

CONNECTED TRANSACTIONS

Following the completion of the Global Offering, the Group will continue to engage in certain transactions with persons who, upon listing of the Company, will constitute the Group’s connected persons under the Listing Rules. Upon listing of the Company, these transactions would, in the absence of the Chapter 14A waiver more particularly described in the section headed “Waivers — Continuing Obligations” in this prospectus, be subject to the connected transaction requirements of Chapter 14A of the Listing Rules.

Set out below is a summary of these connected transactions.

The Company is seeking a secondary listing on the Stock Exchange. The Company has sought and the Stock Exchange has granted a waiver from the Stock Exchange to exempt the Company, for such time as the Company is secondary and not primary listed on the Stock Exchange, from the requirements of among others Chapter 14A of the Listing Rules. The Company will, for such time as the Company is secondarily listed, not be subject to the connected transactions provisions of the Listing Rules. Accordingly, the following analysis of “Connected Transactions” and “Continuing Connected Transactions” is for disclosure purposes only. The Company has set out below what would have been the consequences of these transactions if Chapter 14A did apply to the Company (as would be the case were the Company to become primary listed on the Stock Exchange).

Given the Company is seeking a waiver from Chapter 14A, investors should not rely on the following consequences and any reporting, announcement and independent shareholder approval requirements which would only arise were the Company to become subject to the requirements, of Chapter 14A of the Listing Rules in the future.

The Company is subject to the provisions of the Corporations Act and the ASX Listing Rules concerning related party transactions.

SUMMARY OF CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

<u>Nature of transaction</u>	<u>Type of connected transaction</u>	<u>Applicable Listing Rules</u>	<u>Waiver or exemption while the Company is secondary listed in Hong Kong</u>	<u>Waiver or exemption in the event the Company ever becomes primary listed in Hong Kong</u>
1. CJV agreements	Connected transactions	14A.13(5)	Full waiver from Chapter 14A sought	No exemption from Chapter 14A
2. Share options held by directors of the Company and its subsidiaries	Connected transactions	14A.13(5), 14.72	Full waiver from Chapter 14A sought	Exempted connected transaction per Chapter 14A on the basis that the Company has applied for a partial waiver from compliance with Rule 17.03 of the Listing Rules to the effect that the Company’s EOP is a scheme in compliance with Chapter 17
3. Sanjianfang CJV agreement	Connected transactions	14A.13(5)	Full waiver from Chapter 14A sought	No exemption from Chapter 14A

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4. Heads of Agreement between the Company and Gold Fields Australasia . . .	Connected transactions and continuing connected transactions	14A.13(1), 14A.13(5), 14A.13(6)	Full waiver from Chapter 14A sought	No exemption from Chapter 14A
5. BIOX [®] Licence Agreement and Trademark Agreement in relation to the BIOX [®] Technology.	Continuing connected transactions	14A.13(1), 14A.34, 14A.35	Full waiver from Chapter 14A sought	No exemption from Chapter 14A
6. Lease Agreements	Continuing connected transactions	14A.13(1), 14A.33	Full waiver from Chapter 14A sought	No exemption from Chapter 14A
7. ESIS Loans.	Connected transaction	14A.13(2)	Full waiver from Chapter 14A sought	No exemption from Chapter 14A; partial exemption under Chapter 14A.66

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1. CJV agreements

Certain of the CJV agreements contain provisions that, subject to certain conditions precedent, entitle the Company's subsidiaries to acquire the PRC counter-parties' interests in the relevant CJV. In the case of the Jinluo CJV agreement, SG Jinluo is entitled to acquire from Guiyang Minerals a further interest of between 7.5% and 17.5% in the Jinluo CJV for RMB 6 million. In the case of the Jindu CJV agreement, SG Jindu is entitled to acquire from China Gold a further interest of between 10% and 16.7% in the Jindu CJV for RMB 5 million. In the case of the Golden Triangle CJV agreement, SG Golden Triangle is entitled to acquire from Guangxi Institute a further interest of between 10% and 20% in the Golden Triangle CJV for RMB 7 million. In the case of the North Mountain CJV agreement, SG Guoxing is entitled to acquire from Minxing a further interest of 10% in the North Mountain CJV at the project evaluation price to be determined at the time, as defined in the North Mountain CJV agreement. In the case of the Greatland CJV agreement, SG Greatland is entitled to acquire from Brigade 105 a further interest of 12.5% in the Greatland CJV for RMB 10 million. In addition, the CJV agreements contain a right, in the event of termination for breach, for the innocent party to acquire the defaulting party's interest in the CJV at an agreed price or, failing agreement, at a fair market value determined by an independent valuer.

