquisition of new projects.

### **Peter William Cassidy**

#### **BSc (Eng), Ph.D., ARSM, DIC, FIMM, FAusIMM, FAICD**

Dr. Cassidy has been a Director of Sino Gold since December 2002 and was Chairman of Sino Gold from November 2005 until November 2006.

He has over 35 years experience in the mining industry in South East Asia, Australia and the US.

He is also a non-executive director of Zinifex Limited, Oxiana Limited, Energy Developments Limited and Lihir Gold Limited (each of which is a company listed on the ASX). Dr. Cassidy is chairman of Sino Gold's Risk Management Committee and a member of the Nomination and Remuneration Committee.

Dr. Cassidy's most recent executive role was as chief executive officer of Goldfields Limited from 1995-2002. Following the merger of Goldfields and Delta Gold Limited to form AurionGold Limited in 2002, he stepped down as chief executive officer and following completion of its acquisition by Placer Dome he resigned as a director of AurionGold Limited.

Dr. Cassidy's previous major board positions include Goldfields Kalgoorlie Limited (previously Pancontinental Mining Limited) from 1995 to 1999 and RGC Limited from 1990 to 1995.

### **Brian Davidson**

#### **LLB, FAICD**

Mr. Davidson was a senior partner of Deacons, a major Australian law firm, with over 35 years experience in corporate and commercial law, particularly in the natural resources industry. During this time, his work included acting for many companies involved in public market takeovers and advising on numerous capital raisings and project financing transactions. Mr. Davidson commenced work with Deacons (previously known as Sly & Russell) in July 1964. Mr. Davidson became a partner on January 1, 1967, and he retired as a partner on June 30, 2004.

Over the last 30 years, Mr. Davidson has served on the board of directors of numerous publicly listed companies, including five as chairman. Most of these companies were involved in the natural resources industries, including gold mining. He is currently a director of the Pain Management Research Institute Ltd, Royal North Shore Hospital, Sydney and numerous privately owned companies. Mr. Davidson is chairman of the Audit Committee and the Nomination and Remuneration Committee and a member of the Risk Management Committee. In the past 3 years, Mr. Davidson has also been a director of the following companies listed on the ASX: Lynas Corporation Limited (until November 2004), Southern Pacific Petroleum NL (until April 2006) and Central Pacific Minerals NL (until February 2005).

### **James Dowsley**

#### **BSc (Mining Engineering)**

Mr Dowsley, aged 49, is a mining engineer with over 25 years in the gold industry. He has extensive experience in operational management of gold mines in South Africa, as well exposure to platinum, coal and base metal operations.

Over the last 15 years Mr Dowsley has been involved in the evaluation of gold mining opportunities. He is currently head of new business for Gold Fields Limited, a position he has held since 1998.

### **Peter Housden**

#### **B.Comm (Hons), FCPA, CFTP, FAICD**

Mr. Housden has over 35 years experience in the accounting/finance/commercial fields crossing a number of industries, including manufacturing, resources, chemicals and professional services. During his 14 years as an executive in the resources sector, he was involved with petroleum, gold, coal, base metals, tin and mineral sands.

Mr. Housden's experience is wider than accounting and finance. He has led strategy reviews, managed business units and had responsibility for human resources and information technology. In addition, he has a continuing interest in corporate reporting and governance through membership of the Australian Institute of Company Directors' ("AICD") Reporting Committee.

Mr. Housden is currently the Chief Financial Officer of Hubb Financial Group Pty Ltd., a member of the Audit Committee for the NSW Department of Housing and Chairman of Speed Surf Pty Ltd. In addition, during the past 3 years, Mr. Housden has been a director of the following companies listed on the ASX: KAZ Group Limited (formerly listed on the ASX) and DataDot Technology Limited.

Mr. Housden joined the Sino Gold Board in June 2006 and is a member of the Audit Committee. Mr. Housden is the independent non-executive Director of Sino Gold with appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules.

## **Jianguo Zhong**

Mr. Zhong has a teaching and professional background in accounting and finance, with detailed knowledge of the Chinese sector, coupled with extensive international experience.

He has been involved with the Chinese accounting and finance sectors for more than 22 years and has held a number of senior management positions with China Minmetals Corporation and its subsidiaries during the past 16 years. Since March 2004, Mr. Zhong has been vice-president and chief financial officer of Sino Mining International Limited, a wholly-owned subsidiary of China Minmetals Corporation and a significant Sino Gold Shareholder. Sino Mining International Limited's main business is alumina and nickel concentrate trading between Australia and the PRC.

Mr. Zhong joined the Sino Gold Board in March 2004 and is a member of the Audit Committee.

## ***Biographies of Officers***

### **Colin (Cobb) Johnstone – Chief Operating Officer**

#### **B. Eng.**

Mr. Johnstone is a mining engineer with over 25 years experience in the gold and metalliferous mining industry, covering both underground and open-pit operations. He has significant international experience, including Canada, Argentina and Australia.

Prior to joining Sino Gold as chief operating officer in early 2006, Mr. Johnstone was the general manager for Kalgoorlie Consolidated Gold Mines, the operator of the super pit in Kalgoorlie-Boulder, the largest gold mine in Australia.

Mr. Johnstone's industry experience includes the following: North Limited – Engineer and Superintendent (1981 to 1988); Denehurst Limited – Manager: Underground Mining (1988 to 1991); Vince Gauci Mining Consultants/Pancontinental Mining Limited – General Manager, Operations – Base Metals (1991 to 1996); Rio Tinto/North Limited – Senior Vice President and Chief Operating Officer, IOC, Joint Venture General Manager – Alumbreira; North Parkes – General Manager (1996 to 2001); Western Mining Corporation – General Manager Operations – Olympic Dam (2001 to 2004); Kalgoorlie Consolidated Gold Mines – General Manager (June 2004–March 2006); Sino Gold Mining Limited – Chief Operating Officer (2006 to present).

### **Wayne Rossiter – Chief Financial Officer**

#### **BE Hons (Min), ACA, MappFin, MAusIMM**

Mr Rossiter has been involved in the resources and energy industries for nearly 20 years. He is an honours graduate in Mining Engineering from the University of New South Wales, holds a Masters in Applied Finance from Macquarie University and is a member of the Institute of Chartered Accountants in Australia.

Mr Rossiter joined Sino Gold as Chief Financial Officer in 2007 prior to which he held senior finance and management roles in a number of publicly listed companies including Bolnisi Gold NL (GM Finance 2005-2006), Roc Oil Company Limited (Financial Controller 2003-2004), Novus Petroleum Limited (Finance Manager 2002-2003) and William Resources Inc. (Financial Controller 1996-2002). These companies have operated in varied international jurisdictions including China, Mexico, Georgia, Great Britain, Canada and the USA. Before this he served as an auditor in the mining division of Coopers and Lybrand, Chartered Accountants (1992-1996).

### **Ivo Polovineo – Company Secretary in Australia**

#### **PNA**



Mr. Polovineo blends the experience of six years with a “Big Four” accounting firm with 25 years in corporate accounting, finance and company secretarial work for a diverse range of companies. He has spent the past 15 years in senior management roles in the resources sector including 10 years as financial controller and company secretary of a number of public listed companies.

Mr. Polovineo joined Sino Mining International Limited in 1997 and was the general manager finance and company secretary of that company prior to the formation of Sino Gold in June 2000.

Mr. Polovineo’s relevant experience includes the following: Golden Valley Mines NL (now known as GVM Metals Limited and listed on the ASX) and CPC Petroleum Corporation NL (a company formerly listed on the ASX) – Financial Controller (1985-1997), Sino Mining International Limited – General Manager Finance and Company Secretary (1997 to 2000), Sino Gold Mining Limited – Chief Financial Officer (2000 to 2007).

### **Jane Chan Yuen Bik – Company Secretary in Hong Kong**

#### **BA (Hons), FCIS, FCS (PE)**

Ms. Chan has almost 20 years experience in the corporate secretarial field. She started her career at the international accounting firm formerly known as Price Waterhouse, then later joined BNP International Financial Services (Hong Kong) Limited and is currently a managing director of HLB BMS Corporate Services Limited. Ms Chan holds a Honours Degree in Accountancy and a Certificate in Commercial Law & Regulations in the PRC. She is a Fellow of the Institute of Chartered Secretaries and Administrators in United Kingdom and a Fellow of the Hong Kong Institute of Chartered Secretaries. She is also a holder of Practitioner’s Endorsement granted by the Hong Kong Institute of Chartered Secretaries. Ms. Chan has extensive experience in corporate governance, company management and administration, group restructuring exercises, winding up and insolvency practices.

### **Corporate Cease Trade Orders and Bankruptcies**

To Sino Gold’s knowledge, other than as set out below, none of the directors or officers of Sino Gold or a shareholder holding sufficient securities of Sino Gold who could materially affect the control of Sino Gold, is, or has been within the ten years before the date hereof, a director or officer of any other company that, while such person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied such company access to any statutory exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company:

Mr. Brian Davidson was appointed a director of Southern Pacific Petroleum NL (“SPP”) and Central Pacific Minerals NL (“CPM”) on October 3, 2000. SPP and CPM were public companies incorporated in Australia whose shares were listed on the ASX. SPP and CPM were engaged in the development of a shale oil processing operation in Queensland, Australia. In December 2003, the creditor of SPP and CPM under a secured note facility appointed Scott Angus Blackwood and David John Winterbottom as joint receivers and managers. The receivers and managers then sold the assets of the companies, leaving insufficient assets to satisfy the unsecured creditors. Accordingly, both companies then went into insolvency administration. Mr. Davidson retired as a director of CPM on February 7, 2005, and SPP on April 5, 2006. No claim has been made against Mr. Davidson arising from his position as a director of SPP or CPM.

### **Penalties and Sanctions**

To Sino Gold’s knowledge, none of the directors or officers of Sino Gold or a shareholder holding sufficient securities of Sino Gold who could materially affect the control of Sino Gold, has been subject to

any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court, or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Personal Bankruptcies**

To Sino Gold's knowledge, none of the directors or officers of Sino Gold or a shareholder holding sufficient securities of Sino Gold to affect materially the control of Sino Gold, or a personal holding company of any such persons has, within the ten years before the date hereof been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

### **Conflicts of Interest**

Sino Gold's directors and officers are required by law to act honestly and in good faith with a view to the best interests of Sino Gold. Subject to any limitations in Sino Gold's constating documents, no agreement or transaction would be void or voidable only because it was made between Sino Gold and one or more of its directors or by reason that such director was present at the meeting of directors that approved such agreement or transaction or that the vote or consent of the director is counted for the approval of such agreement or transaction. Subject to any limitations or provisions to the contrary in the constating documents of Sino Gold, in relation to a proposed agreement or transaction between Sino Gold and one or more of its directors, the relevant director or directors must disclose in good faith his or their interests in such agreement or transaction to the other directors not having a conflict of interest (or a sufficient number of directors to carry the resolution without counting the votes of the interested director(s)) and such other directors must vote in favour of the agreement or transaction at a meeting where the interested director(s) are not present and do not vote. If all of the directors have a conflict of interest, the agreement or transaction must be authorized, approved or ratified by a resolution of shareholders. In appropriate cases, Sino Gold will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

To the best of Sino Gold's knowledge, there are no known existing potential conflicts of interest among Sino Gold, its directors, officers or other members of management of Sino Gold as a result of their outside business interests as at the date hereof. However, certain of the directors, and officers and other members of management serve as directors, officers, and members of management of other public resource companies. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Sino Gold.

