

## OVERVIEW

The Company is a public company incorporated in NSW and listed on the ASX. The head office of the Company is located in Sydney, NSW.

The Company explores, evaluates, develops and operates gold mines in the PRC through CJV companies, each of which is formed by a wholly-owned subsidiary of the Company and a local PRC partner. The Company's predecessor (from which the Company's business was spun-off) was one of the first foreign companies to operate a gold mine in the PRC. In 1996, it initiated the development of the Jianchaling Gold Mine in Shaanxi Province and successfully operated the Jianchaling Gold Mine until its divestment in September 2006.

The Company is currently focused on the development of the Jinfeng Project through the Jinfeng CJV. The Company has an 82% interest in the Jinfeng CJV through SG Guizhou, a wholly-owned subsidiary of the Company. The Jinfeng Project is located in Guizhou Province and is expected to commence commercial production in the first quarter of 2007.

Once in production and operating at design capacity, the Jinfeng Project is expected to be one of the largest gold mines in the PRC — based on information published by Goldletter International and China Gold Association with initial gold production estimated at 180,000 oz p.a. Based on current ore reserves, production and cost estimates (as discussed on page IV-15 and IV-109 of "Appendix IV — Independent Technical Expert's Report" of this prospectus) and based on independent industry data reports and various broker research reports, the Jinfeng Project is expected to be a long-life (13.7 years), low-cost operation. The Group is currently undertaking investigations to accelerate the commercialisation of the resource at the Jinfeng Project through the early development of its underground mine and expansion of the processing facility. Sourcing ore from the open-pit and underground concurrently will provide increased operational flexibility in delivering feed to the mill.

Using the Jinfeng Project mine as a flagship asset, the Group is pursuing a strategy of growth through exploration and acquisitions. The Group'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. The Company 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.

The White Mountain Project is the Group's most advanced exploration project. An extensive drilling program has been undertaken with more than 50,500m drilled by the Group at this site, up to January 2007. The Group has recently reported an increased mineral resource estimate at the White Mountain Project of 7.7 million tonnes at 3.4 gpt gold and plans to apply for a mining licence in the first quarter of 2007. Subject to a positive result of the pre-feasibility study on the key aspects of the White Mountain Project, the Group plans to commence a full feasibility study in 2007. The Group exercised an option during 2006 to increase its equity interest in the White Mountain Project from 80% to 95%.

In addition to the Jinfeng CJV and the White Mountain CJV, the Group has entered into nine other CJV agreements that cover prospective exploration ground. Five of these agreements are still in the process of obtaining government and regulatory approval. The Company intends to undertake appropriate exploration programs to determine if these properties contain economically-exploitable mineralisation.

## SECONDARY LISTING

The Company is primarily listed on the ASX and is seeking a secondary listing on the Stock Exchange.

## COMPETITIVE ADVANTAGES

The Directors believe that the Group possesses the following competitive advantages:

### First-Mover Position in the PRC

The Group 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, the Group has gained a significant first mover advantage and grown successfully in the PRC. Some of the managers and executives of the Group were involved in the financing, development and operations of the Jianchaling Gold Mine. Development of the Jianchaling Gold Mine was initiated in 1996 and the plant was commissioned in October 1998.

In particular:

- the business of the Group (and/or its predecessor) has been operated in the PRC for over ten years. With the experience that the Group inherited from its predecessor and which improves with each new project, the Group can be more efficient in evaluating opportunities and operating mines than companies without experience in the PRC;
- the Group'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;
- the Group has had 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
- the Group already has a significant establishment in the PRC, with infrastructure and manpower in place. Therefore, the Group'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. The Group 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 the Company'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 were compiled, assessed and interpreted by the Company. 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 the Group 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 the Company according to their attractiveness, creating a pipeline of potential exploration projects for the Group. It would take significant time and resources for other companies to compile a similar database.

The Company has had continuous access to, and use of, the China Review Project since the incorporation of the Company on June 28, 2000. There is no reasonable basis for any other party to assert any intellectual property rights in the China Review Project, to prevent or restrict the Company from modifying, using and exploiting the China Review Project or to initiate or pursue any claim for infringement of any such rights against the Company. At no time has any other party made any such assertions, sought any such prevention, placed any such restrictions or initiated or pursued any such claim.

The Group holds all of the data included in the China Review Project and the Group has not licensed or otherwise made available the China Review Project for use by any third parties.