The PRC counter-parties to these CJV agreements are, or will be, substantial shareholders of the CJV companies, and the prospective CJV companies, respectively. The CJV companies are, or will be upon formation, subsidiaries of the Company. The PRC counter-parties thus are, or will be, connected persons under Rule 14A.11. Accordingly, any future exercise (or non-exercise) of these option rights by the relevant Company subsidiary will constitute connected transactions at that time under Rule 14A.13(5).

The value of the consideration for the acquisition (or non-acquisition) of these interests in the various CJV's and the relevant percentage ratio calculations cannot be known with certainty until the time of exercise (or non-exercise) of the option by the Company's subsidiaries. At the time, the Company would, but for the waiver from Chapter 14A sought from and granted by the Stock Exchange, have to determine if any of the relevant exemptions from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A are available, or otherwise comply with those requirements.

For further details of the CJV agreements, please refer to the sections headed “Business — Information on CJV Agreements” and “Business — Summary of CJV Agreements” in this prospectus.

2. Share options

The Directors of the Company and its subsidiaries hold a range of options in the Company as detailed in “Appendix VI — Statutory and General Information — Disclosure of Interests” of this prospectus. These directors are connected persons under Listing Rule 14A.11. The Company has applied for, and the Stock Exchange has granted, a partial waiver from strict compliance with Rule 17.03 of the Listing Rules from the Stock Exchange to the effect that the Company’s EOP is, in effect, a share scheme in compliance with Chapter 17 of the Listing Rules, and that accordingly, the exercise, non-exercise or transfer of these options would not constitute connected transactions.

3. Sanjianfang CJV agreement

Under the Sanjianfang CJV agreement, at any time after the completion of a first working plan (as defined in the Sanjianfang CJV agreement), the Sanjianfang CJV is entitled to withdraw from the project areas in specified circumstances. If, at the time the Sanjianfang CJV elects to withdraw, less than 5 tonnes of gold reserves exist, or if the total investment of SG HLJ is less than US\$617,000, SG HLJ is obliged to transfer its interest to Brigade 707 without charge. If, at the time the Sanjianfang CJV elects to withdraw, more than 5 tonnes of gold reserves exist and if the total investment of SG HLJ is more than US\$617,000, Brigade 707 is entitled to a “priority right to acquire” the interest of SG HLJ. The agreement provides for a mechanism for the determination of the price.

Brigade 707 is a substantial shareholder of the Sanjianfang CJV, which is a subsidiary of the Company. Brigade 107 is thus a connected person under Rule 14.04(6) and 14A.10(6).

The exercise (or non-exercise) of the option by Brigade 107 to acquire the interest of SG HLJ in the Sanjianfang CJV is a connected transaction under Rule 14A.13(5). The value of the consideration for the exercise (or non-exercise) of the option would not be known with certainty until the exercise (or non-exercise) of the option by Brigade 107. At the time, the Company would, but for the waiver from Chapter 14A (“Connected Transactions”) sought from and granted by the Stock Exchange, have to determine if any of the relevant exemptions from the reporting, announcement and independent shareholders’ approval requirements of Chapter 14A are available, or otherwise comply with those requirements.

For further details of the Sanjianfang CJV agreement, please refer to the sections headed “Business — Information on CJV Agreements” and “Business — Summary of CJV Agreements” in this prospectus.

4. Gold Fields Heads of Agreement

The Company has entered into a Heads of Agreement with Gold Fields Australasia. Details of the Heads of Agreement are set out in the section headed “Business — Recent Developments — Heads of Agreement” of this prospectus. Gold Fields Australasia is a substantial shareholder in the Company and hence is a connected person under Listing Rule 14A.11. The Heads of Agreement contemplates a range of transactions as set out in the section headed “Business — Recent Developments — Heads of Agreement” of this prospectus, including the following:

- the parties agree to create an alliance to explore geological belts bearing defined characteristics in the PRC, save for the region around the Jinfeng Project and the White Mountain Project. This constitutes a connected transaction under Rule 14A.13(6);