James Dowsley is a non-executive director of Sino Gold and is also head of new business development for Gold Fields Limited, a substantial shareholder of Sino Gold and ultimate owner of BIOX® technology used by Sino Gold at the Jinfeng Gold Mine.

The directors and officers of Sino Gold have been advised of their obligations to act at all times in good faith in the interest of Sino Gold and to disclose any conflicts to Sino Gold if and when they arise. Sino Gold Shareholders must appreciate that they will be required to rely on the judgment and good faith of these persons in resolving any such conflicts of interest that may arise.

### **Committees of the Sino Gold Board**

The Sino Gold Board has established the committees set forth below.



### *Nomination and Remuneration Committee*

The Nomination and Remuneration Committee of the Sino Gold Board is responsible for determining and reviewing compensation arrangements for the Directors, the chief executive officer and the senior management and for making recommendations to the Sino Gold Board regarding candidates to fill vacancies on the Sino Gold Board. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

To assist in achieving these objectives, the Nomination and Remuneration Committee considers the nature and amount of executive Directors' and senior executives' emoluments to Sino Gold's financial and operational performance. All senior executives have the opportunity to qualify for participation in the EOP, which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow, share price growth and environmental performance.

The Nomination and Remuneration Committee consists of Brian Davidson, James Askew and Peter Cassidy.

### *Audit Committee*

The Sino Gold Board has established an Audit Committee, which operates under a charter approved by the Sino Gold Board. It is the Sino Gold Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Sino Gold Board has delegated the responsibility for the initial establishment and the maintenance of a framework of internal controls and ethical standards for the management of Sino Gold to the Audit Committee.

The committee also provides the Sino Gold Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Audit Committee consists of Brian Davidson, Jianguo Zhong and Peter Housden.

### *Risk Management Committee*

The Risk Management Committee is responsible for ensuring that risks are identified on a timely basis and that Sino Gold's objectives and activities are aligned with the risks and opportunities identified by the Sino Gold Board.

Areas of risk that are considered by the Risk Management Committee include safety, the environment, the community in which Sino Gold operates and minimisation of business risk.

The Risk Management Committee consists of Peter Cassidy, Brian Davidson and James Askew.

## Executive Compensation

The following tables and notes thereto summarize, on an annualized basis, the compensation for the financial year ended December 31, 2006, paid to the Chief Executive Officer, Chief Financial Officer and each of the three other most highly compensated executive officers serving as at the year ended December 31, 2006 (the "Named Executive Officers").

### Summary Compensation Table

Name and Principal Position	Financial Year	Annual Compensation			Long-Term Compensation			All Other Compensation (3) (A\$)
		Salary (A\$)	Bonus (A\$)	Other <sup>(1)</sup> (A\$)	Awards		Payouts	
					Securities Under Options/SARs Granted <sup>(2)</sup> (#)	Shares or Units Subject to Resale Restrictions (A\$)	Long Term Incentive Plan Payouts (A\$)	
J Klein President and CEO	2006	527,969	150,000	47,031	500,000	-	-	80,000
H Xu Head of Business Development	2006	345,559	125,000	24,440	300,000	-	-	29,000
P Uttley Chief Geologist	2006	221,101	125,000	43,899	300,000	-	-	-
Colin (Cobb) Johnstone Chief Operating Officer	2006	254,587	60,000	22,913	450,000	-	-	-
I Polovineo CFO and Secretary (Australia)	2006	206,304	50,000	43,696	125,000	-	-	2,975

Notes:

<sup>(1)</sup> Superannuation

<sup>(2)</sup> Employee Options

<sup>(3)</sup> Interest benefits under ESIS loans

***Option Grants During the Most Recently Completed Financial Year (Year ending December 31, 2006)***

Named Executive Officer	Options to Acquire Shares	Per cent of Total Options Granted to Employees in Financial Year	Exercise Price (A\$/Share)	Market Value of Shares Underlying Options on the Date of Grant (A\$/Share)	Expiry Date (dd/mm/yy)
J Klein	500,000	19%	3.29	3.50	31/12/10
H Xu	300,000	11%	3.29	3.50	31/12/10
P Uttley	300,000	11%	6.50	7.30	31/12/10
C Johnstone	150,000	17%	3.81	3.66	06/03/11
	300,000		6.50	7.30	31/12/10
I Polovineo	125,000	5%	6.50	7.30	31/12/10

Notes:

(1) A total of 800,000 Director Options were granted in the December 31, 2006 financial year.

(2) A total of 1,855,000 Employee Options were granted in the December 31, 2006 financial year, consisting of 150,000 options with an exercise price of A\$3.81 and expiry date of 06/03/11; 40,000 options with an exercise price of A\$4.88 and expiry date of 03/06/11; and 1,665,000 options with an exercise price of A\$6.50 and expiry date of 31/12/10.

***Aggregated Option Exercises During the Most Recently Completed Financial Year (Year ending December 31, 2006)***

Named Executive Officer	Shares Acquired on Exercise	Aggregate Value Realized (A\$)	Unexercised Options at FY-End Exercisable/Unexercisable	Value of Unexercised in-the-Money Options at FY-End (A\$) Exercisable/Unexercisable
J Klein	-	-	400,000/650,000	2,351,000/2,800,000
H Xu	200,000	550,000	75,000/400,000	345,750/1,733,000
P Uttley	-	-	0/620,000	786,000/947,500
C Johnstone	-	-	0/450,000	0/763,500
I Polovineo	75,000	191,250	25,000/295,000	115,250/807,500

Notes:

(1) Values have been calculated according to the closing share price of Sino Gold for the financial year ended December 31, 2006 of A\$7.30.

***Report on Executive Compensation***

***Composition and Role of the Nomination and Remuneration Committee***

The Nomination and Remuneration Committee of the Sino Gold Board is responsible for determining and reviewing compensation arrangements for the Directors, the chief executive officer and the senior management and for making recommendations to the Sino Gold Board regarding candidates to fill vacancies on the Sino Gold Board. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

To assist in achieving these objectives, the Nomination and Remuneration Committee considers the nature and amount of executive Directors' and senior executives' emoluments to Sino Gold's financial and operational performance. All senior executives have the opportunity to qualify for participation in the EOP, which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow, share price growth and environmental performance.

Sino Gold's remuneration structure maintains its validity by conducting annual reviews taking into account individual performance, the economic environment, the unique requirement for certain employees to travel to and spend time in the PRC, particularly at mine sites, and relevant job and industry comparisons. Sino Gold values the contribution of both individuals and teams in achieving the goals and objectives of the business.

The Nomination and Remuneration Committee consists of Brian Davidson, James Askew and Peter Cassidy.

#### Compensation Philosophy and Objectives

Sino Gold's remuneration policy is designed to attract, retain and motivate highly talented individuals to ensure the capability of its workforce to deliver the business strategy and to maximize shareholder wealth creation.

The key principles of the remuneration policy are to:

- set competitive rewards to attract, retain and motivate highly skilled people;
- implement challenging key performance indicators including financial and non-financial measure of performance through its Performance Management Program;
- establish short and long-term incentive programs across the organisation;
- ensure remuneration planning continues to be integrated within Sino Gold's business planning process; and
- ensure total reward levels and performance targets will be set at appropriate levels to reflect the competitive market in which Sino Gold operates; the prevailing economic environment and the relative performance of comparative companies.

#### Components of Executive Compensation

*Base salary.* Base salary is a fixed component of pay that compensates executives for fulfilling their roles and responsibilities and aids in the attraction and retention of highly qualified executives. Base salaries are reviewed annually to ensure they reflect the individual's expertise and performance in fulfilling his role and responsibilities and remain externally competitive.

*Annual Cash Bonus.* The key principles of the short term annual cash bonus policy are:

- an individual bonus is earned and not a right;
- a bonus is determined according to pre-set targets, but ultimately is discretionary and distribution is related to outstanding achievement;
- a bonus is determined according to performance of the individual, team and Sino Gold;
- general labour market conditions for the position are considered; and
- frequency, timing and quantum of any incentive program including an annual cash bonus, are approved by the chief executive officer and the Sino Gold Board in respect of senior executives and executive Directors.

*Long Term Performance Based Share Options.* Senior staff of Sino Gold are offered participation in Sino Gold's approved EOP. The Sino Gold Board will determine the conditions on which options are issued under the EOP. The options are issued at an exercise price being the higher of (i) A\$0.20; or (ii) the weighted average sale price of the Sino Gold Shares on the ASX over the five trading days immediately prior to the date of issue of the options.

*Stock Options.* The board remuneration committee determines, at its sole discretion, the number of options to be granted under the EOP.

*Restricted Share Units.* There is no scheme to provide restricted share units to Directors or employees of Sino Gold.

*Executive Retirement Plan.* There is no scheme to provide retirement benefits, other than statutory superannuation, to any of the Directors or other employees of Sino Gold. Superannuation contributions by Sino Gold of up to 9% of Australian employees' wages and salaries are legally enforceable in Australia.

*Other Benefits and Perquisites.* ESIS loans were historically provided to employees to acquire Sino Gold Shares pursuant to the ESIS. No interest is paid on the loans. Each loan is for 10 years and the outstanding balance of the loan to each director or non-director is payable within three months of a transfer of the Sino Gold Shares issued under the ESIS or the date the director or non-director ceases to be an employee of Sino Gold. The loan is secured over the Sino Gold Shares. If an employee does not repay the loan, the Sino Gold Shares will revert back to Sino Gold. The ESIS Sino Gold Shares rank equally with ordinary Sino Gold Shares in respect of dividend entitlements with half of all cash dividends declared by Sino Gold being credited towards repaying the loans. On August 28, 2002 the Directors resolved that no further Sino Gold Shares would be issued under the ESIS and accordingly no ESIS Loans have been provided since this date.

#### Compensation of the CEO

The components of total compensation for the Chief Executive Officer are the same as those which apply to other senior executive officers of Sino Gold, namely, annual salary and bonus, and long-term performance based share options. Jacob Klein has served as President and Chief Executive Officer since Sino Gold was incorporated.

