SINO GOLD MINING LIMITED

澳　華　黃　金　有　限　公　司*

(incorporated in the New South Wales, Australia with limited liability)

(STOCK CODE: ASX: SGX, SEHK: 1862)

(a company incorporated in New South Wales, Australia with limited liability under the Australian Corporations Act 2001 (Commonwealth of Australia)

ANNUAL RESULTS ANNOUNCEMENT
for the year ended 31 December 2007

Contents

Sino Gold Mining Limited A.B.N. 42 093 518 579

Level 22, 44 Market Street

Sydney NSW 2000 AUSTRALIA

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ANNUAL RESULTS ANNOUNCEMENT
for the year ended 31 December 2007

Highlights

				$A'000
Revenue from operating activities		N/A	to	**24,281**
Total revenue from ordinary activities	Down	4%	to	**3,818**
Finance costs	Up	134%	to	**14,465**
Loss from operating activities after income tax expense	Loss increased by	24%	to	**(24,939)**
Net loss for the period attributable to members of Sino Gold Mining Limited	Loss increased by	17%	to	**(23,497)**
Dividend				**Nil**

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SUMMARY OF THE 2007 FULL-YEAR RESULTS

Key Points

- Net loss of A$24.9 million after A$14.5 million in finance costs (including A$8.1 million convertible note inducement and coupon).
- Net assets totalled A$345.9 million at 31 December 2007, including net available cash of A$39.0 million with a further A$107.0 million in cash raised subsequent to the year end.
- Construction of the Jinfeng Gold Mine was completed and commercial production declared on 1 September 2007.
- Jinfeng's Ore Reserves and Mineral Resources increased to 3.2 million ounces and 4.6 million ounces, respectively.
- The White Mountain Project commenced development in the second half of 2007 with Ore Reserves 0.8 million ounces now supporting a >10 year mine life.
- Take-over of Golden China Resources Corporation completed.
- 72% of high-grade Eastern Dragon gold-silver deposit acquired for US$90M.
- Substantial exploration and drilling programs in progress to further consolidate Sino Gold's position as the leading foreign gold company in China.
- Equity issued during the year raised a net A$236.9 million, providing a strong balance sheet to fund growth and acquire Eastern Dragon.

During 2007, Sino Gold has put in place the foundation for strong future profits by commencing gold production at its flagship Jinfeng Gold Mine, commencing development of the White Mountain Gold Mine and successfully acquiring both the Golden China Resources Corporation and the Eastern Dragon gold-silver deposit.

Jinfeng Gold Mine

The Jinfeng Gold Mine is the largest investment in China's mining industry by a foreign company and is China's second largest gold mine.

During the year, Jinfeng's Ore Reserves and Mineral Resources increased 12% to 3.2 million ounces and 14% to 4.6 million ounces, respectively. Jinfeng is an outstanding orebody with robust gold grade, excellent geological continuity and further exploration potential, and will provide the platform for the Company's continued growth. A new resource and reserve is planned to be released in March 2008.

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In March 2007, construction of the processing plant was completed. Gold production for the year totaled 56,981 ounces, including 40,967 ounces produced after declaration of commercial production was achieved in September 2007.

By the end of the year, all areas of the processing plant were performing well and mill throughput rates in excess of design capacity were being achieved.

In late January 2008, power restrictions were placed on Jinfeng that have slowed the ramp-up to planned gold production rates. As of the date of this announcement, power supply has returned to normal and full power is available to the Jinfeng Mine.

White Mountain Gold Mine

Following receipt of the Environmental Impact Assessment approval and the Provincial Project Permit, the Company's Board of Directors approved development of White Mountain in August 2007. The cost to develop White Mountain is estimated to be US$55 million.

Development of White Mountain Gold Mine remains on-schedule and on-budget to commence commissioning of the processing plant in late 2008.

In February 2008, White Mountain's Ore Reserve estimate doubled to 0.8 million ounces and the Measured and Indicated Resource estimate increased to 1.1 million ounces of contained gold.

Gold mineralisation at White Mountain remains open along strike to the northeast and at depth with drilling to continue in 2008.

Take-over of Golden China

On 13 August 2007, Sino Gold announced an offer (the "Offer") of one Sino Gold share for every 4.5 share of Golden China Resources Corporation.

In January 2008, Sino Gold completed the acquisition of 100% of Golden China and has issued a total of 14.2 million shares in relation to the acquisition.

Golden China's key assets are the Beyinhar project in Inner Mongolia, the Nibao project in Guizhou Province and the BioGold processing facility in Shandong Province. These assets are complementary and are located within the three areas in which Sino Gold already has significant activity and capacity. The process to integrate Golden China's assets and management into Sino Gold is already well underway.

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Eastern Dragon Acquisition

In December 2007, Sino Gold entered into agreements to acquire an effective 72% interest in the Eastern Dragon Lode 5 gold-silver deposit in northern China's Heilongjiang Province at a cost of US$90 million. Sino Gold has also secured an exclusive right to acquire up to 80% of the surrounding Exploration Licence (53km^2 in area) for a price to be determined.

By 31 December 2007, Sino Gold had paid US$45 million of the agreed US$90 million acquisition cost.

Eastern Dragon Lode 5 is a high-grade, low-sulphidation epithermal gold-silver deposit which has been tested by extensive trenching, diamond drilling and underground development.

Financial Results

The Jinfeng Gold Mine was deemed to have achieved commercial production on 1 September 2007. Revenue and costs incurred in relation to Jinfeng prior to that time were capitalised.

The table below summarises the P&L impact of the 37,359 ounces of gold sold during September to December 2007.

	A$ Millions
Spot sales revenue	33.6
Hedging loss (pre-commercial production)	(2.1)
Hedging loss (post-commercial production)	**(7.2)**
Net sales revenue	**24.3**
Cost of sales	(24.5)
Depreciation	**(3.5)**
Gross loss	**(3.7)**

The loss before tax and finance costs is A$10.3 million which includes non-mine staff costs of A$6.6 million and administrative costs of A$4.6 million

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Finance costs of A$14.5 million were comprised of:

- interest charges of A$4.3 million on the US$42 million Jinfeng project facility;
- convertible note coupon payments of A$1.6 million; and
- early conversion inducement costs of A$6.5 million relating to the Company converting in December 2007 the US$35 million convertible note, which was due in 2012.

The Group recorded a loss after tax and finance costs of A$23.5 million for the year ended 31 December 2007 compared to a loss of A$20.1 million for the year ended 31 December 2006.

Investment expenditure of A$160.4 million for 2007 was primarily comprised of:

	A$ Millions
Completion of construction of the Jinfeng plant and tailings facilities	32.9
Capitalised commissioning cost (net of gold revenue) until commercial production was declared at Jinfeng	15.7
Underground development and other sustaining and improving capital expenditures at Jinfeng	15.1
White Mountain development costs	10.8
Eastern Dragon acquisition payments	53.6
Golden China Resources investment	5.9
Joint venture acquisition costs	9.0
Exploration activities	18.4

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The Company's rapid growth was funded by share issues raising a total of A$236.9 million during 2007.

	Shares Issued (millions)	Issue Price (A$/share)	Amount Raised (A$ millions)	
January 2007	6.5	5.58	36.0	Placement
March 2007	19.7	7.00	133.1	HKSE Listing
December 2007	13.4	6.75	NA	Golden China Acquisition
December 2007	9.8	6.45	63.1	Eastern Dragon Acquisition
December 2007	15.4	2.89	NA	Convertible note repayment
Various	5.6	Various	5.5	Exercise of options

By 31 December 2007, Sino Gold had paid US$45.0 (A$53.6) million of the US$90 million acquisition cost of Eastern Dragon.

The Group's balance sheet is strong with net assets of A$345.9 million at 31 December 2007. Cash at the end of the year totalled A$109.0 million including restricted cash of A$70.0 million, which is cash held in escrow in relation to an equivalent Reminbi amount drawn from a working capital facility from China Construction Bank. At 31 December 2007 net current liabilities were A$82.6 million and total assets less current liabilities were A$504.8 million.

In January 2008, Sino Gold completed the acquisition of Golden China by issuing a further 0.8 million shares and also completed the Eastern Dragon placement following shareholder approval of issuing a further 16.7 million shares (raising an additional A$107 million).

Outlook

Sino Gold's strategy is to continue to grow its portfolio of quality assets and capitalise on its leading position in China's growing gold industry.

Sino Gold is forecasting Jinfeng to produce 170,000 to 190,000 ounces at an average cash cost of approximately US$300/ounce during 2008. The second half of the year is forecast to be better than the first half as throughput rates and recoveries are anticipated to steadily improve over the course of 2008.

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Commercial production at the White Mountain Gold Mine is planned to be reached in early 2009 and then achieve annual production rate of approximately 70,000 ounces per annum.

Sino Gold is targeting to commit to development of a heap-leach operation at the Beyinhar Project during 2008. The Chinese Feasibility Study has been completed with permitting and additional feasibility study work in progress for a 2.5 million tonne per annum heap-leach "starter" operation at Beyinhar. Drilling to extend both the oxide and sulphide resource potential is planned for 2008.

During 2008, Sino Gold intends to evaluate Eastern Dragon Lode 5 and also progress the acquisition of the surrounding Exploration Licence. Sino Gold also intends to undertake additional metallurgical, geotechnical, mining studies and progress the permitting, so as to fast track this project towards a development decision by year end.

Aimed at discovering very large gold deposits, Sino Gold's 50/50 strategic alliance with Gold Fields Limited (world's fourth largest gold producing company) is another value-creating aspect of the Company.

Sino Gold's technical skills, financial strength and ability to rapidly progress projects has led to the Company being viewed as a partner of choice regarding opportunities in the country.

Gold production from Jinfeng and the Company's pipeline of quality assets provide a powerful platform to grow our business. Sino Gold is very well positioned to capitalise on the enormous opportunity presented by China's prospectivity and rapidly improving business environment.

20 February 2008

By Order of the Board
SINO GOLD MINING LIMITED

James Edward Askew
Chairman

As at the date of this announcement, the directors of Sino Gold Mining Limited are:

Executive directors:
Mr. Jacob Klein
Mr. Hanjing Xu

Non-executive directors:
Mr. James William D'Altera Dowsley
Mr. Jianguo Zhong

Independent non-executive directors:
Mr. James Edward Askew
Mr. Peter William Cassidy
Mr. Brian Henry Davidson
Mr. Peter John Housden

* for identification purposes only

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SINO GOLD MINING LIMITED
ABN 42 093 518 579

Consolidated Financial Statements
for the year ended 31 December 2007

SINO GOLD MINING LIMITED
Year Ended 31 December 2007

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SINO GOLD MINING LIMITED
ANNUAL REPORT 2007

COMPANY PARTICULARS

Directors
James Askew - Chairman
Jacob Klein - President and CEO
Xu Hanjing - Executive Director
James Dowsley – Non-Executive Director
Zhong Jianguo – Non-Executive Director
Brian Davidson – Independent Non-Executive Director
Peter Cassidy – Independent Non-Executive Director
Peter Housden – Independent Non-Executive Director

Audit Committee
Brian Davidson (Chairman)
Zhong Jianguo
Peter Housden

Remuneration and Nomination Committee
Brian Davidson (Chairman)
James Askew
Peter Cassidy

Risk Management Committee
Peter Cassidy (Chairman)
Brian Davidson
James Askew

Company Secretary
Australia - Ivo Polovineo

Hong Kong - Jane Chan Yuen Bik

Authorised Representative
Australia - Ivo Polovineo

Hong Kong - Dennis Chi Ho Ng

Compliance Advisor
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Suite 2201, 22 Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Registered Office
Australia (Principal Place of Business)
Sino Gold Mining Limited
Level 22
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Australia

Hong Kong
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The Landmark, Central
Hong Kong

Auditors
Ernst & Young
680 George Street, Sydney NSW 2000
Australia

Solicitors
Deacons
Level 18, Grosvenor Place,
225 George Street, Sydney NSW 2000
Australia

Share Registry
Registries Limited
Level 7
207 Kent Street, Sydney NSW 2000
Australia

Computershare Hong Kong
Investor Special Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Stock Exchange Codes
Australian Stock Exchange: SGX
Hong Kong Stock Exchange: 1862

Web Site
www.sinogold.com.au

SINO GOLD MINING LIMITED

DIRECTORS' REPORT
YEAR ENDED 31 December 2007

The Board of Directors of Sino Gold Mining Limited is pleased to submit its report in respect of the financial year ended 31 December 2007.

Directors

The names and details of the company directors in office during the financial year and to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

James Askew – Chairman
B.E.(Mining) Hons, M.Eng.Sci,FAusIMM, MCIMM, MSME

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 21-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 (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.

He is currently chairman of International Mining and Finance Corporation, a Denver-based venture capital group targeting gold and base metal opportunities.

Mr. Askew is currently a non-executive director of Ausdrill Ltd and Golden Star Resources Inc, plus the non-executive chairman of Asian Mineral Resources, Sino Gold Mining Limited and Oceana Gold Ltd. Mr. Askew is a member of the Remuneration and Risk Management Committees of Sino Gold. Mr. Askew was appointed Chairman of Sino Gold Mining Limited in November 2006.

During the past four years Mr. Askew has served as a director of the following public listed companies:

- Climax Mining Ltd (until November 2007)
- AGD Mining Ltd (until August 2005)
- Yamana Gold Inc (until March 2007)

Jacob Klein, President and CEO
BCom(Hons), ACA, DipFinMarkets (Sec Inst)

Mr. Klein was appointed President and CEO of the Company at the time of its formation in June 2000. In this time he has overseen the development of the Company from a single project company into one that holds interests in a number of projects in China including Jinfeng.

He has over 16 years experience in senior finance and managerial positions in both South Africa and Australia. He joined Macquarie Bank in 1991 and in 1995, as an associate director at Macquarie, and participated in the formation of Asia Resource Capital Limited, a joint venture between Macquarie Bank and CNNC. From 1996 to June 2000 he worked for Sino Mining International. During this time he served as a member of Sino Mining International'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 and director of the Australia China Business Council and member of the NSW Asia Council.

During the past four years the only other listed company directorship held by Mr. Klein was in Lynas

Corporation Limited

Xu Hanjing, Executive Director

Mr Xu has been involved in the non-ferrous metal industry for more than 18 years and has extensive experience in trading, commercial negotiations and management.

He co-founded Sino Mining International while president of 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 CNNC.

His understanding of the impact of the economic changes taking place in China, 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 the group's Business Development unit, which has been instrumental in securing all of Sino Gold's joint venture agreements and positioning the Company for the acquisition of new projects.

Mr. Xu has held no other listed company directorships in the past three years.

Brian Davidson – Non-executive Director
LLB, FAICD

Mr Davidson is a consultant to Deacons, a major national law firm, having retired in 2004 after 37 years as a partner. Throughout that period, he practised in corporate and commercial law, capital raisings and project finance. He has served on the board of directors of 12 publicly listed companies, including 5 as Chairman, most of which were involved in the mining and exploration industries. Currently, he is also a director of a number of large private company groups and of the Pain Management Research Institute Ltd, Royal North Shore Hospital, Sydney. He is Chairman of the Audit Committee and the Remuneration and Nomination Committee and a member of the Risk Committee. He is a Fellow of the Australian Institute of Company Directors.