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- a party can present an opportunity concerning an acquisition of an interest in the PRC which may hold host deposits bearing defined characteristics being targeted by the alliance. Each party agrees to offer to the other a right to co-participate in any opportunities which bear these defined characteristics. The offer of the opportunity by a party, and its acceptance by the other, constitute connected transactions under Rule 14A.13(5);
- the parties agree to establish joint venture vehicles to explore opportunities which bear the defined characteristics, and to contribute to their costs. The establishment of the joint venture companies constitute connected transactions under Rule 14A.13(6) and the contribution to costs constitute connected transactions under Rule 14A.15(a)(ii);
- the parties agree that Gold Fields Australasia may, in certain cases, cease contribution to opportunities which bear the defined characteristics. In the event that the Company brings the opportunities into production, Gold Fields Australasia will be paid a multiple of its contribution. This is a connected transaction under Rule 14A.13(2)(a). In the event that the Company disposes of the opportunities, or its interest in the joint venture vehicles to explore the opportunities, Gold Fields Australasia will be paid a proportion of the proceeds. This is a connected transaction under Rule 14A.13(2)(a);
- Gold Fields Australasia agrees to sell, and the Company agrees to buy, subject to fulfilment of specified conditions including due diligence satisfactory to the Company, all of Gold Fields Australasia's assets in the PRC at a price to be determined by the parties or, failing agreement, by an independent third party. The offer of sale, and its acceptance, constitute connected transactions under Rule 14A.13. In consideration, the Company will issue Shares, equivalent to the value of the assets, or if this is precluded, Gold Fields Australasia will be provided a credit for its funding commitments. The issuance of Shares constitutes a connected transaction under Rule 14A.31(2)(note). The provision of a credit is a connected transaction under Rule 14A.13(2)(a);
- Gold Fields Australasia has a right to participate pro-rata in any future issue of Shares or securities convertible into Shares by the Company, excluding certain exemptions such as the Global Offering. Any such future participation by Gold Fields Australasia may be a connected transaction to the extent such offer is not pro-rata to all Shareholders under Rule 14A.31(3); and
- in addition, Gold Fields Australasia has a right to nominate a Director of the Company, both parties agree to provide technical assistance for the alliance, both parties agree to seek an orderly migration of Gold Fields Australasia personnel to the Company, and the Company may nominate a replacement Shareholder should Gold Fields Australasia seek to dispose of any of its total shareholding held following the conclusion of the placement of 6,500,000 Shares (subject to an initial two year lock-up). Each of these items may constitute connected transactions.

In addition, the parties agree to contribute to the costs of a group of personnel dedicated to the alliance. The contributions by both the Company and Gold Fields Australasia constitute a continuing connected transaction under Rule 14A.14.

The value of the consideration for each of these connected transactions and the continuing connected transaction cannot be known until such time as they occur. At the time, the Company would, but for the waiver from Chapter 14A ("Connected Transactions") sought from and granted by the Stock Exchange, have to determine if any of the relevant exemptions from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A are available, or otherwise comply with those requirements.

CONTINUING CONNECTED TRANSACTIONS

5. BIOX[®] Licence Agreement and Trademark Agreement

Pursuant to the BIOX[®] Licence Agreement between the Jinfeng CJV and Minsaco, holder of a licence from 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 BIOX[®] Licence Agreement is the Trademark Licence Agreement. Under the 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.

Details of the BIOX[®] Licence Agreement and the Trademark Licence Agreement are set out in the section headed “Business — Production Processes — Oxidation” in this prospectus.

Both Minsaco and Biomin are associates of Gold Fields Australasia, which is a substantial shareholder of the Company. As a result, both Minsaco and Biomin are connected persons under Rule 14A.11. Accordingly, the inter-related transactions under both the BIOX[®] Licence Agreement and the Trademark Licence Agreement therefore constitutes a continuing connected transaction under Rule 14A.14.

The Jinfeng Project is the flagship project of the Group. A key component of the Jinfeng Project is the BIOX[®] technology. The BIOX[®] Licence Agreement therefore provides fundamental technology that is essential to the ongoing successful operation of the Jinfeng Project. The Trademark Licence Agreement is not material to the ongoing successful operation of the Jinfeng Project, because it merely provides a licence to use the name BIOX[®]. The Group could continue to successfully operate the Jinfeng Project whether or not the Group was able to use the name BIOX[®]. However, the BIOX[®] Licence Agreement and the Trademark Licence Agreement are linked because the total consideration payable under the 2 agreements is an aggregate amount in respect of the 2 agreements. If the Trademark Licence Agreement were terminated, then the total consideration payable by the Group would be unchanged. Accordingly, the BIOX[®] Licence Agreement has been entered into on an indefinite basis, and the Trademark Licence Agreement has been entered into on an automatic renewal basis, as, in both cases, is customary in the mining industry in order to provide long term project security. The Directors consider that both the BIOX[®] Licence Agreement and the Trademark Licence Agreement have been entered into on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal terms, on terms no less favourable than terms available from independent third parties.