#### Employment Contracts

Sino Gold entered into an agreement dated September 30, 2002 with Jacob Klein for the provision of his services as the president and chief executive officer of Sino Gold. The agreement is for a five-year period from December 3, 2002, which is the date of the Sino Gold's listing on ASX.

Sino Gold entered into an agreement dated September 30, 2002 with Hanjing Xu for the provision of his services as executive director. The agreement is for a five-year period from December 3, 2002, which is the date of the listing of Sino Gold on ASX.

Sino Gold entered into an agreement dated January 1, 2004 with Ivo Polovineo for the provision of his services. The term of the employment agreement is on a rolling 12 month period basis. Sino Gold has entered into employment agreements with Mr. Rossiter, Mr. Uttley and Mr. Johnstone on Sino Gold's standard terms.

#### **Compensation of Directors**

As at the date of this Circular, subject to the ASX Listing Rules, the directors (other than a "Managing Director" or an executive director whether by employment or consultancy) may be paid as remuneration for their services, an aggregate maximum sum of A\$650,000 per annum unless otherwise

determined from time to time by Sino Gold in general meeting. The maximum amount of A\$650,000 was approved by a resolution of the shareholders of Sino Gold on May 30, 2006.

Subject to the Corporations Act and to the provisions of any contract between Sino Gold and a managing director or executive officer, the remuneration of the managing director or of an executive director may from time to time be fixed by the directors and may be by way of salary or commission or participation in profits or by all these modes but may not be by a commission on or a percentage of operating revenue. This remuneration may be in addition to any remuneration which the managing director may receive as a Director of Sino Gold.

For the years ended December 31, 2004, 2005 and 2006, the total remuneration paid to Directors was A\$2,064,000, A\$2,461,000 and A\$2,334,000, respectively. The following table provides details of the various components of total remuneration paid to the Directors:

	Year ended December 31		
	2004	2005	2006
	A\$'000s	A\$'000s	A\$'000s
Fees	268	324	289
Other emoluments:			
Salaries, allowances and benefits in kind	1,272	1,265	983
Performance related bonuses	80	135	275
Retirement benefits	-	360	-
Employee share option benefits	314	285	535
Pension scheme contributions	130	101	152
	<b>2,064</b>	<b>2,461</b>	<b>2,334</b>

There is no scheme to provide retirement benefits, other than statutory superannuation, to any of the Directors or other employees of Sino Gold. Superannuation contributions by Sino Gold of up to 9% of Australian employees' wages and salaries are legally enforceable in Australia.

Former chairman and Director, Nicholas Curtis, who was with Sino Gold and its predecessor since 1996, and who retired from the Sino Gold Board in 2005, was paid a termination benefit of A\$360,000 in the year ended December 31, 2005. There are no on-going benefits payable to Mr. Curtis. Except as disclosed in this paragraph, there were no amounts paid or receivable by the Directors as an inducement to join or upon joining Sino Gold or for the loss of office as a Director and there were no arrangements under which a Director has waived or agreed to waive any emoluments.

#### **Indebtedness of Directors and Executive Officers**

None of the Directors or senior officers of Sino Gold, or associates or affiliates of the foregoing persons are indebted to Sino Gold or have been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Sino Gold other than as a result of ESIS Loans.

ESIS Loans were extended to, and are still outstanding from, Jake Klein, Hanjing Xu and Ivo Polovineo. The ESIS Loans were provided to employees for the purpose of purchasing Sino Gold Shares pursuant to the ESIS. No interest is paid on the loans. Each loan is for 10 years and the outstanding balance of the loan to each director or non-director is payable within three months of a transfer of the Sino Gold Shares issued under the ESIS or the date the director or non-director ceases to be an employee of Sino Gold. The loan is secured over the Sino Gold Shares. If an employee does not repay the loan, the

Sino Gold Shares will revert back to Sino Gold. The ESIS Sino Gold Shares rank equally with ordinary Sino Gold Shares in respect of dividend entitlements with half of all cash dividends declared by Sino Gold being credited towards repaying the loans. On August 28, 2002 the Directors resolved that no further Sino Gold Shares would be issued under the ESIS and accordingly no ESIS Loans have been provided since this date.

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During Year ended December 31, 2006 (A\$)	Amount Outstanding as at date of this Circular (A\$)	Financially Assisted Securities Purchased During Year ended December 31, 2006	Security for Indebtedness
J Klein, CEO	Lender	1,148,897	758,232	Nil	1,650,000 Sino Gold Shares
H Xu, Executive Director	Lender	413,603	275,723	Nil	600,000 Sino Gold Shares
I Polovineo, Company Secretary	Lender	25,046	25,046	Nil	50,000 Sino Gold Shares
<b>Totals</b>		<b>1,587,546</b>	<b>1,059,001</b>		

## Risk Factors

There are certain risks inherent in an investment in Sino Gold Shares and in the activities of Sino Gold which Sino Gold Shareholders should carefully consider.

### *Risks Related to the Business and Operations of Sino Gold*

*If Sino Gold is not profitable in the future, the value of the Sino Gold Shares could fall*

Sino Gold's ability to operate profitably depends upon a number of factors, some of which are beyond Sino Gold's direct control. These factors include Sino Gold's ability to develop its mining projects and commercialise gold reserves, Sino Gold's ability to control its costs, the demand and price for gold and general economic conditions. If Sino Gold is unable to generate profits in the future, the market price of the Sino Gold Shares could fall.

Sino Gold has made losses in each financial year since the financial year ending December 31, 2004.

Sino Gold's ore reserves and mineral resources are estimates based on a number of assumptions, any adverse changes in which could require Sino Gold to lower its ore reserves and mineral resources. Sino Gold's mining operations may yield less gold under actual production conditions than indicated by Sino Gold's ore reserve and mineral resources, which are estimates based on a number of assumptions. Ore reserves and mineral resources are estimates, prepared in accordance with the JORC Code, and are based on assumptions, knowledge, experience and industry practice. No assurance can be given that any particular level of recovery of gold from ore reserves or mineral resources will in fact be realised or that an identified mineral resource will ever qualify as a commercially mineable (or viable) orebody which can be legally and economically exploited. Estimates which were valid when made may change significantly when new information becomes available.

Mineral resource and ore reserve estimates are imprecise and depend to some extent on interpretations which may ultimately prove to be inaccurate. Should Sino Gold encounter mineralisation different from that predicted by past drilling, sampling and similar examination, mineral resource and/or ore reserve estimates may have to be adjusted downward. This downward adjustment could materially affect Sino Gold's development and mining plans, which could materially and adversely affect Sino Gold's business and results of operations.



The grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to ore reserves, such as the need for orderly development of orebodies or the processing of new or different grades, may also materially and adversely affect Sino Gold's business and results of operations. There can be no assurance that gold recovered in laboratory tests will be duplicated under on-site conditions or in production-scale operations. Material changes in ore reserves resulting from unexpected changes to the gold price, grades, production costs, stripping ratios and recovery rates may affect their economic viability. Ore reserves are reported as general indicators of mine life and should not be interpreted as assurances of mine life or of the profitability of current or future operations.

The economic viability of ore reserves and mineral resources may also be affected by such factors as permit regulations and requirements, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions.

*Sino Gold may not meet key production and other cost estimates.*

A decrease in the amount of and a change in the timing of the gold production outlook for Sino Gold will directly impact the amount and timing of Sino Gold's cash flow from operations. The actual impact of such a decrease on Sino Gold's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of these projected cash flows that would occur due to production shortfalls or labour disruptions would, in turn, result in delays in receipt of such cash flows and in using such cash to reduce debt levels and may require additional borrowings to fund capital expenditures, including capital for Sino Gold's development projects, in the future.

The level of production and capital and operating cost estimates relating to the expanded portfolio of growth projects, which are used for determining and obtaining financing and other purposes, are based on certain assumptions and are inherently subject to significant uncertainties. It is very likely that actual results for Sino Gold's projects will differ from its current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, and/or increase capital and/or operating costs above, Sino Gold's current estimates. If actual results are less favorable than Sino Gold currently estimates, the company's business, results of operations, financial condition and liquidity could be materially adversely impacted.

*The Group will depend on the Jinfeng Gold Mine, and Sino Gold's interest in the Jinfeng CJV, for substantially all of its revenues and cash flows from operating activities in the near term*

While Sino Gold intends to continue investing in additional mining and exploration projects in the future, the Jinfeng Gold Mine, which is owned by the Jinfeng CJV, a CJV in which Sino Gold owns an 82% interest, is likely to be Sino Gold's only producing mining project in fiscal year 2007. Sino Gold expects that this mine will provide substantially all of Sino Gold's operating revenue and cash flows for at least the next two years and possibly beyond that period. Consequently, a delay or difficulty encountered in the progress or development of the Jinfeng Gold Mine could materially and adversely affect Sino Gold's financial condition and financial sustainability.

In addition, Sino Gold's business and results of operation could be materially and adversely affected by any events which cause the Jinfeng Gold Mine to operate at less than optimal capacity, including among other things, equipment failure or shortages, adverse weather (particularly flooding), serious environmental and safety issues, any permitting or licensing delays; any inability of Sino Gold to generate sales of gold dore; any failure of the mine to produce expected amounts of gold; and any disputes that may arise between Sino Gold and the Jinfeng CJV partner, Lannigou, with respect to the management of the Jinfeng CJV.



*The Jinfeng Gold Mine is in commissioning stage, is expected to involve a significant amount of higher risk underground mining operations, and is yet to demonstrate whether it is capable of operating at the targeted level of economic production*

The Jinfeng Gold Mine has been designed and constructed with the intention that it will be capable of achieving commercial gold production on economically viable terms but is yet to demonstrate such capability. As the Jinfeng Gold Mine is presently in the commissioning stage, there is a risk that the targeted level of commercial gold dore production may be delayed or never realised, or realised only with Sino Gold undertaking significant further capital expenditure.

A significant portion of the Jinfeng ore reserves are expected to be extracted by underground mining methods. The underground mine is in its early development stage. There is a risk that commercial gold dore production from such development may be delayed or never realised at targeted levels. Underground mining operations are generally considered to be higher risk than open-pit operations and the success of the proposed underground mining operation is yet to be proven. There can be no guarantees that the actual performance from the underground mine will not be impacted by circumstances that are unable to be foreseen or quantified until underground mining operations commence.

*Sino Gold could encounter difficulty meeting its capital expenditure requirements in the future*

The exploration for and mining of mineral deposits requires substantial capital investment. The development and expansion plans of Sino Gold may also result in increases in capital expenditures and commitments. Sino Gold may require additional funding to develop Sino Gold's mining projects and expand the business. Sino Gold may be required to seek funding from third parties if internally generated cash resources and available bank facilities are insufficient to finance these activities. In the event that Sino Gold were unable to obtain adequate financing on acceptable terms, or at all, to satisfy its operating, development and expansion plans, its business and results of operations may be materially and adversely affected.