Peter Cassidy – Non-executive Director
BSc(Eng), Ph.D., C.Eng, FAusIMM, FIMM

Mr. Cassidy is an experienced and successful senior mining executive with over 37 years exposure to the minerals industry in Australia, Papua New Guinea, Indonesia and the USA, including more than 15 years in the gold industry.

Mr. 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 the company.

He is also a non-executive director of Lihir Gold Limited, Energy Developments Limited and Zinifex Limited. Previous major board positions include Goldfields Kalgoorlie Limited (previously Pancontinental Mining Limited) from 1995 to 1999 and RGC Limited from 1990 to 1995. Mr. Cassidy is chairman of the Risk Management Committee and a member of the Remuneration Committee. Mr. Cassidy was previously Chairman of Sino Gold Mining Limited until November 2006.

During the past four years Mr. Cassidy has served as a director of the following public listed companies:

- Lihir Gold Limited
- Oxiana Limited (until November, 2007)
- Zinifex Limited
- Energy Developments Limited

Zhong Jianguo – Non executive Director

Mr. Zhong has a teaching and practical background in accounting and finance, with detailed knowledge of the Chinese sector coupled with extensive international experience. He is a Senior Accountant certificated by the Finance Ministry of China.

He has been involved with the Chinese accounting and finance sector for more than 24 years and has held a number of senior management positions with China Minmetals Group Corporation and its subsidiaries during the past 18 years. Since March 2004 Mr. Zhong has been vice-president and chief financial officer of Sino Mining International Limited, a wholly owned subsidiary of Minmetals and a significant shareholder in Sino Gold Mining Limited. Sino Mining International's main business is alumina and nickel concentrate trading between Australia and China.

Mr. Zhong is a member of the Audit Committee.

Mr. Zhong has held no other listed company directorships in the past three years.

Peter Housden – Non executive Director
B.Comm (Hons), FCPA, CFTP, FAICD

Mr. Housden has over 36 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 continuing interest in corporate reporting and governance through membership of the AICD Reporting Committee.

Executive board experience includes; Director, Australian Chemicals Limited; Finance Director, RGC Limited and CFO / Company Secretary, MIA Group Limited. Peter is currently a non-executive director of Advanced Surgical, Design and Manufacture Limited.

Mr. Housden is a member of the Audit Committee.

Mr. Housden has held the following other listed company directorships in the past three years:

- Kaz Group Limited
- Data Dot Technology Limited

James Dowsley – Non-Executive Director

Mr Dowsley is an experienced mining engineer with over 25 years in the mining industry. He has broad 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. Gold Fields Limited is a substantial shareholder of the Company.

Mr. Dowsley joined the Board on 30 July 2007.

Secretary

Ivo Polovineo
PNA

Mr. Polovineo has been the company secretary for Sino Gold Mining Limited since its formation in 2000 and previously held the role of Chief Financial Officer. He has spent over 20 years in senior management roles in the resource sector including over 15 years as company secretary or Chief Financial Officer of a number of listed public companies.

Interests in shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Sino Gold Mining Limited were:

	Ordinary Shares	ESIS Shares	Employee Options**	ESIS loans * $
J Askew	140,000	-	-	-
J Klein	1,032,178	1,650,000	1,400,000	758,232
H Xu	200,000	600,000	975,000	275,723
B Davidson	215,347	-	20,000	-
P Cassidy	143,831	-	20,000	-
J Zhong	-	-	120,000	-
P Housden	10,000	-	120,000	-
J Dowsley	-	-	-	-

***** Loans outstanding pursuant to the terms of the Employee Share Incentive Scheme ("ESIS")
Please refer to note 17(c) for further details of options outstanding.

* * The Board has approved additional option issues to J. Klein (500,000), H Xu (350,000) and J Dowsley (120,000) which are subject to shareholder approval.

Principal Activities

The principal activities during the financial year of entities within the group continue to be:

- Mining and processing of gold ore and sale of recovered gold.
- Exploration and development of mining properties.

Review and Results of Operations

Jinfeng Mine (82% Equity)

Open-cut mining performed efficiently with a total of 692,000 tones of ore mined. Development of the underground mine continues to make steady progress with total development of 741m.

Jinfeng commenced commissioning in late of May. The operation achieved commercial production on 1 September 2007. A total of 449,000 tones of ore have been treated in the year with an overall recovery of 71.9% producing 56,981 ounces of recovered gold. Over the year 43,483 ounces of gold were sold.

Towards the end of December the mill was able to achieve a throughput rate of 190 tones per hour verses a design rate of 150 tones per hour. Mill throughput rates, BIOX throughput rates and CIL recovery were all at or ahead of design capacity but flotation recoveries remained lower than design at 82% (versus 91% design).

In late 2007 an in-principle agreement was reached with local government to amend Jinfeng's concessional tax treatment in return for improved infrastructure for Jinfeng. The Jinfeng Joint Venture has agreed to forego its entitlement to reduced income tax until 2010. By agreeing to pay an additional 10% tax equalisation amount to local government until 2010, the applicable income tax rate is now an effective 25%, the same as the national income tax rate. The highest priority infrastructure projects to be undertaken by the local government are an upgrade and surfacing of the road and an upgrade to the power supply lines, both of which have already commenced.

White Mountain (95% Equity)

In August 2007, the Board of Directors approved the development of White Mountain for an estimated project development cost of US$55 million.

Prior to the onset of winter, major earthworks for the processing plant were completed and concrete foundations poured for key areas of the plant in preparation for construction activities to resume in mid-March 2008. As of 31 December 2007 the 230m of underground development was achieved and, over the winter months, both the decline and the south ventilation decline will continue to be advanced. In addition detailed engineering design and procurement activities will be carried on over the winter months.

Eastern Dragon (72% Equity)

In late 2007, the Company entered into agreements to acquire an effective 72% interest in the Eastern Dragon Lode 5 gold-silver deposit in northern China's Heilongjiang Province at a cost of US$90 million. The Company has also secured an exclusive right to acquire up to 80% of the surrounding Exploration Licence (53km^2 in area) for a price to be determined.

Eastern Dragon Lode 5 is a high-grade, low-sulphidation epithermal gold-silver deposit with mineralisation identified over a strike length of 600m and to a depth of 250m. A Chinese exploration Brigade has identified a resource to Chinese standards however further confirmation work is required prior to reporting a Mineral Resource for Lode 5 in accordance with internationally accepted standards including Australasia's JORC Code.

At 31 December 2007 U$45 million of the total acquisition cost of U$90 million had been paid. This has enabled the Joint Venture company to make a significant payment to the Heilongjiang Ministry of Land and Resources in relation to the agreed valuation of the asset. The investment is via a 90% interest in Rockmining Group Company Limited which holds an 80% interest in the Joint Venture company.

Golden China Resource Corporation Acquisition

On 13 August 2007, Sino Gold announced an offer of one Sino Gold share for every 4.5 shares of Golden China Resources Corporation. At 31 December 2007 Sino had acquired a 94% interest in Golden China. Compulsory acquisition of the remaining shares was completed on 16 January 2008. A total of 14.2 million shares were issued under this offer plus a number of replacement options and warrants to existing Golden China option and warrant holders.

Golden China's key assets are the Beyinhar project in Inner Mongolia, the Nibao project in Guizhou Province and the BioGold processing facility in Shandong Province. These assets are complementary and are located within the three areas in which Sino Gold already has significant activity and capacity. The process to integrate Golden China's assets and management into Sino Gold is already well underway.

The preliminary acquisition accounting for the Golden China acquisition includes a restructuring provision in relation to the closure of the Golden China corporate office. The final allocation of purchase price consideration will be made in 2008.

Financial Results

The Group recorded a loss of A$24.9 million for the year ended 31 December 2007 compared to a loss of A$20.1 million for the year to 31 December 2006.

The current period results are primarily made up of earnings from Jinfeng mine following commercial production commencing on 1 September 2007, hedging losses realised for the full period, depreciation and amortisation charges, interest income, finance costs (including costs associated with early conversion of the convertible note), corporate costs, exploration expenditure written off, foreign exchange gains and a gain on the accounting impact on embedded derivatives on seed share options. The results in the previous year included the results from the Jianchaling Mine which was disposed of in the previous year.

Gross sales revenues were A$33.6 million on gold sales of 37,359 ounces made after achieving commercial production at Jinfeng on 1 September 2007. Proceeds of A$4.1 million on the 6,124 ounces sold prior to 1 September 2007 have been offset against capitalised commissioning costs. Costs of sales of A$27.9 million includes depreciation and ammortisation (A$3.5 million), royalties (A$1.4 million), rehabilitation (A$0.3 million) and gold in circuit and finished goods movements from 30 August to 31 December 2007. Hedging losses of A$9.3 million relate to the cash settlement of 31,827 ounces of gold at an average price of US$523 per ounce. Of these A$2.1 million are related to pre-commercial production that were expensed though related to gold sales that were capitalised.

Interest income of A$3.8 million was earned on cash and cash equivalents but excluding restricted cash. Restricted cash represents cash held on deposit to secure the Remimbi working capital loan within China with China Construction Bank and interest earned on this cash is netted against interest and fees paid on the facility. Net finance costs on this facility were A$1.1 million and are included in finance costs.

Finance costs of A$14.5 million include the costs to induce early conversion of the US$35 million convertible note (A$6.5 million), borrowing costs expensed (A$0.7 million), interest charges on the US$42 million Jinfeng project facility (A$4.3 million), net interest charges on Jinfeng Standby L/C Loan (A$1.1 million) and coupon payments on the US$35 million convertible note (A$1.6 million).

During the period the company relinquished the Zhengyuan and Heishan tenements in Shandong Province and the North Mountain tenements in Xinjiang Province. The 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 the relinquished properties.

The Group result was impacted by a gain of A$1.3 million (A$11.4 million loss in 2006) due to the accounting impact on embedded derivatives on seed share options which are treated as derivative liabilities rather than equity resulting in the movement in their value, along with any foreign exchange impact, being recognised as a gain or loss. During the year 4,477,776 of these options were exercised prior to maturity leaving 500,000 options maturing in 2010.

Net cash flows utilised in operating activities was A$19.8 million for the year, which included finance cost payments of A$15.2 million (including A$6.5 million of costs for conversion of the convertible note) and interest received of A$6.1 million, but excluded revenue from gold sales prior to achieving commercial production which were netted against commissioning costs. During the year A$160.4 million was absorbed by investment activities, the bulk of which pertained to exploration, evaluation and development activities.

Of this investment expenditure A$32.9 million was incurred to completion of construction of the Jinfeng plant and tailings facilities, A$15.7 million pertained to net capitalised commissioning cost until commercial production was declared at Jinfeng and A$15.1 million related to underground development and other sustaining and improving capital expenditures at Jinfeng.

Other major investment expenditure includes White Mountain development costs (A$10.8 million), Eastern Dragon acquisition payments (A$53.6 million), Golden China investment (A$5.9 million), joint venture acquisition costs (A$9.0 million) and exploration activities including exploration at Jinfeng and White Mountain (A$18.4 million).

Financing activities during the period include A$236.9 million generated from new share issues, A$56.6 million proceeds from the Reminbi working capital facility from China Construction Bank (“CCB”), loan repayment totally of A$5.1 million made up by the Jinfeng project finance facility (A$2.0 million), CCB Renminbi loan (A$1.6 million), deferred put option premium (A$0.7 million) and Jinfeng financial lease (A$0.7 million).

The Company had cash reserves of A$109.0 million at the end of the period including restricted cash of A$70.0 million. The financial statements recognise total assets of A$743.6 million and net assets of A$345.9 million giving a book value of net assets per share of A$1.55. In accordance with Accounting Standards net assets do not recognise the full value of the Company’s Ore Reserves.

		GROUP 2007 A$'000		GROUP 2006 A$'000
Financial Results				
Sales revenue – spot		33,573		8,695
Hedging loss – pre commercial production		(2,050)		-
Hedging loss – post commercial production		(7,242)		-
Net revenue		24,281		8,695
Loss before depreciation, finance costs, exploration written off and tax		**(5,218)**		**(13,800)**
Conversion of convertible notes		(6,484)		
Other finance costs		(7,981)		(6,176)
Depreciation and amortisation		(3,573)		(78)
Deferred exploration costs written off		(1,545)		-
Loss before income tax		**(24,801)**		**(20,054)**
Income tax expense		(138)		-
Net loss		**(24,939)**		**(20,054)**

Hedging

As part of the Jinfeng project loan facility, the Jinfeng project was required to enter into a hedging program and all outstanding contracts are summarised in the table below, of which 18% is attributable to the minority partner.

	Fixed Forwards		Bought Put Options	
Hedging Position	**Ounces**	**US$/oz**	**Ounces**	**US$/oz**
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	-	-
Total	303,173	525	148,362	400

Hedges cash settled prior to commercial production ceased to be classified as effective hedges. Accordingly the losses on these instruments was expensed in the income statement instead of being capitalised and these form part of the A$9.3 million in hedging losses recorded in the period. All other forward sales and put options are regarded as effective hedges and the mark to market impact is recognised in the balance sheets as a liability and in equity.

Issued Capital

In January 2007 the company completed a share placement with the issue of 6,500,000 ordinary shares at A$5.58 per share raising a total of A$36.0 million.

In March 2007 the company successfully completed a secondary listing on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK"). Total shares issued on SEHK were 19,708,912 ordinary shares at A$7.00 per share raising a total of A$133.1 million. This secondary listing was the first for an Australian company and the Company was the first pre-production mining company listed in Hong Kong.

Following approval by note holders at a meeting on 2 November 2007, the Company has issued a total of 15,383,045 shares in relation to the early conversion of its US$35 million 5.75% convertible subordinated notes due 2012.

As of 31 December 2007 a total of 13,367,870 ordinary shares were issued to acquire a 94% interest in Golden China Resources Corporation. Following compulsory acquisition completed on 16 January 2008 a total of 14,189,642 ordinary shares were issued in relation to this acquisition along with a number of replacement options and warrants issued to existing Golden China option and warrant holders.

On 14 December 2007, Sino Gold successfully arranged a A$170 million placement through the issue of 26.46 million ordinary shares to institutional investors at A$6.45 per share. Settlement of the Placement took place in two tranches of 9.79 million shares on 19 December 2007 and 16.67 million shares following shareholder approval at an Extraordinary General Meeting held on 24 January 2008.

In addition, during the year a total of 5,621,776 ordinary shares were issued on the exercise of unlisted options, details of which are as follows:

- 1,777,776 shares at US$0.625 per share
- 214,000 shares at $2.69 per share
- 75,000 shares at $1.20 per share
- 3,540,000 shares at $1.00 per share
- 15,000 shares at $2.00 per share

The Company has not redeemed any of its shares during the year ended 31 December 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

At 31 December 2007 Sino Gold Mining Limited had 223,432,323 ordinary shares and 10,315,559 unlisted options on issue.