The Directors further confirm that, but for the waiver from Chapter 14A (“Connected Transactions”) sought from and granted by the Stock Exchange, the aggregated agreements would have met the requirements of Listing Rule 14A.34, being a continuing connected transaction on normal commercial terms where (i) each of the percentage ratios (other than profits ratio) is on an annual basis less than 2.5%; or (ii) each of the percentage ratios (other than the profits ratio) is on an annual basis equal to or more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000. As a result, the BIOX[®] Licence Agreement and the Trademark Licence Agreement would, per se, be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, as well as the 3 year maximum term and maximum annual cap requirements set out in Rule 14A.35, but would be exempt from the independent shareholders’ approval requirement.

In regard to these 3 year maximum term and maximum annual cap requirements, the Company has, due to the fundamental nature of the BIOX[®] Licence Agreement, sought and received from the Exchange a full waiver from Chapter 14A, which would allow both agreements to continue for the life of the mine at the Jinfeng Project, and for the annual maximum cap not to apply so long as the Company is secondary listed in Hong Kong. The Directors confirm that the annual cost payable under the BIOX[®] Licence Agreement and

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the Trademark Licence Agreement (in aggregate) will not, after production commences at the Jinfeng Project, exceed 1% of the annual cash operating cost of the Jinfeng Project. This is calculated based on the Company's cash operating cost average estimate for the Jinfeng Project of US\$220/oz.

The amounts of the payments to be made under the BIOX[®] Licence Agreement and the Trademark Licence Agreement are highly commercially confidential, and the Company 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:

- an instalment was due upon the decision to proceed with construction of the BIOX[®] plant;
- an instalment is due on the date of commencement of operations; and
- 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, the Company 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.

6. Lease Agreement

The Sandi CJV entered into a lease agreement to lease office premises from Shandong Zhengyuan Property Limited Liability Company (“Shandong Zhengyuan”) dated September 28, 2006. The lease provides for payment by the Sandi CJV of quarterly rent of RMB1,504.20 to Shandong Zhengyuan.

Shandong Zhengyuan is an associate of Zhengyuan. Zhengyuan is the PRC party to the Sandi CJV, which is a subsidiary of the Company. Shandong Zhengyuan is an associate of a substantial shareholder of a subsidiary of the Company, and is thus a connected person.

The Heishan CJV entered into a lease agreement to lease premises from Shandong Province Mine Exploration and Development Bureau Organization Services Centre (“Shandong Province”). The lease provides for payment by the Heishan CJV of annual rent of RMB15,840 to Shandong Province.

Shandong Province is an associate of Shandong Bureau. Shandong Bureau is the PRC counter-party to the Heishan CJV, which is a subsidiary of the Company. Shandong Province is an associate of a substantial shareholder of a subsidiary of the Company, and is thus a connected person.

The leases would, but for the waiver from Chapter 14A (“Connected Transactions”) applied for from and granted by the Stock Exchange, be continuing connected transactions upon listing. As the leases are on normal commercial terms, they would fall within the de minimis exemption under Rule 14A.33(3), and would be exempt from reporting, announcement and independent shareholders' approval requirements, and the three year maximum term and maximum annual cap requirements.

Further details of the lease agreements are set out in “Appendix III — Property Valuation” of this prospectus.

7. ESIS Loans

ESIS Loans were extended to, and are still outstanding from, Jacob Klein (in the amount of A\$1,148,897) and Hanjing Xu (in the amount of A\$413,603) (further particulars of which are set out in note 3(i)(b) to “Appendix I — Accountants’ Report” of this prospectus). ESIS Loans were also entered into, and are still outstanding from Ivo Polovineo, Ross Jenkins and Ping Su in the amount of A\$25,046, A\$70,129 and A\$4,007, respectively. Jacob Klein and Hanjing Xu are Directors, and Ivo Polovineo, Ross Jenkins and Ping Su are directors of subsidiaries of the Company, and are thus connected persons. The ESIS Loans are not on normal commercial terms or better. Accordingly, they are connected transactions under Rule 14A.63 and are subject to reporting and announcement requirements under Rule 14A.66.