*The Group's indebtedness and the conditions imposed on Sino Gold by Sino Gold's financing agreements could materially and adversely affect Sino Gold's business and results of operations*

As of June 30, 2007, Sino Gold had total bank borrowings of A\$48.9 million and Convertible Notes of US\$35 million. Sino Gold may incur additional indebtedness in the future. Sino Gold's indebtedness could have several important consequences, including but not limited to the following:

- a portion of Sino Gold's cash flow will be used towards repayment of its existing debt, which will reduce the availability of cash to fund working capital needs, capital expenditures, acquisitions and other general corporate requirements;
- Sino Gold's ability to obtain additional financing in the future at all or on reasonable terms may be restricted;
- fluctuations in market interest rates may affect the cost of Sino Gold's borrowings, as some of its loans are at variable interest rates; and
- Sino Gold may be more vulnerable to economic downturns, may be limited in its ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Entities in Sino Gold have provided securities to its lenders in respect of financing arrangements for the Jinfeng Gold Mine. These include security over all of Sino Gold's interest in subsidiaries associated with the Jinfeng Gold Mine as well as security over the assets of Sino Gold associated with the Jinfeng Gold Mine. Sino Gold's financing agreements also include various conditions and covenants that require Sino Gold to obtain lender consents prior to carrying out certain activities and entering into certain transactions. In some cases, entities in Sino Gold must, among other requirements, seek, and

may be unable to obtain, lenders' consents to amend constitutions of Sino Gold companies; or incur additional debt, create additional charges on or further encumber assets, provide additional guarantees or dispose of certain assets, except where such debt, charges, encumbrances, guarantees or disposals are of a type specifically permitted, whether or not there is any failure by Sino Gold to comply with the other terms of such agreements. Failure to meet these conditions or obtain these consents could materially and adversely affect Sino Gold's business and results of operations.

Compliance with the various terms of Sino Gold's loans is, however, subject to interpretation and there can be no assurance that Sino Gold has requested or received all consents from its lenders that would be advisable under its financing documents. As a result, it is possible that a lender could assert that Sino Gold has not complied with all the terms under its financing documents. Any failure to service Sino Gold's indebtedness, comply with a requirement to obtain a consent or perform any condition or covenant could lead to a termination of one or more of Sino Gold's credit facilities, acceleration of amounts due under such facilities and cross-defaults under certain of Sino Gold's other financing agreements, any of which could materially and adversely affect Sino Gold's business and results of operations.

*Fluctuations in the market price for gold could materially and adversely affect the Sino Gold Share Price and Sino Gold's business and results of operations*

Substantially all of Sino Gold's revenues and cash flows are and will continue to be derived from the sale of gold dore. Therefore, the financial performance of Sino Gold is exposed to gold price fluctuations. Historically, the market price for gold has fluctuated widely and has experienced periods of significant decline. The gold price in the PRC is highly influenced by the international gold price, which is denominated in US\$. Gold prices may be influenced by numerous factors and events which are beyond the control of Sino Gold. These factors and events include world demand, forward selling activities, gold reserve movements at central banks, costs of production by other gold producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (especially the strength of the US\$), as well as general global economic conditions and political trends. If gold prices should fall below or remain below Sino Gold's cost of production for any sustained period due to these and other factors and events, the Sino Gold Share price and Sino Gold's business and results of operations could be materially and adversely affected.

*Fluctuations in exchange rates could materially and adversely affect Sino Gold's operating cash flows and profitability*

Fluctuations in the US\$ relative to RMB or in the US\$ relative to the A\$ could materially and adversely affect the cash flow and earnings of Sino Gold. The majority of Sino Gold's operating costs are denominated in RMB, and although Sino Gold's revenue is denominated in RMB, the RMB gold price effectively moves in line with the US\$ gold price. Sino Gold's financial results are published in A\$. Therefore, if the US\$ weakens relative to the RMB, or if the US\$ appreciates relative to the A\$, Sino Gold's consolidated financial results could be materially and adversely affected.

Any increase in the price of production inputs, including labour, power, mine consumables or other inputs could materially and adversely affect Sino Gold's business and results of operations

Input costs can be affected by changes in factors including market conditions, government policies, exchange rates and inflation rates, which are unpredictable and outside the control of Sino Gold. In particular, the cost of power, fuel, explosives and other inputs constitutes a significant part of Sino Gold's operating expenses. Unanticipated increases in the price of these or other inputs could materially and adversely affect Sino Gold's business and results of operations.

*Sino Gold could incur losses or lose opportunities as a result of the derivative instruments Sino Gold holds*

Sino Gold enters into certain hedging transactions as required pursuant to Sino Gold's Senior Loan Facility. Certain hedging transactions may eliminate or limit additional revenues that Sino Gold

would otherwise receive from any future increases in the gold price or changes in exchange rates. In addition, Sino Gold's business and results of operations could be materially and adversely affected if for any reason its production of gold dore is unexpectedly interrupted and as a result it is unable to produce sufficient gold dore to cover any hedging transactions it has entered into. There is also a risk that the counterparty to any hedging transaction could default on its obligations.

Sino Gold does not anticipate putting in place any further gold hedging at this time, and does not hedge future interest rates or foreign exchange transactions.

*As Sino Gold's mines become more mature, the production volumes could decrease and unit production costs could increase.*

The mining process typically starts at surface level and progresses to deeper levels. Production efficiency typically decreases as mining depth increases, due to increased costs of ventilation, drainage and transportation. This may cause the unit production cost to increase. As production efficiency decreases, Sino Gold's business and results of operation could be materially and adversely affected.

*Sino Gold's operations depend on an adequate and timely supply of water, electricity, chemicals and other critical supplies*

Timely and cost effective execution of Sino Gold's mining projects is dependant on the adequate and timely supply of water, electricity, chemicals and other critical supplies. Sino Gold's mining projects will consume a substantial amount of water and electricity in the production process. At the Jinfeng Gold Mine, Sino Gold relies on the local rivers and water table for its water supply, and relies on the local power grids to supply the electricity to meet its requirements. Diesel generators have been installed at the Jinfeng site, however these generators are intended as a back-up device only, to be used to maintain vulnerable production components during times when the local power grids are unable to meet the Jinfeng Gold Mine's electricity demands. The generators cannot supply sufficient electricity to operate the full production process. Chemicals and supplies are transported to the operations by road and this supply can be interrupted during periods of bad weather.

There can be no assurance that Sino Gold will receive adequate supplies of water from local sources or electricity from the local power grids to meet its requirements. There is a risk that those in control of the local power grids will oversell the capacity of those power grids, and that resulting power shortfalls or outages at the Jinfeng Gold Mine could occur. If Sino Gold is unable to procure the requisite quantities of water or electricity in time and at commercially acceptable prices or if there are significant disruptions in the supply of electricity or water to any of Sino Gold's project sites including the Jinfeng Gold Mine, the performance of Sino Gold's business and results of operations could be materially and adversely affected, and in the worst case scenario, result in a shutdown of a project's operation.

*Sino Gold relies substantially on third party contractors to conduct its operations*

It has been Sino Gold's commercial practice over time, where possible, to sub-contract various mining, development and exploration services, including engineering, plant construction, earthmoving, grade control and drilling, on the basis of a competitive tender process. Although such services are supervised by Sino Gold's employees, such arrangements with contractors carry with them risks associated with the possibility that the contractors may (i) have economic or other interests or goals that are inconsistent with Sino Gold's, (ii) take actions contrary to Sino Gold's instructions or requests, or (iii) be unable or unwilling to fulfil their obligations. There can be no assurance that Sino Gold will not experience problems with respect to its contractors in the future. The occurrence of such problems could materially and adversely affect Sino Gold's business and results of operations.

*Sino Gold's mining operations face material risk of liability, delays and increased production costs from design defects, environmental and industrial accidents, and other factors*

By its nature, the business of mineral exploration, project development, mining and processing, contains elements of significant risk and hazards. The continuous success of Sino Gold's business is dependent on many factors such as:

- discovery and/or acquisition of new ore reserves;
- securing and maintaining title to tenements and obtaining necessary consent for exploration and mining;
- successful design and construction of mining and processing facilities;
- successful commissioning and operating of mining and processing facilities; and
- the performance of the technology incorporated into the processing facility, including the BIOX® technology and equipment around which the Jinfeng Gold Mine has been designed and constructed.

Sino Gold's projects are subject to technical risk in that they may not perform as designed. Increased development costs, lower output or higher operating costs may all combine to make a project less profitable than that expected at the time of the development decision. This would have a negative impact on Sino Gold's expected cashflow. No assurance can be given that Sino Gold would be adequately compensated by third party project design, construction and supply companies in the event of equipment failure or that a project did not meet its expected design specifications.

The business may also be disrupted by a variety of risks and hazards that are beyond the control of Sino Gold, including environmental hazards, industrial accidents, technical or mechanical failures, processing deficiencies, labour disputes, unusual or unexpected geological occurrences, severe seismic activity, flooding, dam overflows, cave-ins, the discharge of toxic chemicals, fire, explosions, and other delays. Accidents, technical difficulties, mechanical failure or plant breakdown encountered in the exploration, project development, mining and processing activities could result in disruptions to Sino Gold's operations, increases in its operating costs or personal injuries. Environmental events such as changes in the water table (man-made or naturally occurring) or landslides could materially and adversely affect the underground and open-pit mining of Sino Gold. The occurrence of any of these risks and hazards could result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, delay in production, increased production costs, monetary losses and possible legal liability (including compensatory claims, fines and penalties) to Sino Gold, which could materially and adversely affect Sino Gold's business and results of operations.

*Sino Gold's operations are exposed to risks in relation to the mishandling of dangerous articles*

Sino Gold's exploration, mining and gold production operations involve the handling and storage of explosive, toxic and other dangerous articles. More stringent laws, regulations and policies may be implemented by the relevant PRC authorities, and there can be no assurance that Sino Gold will be able to comply with any future laws, regulations and policies in relation to the handling of dangerous articles economically or at all. In addition, there can be no assurance that accidents arising from the mishandling of dangerous articles will not occur in the future. Should Sino Gold fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of the mishandling of dangerous articles, Sino Gold's business and results of operations may be materially and adversely affected, and Sino Gold may be subject to penalties and/or civil and/or criminal liabilities.

*Severe weather conditions could materially and adversely affect Sino Gold's business and results of operations*

Severe weather conditions, such as heavy rainfall, may require Sino Gold to evacuate personnel or curtail operations and may result in damage to the project site, to a portion of Sino Gold's equipment or to Sino Gold's facilities, which could result in the temporary suspension of operations or generally reduce Sino Gold's productivity. During periods of curtailed activity due to adverse weather conditions, Sino Gold may continue to incur operating expenses while production has slowed down or

stopped altogether. Any damages to Sino Gold's projects or delays in its operations caused by severe weather could materially and adversely affect Sino Gold's business and results of operations.