Dividends
No dividends have been recommended, declared or paid during the year ended 31 December 2007.

Significant Changes in Affairs
There were no significant changes to the state of affairs of the Company or the Group during the year other than the issue of shares by the Parent company as stated in the Review and Results of Operations.

Significant Event after Balance Date
The following significant events have occurred after 31 December 2007:

- Second tranche of private placement of 16,669,459 shares at A$6.45 per share was approved at an Extraordinary General Meeting held on 24 January 2008 and the issue was completed on 31 January 2008.

- Compulsory acquisition of Gold China Resource Corporation was completed on 16 January 2008.

Likely Developments and Expected Results
The focus for 2008 will be on ramping Jinfeng up to design gold production rates of 15,000 ounces per month, primarily by achieving consistent production and by increasing flotation recovery rates to design rates. The development of the Jinfeng underground mine is planned to advance sufficiently to enable mining of initial ore via underground mining methods in late 2008.

The White Mountain Project will continue to be developed during 2008 and commissioning of the processing plant is planned to commence in late 2008.

A comprehensive drilling and feasibility program to test the deeper Beyinhar sulphide mineralisation will be conducted during 2008.

At the Eastern Dragon Project, work to verify and convert the Chinese resource to a JORC Code categorised resource will be conducted in 2008. Various studies are planned for 2008 to enable the project to progress towards a development decision by year end.

Environmental Regulation

The group's operating subsidiaries hold permits issued by Provincial Environmental Protection Bureau of the People's Republic of China ("PRC") which specify limits for discharges to the environment from operations as a result of group activities.

These limits are determined by State Environmental Laws and Regulations which are reviewed from time to time. The permits regulate the management of discharges to the air and storm water run-off associated with the mining operations as well as the storage of hazardous materials.

There were no significant breaches of license conditions in the financial year.

Indemnification and Insurance of Directors and Officers

The Company has arranged Directors & Officers Liability/Company Reimbursement Insurance Policies which cover all the Directors & Officers of the Company and its controlled entities. The terms of the policies prohibit disclosure of details of the amount of the insurance cover, the nature thereof and the premium paid.

Directors' Meetings

The numbers of meetings of directors held during the year and the number of meetings attended by each director were as follows:

		Meetings entitled to attend	Meetings attended
J Askew		12	12
J Klein		12	12
H Xu		12	12
P Cassidy		12	12
B Davidson		12	11
J Zhong		12	10
P Housden		12	12
J Dowsley	(appointed 30/07/07)	8	7

Rounding

The amounts contained in this report have been rounded off under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Sino Gold Mining Limited support and have adhered to the principles of corporate governance as recommended by the ASX Corporate Governance Council. The company's corporate governance statement is contained later in this annual report.

Through-out the year ended 31 December 2007 the Company has also complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("SEHK").

During the year ended 31 December 2007 the Company has, in respect of the Model Code set out in Appendix 10 of the SEHK Listing Rules:

(a) adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code; and

(b) there has been no instance of non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Audit Committee

The Group's financial report for the year ended 31 December 2007 has been reviewed by the audit committee. The audit committee notes the ongoing interpretation under International Financial Reporting Standards which deems certain share options to be derivative liabilities rather than equity and the resultant impact of this on the balance sheet and income statement of the Company as highlighted in the financial results.

Remuneration Report (Audited)

The Company's remuneration policy is designed to attract, retain and motivate highly talented individuals to ensure the capability of our workforce to deliver the business strategy and to maximize shareholder wealth creation.

Remuneration Structure
In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration
The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting.

The latest determination was at the Annual General Meeting held on 30 May 2006 when shareholders approved an aggregate remuneration of $650,000 per year. Directors will be seeking to increase this amount at the next Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each non-executive director receives a base fee of $85,000 for being a director of the Group. The Chairman receives a base fee of $175,000. From 1 January 2008 an additional fee of $7,500 will also be paid for each Board committee on which a non-executive director sits and $10,000 if the director is a Chair of a Board Committee with $15,000 being paid to the Chair of the Audit Committee. The payment of additional fees for serving on a committee recognises the additional time commitment required by non-executive directors who serve on one or more sub committees.

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs

Executive Remuneration
The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. The 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.

Cash bonuses paid and numbers of options granted are at the complete discretion of the Board and are based on individual and company performance based on set performance targets.

To assist in achieving these objectives, the Remuneration Committee considers the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive and Employee Option Plan which currently provides incentives. The options vest over 3 years and expire in 5 years provided that the employee/director remains as employee/director of the company.

Details of the nature and amount of each element of the remuneration of each director of the company and 5 named executives who receive the highest remuneration are shown below.

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 (KPIs) including financial and non-financial measures of performance through our Performance Management Program.
- Establish short and long-term incentive programs across the organization, for which the following principles apply:

- Short term annual cash bonus:

- Individual bonus is earned and not a right;
- Bonus is discretionary and distribution is related to outstanding achievement;
- Bonus is determined according to individual, team and Company performance;
- General labour market conditions for the position will be considered; and
- Frequency, timing and quantum of any incentive program must be approved by the CEO and the Board in respect of senior executives and executive directors.

- Long term performance based share options:

Senior staff will be offered participation in the Company's approved Executive and Employee Option Plan. The Board will determine the conditions on which options are issued under this Plan. The options are issued at an exercise price being the weighted average sale price of the Company's shares on ASX over the 5 trading days immediately prior to the date of issue of the options.

- Ensure remuneration planning continues to be integrated within the Company's business planning process.
- Total reward levels and performance targets will be set at appropriate levels to reflect the competitive market in which we operate; the prevailing economic environment and the relative performance of comparator companies. The aim is to position outstanding performance within the top quartile of the industry.

The 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 China, particularly at mine sites, and relevant job and industry comparisons. The company values the contribution of both individuals and teams in achieving the goals and objectives of the business and through our Performance Management Program our employees understand how their plans and efforts are linked to the organisation's objectives and the interests of the shareholders.

The remuneration structure further recognises that whilst the Company is in the process of developing its projects and pursuing new opportunities, it should conserve its cash resources, and accordingly, where appropriate, should issue options under the approved Executive and Employee Option Plan as an integral part of its remuneration policy.

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 on issue from time to time.

Director remuneration for the year ended 31 December 2007

Name	Base Fee	Other*	Bonus	Super-annuation	Amortised value of options granted *	Total	% of remuneration for the year consisting of options
	Annual Emoluments				**Long Term Emoluments**		
	$		$	$	$	$	
J Askew	175,000	-	-	-	-	175,000	-%
J Klein	565,039	60,000	200,000	51,461	659,484	1,535,984	42.9%
H Xu	366,972	22,000	125,000	33,028	423,323	970,323	43.6%
B Davidson	85,000	-	25,000	-	-	110,000	-%
P Cassidy	42,500	-	-	42,500	-	85,000	-%
J Zhong	83,245	-	-	1,755	13,200	98,200	13.4%
P Housden	38,991	-	25,000	46,009	63,677	173,677	36.7%
J Dowsley	35,417	-	-	-	-	35,417	**-%**
	1,392,164	82,000	375,000	174,753	1,159,684	3,183,601	36.4%

* Interest benefits under ESIS loans. During the year Mr. Klein repaid $390,665 ESIS loans and Mr. Xu repaid $137,880. The loans are interest free – details of the terms of the ESIS loans are set out in note 22 of the financial statements.

Director remuneration for the year ended 31 December 2006

Name	Base Fee	Other*	Bonus	Super-annuation	Amortised value of options granted **	Total	% of remuneration for the year consisting of options
	Annual Emoluments				**Long Term Emoluments**		
	$		$	$	$	$	
J Askew	94,799		-	-	8,467	**103,266**	8.2%
J Klein	527,969	80,000	150,000	47,031	303,833	**1,108,833**	27.4%
H Xu	345,559	29,000	125,000	24,440	189,750	**713,749**	26.6%
B Davidson	85,000		-	-	8,467	**93,467**	9.1%
P Cassidy	131,250		-	31,425	8,467	**171,142**	4.9%
J Zhong	77,982		-	7,018	13,200	**98,200**	13.4%
P Housden	-		-	42,500	-	**42,500**	**-**
	1,262,559	109,000	275,000	152,414	532,184	**2,331,157**	22.8%

* Interest benefits under ESIS loans.

Remuneration of the 5 named executives who receive the highest remuneration for the year ended 31 December 2007

Name	Base fee	Bonus	Super-annuation	Amortised value of options granted *	Total	% of remuneration for the year consisting of options
	Annual Emoluments		**Long Term Emoluments**			
	$	$	$	$		
C Johnstone – Chief Operating Officer	366,972	60,000	33,028	361,944	821,944	44.0%
P Uttley – Chief Geologist	253,211	125,000	2,752	378,229	759,192	49.8%
I Polovineo – Company Secretary	208,142	80,000	52,097	189,283	529,522	35.7%
T Norman – DGM Geology	183,486	50,000	16,514	106,011	356,011	29.8%
W Rossiter** - Chief Financial Officer	142,304	25,000	28,360	97,917	293,581	33.4%
	1,154,115	340,000	132,751	929,456	2,556,322	36.4%

* The fair value of options granted have been valued using an option pricing model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. The fair value of these options has not been recorded as an expense in the financial statements. The options granted have a 3 year vesting period and accordingly the benefits are allocated over that vesting period.

These options were issued pursuant to the Company's Executive and Employee Option Plan approved by the Board on 28 August 2002 – refer Note 17(d).

** W. Rossiter commenced employment on 7 May 2007.

Remuneration of the 5 named executives who receive the highest remuneration for the year ended 31 December 2006

	Annual Emoluments			Long Term Emoluments		
Name	**Base fee**	**Bonus**	**Super-annuation**	**Amortised value of options granted**	**Total**	**% of remuneration for the year consisting of options**
	$	$	$	$		
P Uttley – Chief Geologist	221,101	125,000	43,899	122,000	**512,000**	23.8%
C Johnstone – Chief Operating Officer	254,587	60,000	22,913	34,750	**372,250**	9.3%
I Polovineo – Chief Financial Officer	206,304	50,000	43,696	86,283	**386,243**	22.3%
S Zhang - GM HR and Administration	155,731	40,000	49,269	50,650	**295,650**	17.1%
D Zhang – Financial Controller	169,725	15,000	15,275	40,417	**240,417**	16.8%
	1,007,448	290,000	175,052	334,100	**1,806,600**	18.5%

Employment Agreements

- The Company entered into an agreement ("Employment Agreement") dated 18 February 2008 with Mr. J Klein for the provision of Mr. Klein's services as President and Chief Executive Officer. The Employment Agreement is for a rolling 12 months period. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

- The Company entered into an agreement ("Employment Agreement") dated 18 February 2008 with Mr. H Xu for the provision of Mr. Xu's services as Executive Director. The Employment Agreement is for a rolling 12 months period. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

- The Company has entered into an agreement ("Employment Agreement") with Mr. I Polovineo on 1 January 2004 for the provision of his services as Company Secretary. The Employment Agreement is for a rolling 12 month period. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

Compensation options: Granted and vested during the year

31/12/2007	Granted Number	Grant Date	Fair Value per option at grant date ($)	Exercise price per option ($)	Expiry Date	First Exercise Date	Last Exercise Date	Vested number	%
Directors									
J Klein	750,000	30/05/2007	2.35	6.50	31/12/2011	31/05/2010	31/12/2011	100,000	7.1
H Xu	500,000	30/05/2007	2.35	6.50	31/12/2011	31/05/2010	31/12/2011	75,000	7.7
P Housden	120,000	30/05/2007	2.35	6.50	31/12/2011	31/05/2010	31/12/2011	-	-
Executives									
C Johnstone	275,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	-	-
P Uttley	150,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	150,000	19.5
I Polovineo	75,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	20,000	5.1
T Norman	20,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	-	-
W Rossiter	150,000	9/05/2007	2.82	5.87	30/09/2012	10/05/2010	30/09/2012	-	-
W Rossiter	75,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	-	-
Total	2,115,000							345,000	

31/12/2006	Granted Number	Grant Date	Fair Value per option at grant date ($)	Exercise price per option ($)	Expiry Date	First Exercise Date	Last Exercise Date	Vested number	%
Directors									
J Klein	500,000	31/12/2005	1.47	3.29	31/12/2010	1/01/2009	31/12/2010	300,000	28.6
H Xu	300,000	31/12/2005	1.47	3.29	31/12/2010	1/01/2009	31/12/2010	200,000	42.1
Executives									
C Johnstone	300,000	31/12/2006	2.35	6.50	31/12/2011	1/01/2010	31/12/2011	-	-
P Uttley	300,000	31/12/2006	2.35	6.50	31/12/2011	1/01/2010	31/12/2011	-	-
I Polovineo	125,000	31/12/2006	2.35	6.50	31/12/2011	1/01/2010	31/12/2011	25,000	7.8
T Norman	130,000	31/12/2006	2.35	6.50	31/12/2011	1/01/2010	31/12/2011	-	-
W Rossiter	-	-	-	-	-	-	-	-	-
Total	1,655,000							525,000	

Options granted as part of remuneration

31/12/2007	Value of options granted during the year ($)	Value of options exercised during the year ($)	Value of options lapsed during the year ($)	Total value of options granted, exercised and lapsed during the year ($)	Remuneration consisting of options for the year %
J Klein	1,762,000	569,000	-	2,331,000	42.90
H Xu	1,175,000	-	-	1,175,000	43.60
P Housden	282,000	-	-	282,000	36.70
C Johnstone	1,034,000	-	-	1,034,000	44.00
P Uttley	564,000	-	-	564,000	49.80
I Polovineo	282,000	-	-	282,000	35.70
T Norman	75,200	-	-	75,200	29.80
W Rossiter	705,000	-	-	705,000	33.40

Auditor Independence and Non-audit Services

The directors received the following declaration from the auditors of Sino Gold Mining Limited.

Auditor's Independence Declaration to the Directors of Sino Gold Mining Limited

In relation to our audit of the financial report of Sino Gold Mining Limited for the financial year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Paul Flynn
Partner
20 February 2008

Non-Audit Services

The following non-audit service was provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit service:

	$
Golden China prospectus costs	**79,000**
Total	**79,000**

Signed in accordance with a resolution of directors.