### **Relationships and Experience in the PRC**

The Group'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, the Group (partly through its predecessor) has built up a strong network of suppliers and contractors. Some of the suppliers and contractors who worked with the Group during the construction and operation of the Jianchaling Gold Mine are now involved in the construction of the Jinfeng Project. This helps to maintain the quality of construction and reliability of supply.

### **Adopting Best Practice**

The Group 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 Jianchaling Gold Mine has won several awards for its environmental and health and safety performance. Please refer to the section headed "Business — Awards and Certificates" in this prospectus.

The delivery of sustainable benefits for all key stakeholders is a guiding value for the Group's activities. The Group aims to achieve this by implementing appropriate policies to health, safety, environmental and community relations in a consistent manner.

The Group now has significant experience in implementing these policies from engaging in exploration projects, mine development and mine operations.

Risk registers are maintained at all sites. These registers form an integral part of procedures recording safety, environmental and community incidents and provide a primary tool for improving the Group's risk management performance.

There have been no incidents where the Group has been fined or penalties imposed by the relevant Government authorities in relation to any breach of environmental laws and regulations during the Track Record Period.

### **STRATEGY**

The Group's goal is to become the leading gold producer in the PRC, which it plans to accomplish through the following strategies:

#### **A Continuing Focus on Gold in the PRC**

The Company believes that while the PRC is a significant gold producing country, it continues to be very prospective and relatively under-explored. The Company'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 Project**

The Company is committed to fully optimising the value of the Jinfeng Project. The immediate priority is the successful commissioning of the open-pit and gold processing production facilities. The Gold Operating Permit for the Jinfeng Project was issued by the NDRC on December 25, 2006 and the Company expects to commence commercial production in the first quarter of 2007. 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, the Group approved the early development of the underground mine at the Jinfeng Project at an estimated pre-production capital cost of US\$20 million, and the development work commenced in November 2006. Based on the current development plan, the Group is scheduled to produce its first ore from the underground mine in early 2008. In addition, exploration to fully define the extent of the Jinfeng Project mineral resource continues as well as further exploration for potential future ore sources in the vicinity of the Jinfeng Project.

The Group does not currently foresee any reason why the Jinfeng Project will not commence production during the first quarter of 2007 as planned. Nonetheless, the Cost Overrun Facility is in place should there be any delays in commencement of production.

#### **Advance the White Mountain Project**

The White Mountain Project is the Group's most advanced exploration project. An extensive drilling program has been undertaken with more than 50,500m drilled by the Group at this property up to January 2007. The Group has reported a mineral resource estimate of 7.7 million tonnes at 3.4 gpt gold, containing 846,000 oz. of gold. 66% of the mineral resources are now in the measured and indicated categories. The Group intends to continue to explore in the 2007 field season with the aim of further upgrading and expanding the mineral resource. Two new exploration licences have increased the White Mountain Project's

ground position from 62 sq.km. to 104 sq.km., these new areas will be explored during the 2007 field program. Subject to a positive result of the pre-feasibility study on the economic viability of development of the White Mountain Project, the Group plans to commence a full feasibility study in 2007. The Group plans to apply for a mining licence with respect to the White Mountain Project in the first quarter of 2007.

### **Pursue Growth Through Successful Exploration**

Since entering the PRC, the Group has been dedicated to pursuing a strategy of growing its resource base through exploration. As such, the Company 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. The Company'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. The Group seeks to enter into CJV agreements with these strategic local exploration partners, and maintain a controlling stake in the CJV. The Group 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 the Group 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, the Group 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**

The Group 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, the Group considers sustained high performance in these key areas as critical to its long term success. The Group believes it has previously demonstrated high levels of performance in these areas at the Jianchaling Gold Mine. At the Jinfeng Project, the Group is committed to working with its employees and stakeholders to ensure a similar level of performance as it transitions from project construction to operation.

**DETAILS OF THE GROUP'S MINING AND EXPLORATION RIGHTS**

As at the Latest Practicable Date, the Group had one gold mine under construction, four exploration projects underway and a further six exploration CJV agreements signed but for which exploration activities have not yet commenced. The map below illustrates the location of the Group's mining and exploration projects in the PRC.



According to the relevant 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 the exploration and mining rights attached to the relevant mining project. Furthermore, if the mining activities involve gold resources, the 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.

Each PRC subsidiary of the Company has complied with the relevant laws and regulations with respect to its exploration and mining operations during the Track Record Period.