*Sino Gold owns its projects through CJV companies which are established pursuant to CJV agreements. Sino Gold's CJV partners have the right, subject to certain conditions, to trigger early termination of the CJV agreement*

Pursuant to the provisions of the CJV Law, the CJV companies have been, or will be, established as legal persons with limited liability. The liability of a party to a CJV company has been, or will be, limited to the full amount of such party's equity interest in Sino Gold. A party shares, or will share, in the profits, and bears, or will bear, the losses and risks, of a CJV company in proportion to the percentage of its equity interest in the CJV company.

Under the terms of some of the CJV agreements, in the event of an increase in the registered capital of a CJV company, a party generally has a right to contribute proportionately. Under the terms of the balance of the CJV agreements: (i) Sino Gold is entitled to contribute disproportionately to an increase in the registered capital of a CJV company; (ii) Sino Gold is required (without a corresponding requirement on the CJV partner) to contribute to an increase in the registered capital of a CJV company; and/or (iii) if a party does not contribute to an increase in the registered capital of a CJV company, the other party may contribute and thus dilute the non-contributing party's interest.

Under the terms of some of the CJV agreements, Sino Gold: (i) has an option to acquire an additional interest (ranging from 7.5% and 15%) from a CJV partner; (ii) is required to provide financing to a CJV partner to assist the latter to make a capital contribution or to prepare for the establishment of the CJV company; (iii) is required to make a payment (ranging from RMB6 million to RMB15 million) to a CJV partner for the evaluation and transfer of its exploration right and mining right and the transfer of geological data.

A party to a CJV agreement is entitled to terminate the CJV agreement prior to its expiration by delivering written notice to the other party if: (i) the other party materially breaches the CJV agreement or the articles of association of the CJV company, and such breach is not cured (depending on the terms of the CJV agreement) within 90 or 180 days of written notice to such party; or (ii) the other party or the CJV company becomes bankrupt, or is the subject of proceedings for liquidation or dissolution, or ceases to carry on business, or becomes unable to pay its debts as they come due.

All of Sino Gold's mining and exploration rights are currently held by CJV companies. If Sino Gold is unable to come to an agreement with a CJV partner as to the exploitation of the areas with mining and mineral rights, the CJV company will be unable to exploit the same.

*Unanimous consent of the board of a CJV company may be required to effect certain matters and Sino Gold may not be able to effect such matters despite its desire to do so*

The board of directors of a CJV company (other than the Jinfeng CJV company) ordinarily consists, or will consist, of five directors, three of whom are, or will be, appointed by Sino Gold and two of whom are, or will be, appointed by the CJV partner. In the case of the Jinfeng CJV company, the board consists of nine directors, five of whom are appointed by Sino Gold and four of whom are appointed by the CJV partner. Sino Gold is required under the CJV Law and the CJV agreements to obtain the unanimous consent of the directors present at a meeting of the board on important decisions, which include: (i) amendment to the articles of association of the CJV company; (ii) increase or reduction of the registered capital of the CJV company; (iii) dissolution of the CJV company; (iv) mortgage of the assets of the CJV company; (v) merger or division of the CJV company or a change in its form of its organization; and (vi) adoption of any development program involving a capital expenditure over certain amount (ranging from US\$5 million to US\$10 million) other than any such program which is included in the feasibility study. To the extent unanimous consent cannot be obtained, there is a risk that the Sino Gold will not be able to effect these matters despite its desire



to do so. In the event the parties are unable to resolve a dispute, the parties may be required to move the dispute to mediation or arbitration.

*A CJV company is a joint venture company – it does not confer the same level of control as a wholly-owned subsidiary*

Under all of the existing CJV agreements, Sino Gold is entitled to:

- appoint a majority of the directors of the CJV company; and
- appoint the general manager of the CJV company, who is responsible for the day-to-day operation and management of the CJV company and implementing resolutions of the board.

Therefore, Sino Gold controls the day-to-day management and operations of the CJV companies. However, this control is qualified by the following matters described elsewhere in this Schedule “B”:

- under the CJV Law and the CJV agreements, certain decisions require the unanimous consent of the directors present at a meeting of the board (including the consent of directors appointed by the CJV partner);
- the CJV partner is entitled to terminate the CJV agreement in specified circumstances; and
- the CJV partner may breach its obligations to contribute to an increase in the registered capital of the CJV company, which may result in Sino Gold deciding to make an additional capital contribution to the CJV company in order to satisfy the capital requirements of the CJV company.

In addition, whether Sino Gold will control all of its future CJV companies will depend on commercial negotiations with future CJV partners. If, in the future, Sino Gold enters into a CJV agreement where Sino Gold is not entitled to:

- appoint a majority of the directors of the CJV company; or
- appoint the general manager of the CJV company,

then, Sino Gold may not be able to control the day-to-day management and operations of that CJV company.

*Sino Gold's future growth depends on forming and maintaining successful CJVs to qualify for and carry out mining and exploration projects. If Sino Gold is unable to forge an alliance with appropriate partners, Sino Gold could fail to acquire mining and exploration projects*

In order to be able to acquire mining and exploration projects, Sino Gold enters into CJVs with various Chinese partners that own or hold the relevant mining and/or exploration rights. In cases where Sino Gold is unable to forge an alliance with appropriate partners, Sino Gold may fail to acquire the mining and exploration project which could materially and adversely affect the growth of Sino Gold.

*Any disputes or disagreements with Sino Gold's CJV partners could materially and adversely affect Sino Gold's business and results of operations*

The Group has entered into several CJV agreements, mostly with state-owned entities. In these circumstances, certain members of the management and boards of directors of the CJV companies are nominated by Sino Gold's CJV partners. There is no assurance that the strategic direction of a CJV will be consistent with Sino Gold's objectives. Any change in the management or strategic direction of one or more of Sino Gold's CJVs could materially and adversely affect Sino Gold's business and results of operations. Additionally, if a dispute arises between Sino Gold and a CJV partner

and the partners are unable to amicably resolve the dispute, Sino Gold may be involved in lengthy proceedings to resolve the dispute, which could materially and adversely affect Sino Gold's business and results of operations.

*If Sino Gold is unable to attract, retain and train key personnel, Sino Gold's business and results of operations could be materially and adversely affected*

The Group's success depends to a significant extent upon its ability to attract, retain and train key management personnel, both in Australia and in the PRC, as well as other management and technical personnel (including those employed on a contractual basis). Sino Gold cannot prevent contractors and employees from terminating their respective contracts in accordance with the relevant agreed conditions. The Group's success further depends on the ability of its key personnel to operate effectively, both individually and as a group. All of Sino Gold's key management and technical personnel are important to Sino Gold's success, however none of the key personnel are irreplaceable. If Sino Gold is not successful in retaining or attracting such personnel, Sino Gold's business may be harmed. The loss of the services of any of Sino Gold's key management personnel could materially and adversely affect Sino Gold's business and results of operations.

Additionally, Sino Gold's ability to recruit and train operating and maintenance personnel is also a key factor for Sino Gold's business activities. If Sino Gold is not successful in recruiting and training such personnel, it could materially and adversely affect Sino Gold's business and results of operations.

*Sino Gold's insurance coverage could prove inadequate to satisfy potential claims*

In the PRC, insurance coverage is a relatively new concept and, for certain aspects of business operations, insurance coverage is restricted or prohibitively expensive. For example, Sino Gold is able to obtain only limited workers compensation insurance for its employees in the PRC, so this risk is largely self-insured by Sino Gold. This is in line with industry practice in the PRC. The Group's business and results of operation could be materially and adversely affected if, for example, there was a major accident involving a large number of employees.

Sino Gold has taken out insurance within ranges of coverage consistent with industry practice in the PRC. Sino Gold intends to maintain insurance within ranges of coverage consistent with industry practice in the PRC, but no assurance can be given that Sino Gold will be able to obtain such insurance coverage at economically reasonable premiums (or at all), or that any coverage Sino Gold obtains will be adequate and available to cover the extent of any such claims against Sino Gold. In the event that Sino Gold suffers a significant liability for which Sino Gold is not insured or insurance coverage is inadequate to cover the entire liability, Sino Gold's business and results of operation could be materially and adversely affected.

*Any defects in the titles to Sino Gold's mining properties could prevent or severely curtail Sino Gold's use of the affected properties*

The ability of Sino Gold to carry out successful mining and exploration activities will depend on a number of factors, of which one of the most critical is the ability of Sino Gold's companies to obtain clear and unambiguous tenure of exploration and mining properties. There is no guarantee that a CJV will meet the conditions imposed by the government in relation to any licences issued, or the Chinese mining legislation generally. Furthermore, there can be no assurance that a renewal or a transfer of licences into other forms of licences appropriate for ongoing operations will be granted to the relevant CJV or, if they are granted, that the CJV will be in a position to comply with all conditions that are imposed.

If Sino Gold is unable to secure title to the individual mining properties or if the CJVs are unable to comply with all conditions imposed by the government for the issuance of any required licence, Sino Gold may be unable to operate its projects or to enforce its rights with respect to its projects.

*Sino Gold's mining rights and exploration rights may be infringed by others*

There have been incidents of infringement of mining rights and exploration rights in the PRC gold mining industry, where areas over which licensed exploration or mining rights were held were explored and mined by unauthorised enterprises. In the event that such infringement of Sino Gold's exploration or mining rights occurs in the future, Sino Gold's business and results of operations may be materially and adversely affected.

*Sino Gold's operations are subject to extensive government regulations that could cause Sino Gold to incur costs that materially and adversely affect Sino Gold's business and results of operations*

The Group's operations are subject to extensive government regulation, including environmental, health and safety laws and regulations. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including waste treatment, emissions and disposals. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

Any failure on Sino Gold's part to comply with environmental, health and safety laws and regulations with respect to Sino Gold's operations could result in the imposition of significant liabilities for damages, clean-up costs or penalties or suspension of Sino Gold's right to operate where there is evidence of serious breach. Such costs or disruptions in operations could materially and adversely affect Sino Gold's business and results of operations.

There is no assurance that more onerous environmental, health and safety laws, policies and/or standards (including environmental rehabilitation requirements) will not be implemented by the relevant authorities in the PRC in the future which require Sino Gold to undertake costly measures or obtain additional approvals. The Group's business and results of operations could be materially and adversely affected by any obligations which may be imposed under such new laws, policies and/or standards.

*Sino Gold expects to produce a significant amount of wastewater and tailings as by-products of Sino Gold's mining activities, which could expose Sino Gold to material liabilities*

One of the main environmental issues in the gold mining industry is wastewater and tailings management. Wastewater and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. There can be no assurance that Sino Gold will not be subject to claims for damages to persons or property resulting from the release into the environment of wastewater or tailings residue by Sino Gold's operations. Furthermore, higher environmental protection standards may be imposed by the PRC in the future, which could increase Sino Gold's costs of compliance.