J Askew - Chairman

J. Klein - CEO

Sydney
20 February 2008

CORPORATE GOVERNANCE STATEMENT
For the year ended 31 December 2007

The Board of Directors of Sino Gold Mining Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Sino Gold Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's recommendations, the Corporate Governance Statement must contain certain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. Sino Gold Mining Limited's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

Principle 1. Lay solid foundations for management and oversight
Principle 2. Structure the board to add value
Principle 3. Promote ethical and responsible decision making
Principle 4. Safeguard integrity in financial reporting
Principle 5. Make timely and balanced disclosure
Principle 6. Respect the rights of shareholders
Principle 7. Recognise and manage risk
Principle 8. Encourage enhanced performance
Principle 9. Remunerate fairly and responsibly
Principle 10. Recognise the legitimate interests of stakeholders

Sino Gold Mining Limited's corporate governance practices were in place throughout the year ended 31 December 2007 and were fully compliant with the Council's best practice recommendations other than Principle 9 whereby the Company issued 120,000 options to a newly appointed non-executive director, Peter Housden. Such issue was approved by shareholders at the Annual General Meeting held on 30 May 2007. The Options were issued on the terms and conditions of Sino's Executive and Employee Option Plan and were issued as part of the Company's usual remuneration and incentive policies and in accordance with the policy adopted by the Company in respect of the issue of options to all non-executive directors under the Executive and Employee Option Plan.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 1.

Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors. In addition, Recommendation 2.2 requires the chairperson of the company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of unfettered and independent judgment.

In accordance with the definition of independence above, and the materiality thresholds set, James Askew, Peter Cassidy, Brian Davidson and Peter Housden are viewed as the 4 independent Directors of the total 8 Directors of Sino Gold Mining Limited directors. Each of these independent directors have confirmed their independence pursuant to Rule 13.13 of SEHK and the Company therefore still considers the independent directors to be independent.

There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office	Name	Term in office
J Askew	5 years	J Klein	7 years
H Xu	7 years	B Davidson	5 years
P Cassidy	5 years	J Zhong	4 years
P Housden	2 years	J Dowsley	6 months

Performance

The board has functioned efficiently and effectively to achieve its goals during the financial year. The company had measurable and qualitative indicators to assess the performance of key executives for the 2007 financial year.

It is intended that the performance criteria against which directors and executives will be assessed will be aligned with the financial and non-financial objectives of Sino Gold Mining Limited.

Board Committees

Nomination and Remuneration Committee

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 31 December 2007, Sino Gold Mining Limited operated a joint nomination and remuneration committee. The duties and responsibilities typically delegated to such a committee are expressly included in the board's own charter as being the responsibility of the full board. The board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established, as a single unit, a nomination and remuneration committee, comprising three non-executive directors. Members of this committee throughout the year were:

B. Davidson (Chairman)

P Cassidy

J Askew

This Committee convened 2 meetings during the year which was attended by all members.

Audit Committee

The Board has established an audit committee, which operates under a charter approved by the Board. It is the 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 Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. Recommendation 4.3 deals with the structure of the audit committee and requires independence of the members of the audit committee.

The members of the audit committee during the year were:

B. Davidson (Chairman)
J Zhong
P Housden

The Audit Committee convened 3 meetings during the year which were attended by all members entitled to attend.

Qualifications of audit committee members

Mr. Davidson LL.B. (Hons) is Chairman of the audit committee. Mr Davidson is a consultant to Deacons, a major national law firm, having retired in 2004 after 37 years as a partner. Throughout that period, he practised in corporate and commercial law, capital raisings and project finance. He has served on the board of directors of 12 publicly listed companies, including 5 as Chairman, most of which were involved in the mining and exploration industries. Currently, he is also a director of a number of large private company groups and of the Pain Management Research Institute Ltd, Royal North Shore Hospital, Sydney. He is a Fellow of the Australian Institute of Company Directors.

Mr Zhong is the Chief Financial Officer of Sino Mining International Limited and has held a number of senior finance positions with Minmetals Group Limited, Beijing, including Vice General Manager Finance and General Manager Auditing.

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. He is a Fellow CPA, a member of the Finance and Treasury Association, a Fellow of the AICD and a member of its Reporting Committee.

Risk Management Committee

The members of the Risk committee during the year were:

P Cassidy (Chairman)
J Askew
B Davidson

The Risk Management Committee convened 2 meetings during the year which were attended by all members.

The group takes a proactive approach to risk management. The Risk Committee is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

Areas of risk which are considered by the Risk Management Committee include:

- safety
- the environment
- the community in which the company operates
- minimization of business risk.

Sino Gold Mining Limited
Income Statement
Year ended 31 December 2007

	Note	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Sales revenue (net of hedging)	2	**24,281**	8,695	**-**	-
Cost of sales		**(24,509)**	(7,803)	**-**	-
Depreciation and amortisation	2	**(3,449)**	-	**-**	-
Gross profit /(loss)		**(3,677)**	892	**-**	-
Other income	2	**3,818**	3,962	**3,818**	19,928
Occupancy expenses		**(590)**	(636)	**(590)**	(636)
Staff costs		**(2,836)**	(2,086)	**(2,836)**	(2,086)
Share base payment		**(3,793)**	(1,296)	**(3,793)**	(1,296)
Administrative expenses		**(4,580)**	(4,255)	**(4,580)**	(3,958)
Deferred exploration costs written off		**(1,545)**	-	**(1,545)**	-
Gain/(Loss) on fair value of vested share options	2	**1,303**	(11,421)	**1,303**	(11,421)
Foreign exchange gain/(loss)		**1,564**	962	**(2,070)**	-
(Loss)/profit before tax and finance costs		**(10,336)**	(13,878)	**(10,292)**	531
Conversion of convertible notes	2	**(6,484)**		**(6,484)**	
Other finance costs	2	**(7,981)**	(6,176)	**(11)**	(3,705)
Loss before income tax		**(24,801)**	(20,054)	**(16,788)**	(3,174)
Income tax expense	3	**(138)**	-	**-**	-
Net loss for the period		**(24,939)**	(20,054)	**(16,788)**	(3,174)
Attributable to:					
Minority interest		**(1,443)**	-	**-**	-
Members of the parent		**(23,497)**	-	**(16,788)**	-
Basic earnings per share (cents per share)	29	**(13.23)**	(13.7)		
Diluted earnings per share (cents per share)	29	**(13.23)**	(13.7)		

Sino Gold Mining Limited
Balance Sheet
Year ended 31 December 2007

	Note	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
CURRENT ASSETS					
Cash and cash equivalents	26(a)	**108,953**	21,505	**101,380**	19,119
Trade and other receivables	4	**5,196**	2,550	**996**	1,735
Inventories	5	**35,529**	1,412	**-**	-
Other	6	**6,453**	6,967	**2,180**	6,967
Total Current Assets		**156,131**	32,434	**104,556**	27,821
NON-CURRENT ASSETS					
Receivables	7	**1,331**	3,067	**97,528**	83,304
Other financial assets	8	**11,381**	-	**284,804**	55,116
Property, plant and equipment	9	**304,862**	226	**277**	226
Deferred exploration, evaluation and development costs	10	**269,859**	240,074	**-**	-
Total Non-Current Assets		**587,433**	243,367	**382,609**	138,646
TOTAL ASSETS		**743,564**	275,801	**487,165**	166,467
CURRENT LIABILITIES					
Trade and other payables	11	**101,766**	25,258	**53,172**	7,803
Provisions	12	**783**	645	**783**	645
Interest bearing liabilities	13	**106,998**	9,742	**-**	-
Derivatives	16	**29,216**	25,205	**2,456**	19,845
Total Current Liabilities		**238,763**	60,850	**56,411**	28,293
NON-CURRENT LIABILITIES					
Interest bearing liabilities	13	**34,547**	89,900	**-**	39,998
Provisions	14	**24,546**	-	**-**	-
Deferred tax liabilities	3	**4,073**	-	**-**	-
Derivatives	16	**95,755**	71,138	**2,475**	-
Total Non Current Liabilities		**158,921**	161,038	**2,475**	39,998
TOTAL LIABILITIES		**397,684**	221,888	**58,886**	68,291
NET ASSETS		**345,880**	53,913	**428,279**	98,176
EQUITY					
Issued capital	17	**527,970**	168,259	**527,970**	168,259
Convertible notes - equity component		**-**	3,228	**-**	3,228
Other reserves	18	**(137,600)**	(87,343)	**(24,197)**	(14,605)
Accumulated losses		**(87,802)**	(64,305)	**(75,494)**	(58,706)
Total parent entity interest		**302,568**	19,839	**428,279**	98,176
Outside equity interests		**43,312**	34,074	**-**	-
TOTAL EQUITY		**345,880**	**53,913**	**428,279**	98,176

Sino Gold Mining Limited
Statement of Cash Flows
Year ended 31 December 2007

	Note	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**33,767**	8,695	**-**	-
Hedging loss		**(9,292)**	-	**-**	-
Payments to suppliers and employees		**(35,225)**	(14,838)	**(9,644)**	(7,214)
Interest received		**4,946**	1,516	**4,946**	1,510
Finance costs paid		**(15,225)**	(3,842)	**(7,255)**	(2,671)
Other receipts		**66**	317	**66**	21
Net Cash Flows used in Operating Activities	26 (b)	**(20,963)**	(8,152)	**(11,887)**	(8,354)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant & equipment		**1,251**	-	**1,251**	-
Payment for property, plant and equipment		**(278)**	(107)	**(278)**	(107)
Exploration, evaluation and development		**(104,467)**	(117,893)	**-**	-
Acquisition of Golden China Resources Corporation		**(5,867)**	-	**-**	-
Acquisition of Eastern Dragon asset		**(51,044)**	-	**-**	-
Net Cash Flows (used in)/from Investing Activities		**(160,405)**	(118,000)	**973**	(107)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from employee loan repayments		**1,243**	394	**1,243**	394
Repayment of loans		**(5,077)**	-	**-**	-
Loans (to)/from related entities		**-**	-	**(114,030)**	(51,012)
Proceeds from share issues		**236,863**	66,034	**236,863**	66,034
Share issue costs		**(11,842)**	(3,685)	**(11,842)**	(3,685)
Proceeds from bank loan		**56,640**	60,640	**-**	-
Hong Kong listing fees prepaid		**-**	(854)	**-**	(854)
Net Cash Flows from Financing Activities		**277,827**	122,529	**112,234**	10,877
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**96,459**	(3,623)	**101,320**	2,416
Add opening cash brought forward		**21,505**	28,769	**19,119**	14,565
Effects of exchange rate changes on cash		**(9,011)**	(3,641)	**(19,059)**	2,138
CLOSING CASH	26 (a)	**108,953**	21,505	**101,380**	19,119

Sino Gold Mining Limited
Statement of Changes in Equity
Year ended 31 December 2007

Year to 31/12/07 CONSOLIDATED	Issued capital $'000	Convertible notes Equity component $'000	Retained earnings $'000	Other Reserves $'000	Outside equity interest $'000	Total $'000
At 1 January 2007	168,259	3,228	(64,305)	(87,343)	34,074	53,913
Currency translation differences	-	-	-	(6,090)	(3,015)	(9,105)
Effective hedging loss recycled to income statement	-	-	-	6,423	-	6,423
Ineffective hedging loss expensed	-	-	-	2,869	-	2,869
Movement in fair value of cashflow hedges – Note 16	-	-	-	(59,648)	-	(59,648)
Total income and expenses for the year recognised directly in equity	-	-	-	(56,446)	(3,015)	(59,461)
Loss for the year	-	-	(23,497)	-	-	(23,497)
Total income and expenses for the period	-	-	(23,497)	(56,446)	(3,015)	(82,958)
Allotment of new shares	321,587	-	-	-	-	321,587
Convertible notes conversion into equity	44,457	(3,228)	-	-	-	41,229
Exercise of options	5,509	-	-	-	-	5,509
Share issue costs	(11,842)	-	-	-	-	(11,842)
Movement in the fair value of share options	-	-	-	16,092	-	16,092
Cost of share based payments	-	-	-	3,793	-	3,793
Re-measurement of minority interest	-	-	-	(13,696)	13,696	-
Minority interest share of loss for the period	-	-	-	-	(1,443)	(1,443)
At 31 December 2007	527,970	-	(87,802)	(137,600)	43,312	345,880
At 1 January 2006	101,949	3,228	(44,251)	(32,243)	11,491	40,174
Hedge mark to market – Note 16	-	-	-	(52,550)	-	(52,550)
Currency translation differences	-	-	-	(3,846)	-	(3,846)
Total income and expenses for the year recognised directly in equity		-		(56,396)	-	(56,396)
Loss for the year	-	-	(20,054)	-	-	(20,054)
Total income and expenses for the period	-	-	(20,054)	(56,396)	-	(76,450)
Allotment of new shares	63,531	-	-	-	-	63,531
Share issue costs	(3,685)	-	-	-	-	(3,685)
Exercise of options	6,464	-	-	-	-	6,464
Cost of share based payments	-	-	-	1,296	-	1,296
Share of Jinfeng construction costs	-	-	-	-	22,583	22,583
At 31 December 2006	168,259	3,228	(64,305)	(87,343)	34,074	53,913

Sino Gold Mining Limited
Statement of Changes in Equity
Year ended 31 December 2007

Year to 31/12/2006		Convertible notes			
	Issued capital	Equity component	Retained earnings	Other Reserves	Total
PARENT	$'000	$'000	$'000	$'000	$'000
At 1 January 2006	101,949	3,228	(55,532)	(31,305)	18,340
Accounting restatement - recognised hedging reserve on Parent *				28,435	28,435
Restated balance at 1 January 2006	101,949	3,228	(55,532)	(2,870)	46,775
Currency translation differences	-	-	-	15,404	15,404
Total income and expenses for the year recognised directly in equity	-	-	-	15,404	15,404
Loss for the period	-	-	(3,174)	-	(3,174)
Total income and expenses for the year	-	-	(3,174)	15,404	12,230
Allotment of new shares	63,531	-	-	-	63,531
Share issue costs	(3,685)	-	-	-	(3,685)
Exercise of options	6,464	-	-	-	6,464
Cost of share based payments	-	-	-	1,296	1,296
At 31 December 2006	168,259	3,228	(58,706)	(14,605)	98,176
Currency translation differences	-	-	-	(26,996)	(26,996)
Total income and expenses for the year recognised directly in equity	-	-	-	(26,996)	(26,996)
Loss for the period	-	-	(16,788)	-	(16,788)
Total income and expenses for the year	-	-	(16,788)	(26,996)	(43,784)
Allotment of new shares	321,587	-	-	-	321,587
Convertible notes conversion into equity	44,457	(3,228)	-	-	41,229
Exercise of options	5,509	-	-	-	5,509
Share issue costs	(11,842)	-	-	-	(11,842)
Movement in the fair value of share options	-	-	-	13,611	13,611
Cost of share based payments	-	-	-	3,793	3,793
At 31 December 2007	527,970	-	(75,494)	(24,197)	428,279

* The cash-flow hedge liabilities and equity reserve have previously been disclosed within the parent entity balance sheet . The cash-flow hedges are recorded in Sino Gold Guizhou Pty Limited, which is a wholly-owned subsidiary of the parent entity. The effect was to understate the parent entity equity by $28.4million and overstate liabilities by $28.4million as at 1/1/06, and to understate parent equity by $79.0million and overstate liabilities by $79.0million as at 31/12/06. There is no 2006 income statement impact. The cash-flow hedges remain accounted for correctly in the consolidated entity and so have not required restatement. There is no impact on the underlying hedge accounting treatment in Sino Gold Guizhou Pty Limited.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared in accordance with the historical cost convention except for derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC class order 98/100. The company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). The financial report also complies with International Financial Reporting Standards (IFRS).