In either event, such costs and liabilities could materially and adversely affect Sino Gold's business and results of operations.

*Sino Gold's mining operations have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards*

The key risks for mine closure are (i) long-term management of permanent engineered structures (dam walls, spillways, wetlands, roads, waste dumps) and acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and contractors; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is dependent on the ability to successfully implement negotiated agreements with the relevant government,



community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impacts and corporate reputation damage if desired outcomes cannot be achieved, which could materially and adversely affect Sino Gold's business and results of operations.

*Any failure by or inability of Sino Gold to obtain and retain required government approvals, permits and licences for its mining and exploration activities or renewals thereof could materially and adversely affect Sino Gold's business and results of operations*

Pursuant to applicable law, all mineral resources in the PRC are owned by the State. Thus, mining enterprises, such as those of Sino Gold, are required to obtain certain government approvals, permits and licences for each of their mining and exploration projects. The ability of Sino Gold to carry on its business is therefore subject to its ability to obtain, and the government's willingness to issue, renew and not revoke, such requisite mining and exploration rights.

According to the PRC laws, before the exploration and exploitation activities relating to mineral resources can commence, the project company must first obtain an Exploration Licence and a Mining Permit, which will generally entitle the project company to the exploration and mining rights attached to the relevant mining project. Furthermore, if the mining activities involve gold resources, a Gold Operating Permit will be also required.

During the mining process, the project company must also obtain a production safety certificate and a waste discharge permit, which are required by the PRC production safety and environmental protection related laws.

There can be no assurance that future approvals or renewals of current rights will be granted in a timely manner, or at all, or not revoked, including in relation to the Jinfeng Gold Mine and/or the White Mountain Project.

Government approval and a business licence are also required to form a CJV in the PRC. There is no certainty that such approval or licence will be granted in a timely manner in the future or at all, or not revoked. Any failure to obtain or any delay in obtaining or retaining any required governmental approvals, permits or licences, or renewals thereof, could materially and adversely affect Sino Gold's business and results of operations.

*It could be difficult for investors to enforce any judgement obtained outside Australia against Sino Gold or any of its associates*

Sino Gold is an Australian registered company and many of its officers and directors are residents of Australia. A substantial portion of the Sino Gold's assets and the assets of the Sino Gold's officers and directors, at any one time, are and may be located in jurisdictions outside Canada. It could be difficult for investors to effect service of process within Canada on the directors and officers who reside outside Canada or to recover against Sino Gold or its directors and officers on judgements of Canadian courts predicated upon the laws of Canada.

If a judgement is obtained against the Sino Gold or the directors in a non-Australian court, additional requirements need to be satisfied in order to attempt to enforce the judgement in Australia. Under the Foreign Judgements Act 1991 (Commonwealth of Australia), an Australian court will only enforce such a judgement if, amongst other things, an application is made to register the judgement in Australia within six years of the date of judgement (or date of latest appeal), it is a judgement of the Court of Appeals in Canada, and the judgement is final and conclusive (even if an appeal can be made from the judgement). In addition, an Australian court may set aside registration of a judgement of the Canadian courts where, for example, the judgement debtor did not appear in the proceedings in Canada, the judgement has been reversed or set aside on appeal, or enforcement of the judgement would be contrary to public policy in Australia.

*The Group may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful*

In the future, Sino Gold may consider making strategic acquisitions or investments as a means of pursuing Sino Gold's corporate strategy. It is possible that Sino Gold may not identify suitable acquisition or investment opportunities, or if it does identify suitable opportunities, that it may not complete those transactions on terms commercially acceptable to Sino Gold or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions could materially and adversely affect Sino Gold's competitiveness and growth prospects. In the event Sino Gold successfully completes an acquisition or investment, it could face difficulties managing the investment or integrating the acquisition with its operations. There can be no assurance that Sino Gold will be able to achieve the strategic purpose of such an acquisition or investment. These difficulties could disrupt Sino Gold's ongoing business, distract its management and employees, and increase its expenses, any of which could materially and adversely affect Sino Gold's business and results of operations.

*The operations of Sino Gold may be exposed to risks in relation to production safety and the occurrence of accidents or natural disasters*

The operations of Sino Gold may be exposed to risks in relation to production safety and the occurrence of accidents or natural disasters. A dialogue is being maintained with the relevant environmental and safety authorities to seek to ensure that obligations are being met and standards are being correctly complied with.

### ***Risks Related to the Industry***

*Exploration of mineral properties is highly speculative in nature, requires substantial expenditures and is often unsuccessful*

Discovery of new mineral resources is crucial to the growth of Sino Gold. There is no assurance that exploration activities will result in the discovery of valuable mineral resources or profitable mining operations. If a viable deposit is discovered, it can take several years and substantial expenditures from the initial phases of exploration until production commences during which time the capital cost and economic feasibility may change. Furthermore, actual results upon production may differ significantly from those anticipated at the time of discovery.

In order to maintain gold production beyond the life of the current proved and probable gold reserves of Sino Gold, further gold reserves must be identified, either to extend the life of existing mines or justify the development of new projects. Sino Gold's exploration programs may not result in the replacement of such gold reserves or result in new commercial mining operations.

*Changes in the laws and regulations relating to the gold industry to which Sino Gold is subject could materially and adversely affect its business and results of operations*

The central and local governments exercise a substantial degree of control over the gold industry in the PRC. As a result, the business of Sino Gold is subject to various government policies, regulations, standards and requirements. If the relevant Chinese government or regulatory body changes its current policies, regulations, standards and requirements or the interpretation thereof, especially those that are currently favourable to Sino Gold, Sino Gold could face disruptions in its operations, increases in operating costs and significant constraints on its flexibility and ability to expand its business operations or to maximise its profitability.

If any of Sino Gold's future projects are not approved, or are not approved on a timely basis, Sino Gold's business and results of operations could be materially and adversely affected.

In addition, the introduction of new policies, legislation or amendments to existing policies or legislation, or changes in the interpretation thereof, in Australia, Hong Kong or the PRC could materially and adversely affect Sino Gold's business and results of operations.

*Sino Gold's ability to obtain gold resources in the future could be materially and adversely affected by competition from other companies*

The future business of Sino Gold depends on its ability to discover or acquire new resources. Sino Gold faces competition from other mining enterprises, both domestic and foreign, in discovering, acquiring and producing resources in the PRC. There can be no assurance that Sino Gold can effectively compete with existing or future competition to acquire mineral resources, and any failure to compete effectively could materially and adversely affect Sino Gold's business and results of operations.

### ***Risks Related to PRC***

*Political, economic and legal developments, as well as PRC government policies, could materially and adversely affect Sino Gold's business and results of operations*

Substantially all of Sino Gold's operating assets are located in the PRC. Accordingly, Sino Gold's result of operations, financial position and prospects are subject to a significant degree to economic, political and legal developments in the PRC. The economy of the PRC has shifted gradually from a planned economy to a socialist market-oriented economy. Sino Gold believes that it has benefited from the economic reforms implemented by the PRC government and the economic policies and measures. However, there is no assurance that the PRC government will maintain, or continue to pursue, economic and political reforms. Specifically, Sino Gold's business and results of operations could be materially and adversely affected by changes in Chinese government regulations with respect to restrictions on production, price controls, export controls, sale of gold, repatriation of profits, income taxes, expropriation of property, environmental legislation or mine safety.

In addition, Sino Gold's business and results of operations could be materially and adversely affected by: (i) changes in the rate or method of taxation; (ii) imposition of additional restrictions on currency conversion and remittances abroad; (iii) reduction in tariff or quota protection and other import restrictions; (iv) changes in the usage and costs of PRC-controlled transportation services; (v) PRC policies affecting the gold industry; (vi) industrial disruptions; or (vii) economic growth.

*There are uncertainties regarding the interpretation and enforcement of PRC laws and PRC regulations*

The PRC legal system is based on a statutory law system. Unlike the common law system, prior legal decisions and judgements are relevant for guidance only but do not have precedent effect. Since 1979, the PRC government has been developing a commercial law system, and progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number; moreover, as prior court decisions are not binding, both the implementation and interpretation of these laws, regulations and legal requirements are uncertain in many areas. Accordingly, there is a risk that some of Sino Gold's existing and future contractual rights may not be fully enforceable under the PRC legal system, which could materially and adversely affect Sino Gold's business and results of operations.

*Changes in foreign exchange regulations could materially and adversely affect Sino Gold's business and results of operations*

Sino Gold receives all its operating revenues in RMB. A portion of these revenues is converted into other currencies to meet foreign currency obligations (such as head office charges, debt servicing, and equipment purchases). Foreign exchange transactions under Sino Gold's capital account, including principal payments in respect of foreign currency-denominated obligations and payments of dividends and interest, continue to be subject to significant foreign exchange controls and require the approval of the State Administration of Foreign Exchange. These limitations could materially and adversely affect Sino Gold's ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

Since 1994, the conversion of RMB into foreign currencies, including A\$ and US\$, has been based on rates set by the PBOC, which are set daily based on the previous day's PRC interbank foreign exchange market rate and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of RMB to US\$ has generally been stable. In 2005, the PRC revalued the exchange rate of the RMB to the US\$ and abolished the RMB to US\$ peg applied in the past. There can be no assurance that in the future, the PRC will not revalue the RMB or permit its substantial appreciation. Any appreciation of the RMB could materially and adversely affect Sino Gold's business and results of operations, through higher foreign currency denominated operating costs and lower financial returns in A\$ terms.

Sino Gold is currently able to repatriate all its RMB funds, and to make payments of dividends and distributions of profits from RMB funds although such repatriations and payments are subject to a mixture of controls and regulations and withholding taxes. While the PRC Government is generally relaxing restrictions on foreign trade and investment, there is no certainty that future RMB can be repatriated or distributed. Any significant restrictions on Sino Gold's ability to repatriate or distribute RMB funds could materially and adversely affect Sino Gold's business and results of operations.

*The outbreak, or threatened outbreak, of any severe communicable disease in the PRC, could materially and adversely affect Sino Gold's business and results of operations*

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in the PRC, could materially and adversely affect the overall business sentiments and environment in the PRC, particularly if such outbreak is inadequately controlled. This in turn could materially and adversely affect domestic consumption, labour supply and, possibly, the overall GDP growth of the PRC. As Sino Gold's revenue is currently derived from its PRC operations, any labour shortages on contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect Sino Gold's business and results of operations. In addition, if any of Sino Gold's employees is affected by any severe communicable disease, it could adversely affect or disrupt Sino Gold's production at the relevant plants and materially and adversely affect its results of operations as Sino Gold may be required to close its facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of Sino Gold's customers and suppliers, which could materially and adversely affect Sino Gold's business and results of operations.