The following table lists all applicable standards/interpretations not yet effective for the 31 December 2007 year end that the group has elected not to early adopt.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group's financial report.	1 January 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 *Segment Reporting*.	1 January 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 &	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 January 2008

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
	1038]				
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs*.	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has capitalised borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 January 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 January 2008
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	Amending standard issued as a consequence of revisions to AASB 101 *Presentation of Financial Statements*	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 January 2009
AASB 8	Operating Segments	New standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 January 2009
AASB 101 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for	1 January 2009	Refer to AASB 2007-8 above.	1 January 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		dividends and changes to the titles of the financial statements.			
AASB 123 (revised)	Borrowing Costs	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 January 2009
AASB Interpretation 4 (revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB 2007-2 above.	1 January 2008
AASB Interpretation 11	AASB 2 – Group and Treasury Share Transactions	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.	1 March 2007	Refer to AASB 2007-1 above.	1 January 2008

*designates the beginning of the applicable annual reporting period unless otherwise stated

(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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company 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 investment 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 interest not held by the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Foreign currency translation

Both the functional currency of Sino Gold Mining Limited and its Australian subsidiaries is United States dollars ("US$"). The presentation currency of the Group is Australian dollars ("A$").

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 Renmimbi Yuan ("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.

(e) Property, plant and equipment

Cost and Valuation

Items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

Mineral properties

Acquired mineral rights and pre-stripping costs are capitalised and classified as 'Mineral properties'.

Waste pre-stripping costs incurred during the production phase are charged to the income statement as operating costs when the ratio of waste material to ore extracted is expected to be constant throughout its estimated life. When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- All costs are initially charged to the income statement and classified as operating costs.
- When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs is capitalised.
- In subsequent years when the ratio of waste to ore is less than the estimated life-of-mine ratio, a portion of capitalised stripping costs is charged to the income statement as operating costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Property, plant and equipment (Continued)
Depreciation
Depreciation is provided on a straight-line basis over the estimated useful life of the asset, other than mine property 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 value 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.

(f) 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.

(g) 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 recognised in the income statement when the liabilities are de-recognised and as well as through the amortisation process.

Borrowing costs
Borrowing costs are recognised as an expense when incurred. In relation to qualifying assets, the borrowing costs directly associated with this asset are capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(h) 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.

(i) Provisions and employee benefits

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.

Rehabilitation

Provisions are made for mine rehabilitation and restoration. The present value of restoration obligations is recognised at commencement of the mining operations where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset recognised in relation to the mine site. At each reporting date the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amount of the costs to be incurred.

The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to a change in future depreciation and financial charges.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Provisions and employee benefits (Continued)

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(j) 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 by an external valuer using a Black Scholes model and amortised over the vesting period.

The fair value of options as at the grant date is expensed to the income statement over the vesting period to the extent that it is expected that that these options will ultimately vest (ie - the sevice and performance conditions will be met). 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 the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) 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 bullion 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.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Consumable stores and spares – purchase cost on first-in-first-out basis; and
- 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.

(m) Derivative financial instruments

Forward Gold Hedges

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 AASB139. 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.

The fair value of forward gold hedge contracts are calculated by reference to current gold forward hedge contracts with similar maturity profiles on similar instruments. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the income statement.

As at 31 December 2007, all gold derivatives have been treated as qualifying cash flow hedges.

(n) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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. Deferred income tax liabilities are recognised for all taxable temporary differences except:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(n) Income tax and other taxes (Continued)

- When the deferred income tax liability arises from the initial recognition of goodwill or 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 nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference 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; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(n) Income tax and other taxes (Continued)

Value Added Tax

Gold sales in China are exempt from value added tax and no value added tax refunds are available for input tax credits other than for value added tax incurred on fixed assets for enterprises classified under the Encouraged Category as defined by the Chinese Development and Reform Committee.

Accordingly input value added tax paid is attached to the expenditure items and accounted for in the same manner as those items except where an input value added tax credit can be claimed in which case a current receivable is recognised.

(o) Cash and cash equivalents

Cash in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Restricted cash represents cash held on deposit to secure the RMB working capital loans within China. These loans are securitised by Standby Letters of Credit issued by off-shore China banks on which restricted cash is held on deposit.

(p) 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 date reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

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.

(q) 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.

(r) Significant accounting estimates

Option Values

The Group is required to determine the fair value of options granted to employees and seed investors as per the accounting policy note in paragraph (j) above. The fair value is determined using a Black Scholes model with the assumption detailed in Note 17(c).

Gold Derivatives

The Group is also required to determine the fair value of gold derivatives as per the accounting policy note in paragraph (m) above.

Rehabilitation

The group is required to estimate the rehabilitation costs of its operations in the accounting policy note in paragraph (i) above. The estimate is based on management best estimate of the cost.

Exploration and evaluation costs

The group applies judgment in determining which exploration costs should be capitalised or expensed as per the accounting policy in above note (p).

Reserves

Reserves are estimates of the amount of metal that can be economically and legally extracted from the Group’s mining properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity prices and exchange rates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(r) Significant accounting estimates (Continued)
Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require
complex and difficult geological judgments and calculations to interpret the data.

The Group is required to determine and report ore reserves in Australia under the principles incorporated in the Australasian Code for Reporting of Mineral Resources and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recorded on the balance sheet or charged to the income statement may change due to changes in stripping ratios or the units of production basis of depreciation.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(s) Business combinations
The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Goodwill on acquisition, being the excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired, is recognised mineral reserves as goodwill does not exist within the mining industry. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(t) Segment reporting
A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), no additional operating segments will most likely be reported. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(u) Investments and other financial assets
Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and de-recognition.
Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. All regular purchases and sales of financial assets are recognised on the trade date being the date that the Group commits to purchase the asset. Financial assets are de-recognised when the right to receive cash flows from the financial assets have expired or been transferred.

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

Available-for-sale securities
Available-for-sale investments are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is de-recognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

Investments in subsidiary are held at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(v) Trade and other payables
Trade and other payables are carried at amortised cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition, except retention amounts which will be due after 12 months. Amounts due after 12 months are discounted where the effect is material.

(w) Earnings per share
Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. PROFIT AND LOSS ITEMS

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Loss from ordinary activities is after crediting the following revenues:				
Revenue from operating activities:				
Product sales - spot	**33,573**	8,695	**-**	-
Hedging loss – pre commercial production	**(2,050)**	-	**-**	-
Hedging loss – post commercial production	**(7,242)**	-	**-**	-
Sales revenue	**24,281**	8,695	**-**	-
Income from non-operating activities:				
Interest received	**3,752**	1,516	**3,752**	1,510
Gain on sale of Jianchaling	**-**	2,129	**-**	18,397
Other	**66**	317	**66**	21
Total other income	**3,818**	3,962	**3,818**	19,928
Loss from ordinary activities is after charging the following expenses:				
Depreciation and amortisation:				
Depreciation of:				
- Leasehold improvements	**678**	12	**20**	12
- Plant, property and equipment	**2,895**	66	**104**	66
	3,573	78	**124**	78
Finance costs:				
Conversion of convertible notes*	**6,484**	-	**6,484**	-
Amortization of borrowing costs	**696**	555	**209**	449
Borrowing costs**	**7,285**	5,620	**(198)**	3,255
	14,465	6,176	**6,495**	3,705
Other expense items:				
Government mining royalties incurred	**198**	253	**-**	-
Operating lease rental	**268**	250	**268**	250
Deferred exploration costs written off	**1,545**	-	**1,545**	-
Share based payment	**3,793**	1,296	**3,793**	1,296
(Gain)/Losses on fair value movement of vested seed options***	**(1,303)**	11,421	**(1,303)**	11,421

* Refer to Note 13 – comment (a).

** Under the Jinfeng Standby L/C facility RMB lending is secured by cash held on deposit that earns interest by the parent entity. This interest income is, on consolidation, netted against the interest paid on the RMB lending in relation to Jinfeng.

*** Last year's loss and this year's gain are both related to the movement in the fair value of options granted to seed shareholders. The accounting policy is described in note 1(j) above.

3. INCOME TAX

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
(a) Income tax expense				
The major components of income tax expense are:				
Current income tax charge	**-**	-	**-**	-
Deferred income tax				
Relating to origination and reversal of temporary differences	**(138)**	-	**-**	-
Income tax expense reported in the income statement	**(138)**	-	**-**	-
(b) A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense is as follows:				
Accounting loss before income tax	**(24,801)**	(20,054)	**(16,788)**	(3,174)
At the statutory income tax rate of 30% (2006: 30%)	**(7,440)**	(6,016)	**(5,036)**	(952)
Overseas tax rate differential	**1,240**	-	**-**	-
Deferred tax asset not recognized	**6,062**	6,016	**5,036**	952
Income expense relating to ordinary activities	**(138)**	-	**-**	-
Deferred tax asset* arising from tax losses and timing differences not brought to account at balance date as realisation of the benefit is not regarded as probable	**6,299**	10,491	**6,299**	10,491

	Group Balance Sheet		**Group Income Statement**	
(c) Recognised deferred tax assets & liabilities	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Deferred tax liabilities:				
Accelerated depreciation	**(777)**	-	**(777)**	-
Mineral tenements	**(3,935)**	-	**-**	-
Deferred tax assets:				
Expenses not immediately deductible	**639**	-	**639**	-
Net deferred tax liabilities	**(4,073)**	-	**(138)**	-

The net movement of $138K has been recognized in the tax expense in the income statement for 2007. There was no income tax expense impact for 2006. There are no deferred tax balances in the parent entity.

*This deferred tax asset will only be obtained if:

(a) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised
(b) The conditions for deductibility imposed by tax legislation continue to be complied with
(c) No changes in tax legislation adversely affect the company in realizing the benefit and
(d) The company continues to satisfy either the continuity of ownership test or same business test

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
4. RECEIVABLES – Current				
Amounts due from sale of non-current assets	**454**	1,315	**454**	1,315
Concentrate deposits	**3,774**	-	**-**	-
Insurance compensation	**269**	-	**-**	-
Other	**699**	1,235	**542**	420
	5,196	2,550	**996**	1,735

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. No amounts are past their due date or impaired.

The maximum exposure to credit risk is the fair vale of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Detail regarding liquidity risk and foreign currency risk exposure is disclosed in note 28.

5. INVENTORIES – Current

Gold in Circuit and in transit - at cost	**15,003**	-	**-**	-
Ore stockpiles	**5,573**	145	**-**	-
Consumable stores and spares	**6,522**	1,267	**-**	-
Gold in safe	**4,338**	-	**-**	-
Concentrate inventory	**4,093**	-	**-**	-
	35,529	1,412	**-**	-

6. OTHER – Current

Prepaid costs	**1,465**	6,345	**1,294**	6,345
Prepaid development costs	**3,190**	-	**-**	-
Prepayment for salary	**886**	-	**886**	-
Other prepayments	**912**	622	**-**	622
	6,453	6,967	**2,180**	6,967

7. RECEIVABLES – Non-Current	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Employee loans *	**1,180**	2,423	**1,180**	2,423
Amounts due from sale of non-current assets**	**151**	644	**151**	644
Amounts due from controlled entities	**-**	-	**96,197**	80,237
	1,331	3,067	**97,528**	83,304

* Loans to employees pursuant to the terms of the Sino Gold Mining Limited Employee Share Incentive Scheme ("ESIS") – secured only against issued shares – refer note 17(d).

** Relates to amounts due from the sale of Tianjianshan in 2003. This amount is interest free and the remaining amount due is US$400,000 in 2008 and US$150,000 in 2009.

Due to the nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair vale of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Detail regarding liquidity risk and foreign currency risk exposure is disclosed in note 28.

8. OTHER FINANCIAL ASSETS – Non-Current	Interest held %	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Investments in subsidiaries					
Sino Mining Copper Ltd (a)	100	**-**	-	**-**	-
Sino Mining Guizhou Pty Ltd (b)	100	**-**	-	**-**	-
Sino Mining Sichuan Pty Ltd (b)	100	**-**	-	**-**	-
Sino Gold Jinluo Limited (a)	100	**-**	-	**-**	-
Sino Gold Jindu Limited (a)	100	**-**	-	**-**	-
Sino Gold BMZ Limited (a)	100	**-**	-	**-**	-
Sino Gold HLJ Limited (a)	100	**-**	-	**-**	-
Sino Gold Guoxin Limited (a)	100	**-**	-	**-**	-
Sino Gold Jiaodong Limited (a)	100	**-**	-	**-**	-
Sino Gold Golden Triangle Limited (a)	100	**-**	-	**-**	-
Sino Gold Greatland Limited (a)	100	**-**	-	**-**	-
Sino Gold SPD Limited (c)	100	**-**	-	**-**	-
Sino Gold SEL Limited (c)	100	**-**	-	**-**	-
Sino Guizhou Jinfeng Mining Limited (d)	82	**-**	-	39,701*	44,231
Sino Guizhou Jinluo Mining Limited (d)	65	**-**	-	2,269*	2,527
Sino Gold Jilin BMZ Mining Limited (d)	95	**-**	-	11,025	7,582
Shandong Sino Gold Fields Ludi Limited (d)	70	**-**	-	1,169	646
Shandong Sino Gold Fields Zhengyuan Limited (d)**	80	**-**	-	-	130
Sino Guangxi Golden Triangle Mining Limited (d)	70	**-**	-	1,265	-
Sino Guizhou Greatland Mining Limited (d)	70	**-**	-	306	-
Sino Zhaoyuan Xinxin Mining Limited (d)	70	**-**	-	510	-
Heilongjiang Sino Gold Strike Mining Limited (d)	70	**-**	-	567	-
Sino Gold Guizhou Jindu Mining Limited (d)	75	**-**	-	1,163	-
Golden China Resources Corporation (e)***	94	**-**	-	90,233	-
Golden China International Inc. (f)***	94	**-**	-	-	-
Golden China Subsidiary Australia (b)***	94	**-**	-	-	-
Golden China Nibao Gold Corporation (c)***	94	**-**	-	-	-

8. OTHER FINANCIAL ASSETS (Continued) – Non-Current		**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Golden China Neimen Gold Exploration Corporation (c)***	94	**-**	-	-	**-**
Michelago Limited (b)***	94	**-**	-	-	**-**
Guizhou APAC Minerals Inc. (d)***	65.8	**-**	-	13,371	**-**
Neimen APAC Resources Corporation (d)***	94	**-**	-	7,963	**-**
Sashimo Pty Ltd (b)***	94	**-**	-	-	**-**
Michelago (Hong Kong) Limited (g)***	94	**-**	-	-	**-**
Michelago (China Mining) Pty Ltd (b)***	94	**-**	-	-	**-**
Michelago (China) Exploration Pty Ltd (b)***	94	**-**	-	-	**-**
Michelago China (Xinjiang) Pty Ltd (b) ***	94	**-**	-	-	**-**
Shandong MIC BioGold Limited (d)***	93.5	**-**	-	36,766	**-**
Rockmining Group Company Limited (g)	90	**-**	-	-	**-**
Hei He Rockmining Development Limited (d)****	72	**-**	-	77,132	**-**
Sub-total		**-**	**-**	**283,440**	55,116
Investments other					
Golden Tiger	19.9	1,364	-	1,364	-
Australian Solomons Gold Limited (b)***	19.3	10,017	-	-	-
Sub-total		**11,381**	**-**	**1,364**	**-**
Grand-total		**11,381**	**-**	**284,804**	55,116

* Movement is due to foreign exchange fluctuation only. All investments are denominated in US$.
** During the financial year, all of SinoGold Fields Zhengyuan Limited related costs were written off.
*** All of these subsidiaries are acquired with Golden China Resources Corporation.
**** Acquired in December 2007.
(a) Incorporated in the Cayman Islands
(b) Incorporated in Australia
(c) Incorporated in British Virgin Islands
(d) Incorporated in PRC.
(e) Incorporated in Canada.
(f) Incorporated in Barbados.
(g) Incorporated in Hong Kong.