*Uncertainties in relation to the application of taxation laws and regulations could materially and adversely affect Sino Gold's business and results of operations*

Pursuant to certain tax laws and regulations of the PRC, Sino Gold may be eligible to enjoy certain preferential tax treatment. There is no certainty that such preferential treatment will be applied and/or not revoked. The applicable tax rates for the Jinfeng Gold Mine will not be known until the Jinfeng Gold Mine is in a tax paying position. The Group, although potentially eligible for such preferential treatment, cannot be certain of the applicable treatment until such time. Any failure to provide, or revocation of, such concession, could materially and adversely affect Sino Gold's business and results of operations. Further, the imposition of new or additional local taxes or levies by provincial or county governments or administrations could adversely affect Sino Gold's business and results of operations.

*Restrictions on foreign investment in the PRC mining industry could materially and adversely affect Sino Gold's business and results of operations*

In the PRC, foreign companies have in the past been, and are currently, required to operate within a framework that is different from that imposed on domestic PRC companies. However, the PRC Government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's accession into the World Trade Organisation. However, if the PRC Government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalise Sino Gold's PRC operations, Sino Gold's business and results of operations could be materially and adversely affected. For a description of the laws and regulations applicable to foreign mining companies, please refer to the section headed "The PRC Laws and Regulations Relating to the Industry" in this Schedule "B".

### **Legal Proceedings**

Sino Gold is not currently involved in any material legal proceedings, nor is Sino Gold aware of any pending or threatened proceedings, that it believes would have a material adverse effect upon Sino Gold's financial condition or results of operations.

### **Interest of Management and others in Material Transactions**

Except as disclosed herein, Sino Gold is not aware of any material interest of any director or officer of Sino Gold, or any Sino Gold Shareholder who beneficially owns more than 10% of Sino Gold Shares or any known associate or affiliate of these persons, in any transaction or proposed transaction that has materially affected or would materially affect Sino Gold.

**SCHEDULE "C"**  
**COMPARISON OF SHAREHOLDER RIGHTS**

Upon completion of the Offer, Shareholders will become shareholders of Sino Gold, rather than shareholders of Golden China. Since Sino Gold is an Australian corporation, the rights of the shareholders of Sino Gold are governed by the applicable laws of Australia, including the Corporations Act 2001 (the "Act") and the ASX Listing Rules, and by Sino Gold's Constitution. Since Golden China was continued under the laws of Canada, it is governed by the Canada Business Corporations Act ("CBCA"), and other laws of Canada, and by Golden China's articles of continuance and by-laws.

The following is a summary comparison of:

- the current rights of Shareholders under the CBCA and the Golden China articles and by-laws; and
- the rights Shareholders will have as Sino Gold shareholders under the Act, the ASX Listing Rules and Sino Gold's Constitution upon completion of the Offer.

The following summary discusses the material differences between the current rights of Sino Gold Shareholders and Shareholders under the IBCA and the CBCA, respectively, and under the Constitution of Sino Gold and the articles and by-laws of Golden China. The statements in this section are qualified in their entirety by reference to, and are subject to, the detailed provisions of the Act, the ASX Listing Rules, the CBCA, Sino Gold's Constitution, and Golden China's articles and by-laws.

**Corporate Governance**

Sino Gold. The rights of Sino Gold shareholders are governed by the Act, the ASX Listing Rules and the Constitution of Sino Gold.

Golden China. The rights of Shareholders are governed by Canada corporate and securities laws and the articles and by-laws of Golden China.

**Authorized Capital Stock**

Sino Gold. Under the Act, Australian registered companies do not have an authorized share capital and there is no concept of a "par value". Details of Sino Gold's share capital are set forth in Schedule "B", "Information Concerning Sino Gold Mining Limited".

Golden China. The authorized capital stock of Golden China currently consists of an unlimited number of common shares without par value. Details of Golden China's share capital are set forth in Section 2 of the Circular, "Golden China".

**Number, Classification and Election of the Board of Directors**

Sino Gold. Sino Gold's Constitution provides that the number of directors must be not less than three nor more than ten.

As of the date hereof, the Sino Gold Board consists of eight directors. The Sino Gold Board is not divided into separate classes of directors. The Sino Gold Constitution does not permit cumulative voting for the election of directors.

At each annual general meeting of shareholders, one third of the directors (other than the managing director) retire by rotation and are eligible for re-election. Each director is elected for a term of up to three years, subject to re-election as described above, and subject to the rights of shareholders to remove directors, as described below.

Golden China. Golden China's articles provide that the number of directors of the corporation shall consist of a minimum of three and a maximum of ten members. The by-laws provide that the number of directors at any one time is the number within the minimum and maximum as determined by the directors. No decrease in the number of directors will shorten the term of an incumbent director.

As of the date hereof, the Golden China Board consists of six directors. The Golden China Board is not divided into separate classes of directors. The Golden China articles do not permit cumulative voting for the election of directors. The term of each director expires at the annual meeting of shareholders following his/her election as director.

### **Director Qualifications**

Sino Gold. Under the Act, Sino Gold must have at least three directors. At least two directors must ordinarily reside in Australia.

Golden China. Under the CBCA, a distributing corporation, of which any of the issued securities remain outstanding and are held by more than one person, shall have not fewer than three directors, at least two of whom are not employees of the corporation or its affiliates. Twenty-five percent of the directors of a corporation governed by the CBCA generally must be resident Canadians.

### **Removal of Directors**

Sino Gold. Under the Act, the shareholders of Sino Gold may by ordinary resolution at any meeting of shareholders remove any director or directors from office. If the director was appointed to represent the interests of particular shareholders, the resolution to remove the director does not take effect until a replacement to represent their interests has been appointed.

Golden China. Under the CBCA, provided that articles of the corporation do not provide for cumulative voting, shareholders of a corporation may by ordinary resolution at a special meeting, remove any director or directors from office. Where the holders of any class or series of shares of a corporation have an exclusive right to elect one or more directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

### **Newly Created Directorships and Vacancies**

Sino Gold. Under the Act and the Constitution of Sino Gold, the directors of Sino Gold may appoint a person as a director. If a person is appointed by the other directors as a director of Sino Gold, the shareholders must confirm the appointment by resolution at the Sino Gold's next annual general meeting. If the appointment is not confirmed, the person ceases to be a director at the end of the annual general meeting.

Golden China. Under the CBCA, provided that the articles do not provide for cumulative voting, a vacancy created by the removal of a director may be filled at the meeting of shareholders at

which the director is removed. If it is not so filled, a quorum of directors may fill a vacancy among directors, except a vacancy resulting from an increase in the number or the minimum or maximum number of directors or a failure to elect the minimum number of directors provided for in the articles. Each director appointed or elected to fill a vacancy holds office for the unexpired term of their predecessor.

The articles of Golden China provide that the directors of Golden China may appoint one or more directors, but the total number of directors so appointed cannot exceed one third of the number of directors elected at the previous annual meeting of shareholders. Any directors appointed shall hold office for a term expiring not later than the close of the next annual meeting of shareholders.

### **Quorum for Meetings of the Board of Directors**

Sino Gold. Under the Constitution of Sino Gold, the quorum for a directors meeting is two directors entitled to vote or a greater number determined by the directors.

Golden China. Under the CBCA, subject to the articles or by-laws of the corporation, a majority of the number of directors or minimum number of directors required by the articles constitutes a quorum at any meeting of directors. Directors shall not transact business at a meeting of directors unless at least twenty-five percent of the directors present are resident Canadian. Notwithstanding any vacancy, a quorum may exercise all powers of the directors.

Under Golden China's by-laws, a majority of the number of directors in office constitutes a quorum.

### **Annual Meetings of Shareholders**

Sino Gold. Under the Act, Sino Gold must hold an annual general meeting of shareholders at least once in each calendar year and within five months after the end of its financial year.

Golden China. Under the CBCA, the directors of a corporation shall call an annual meeting of shareholders not later than 15 months after holding the last preceding annual meeting but no later than six months after the end of the corporation's financial year.

### **Special Meetings of Shareholders**

Sino Gold. Under the Act, a director may call a meeting of Sino Gold's shareholders. In addition, the directors must call and arrange to hold a general meeting of shareholders on the request of:

- (a) shareholders with at least 5% of the votes that may be cast at the general meeting; or
- (b) at least 100 shareholders who are entitled to vote at the general meeting.

Shareholders with more than 50% of the votes of all of the shareholders who make such a request for a general meeting may call and arrange to hold the general meeting if the directors do not do so within 21 days after the request is given to Sino Gold.

Golden China. Under the by-laws of Golden China, the directors have the power to call special meetings of shareholders.



Under the CBCA, the directors of a corporation may at any time call a special meeting of shareholders. Further, the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at the meeting sought to be held may requisition the directors to call a meeting of shareholders. Upon meeting the technical requirements set out in the CBCA for making such a requisition, the directors of the corporation must call a meeting of shareholders. If they do not do so within 21 days, the shareholders who made the requisition may call the meeting.

### **Quorum for Meetings of the Shareholders**

Sino Gold. Under the Constitution of Sino Gold, the quorum for a meeting of Sino Gold Shareholders is three shareholders. If a quorum is not present within 30 minutes after the time for the meeting set out in the notice of meeting, the meeting is adjourned to the date, time and place the directors specify (or if the directors do not so specify, the same time, the same place and the same day in the next week).

Golden China. Golden China's by-laws provide that two or more Shareholders present in person or by proxy or representing shares by proxy carrying at least 2% of the total number of issued shares having voting rights at the meeting shall constitute a quorum for the meeting.

### **Certain Voting Requirements**

Sino Gold. At a meeting of shareholders:

- (a) on a show of hands, each shareholder has one vote; and
- (b) on a poll, each shareholder has one vote for each share that the shareholder holds.

Under the Act, certain special resolutions are subject to approval by at least 75% of the votes cast by shareholders entitled to vote on the resolution. Examples of matters that require approval by special resolution include amendments to the Constitution and resolutions to voluntarily wind up Sino Gold. In certain cases, a special resolution may also be required to be approved separately by the holders of a class or series of shares, including resolutions approving a variation of the rights attaching to that class or series of shares.

Golden China. Each common share in the capital of Golden China entitles the holder to one vote on each matter upon which shareholders have the right to vote.

Under the CBCA, certain extraordinary corporate actions are required to be approved by special resolution, including certain amalgamations (other than, among others, with a direct or indirect wholly-owned subsidiary), continuances, sales, leases or exchanges of all or substantially all the property of a corporation other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations, dissolutions, (if ordered by a court) Offers, and changes to the authorized or outstanding capital of a corporation. A special resolution is a resolution passed at a meeting by not less than two-thirds of the votes cast by the shareholders who voted in respect of the resolution, or signed by all of the shareholders entitled to vote on that resolution. In certain cases, a special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a class or series of shares, including in certain cases a class or series of shares not otherwise carrying voting rights.