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
NON-CURRENT ASSETS-				
Available-for-sale financial assets				
At fair value				
Shares- Australian listed	**1,364**	-	**1,364**	-
Shares- Canadian listed – Note 13 (e)	**10,017**	-	**-**	-
	11,381	-	**1,364**	-

Listed shares

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

9. PROPERTY, PLANT & EQUIPMENT

	Consolidated						
	Buildings $'000	Plant and equipment $'000	Office and computer $'000	WIP $'000	Leasehold improvement $'000	Mineral properties $'000	Total $'000
Year ended 31 December 2007							
At 1 January 2007 net of accumulated depreciation	-	-	202	-	24	-	226
Transfer from deferred exploration & development costs	874	1,490	2,697	116,439	686	94,489	216,676
Additions	15,303	60,433	1,830	(93,785)	578	94,553	78,912
Acquisition of subsidiary (note 19)	-	10,515	158	3,458	-	1,529	15,659
Disposals/transfer to assets	-	-	(84)	-	(24)	-	(108)
Net foreign currency movements arising from self-sustaining foreign operations	(146)	(668)	(44)	(239)	(12)	(1,989)	(3,098)
Depreciation and amortisation charge for the year	(208)	(792)	(142)	-	(29)	(2,425)	(3,596)
At 31 December 2007 net of accumulated depreciation	15,822	70,978	4,617	25,873	1,224	186,348	304,862
At 31 December 2007							
Cost	16,104	72,478	5,929	25,873	1,724	189,399	311,506
Accumulated depreciation	(282)	(1,500)	(1,312)	-	(500)	(3,050)	(6,645)
Net carrying amount	15,822	70,978	4,617	25,873	1,224	186,349	304,862

9. PROPERTY, PLANT & EQUIPMENT (Continued)

	Consolidated						
	Buildings	**Plant and equipment**	**Office and computer**	**WIP**	**Leasehold improvement**	**Mineral properties**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Year ended 31 December 2006							
At 1 January 2006 net of accumulated depreciation	-	-	303	-	36	-	339
Additions	-	-	107	-	-	-	107
Disposals	-	-	(142)	-	-	-	(142)
Depreciation charge for the year	-	-	(66)	-	(12)	-	(78)
At 31 December 2006 net of accumulated depreciation	-	-	202	-	24	-	226
At 1 January 2006							
Cost	-	-	561	-	77	-	638
Accumulated depreciation	-	-	(258)	-	(41)	-	(299)
Net carrying amount	-	-	303	-	36	-	339
At 31 December 2006							
Cost	-	-	526	-	77	-	603
Accumulated depreciation	-	-	(324)	-	(53)	-	(377)
Net carrying amount	-	-	202	-	24	-	226

9. PROPERTY, PLANT & EQUIPMENT (Continued)

	Parent						
	Buildings	**Plant and equipment**	**Office and computer**	**WIP**	**Leasehold improvement**	**Deferred costs**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Year ended 31 December 2007							
At 1 January 2007 net of accumulated depreciation	-	-	202	-	24	-	**226**
Additions	-	-	149	-	129	-	**278**
Disposals	-	-	(84)	-	(24)	-	**(108)**
Depreciation charge for the year	-	-	(99)	-	(20)	-	**(119)**
At 31 December 2007 net of accumulated depreciation	**-**	**-**	**168**	**-**	**109**	**-**	**277**
At 31 December 2007							
Cost			**433**		**129**		**562**
Accumulated depreciation			**(265)**		**(20)**		**(285)**
Net carrying amount	**-**	**-**	**168**	**-**	**109**	**-**	**277**
Year ended 31 December 2006							
At 1 January 2007 net of accumulated depreciation	-	-	303	-	36	-	339
Additions	-	-	107	-	-	-	107
Disposals	-	-	(142)	-	-	-	(142)
Depreciation charge for the year	-	-	(66)	-	(12)	-	(78)
At 31 December 2006 net of accumulated depreciation	-	-	202	-	24	-	226
At 1 January 2006							
Cost	-	-	561	-	77	-	638
Accumulated depreciation	-	-	(258)	-	(41)	-	(299)
Net carrying amount	-	-	303	-	36	-	339
At 31 December 2006							
Cost	-	-	526	-	77	-	603
Accumulated depreciation	-	-	(324)	-	(53)	-	(377)
Net carrying amount	-	-	202	-	24	-	226

10. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Deferred exploration and evaluation costs				
- Jinfeng	**-**	81,501	**-**	**-**
- White Mountain	**11,067**	9,008	**-**	**-**
- Other projects*	**247,822**	14,390	**-**	**-**
	258,889	104,899	**-**	**-**
Capitalised development costs – Jinfeng	**-**	135,175	**-**	**-**
– White Mountain	**10,970**	-	**-**	**-**
	269,859	240,074	**-**	**-**

* Other projects include interests in deferred exploration evaluation and development costs in relation to the acquisition of Golden China Resources Corporation (refer to note 19) and the investment in Rockmining Group Company Limited.

Reconciliation
Reconciliations of the carrying amounts of deferred exploration, evaluation and development costs at the beginning and end of the current and previous financial years.

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Opening balance	**240,074**	102,868	**-**	**-**
Transferred to production	**(216,676)**	-	**-**	**-**
Additions	**29,104**	121,917	**-**	**-**
Acquisition of subsidiary - Golden China Resources Corporation	**117,261**		**-**	**-**
Acquisition of Eastern Dragon asset	**102,255**	-	**-**	**-**
Write-off of relinquished property	**(1,545)**	-	**-**	**-**
Value of exploration license contributed by minority interest partner	**-**	22,583	**-**	**-**
Net foreign currency movements arising from self-sustaining foreign operations	**(614)**	(7,294)	**-**	**-**
Net book value	**269,859**	240,074	**-**	**-**

11. PAYABLES - Current

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Trade creditors*	**23,805**	142	**289**	-
Accruals	**19,179**	-	**52,883**	-
Eastern Dragon acquisition	**51,044**	-	**-**	-
Other creditors and accruals	**7,738**	25,116	**-**	7,803
	101,766	25,258	**53,172**	7,803

*Aged Trade Creditors

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Less than 30 days	**14,970**	142	**289**	-
30 days to 60 days	**5,112**	-	-	-
60 days to 90 days	**1,798**	-	-	-
Greater than 90 days	**1,925**	-	-	-
	23,805	142	**289**	-

11. PAYABLES – Current (Continued)

Fair value
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate, foreign exchange and liquidity risk
Information regarding interest rate, foreign currency and liquidity risk exposure is set out in note 28.

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
12. PROVISIONS - Current				
Employee entitlements - note 24	**783**	645	**783**	645
	783	645	**783**	645
13. INTEREST BEARING LIABILITIES				
- Current				
Jinfeng Project Loan (b)	**10,889**	2,061	**-**	**-**
Jinfeng Standby L/C Loan (c)	**60,339**	6,847	**-**	**-**
Jinfeng Financing Lease (d)	**-**	148	**-**	**-**
Golden China Resources Corporation Debentures (e)	**19,264**	-	**-**	-
BioGold short term loan (f)	**15,531**	-	**-**	-
Deferred gold put option premium (g)	**975**	686	**-**	-
	106,998	9,742	**-**	-
- Non-current				
Deferred gold put option premium (g)	**696**	1,828	**-**	-
Convertible notes (a)				
Convertible notes at face value	**-**	41,122	**-**	41,122
Accrued interest	**-**	376	**-**	376
Un-amortized borrowing costs	**-**	(1,500)	**-**	(1,500)
		39,998		39,998
Jinfeng Project Loan (b)				
Principal	**34,247**	48,884	**-**	-
Un-amortized borrowing costs	**(993)**	(1,403)	**-**	-
Total of current	**33,254**	47,481	**-**	**-**
Golden China Resources Corporation long-term loan (f)	**597**	-	**-**	-
Jinfeng Financing Lease (d)	**-**	593	**-**	-
Total of non-current	**34,547**	89,900	**-**	39,998
	141,545	99,642	**-**	39,998

(a) In March 2005 the company issued 35,000 convertible notes at an issue price of USD1,000 per note, raising a total of US$35 million. The notes were 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 was $2.89 per share.

13. INTEREST BEARING LIABILITIES (Continued)

The fair value of the liability was originally assessed at US$32.5 million. All of the convertible notes were converted into fully paid ordinary shares on 12 November 2007, following the payment of an US$4.51 Million inducement payment for early conversion of the note. This inducement payment has been expensed.

(b) Jinfeng Project Loan - this financing facility is arranged and jointly underwritten by Standard Bank London Limited and Bayeriisch Hypo-und Vereinsbank AG for US$ 40 million plus US$ 2 million capitalized interest with a 7 year term including a 2 year grace period. 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;
- 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 31 December 2007 the outstanding principal amount was US$ 39.79 million (A$ 50.95 million) following a principal repayment of US$ 1.75 Million in the period.

(c) Jinfeng Standby L/C loan - The company has secured a standby cash collaterised L/C facility issued by its bankers to secure advances made by China Construction Bank, Guizhou Branch to the Jinfeng Project.

RMB	**A$**	**Maturity**	**Annual interest rate**
RMB'000	**$'000**		
68,960	10,710	07/03/2008	6.0705%
34,030	5,285	05/04/2008	6.0705%
33,980	5,277	05/05/2008	6.2415%
13,550	2,104	15/06/2008	6.2415%
20,200	3,137	04/07/2008	6.4980%
33,800	5,249	30/07/2008	6.6690%
164,500	25,548	15/11/2008	6.9255%
19,500	3,029	03/12/2008	7.0965%
Total	60,339		

(d) Jinfeng Financing Lease - The contract period was for 5 years. During that time, monthly payments of RMB 97,000 were made to the lessor. This contract was terminated in May 2007.

(e) Golden China Corporation Debentures: Golden China Corporation senior secured debentures with the total amount A$19,263,732 are payable upon maturity on April 27, 2008. The debentures bear interest at 11.5% per annum and secured by an assignment of the corporation's interest in the shares of Michelago Hong Kong, Sashmo and Australian Solomons Gold Limited. Debenture holders have the right to elect to receive interest payments in common shares subject to the receipt of any required legal or regulatory approval.

13. INTEREST BEARING LIABILITIES (Continued)

(f) BioGold RMB short term and long term loans are domiciled in China and secured by mortgages over BioGold's land and buildings and concentrate stockpile. The overall loan facility is split into several smaller components with various expiry dates as detailed below, and these smaller loan components are rolled over at each maturity.

RMB RMB'000	A$ $'000	Maturity	Annual interest rate
Short term			
10,000	1,553	22/02/2008	6.03%
20,000	3,106	18/03/2008	6.39%
10,000	1,553	15/04/2008	6.03%
10,000	1,553	23/05/2008	6.03%
10,000	1,553	08/09/2008	7.29%
10,000	1,553	05/11/2008	7.29%
10,000	1,553	26/11/2008	7.29%
20,000	3,107	22/12/2008	6.75%
Total of short term	15,531		
Long term			
3,840	597	26/03/2021	2.55%

(g) Total of 204,000 ounces of put options were bought under gold hedging schedule with an average premium of US$9/ounce. The premium is repayable over the life of the options as disclosed in Note 16.

14. PROVISIONS – Non-Current	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Restoration and rehabilitation*	**24,546**	-	**-**	-
	24,546	-	**-**	-
Movement in provision:				
Carrying Amount at the beginning of the financial year	**-**	1,984	**-**	-
Write-back	**-**	(1,984)	**-**	-
Rehabilitation provision provided	**24,546**	-	**-**	-
End of financial year	**24,546**	-	**-**	-

***** Rehabilitation costs are expected to be incurred between 2007 and 2022. The provision has been estimated using existing technology at current prices and discounted using a real discount rate of 6.5% p.a.

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
15. DEFERRED TAX LIABILITIES				
Deferred tax liabilities	**138**			
Deferred tax liabilities*	**3,935**	-	**-**	-
	4,073	-	**-**	-

* This amount was recognised on the acquisition of a subsidiary of Golden China Resources.

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
16. DERIVATIVE LIABILITIES				
- Current				
Fair value of non-employee vested share options*	**2,456**	19,845	**2,456**	19,845
Fair value of gold forward contracts & options**	**26,760**	5,360	**-**	-
	29,216	25,205	**2,456**	19,845
- Non-current				
Fair value of non-employee vested share options*	**2,475**	-	**2,475**	-
Fair value of gold forward contracts & options**	**93,280**	71,138	**-**	-
	95,755	71,138	**2,475**	-

* Relates to options granted to seed investors that are denominated in Australian dollars and to warrants and options issued as part consideration for the acquisition cost of Golden China Resources. These are treated as derivatives in accordance with the accounting policy detailed in note 1 (j). Movement in their value along with any foreign exchange impact is recognized as a gain or loss. During the year 4,477,776 of these Australian dollar denominated options were exercised prior to maturity leaving 500,000 options maturing in 2010. The fair value of options granted have been valued using an option pricing model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Assumptions used at 31 December 2007 are: volatility 40%, risk free interest rate 7.175% and expected life of options 2.7 years. There was no fair value movement in the Canadian dollar denominated options.

**These relate to the Company's hedge position as at 31 December 2007, refer below. Hedging losses are recognised by Jinfeng.

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 AASB139. 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 & loss at the time the hedged transaction occurs.

16. DERIVATIVE LIABILITIES (Continued)

As at 31 December 2007, all gold derivatives have been treated as qualifying cash flow hedges.