## **Shareholder Action by Written Consent**

Sino Gold. Sino Gold is a public company under the Act. The Act does not provide for shareholder action being taken by a resolution in writing signed by all shareholders of a public company.

Golden China. Under the CBCA, in limited circumstances, shareholder action may be taken without a meeting by a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders.

## **Amendments of Articles of Incorporation / Constitution**

Sino Gold. Under the Act, any amendment to the Constitution requires approval by special resolution, being a resolution passed at a meeting of shareholders by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

Golden China. Under the CBCA, any amendment to the articles generally requires approval by special resolution, being a resolution passed at a special meeting of the shareholders by at least two-thirds of the votes cast.

## **Amendments of By-laws**

Sino Gold. Australian companies do not have by-laws. Those provisions that would appear in the articles or the by-laws of a Canadian company are found in the Constitution of an Australian company.

Golden China. The CBCA provides that, unless the articles, by-laws or a unanimous shareholder agreement otherwise provide, the directors may, by resolution, make, amend or repeal any by-laws that regulate the business or affairs of a corporation. Where the directors make, amend or repeal a by-law, they are required under the CBCA to submit the by-law, amendment or repeal to the shareholders at the next meeting of shareholders, and the shareholders may confirm, reject or amend the by-law, amendment or repeal by an ordinary resolution, which is a resolution passed by a majority of the votes cast by shareholders who voted in respect of the resolution. If the directors of a corporation do not submit a by-law, an amendment or a repeal to the shareholders at the next meeting of shareholders, or if it's rejected by them, the by-law, amendment or repeal will cease to be effective, and no subsequent resolution of the directors to adopt, amend or repeal a by-law having substantially the same purpose and effect is effective until it is confirmed or confirmed as amended by the shareholders.

## **Rights Plan**

Sino Gold. Sino Gold has not adopted a shareholder rights plan.

Golden China. Golden China has not adopted a shareholder rights plan.

## **Dissenters' or Appraisal Rights**

Sino Gold. The Act does not contain provisions concerning dissenters' or appraisal rights.

Golden China. The CBCA provides that a holder of shares of any class of a corporation may exercise dissent rights if the corporation is subject to an order that affects the holder or if the corporation resolves to:

- (a) amend its articles to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles to add, change or remove any restriction upon the business or businesses that the corporation may carry on;
- (c) amalgamate (other than with certain affiliated corporations);
- (d) be continued under the laws of another jurisdiction;
- (e) sell, lease or exchange all or substantially all of its property other than in the ordinary course of business; or
- (f) carry out a going-private transaction or squeeze-out transaction.

### **Oppression Remedy**

*Sino Gold.* The Act provides that a court may make various orders if:

- (a) the conduct of a company's affairs; or
- (b) an actual or proposed act or omission by or on behalf of Sino Gold; or
- (c) a resolution, or a proposed resolution, of shareholders or a class of shareholders of a company,

is either:

- (a) contrary to the interests of the shareholders as a whole; or
- (b) oppressive to, unfairly prejudicial to, or unfairly discriminatory against, a shareholder or shareholders whether in that capacity or in any other capacity.

An application for such an order may be made by:

- (a) a shareholder of Sino Gold;
- (b) a person whom the Australian Securities and Investments Commission thinks appropriate having regard to investigations it is conducting or has conducted into Sino Gold's affairs.

The orders that a court can make pursuant to such an application are wide, including that Sino Gold be wound up, that Sino Gold's Constitution be modified or regulating the conduct of Sino Gold's affairs in the future.

*Golden China.* The CBCA provides an oppression remedy that enables a court to make any order, both interim and final, to rectify the matters complained of if the court is satisfied upon application by a complainant (as defined below) that:

- (a) any act or omission of the corporation or an affiliate effects a result,
- (b) the business or affairs of the corporation or an affiliate are or have been carried on or conducted in a manner, or

- (c) the powers of the directors of the corporation or an affiliate are or have been exercised in a manner

that is oppressive or unfairly prejudicial to or that unfairly disregards the interest of any security holder, creditor, director or officer of the corporation.

A complainant includes:

- (a) a present or former registered holder or beneficial owner of a security of a corporation or any of its affiliates;
- (b) a present or former officer or director of the corporation or any of its affiliates;
- (c) the Director appointed under the CBCA; and
- (d) any other person who, in the discretion of the court, is a proper person to make such application.

The oppression remedy provides the court with an extremely broad and flexible jurisdiction to intervene in corporate affairs to protect shareholders and other complainants. While conduct that is in breach of fiduciary duties of directors or that is contrary to the legal right of a complainant will normally trigger the court's jurisdiction under the oppression remedy, the exercise of that jurisdiction does not depend on a finding of a breach of such legal and equitable rights. Furthermore, the court may order a corporation to pay the interim expenses of a complainant seeking an oppression remedy, but the complainant may be held accountable for such interim costs on final disposition of the complaint (as in the case of a derivative action). The complainant is not required to give security for costs in an oppression action.

### Shareholder Derivative Actions

*Sino Gold*. Under the Act, a person may bring proceedings on behalf of Sino Gold, or intervene in any proceedings to which a company is a party for the purpose of taking responsibility on behalf of Sino Gold for those proceedings if:

- (a) the person is:
  - (i) a shareholder, former shareholder, or person entitled to be registered as a shareholder; or
  - (ii) an officer or former officer of Sino Gold; and
- (b) the person is acting with leave of the court.

The court must grant the application if it is satisfied that:

- (a) it is probable that Sino Gold will not itself bring the proceedings, or properly take responsibility for them; and
- (b) the application is acting in good faith; and
- (c) it is in the best interests of Sino Gold that the applicant be granted leave; and

- (d) if the applicant is applying for leave to bring proceedings – there is a serious question to be tried; and
- (e) either:
  - (i) at least 14 days before making the application, the applicant gave written notice to Sino Gold of the intention to apply for leave and of the reasons for applying; or
  - (ii) it is appropriate to grant leave even though subparagraph (i) is not satisfied.

The court may make any orders, and give any directions, that it considers appropriate in relation to proceedings brought or intervened in with leave. The court may at any time make any orders it considers appropriate about the costs of persons in relation to proceedings brought or intervened in with leave. An order may require indemnification for costs.

*Golden China.* Under the CBCA, a complainant may apply to the court for leave to bring an action in the name of and on behalf of a corporation or any subsidiary, or to intervene in an existing action to which any such corporation or subsidiary is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the corporation or subsidiary. However, under the CBCA, no action may be brought and no intervention in an action may be made unless the court is satisfied that (i) the complainant has given 14 days notice to the directors of the corporation or its subsidiary of the complainant's intention to apply to the court and the directors of the corporation or its subsidiary do not bring, diligently prosecute or defend or discontinue the action; (ii) the complainant is acting in good faith; and (iii) it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued.

Under Canadian law, the court in a derivative action may make any order it thinks fit. In addition, under Canadian law, a court may order a corporation or its subsidiary to pay the complainant's interim costs, including reasonable legal fees and disbursements. Although the complainant may be held accountable for the interim costs on final disposition of the complaint, it is not required to give security for costs in a derivative action.

### **Fiduciary Duties of Directors**

*Sino Gold.* Directors of corporations governed by the Act have fiduciary obligations to the corporation. Under the Act, every director must exercise his or her powers and discharge his or her duties with the degree of care and diligence that a reasonable person would exercise, and must exercise their powers and discharge his or her duties in good faith in the best interests of the corporation and for a proper purpose.

*Golden China.* Directors of corporations governed by the CBCA have fiduciary obligations to the corporation. Under the CBCA, every director of a corporation in exercising his or her powers and discharging his or her duties shall act honestly and in good faith with a view to the best interests of the corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Indemnification of Officers and Directors**

*Sino Gold.* Under the Constitution of Sino Gold, to the extent permitted by the Act, **Sino Gold** may indemnify officers of Sino Gold against any liability incurred by that person in his or her capacity as an officer of Sino Gold.

In accordance with the Act, Sino Gold must not indemnify a person against:

- (a) any of the following liabilities incurred as an officer of Sino Gold:
  - (i) a liability owed to Sino Gold or a related body corporate;
  - (ii) a liability for a pecuniary penalty order under specified provisions of the Act;
  - (iii) a liability that is owed to someone other than Sino Gold or a related body corporate and did not arise out of conduct in good faith; or
- (b) legal costs incurred in defending an action for a liability incurred as an officer of Sino Gold if the costs are incurred:
  - (i) in defending or resisting proceedings in which the person is found to have a liability for which they could not be indemnified under the above provisions;
  - (ii) in defending or resisting criminal proceedings in which the person is found guilty;
  - (iii) in defending or resisting proceedings brought by the Australian Securities and Investments Commission or a liquidator for a court order if the grounds for making the order are found by the court to have been established; and
  - (iv) in connection with proceedings for relief to the person under the Act, in which the court denies the relief.

*Golden China.* Under the CBCA, and as set out in Golden China's by-laws, Golden China will indemnify a director or officer, a former director or officer of the corporation, or another individual who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity. The by-laws state that Golden China will indemnify directors to the fullest extent permitted by the CBCA. Under the CBCA, the corporation can only indemnify directors if: (i) he or she acted honestly and in good faith with a view to the best interests of such corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the corporation's request; and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful. An indemnifiable person is entitled under the CBCA to such indemnity from the corporation if he or she was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done and fulfilled the conditions set out in (i) and (ii) above. A corporation may, with the approval of a court, also indemnify an indemnifiable person in respect of an action by or on behalf of the corporation or body corporate to procure a judgment in its favour, to which such person is made a party by reason of being or having been a director or an officer of the corporation or body corporate, if he or she fulfills the conditions set forth in (i) and (ii), above.

## **Director Liability**

Sino Gold. Under the Constitution of Sino Gold, an officer of Sino Gold is not liable for the act, neglect or default of any other officer or for joining in any act or for any other loss, expense or damage which arises in the execution of the duties of his or her office unless it arises through his or her own negligence, default, breach of duty or breach of trust.

Golden China. Under the CBCA, no provision in a contract, the articles, the by-laws or a resolution relieves a director or officer from the duty to act in accordance with the CBCA or the regulations or relieves them from liability for a breach thereof except to the extent a unanimous shareholders' agreement restricts the powers of the directors and relieves them of liability in connection with these powers.

Under the by-laws of Golden China, subject to the CBCA and other applicable law, no director is liable for any liability of Golden China or for any loss, damage or expense incurred by Golden China for any reason whatsoever or for acts or omissions of any director, officer, employee or agent of Golden China provided that the foregoing will not relieve any director from his statutory duties owed to Golden China.