Hedging Position	Fixed Forwards		Bought Put Options	
	Ounces	US$/oz	Ounces	US$/oz
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	-	-
Total	303,173	525	148,362	400

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Fair value of gold forward contracts & options				
Opening balance	**76,498**	25,776	**-**	-
Effective hedge loss recycled in the income statement	**(6,423)**	-	**-**	-
Ineffective hedge loss expensed	**(2,869)**	-	**-**	-
Foreign exchange effect	**(6,814)**	(1,828)	**-**	-
Charged to equity	**59,648**	52,550	**-**	-
Closing balance	**120,040**	76,498	**-**	-

17. ISSUED CAPITAL

(a) Issued and paid up capital

- ordinary shares fully paid (no par value)	**527,970**	168,259	**527,970**	168,259
	527,970	168,259	**527,970**	168,259

(b) Movements in ordinary shares on issue

	2007		2006	
	Number of shares ('000)	**($'000))**	Number of shares ('000)	($'000)
Beginning of financial year	**153,061**	**168,259**	131,444	101,949
Issued during the year				
- share purchase plan	**-**	**-**	752	2,481
- exercise of options	**5,622**	**5,509**	2,365	6,464
- private placement	**16,290**	**98,233**	18,500	61,050
- Hong Kong IPO	**19,709**	**133,121**	-	-
- less share issue and transaction costs	**-**	**(11,842)**	-	(3,685)
- convertible notes conversion shares	**15,383**	**44,457**	-	-
- purchase consideration for Golden China Resources Corporation	**13,368**	**90,233**	-	-
End of financial year	**223,432**	**527,970**	153,061	168,259

17. ISSUED CAPITAL (Continued)

(c) Options

The following table illustrates the number and movements in share options during the relevant period

	Year ended 31 December	
	2007	2006
	Number of options	Number of options
Outstanding at the beginning of the year	10,946,776	10,656,776
Granted during the year	3,665,000	2,655,000
Replacement Golden China Resources Corporation options	1,325,559	-
Exercised during the year	(5,621,776)	(2,365,000)
Forfeited during the year	-	-
Outstanding at end of the year	10,315,559	10,946,776
Exercisable at end of the year	2,081,974	6,371,776

The following unlisted options were on issue at balance-date.

	Number	Date of issue	Exercise price	Expiry	Number vested	Vesting date
Other	500,000	16/09/2005	$2.53	16/09/2010	500,000	N/A
	39,996**	09/02/2006	C$7.88	09/02/2008	39,996	N/A
	74,278**	27/04/2006	C$7.88	27/04/2008	74,278	N/A
	777,700**	07/08/2007	C$5.63	08/08/2012	777,700	N/A
Directors						
	215,000	31/12/2003	$2.69	31/12/2008	215,000	N/A
	370,000	31/12/2004	$2.00	31/12/2009	370,000	N/A
	800,000	31/12/2005	$3.29	31/12/2010	-	31/12/2008
	1,370,000*	31/12/2006	$6.50	31/12/2011	-	31/12/2009
Employees						
	50,000	31/12/2003	$2.69	31/12/2008	50,000	N/A
	150,000	15/10/2004	$2.06	15/10/2009	150,000	N/A
	25,000	27/10/2004	$2.12	27/10/2009	25,000	N/A
	80,000	15/12/2004	$2.08	15/12/2009	80,000	N/A
	300,000	31/12/2004	$2.00	31/12/2009	300,000	N/A
	980,000	31/12/2005	$3.29	31/12/2010	-	31/12/2008
	150,000	06/03/2006	$3.81	06/03/2011	-	06/03/2009
	40,000	03/06/2006	$4.88	03/06/2011	-	03/06/2009
	1,665,000	31/12/2006	$6.50	31/12/2011	-	31/12/2009
	150,000*	31/12/2006	$6.50	30/09/2012	-	30/09/2010
	200,000*	11/09/2007	$6.20	30/09/2012	-	30/09/2010
	150,000*	09/05/2007	$5.87	30/09/2012	-	30/09/2010
	1,795,000*	09/11/2007	$7.65	09/11/2012	-	09/11/2010

17. ISSUED CAPITAL (Continued)

Number	Date of issue	Exercise price	Expiry	Number vested	Vesting date
109,730**	12/04/2005	C$9.68	12/04/2010	-	12/04/2008
35,552**	22/12/2006	C$15.35	31/12/2009	-	31/12/2009
33,433**	22/12/2006	C$3.07	31/12/2009	-	31/12/2009
29,626**	22/12/2006	C$7.88	03/11/2010	-	22/12/2009
203,269**	14/03/2007	C$3.83	14/03/2012	-	14/03/2010
21,975**	04/04/2007	C$3.16	04/04/2012	-	04/04/2010
10,315,559				**2,581,974**	

* The following options were granted during the year:
- 1,370,000 options – fair value per option is $2.35 (share price on issue date was $5.70)
- 150,000 options – fair value per option is $2.35 (share price on issue date was $5.70)
- 200,000 options – fair value per option is $2.90 (share price on issue date was $6.20)
- 150,000 options – fair value per option is $2.82 (share price on issue date was $5.86)
- 1,795,000 options – fair value per option is $3.76 (share price on issue date was $7.95)

** Replacement securities issued pursuant to the takeover offer for Golden China Resources Corporation. The issue dates on these options represent the original issue date of the options by Golden China Resources Corporation.
- 39,996 options – fair value per option is $0.01 (share price on issue date was $6.75)
- 74,278 options – fair value per option is $0.09 (share price on issue date was $6.75)
- 777,700 options – fair value per option is $3.18 (share price on issue date was $6.75)
- 109,731 options – fair value per option is $0.90 (share price on issue date was $6.75)
- 35,552 options – fair value per option is $0.19 (share price on issue date was $6.75)
- 33,435 options – fair value per option is $3.86 (share price on issue date was $6.75)
- 29,626 options – fair value per option is $1.64 (share price on issue date was $6.75)
- 203,269 options – fair value per option is $3.94 (share price on issue date was $6.75)
- 21,975 options – fair value per option is $4.36 (share price on issue date was $6.75)

The following unlisted warrants were on issue at balance-date.

	Number	Date of issue	Exercise price	Expiry	Number vested	Vesting date
Other	399,960**	27/04/2006	C$7.88	27/04/2009	399,960	N/A
	410,126**	23/05/2007	C$5.63	23/05/2009	410,126	N/A
	810,086				**810.086**	

- 399,960 warrants – fair value per option is $0.77 (share price on issue date was $6.75)
- 410,126 warrants – fair value per option is $1.75 (share price on issue date was $6.75)

The assumptions used in determining the fair value of options in a Black-Scholes model are:

	2006	**2007**
Expected volatility	45%	40%
Risk free interest rate	6.5%	7.175%
Expected life of options (years)	5	5
Dividend yield	Nil	Nil

17. ISSUED CAPITAL (Continued)

The following options were exercised during the year:

Number	Date exercised	Exercise price	Share price at date of exercise
1,777,776	19/01/07	US$0.5625	$6.28
77,000	07/05/07	$2.69	$6.20
17,000	14/05/07	$2.69	$5.40
75,000	12/06/07	$1.20	$5.70
300,000	20/07/07	$1.00	$6.30
100,000	20/07/07	$2.69	$6.30
300,000	03/09/07	$1.00	$6.16
1,350,000	18/09/07	$1.00	$5.83
20,000	05/10/07	$2.69	$7.10
1,590,000	05/10/07	$1.00	$7.10
15,000	24/12/07	$2.00	$6.62
5,621,776			

(d) Employee Share and Option Schemes

The Company has established the Employee Share Incentive Scheme ("ESIS") and Executive and Employee Option Plan ("EOP"). On 28 August 2002 the Directors resolved that no further Shares would be issued under the ESIS and all further employee incentives would be granted under the EOP.

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 ASX 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 period as the Board may determine. Senior staff will be offered participation in the EOP and the Board will determine the conditions on which options are issued under this plan.

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 on issue from time to time.

ESIS - The company has on issue 2,587,000 shares under the ESIS at 31 December 2007, which rank equally with all other shares and has granted loans to recipients of shares under the ESIS.

The total loans outstanding pursuant to the ESIS at balance date is $1.2 million. No interest is payable 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 ESIS shares rank equally with ordinary shares in respect to dividend entitlements with half of all cash dividends declared by the company being credited towards repaying the loans.

No further Shares will be issued under the Scheme.

17. ISSUED CAPITAL (Continued)

Details of movements of shares issued pursuant to the ESIS are as follows:

	Number of shares	**Consideration received $'000**	**Loans outstanding $'000**
Balances at beginning of financial year	5,374,226		2,423
Issued during the year	-	-	-
Loan repayments	(2,787,226)	-	(1,243)
Balances at end of financial year	2,587,000	-	1,180

18. RESERVES

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Foreign currency translation reserve	**(1,892)**	(4,784)	**(38,968)**	(9,181)
Minority interest	**(13,696)**	-	**-**	-
Share based payments	**5,089**	2,070	**5,089**	2,070
Vested share options	**9,682**	(7,494)	**9,682**	(7,494)
Derivatives – cashflow hedges	**(136,783)**	(77,135)	**-**	-
	(137,600)	(87,343)	**(24,197)**	(14,605)

Foreign currency translation reserve:
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share based payments reserve:
The share based payments reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

Vested share options:
This reserve is used to record the value of foreign currency denominated options granted to seed investors from the date such options are granted to their vesting date.

Derivatives – cashflow hedges:
This reserve is used to record the effective component of the fair value of all qualifying cash flow hedges at period end.

Minority interest:
The minority interest in the Jinfeng mine was re-measured upon completion of project construction.

19. BUSINESS COMBINATION

Acquisition of Golden China Resources Corporation.
On 12 December 2007, Sino Gold Mining Limited acquired 94% of the voting shares of Golden China Resources Corporation, whose shares were listed on the main boards of both the Toronto Stock Exchange and as CDIs on the Australian Securities Exchange.

The total cost of the combination was A$103.0m and comprised an issue of equity instruments, the payment of cash and costs directly attributable to the combination. The Group issued 13,367,870 ordinary shares with a fair value of A$6.75 each, based on the quoted price of the shares of Sino Gold Limited at the date of exchange.

The provisional fair value of the identifiable assets and liabilities of Gold China Resources Corporation as at the date of acquisition were:

	Consolidated	
	Recognised on Acquisition	Carrying Value
	$000	$000
Cash and cash equivalents	1,727	1,727
Inventories	16,136	16,136
Investment in listed company	10,017	10,017
Property, plant and equipment	15,659	15,659
Interest in mineral properties	117,261	68,407
Other receivable	3,774	3,774
	164,574	**115,720**
Trade payables	(13,386)	(13,386)
Short term debts	(34,795)	(34,795)
Unsecured loans (deferred put option premium)	(596)	(596)
Accruals	(4,206)	(4,206)
Other payables	(253)	(253)
Deferred income tax liability	(3,935)	(3,935)
Outside Equity Interest	(4,396)	(4,396)
	(61,567)	**(61,567)**
Identifiable net assets	**103,007**	**54,153**
Cost of the combination:		
Shares issued, at fair value	90,233	
Cash paid	7,594	
Direct costs relating to the acquisition	493	
Warranties & options base payment	4,687	
Sub-total	**103,007**	
	103,007	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	1,727	
Cash paid	(7,594)	
Net consolidated cash outflow	**(5,867)**	

19. BUSINESS COMBINATION (Continued)

From the date of acquisition, Golden China Resources Corporation's net profit contribution was nil. If the combination had taken place at the beginning of the year the revenue from continuing operations would have been $21,122,436 and the loss from continuing operations for the Group would have been $19,732,717. This loss is driven by head office costs ($9.9 million), debenture ammortisation and interest costs ($3.8 million), write down in mineral properties ($3.9 million) and impairment on the carrying value of the investment in Australian Solomon Gold ($4.4 million). These costs are generally not recurrent costs.

The group has recognized a provision for the estimated costs, base on a detail restructure plan, in relation to the redundancy cost of former Golden China Resources Corporation employees and contractors, whose services are no longer expect to be required.

The provisional fair values will be finalized during 2008.

Acquisition of Rockmining Group Company Limited

The Eastern Dragon asset, held within the Rockmining Group, was acquired in late December 2007 for US$90 million which represents the fair value of the tenement. There are no other identifiable net assets.

20. EXPENDITURE COMMITMENTS

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Operating leases				
Within one year	**278**	260	**278**	260
After one year but not more than 2 years	**289**	278	**289**	278
After 2 years but not more than 5 years	**612**	901	**612**	901
Later than 5 years	**-**	78	**-**	78
Aggregate lease expenditure contracted for at balance date but not provided for	**1,179**	1,517	**1,179**	1,517

The above commitments relate to a lease for office premises with an expiry date of 1 April 2012.

Capital Commitments

Development and construction of the group's White Mountain Project in Jilin Province PRC commenced in 2007 and the construction was on-going at the year end. Accordingly the Company has entered into contracts and commitments in relation to the construction of the project. As at 31 December 2007, U$9.7 million (A$11 million) had been spent. The total capital expenditure estimate for the processing plant, infrastructure and underground development is estimated at U$55 million (A$62.4 million).

Hedge commitments

Details of hedge commitments are set out in note 16.

21. RELATED PARTY DISCLOSURES

a) The directors of Sino Gold Mining Limited during the financial year were:

J Askew	B Davidson
J Klein	P Cassidy
H Xu	P Housden
J Zhong	J Dowsley

b) The following related party transactions occurred during the financial period:

(i) *Transactions with related parties in wholly owned group.*
Interest free funding by the parent entity to wholly owned entities mainly relating to payment for offshore acquisitions of equipment and consumables (refer note 7) and are repayable on demand.

(ii) *Transactions with director – related entities.*
Interests in equity instruments held by directors and their related entities at balance date. The loans are interest free and have no formal repayment terms.

Key Management Personnel Option Holdings

	Balance 1 Jan 07	Granted as Remuneratio n	Options Exercised	Net Change Other	Balance 31 Dec 07	Vested at 31 Dec 07
J Askew	140,000	-	(140,000)	-	-	-
J Klein	1,050,000	750,000*	(400,000)	-	1,400,000	400,000
H Xu	475,000	500,000*	-	-	975,000	175,000
B Davidson	20,000	-	-	-	20,000	20,000
P Cassidy	140,000	-	(120,000)	-	20,000	20,000
J Zhong	120,000	-	-	-	120,000	120,000
P Housden	-	120,000*	-	-	120,000	-
J Dowsley	-	-	-	-	-	-
P Uttley	600,000	150,000*	-	20,000	770,000	170,000
I Polovineo	320,000	75,000*	-	-	395,000	45,000
W Rossiter	-	225,000*	-	-	225,000	-
C Johnstone	450,000	275,000*	-	-	725,000	-
	3,315,000	**2,095,000**	**(660,000)**	**20,000**	**4,770,000**	**950,000**

The following options were granted during the year:

- 750,000 options – exercise price $6.50, fair value per option $2.35, share price on issue date $5.70
- 500,000 options – exercise price $6.50, fair value per option $2.35, share price on issue date $5.70
- 120,000 options – exercise price $6.50, fair value per option $2.35, share price on issue date $5.70
- 150,000 options – exercise price $7.65, fair value per option $3.76, share price on issue date $7.95
- 75,000 options – exercise price $7.65, fair value per option $3.76, share price on issue date $7.95
- 225,000 options—150,000 of them, exercise price $5.87, fair value per option $2.82, share price on issue date $5.86; 75,000 of them, exercise price $7.65, fair value per option $3.76, share price on issue date $7.95.
- 275,000 options– exercise price $7.65, fair value per option $3.76, share price on issue date $7.95

The Board has approved additional option issues to J. Klein (500,000), H Xu (350,000) and J Dowsley (120,000) which are subject to shareholder approval.

21. RELATED PARTY DISCLOSURES (Continued)

Comparing to key management personnel option holdings of 2006:

Key Management Personnel Option Holdings

	Balance 1 Jan 06	Granted as Remuneration	Options Exercised	Net Change Other	Balance 31 Dec 06	Vested at 31 Dec 06
J Askew	140,000	-	-	-	140,000	140,000
J Klein	550,000	500,000*	-	-	1,050,000	400,000
H Xu	375,000	300,000*	(200,000)	-	475,000	275,000
B Davidson	140,000	-	(120,000)	-	20,000	20,000
P Cassidy	140,000	-	-	-	140,000	140,000
J Zhong	120,000	-	-	-	120,000	-
P Housden	-	-	-	-	-	-
P Uttley	300,000	300,000*	-	-	600,000	-
I Polovineo	270,000	125,000*	(75,000)	-	320,000	25,000
C Johnstone	-	450,000*	-	-	450,000	-
	2,035,000	**1,675,000**	**(395,000)**	**-**	**3,315,000**	**1,000,000**

Key Management Personnel Shareholdings

	Balance 1 Jan 07	Acquisitions	Disposals/ Options Exercised	Balance 31 Dec 07
J Askew	-	-	140,000	140,000
J Klein	3,132,178	-	(450,000)	2,682,178
H Xu	1,100,000	-	(300,000)	800,000
B Davidson	215,347	-	-	215,347
P Cassidy	23,831	-	120,000	143,831
J Zhong	-	-	-	-
P Housden	10,000	-	-	10,000
P Uttley	-	-	-	-
I Polovineo	207,315	-	(25,000)	182,315
W Rossiter	-	-	-	-
C Johnstone	-	-	-	-
	4,688,671	**-**	**(515,000)**	**4,173,671**

(iii)Transactions with director – related entities. (Continued)

Employee Share Incentive Scheme ("ESIS") loans

Loans are outstanding pursuant to the terms of the ESIS, refer to note 17(d). At balance date outstanding loans were held by J Klein and H Xu for $758,232 and $275,723 respectively. This was the highest amount the loans were during the reporting period.

21. RELATED PARTY DISCLOSURES (Continued)

(iv) Employment Agreements

- The Company entered into an agreement ("Employment Agreement") dated 18 February 2008 with Mr. J Klein for the provision of Mr. Klein's services as President and Chief Executive Officer. The Employment Agreement is for a rolling 12 months period. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

- The Company entered into an agreement ("Employment Agreement") dated 18 February 2008 with Mr. H Xu for the provision of Mr. Xu's services as Executive Director. The Employment Agreement is for a rolling 12 months period. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

- The Company has entered into an agreement ("Employment Agreement") with Mr. I Polovineo on 1 January 2004 for the provision of his services as Company Secretary. The Employment Agreement is for a rolling 12 month period. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

Compensation options: Granted and vested during the year

31/12/2007	Granted Number	Grant Date	Fair Value per option at grant date ($)	Exercise price per option ($)	Expiry Date	First Exercise Date	Last Exercise Date	Vested number	%
Directors									
J Klein	750,000	30/05/2007	2.35	6.50	31/12/2011	31/05/2010	31/12/2011	100,000	7.1
H Xu	500,000	30/05/2007	2.35	6.50	31/12/2011	31/05/2010	31/12/2011	75,000	7.7
P Housden	120,000	30/05/2007	2.35	6.50	31/12/2011	31/05/2010	31/12/2011	-	-
Executives									
C Johnstone	275,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	-	-
P Uttley	150,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	150,000	19.5
I Polovineo	75,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	20,000	5.1
T Norman	20,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	-	-
W Rossiter	150,000	9/05/2007	2.82	5.87	30/09/2012	10/05/2010	30/09/2012	-	-
W Rossiter	75,000	8/11/2007	3.76	7.65	9/11/2012	9/11/2010	9/11/2012	-	-
Total	2,115,000							345,000	

21. RELATED PARTY DISCLOSURES (Continued)

31/12/2006	Granted Number	Grant Date	Fair Value per option at grant date ($)	Exercise price per option ($)	Expiry Date	First Exercise Date	Last Exercise Date	Vested Number	%
Directors									
J Klein	500,000	31/12/2005	1.47	3.29	31/12/2010	1/01/2009	31/12/2010	300,000	28.6
H Xu	300,000	31/12/2005	1.47	3.29	31/12/2010	1/01/2009	31/12/2010	200,000	42.1
Executives									
C Johnstone	300,000	31/12/2006	2.35	6.50	31/12/2011	1/01/2010	31/12/2011	-	-
P Uttley	300,000	31/12/2006	2.35	6.50	31/12/2011	1/01/2010	31/12/2011	-	-
I Polovineo	125,000	31/12/2006	2.35	6.50	31/12/2011	1/01/2010	31/12/2011	25,000	7.8
T Norman	130,000	31/12/2006	2.35	6.50	31/12/2011	1/01/2010	31/12/2011	-	-
W Rossiter	-	-	-	-	-	-	-	-	-
Total	1,655,000							525,000	

22. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Company's remuneration policy is designed to attract, retain and motivate highly talented individuals to ensure the capability of our workforce to deliver the business strategy and to maximize shareholder wealth creation.

Remuneration Structure
In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration
The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting.

The latest determination was at the Annual General Meeting held on 30 May 2006 when shareholders approved an aggregate remuneration of $650,000 per year. Directors will be seeking to increase this amount at the next Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Directors will be seeking to increase this amount at the next Annual General Meeting.

Each non-executive director receives a base fee of $85,000 for being a director of the Group. The Chairman receives a base fee of $175,000. From 1 January 2008 an additional fee of $7,500 will also be paid for each Board committee on which a non-executive director sits and $10,000 if the director is a Chair of a Board Committee with $15,000 being paid to the Chair of the Audit Committee.. The payment of additional fees for serving on a committee recognises the additional time commitment required by non-executive directors who serve on one or more sub committees.

22. COMPENSATION OF KEY MANAGEMENT PERSONNEL (Continued)

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs

Executive Remuneration
The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. The 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.

Cash bonuses paid and numbers of options granted are at the complete discretion of the Board and are based on individual and company performance. There are no specified financial or other conditions that are required to be achieved.

To assist in achieving these objectives, the Remuneration Committee considers the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive and Employee Option Plan which currently provides incentives. The options vest over 3 years and expire in 5 years provided that the employee/director remains as employee/director of the company. There are no performance vesting conditions.

Details of the nature and amount of each element of the remuneration of each director of the company and 5 named executives who receive the highest remuneration are shown below.

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 (KPIs) including financial and non-financial measures of performance through our Performance Management Program.
- Establish short and long-term incentive programs across the organization, for which the following principles apply:

- Short term annual cash bonus:

- Individual bonus is earned and not a right;
- Bonus is discretionary and distribution is related to outstanding achievement;
- Bonus is determined according to individual, team and Company performance;
- General labour market conditions for the position will be considered;
- Frequency, timing and quantum of any incentive program must be approved by the CEO and the Board in respect of senior executives and executive directors.

- Long term performance based share options:

Senior staff will be offered participation in the Company's approved Executive and Employee Option Plan. The Board will determine the conditions on which options are issued under this Plan. The options are issued at an exercise price being the weighted average sale price of the Company's shares on ASX over the 5 trading days immediately prior to the date of issue of the options.

- Ensure remuneration planning continues to be integrated within the Company's business planning process.
- Total reward levels and performance targets will be set at appropriate levels to reflect the competitive market in which we operate; the prevailing economic environment and the relative performance of comparator companies. We aim to position outstanding performance within the top quartile of the industry.

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22. COMPENSATION OF KEY MANAGEMENT PERSONNEL (Continued)

Our 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 China, particularly at mine sites, and relevant job and industry comparisons. The company values the contribution of both individuals and teams in achieving the goals and objectives of the business and through our Performance Management Program our employees understand how their plans and efforts are linked to the organisation's objectives and the interests of the shareholders.

Our remuneration structure further recognises that whilst the Company is in the process of developing its projects and pursuing new opportunities, it should conserve its cash resources, and accordingly, where appropriate, should issue options under the approved Executive and Employee Option Plan as an integral part of its remuneration policy.

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 on issue from time to time.

Below table are the details of compensations to the key management personnel:

	Short Term			**Post Employment**	**Share-based Payment**	**Total**	**% of remuneration for the year consisting of options**
Name	**Salary and Fees**	**Other**	**Cash Bonus**	**Super-annuation**	**Options**		**%**
	$	$	$	$	$	$	
J Askew							
Chairman (non-executive)							
2007	**175,000**		**-**	**-**	**-**	**175,000**	**-%**
2006	94,799		-	-	8,467	103,266	8.2%
J Klein							
Chief Executive Officer							
2007	**565,039**	**60,000**	**200,000**	**51,461**	**659,484**	**1,535,984**	**42.9%**
2006	527,969	80,000*	150,000	47,031	303,833	1,108,833	27.4%
H Xu							
Director (executive)							
2007	**366,972**	**22,000**	**125,000**	**33,028**	**423,323**	**970,323**	**43.6%**
2006	345,559	29,000*	125,000	24,440	189,750	713,749	26.6%
B Davidson							
Director (non-executive)							
2007	**85,000**		**25,000**	**-**	**-**	**110,000**	**-%**
2006	85,000		-	-	8,467	93,467	9.1%
P Cassidy							
Director (non-executive)							
2007	**42,500**		**-**	**42,500**	**-**	**85,000**	**-%**
2006	131,250		-	31,425	8,467	171,142	4.9%
J Zhong							
Director (non-executive)							
2007	**83,245**		**-**	**1,755**	**13,200**	**98,200**	**13.4%**
2006	77,982		-	7,018	13,200	98,200	13.4%

22. COMPENSATION OF KEY MANAGEMENT PERSONNEL (Continued)

	Short Term			**Post Employment**	**Share-based Payment**	**Total**	**% of remuneration for the year consisting of options**
Name	**Salary and Fees**	**Other**	**Cash Bonus**	**Super-annuation**	**Options**		**%**
	$	$	$	$	$	$	
P Housden							
Director (non-executive)							
2007	**38,991**		**25,000**	**46,009**	**63,677**	**173,677**	**36.7%**
2006	-		-	42,500	-	42,500	-
J Dowsley							
Director (non-executive)							
2007	**35,417**		**-**	**-**	**-**	**35,417**	**-%**
2006	-		-	-	-	-	-
P Uttley							
Chief Geologist							
2007	**253,211**	**-**	**125,000**	**2,752**	**378,229**	**759,192**	**49.8%**
2006	221,101	-	125,000	43,899	122,000	512,000	23.8%
C Johnstone							
Chief Operating Officer							
2007	**366,972**		**60,000**	**33,028**	**361,944**	**821,944**	**44.0%**
2006	254,587		60,000	22,913	34,750	372,250	9.3%
I Polovineo							
Company Sectary and Administration							
2007	**208,142**	**-**	**80,000**	**52,097**	**189,283**	**529,522**	**35.7%**
2006	206,304	-	50,000	43,696	86,283	386,283	22.3%
W Rossiter							
Chief Financial Officer (appointed in May 2007)							
2007	**142,304**	**-**	**25,000**	**28,360**	**97,917**	**293,581**	**33.4%**
2006	-	-	-	-	-	-	-%
Totals							
2007	**2,362,793**	**82,000**	**665,000**	**290,990**	**2,187,057**	**5,587,840**	**39.1%**
2006	1,944,551	109,000	510,000	262,922	775,217	3,601,690	21.5%

* Interest benefits under ESIS loans

During the year a total of 5,621,776 ordinary shares were issued on the exercise of unlisted options, details of which are as follows:

- 1,777,776 shares at US$0.625 per share
- 214,000 shares at $2.69 per share
- 75,000 shares at $1.20 per share
- 3,540,000 shares at $1.00 per share
- 15,000 shares at $2.00 per share

ESIS Loans to Directors

Loans have been made to executive directors Jake Klein and Xu Hanjing pursuant to the ESIS plan details and terms of which are set out in note 21. The loans were initially made in 2001, are interest free and have a ten year term. The balances outstanding are as follows:

22. COMPENSATION OF KEY MANAGEMENT PERSONNEL (Continued)

	2007 **$000**	2006 $000
J Klein	**758**	1,149
H Xu	**276**	414
	1,034	1,563

23. CONTINGENT LIABILITIES

The Group is aware that there may exist a potential liability of an undetermined amount for underpaid value added tax at one of its Chinese subsidiaries, acquired as part of the acquisition of Golden China Resources. The Group cannot reasonably estimate the amount as the accounting records and information for the period in question, 1 January 2000 to 31 July 2005, have been retained by the previous owners, Tiancheng Mining. At the time that Golden China Resources acquired this subsidiary it received an indemnity from Tiancheng Mining for any outstanding taxation liabilities up until the acquisition date.

24. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
The aggregate employee entitlement liability is comprised of:				
Provisions:				
- Long service leave	**339**	287	**339**	287
- Annual leave	**444**	358	**444**	358
	783	645	**783**	645

Superannuation Commitments
The Parent 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 retirement, 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 Australian employees wages and salaries are legally enforceable in Australia.

During the year the average number of employees in the economic entity was 611 (2006: 524).

25. 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.

26. STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Cash balance comprises				
- Cash on hand	**68**	61	**3**	3
- Cash at bank	**38,899**	9,444	**31,391**	7,116
- Restricted cash*	**69,986**	12,000	**69,986**	12,000
	108,953	21,505	**101,380**	19,119

*Restricted cash relates to cash held in term deposits as security for the Jinfeng Standby L/C loan (refer note 13 (c)).

(b) Reconciliation of operating loss after tax to net cash flows from operations

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Operating (loss)/profit after tax	**(24,940)**	(20,054)	**(16,788)**	(3,174)
Non cash items:				
Depreciation of non-current assets	**3,574**	78	**124**	78
Write off of property, plant & equipment	**-**	142	**-**	142
Provision for rehabilitation	**286**	(1,984)	**-**	-
Share options expensed	**3,973**	12,717	**3,973**	12,717
Deferred exploration costs written off	**1,545**	-	**1,545**	-
Profit of disposal subsidiaries	**-**	(2,129)	**-**	(18,397)
Provision for annual leave	**138**	-	**138**	-
Changes in assets and liabilities:				
Receivables	**(567)**	(5,551)	**5,732**	(6,477)
Inventories	**(33,380)**	799	**-**	-
Prepayments	**(843)**	-	**(672)**	-
Trade and other payables	**(142)**	7,752	**-**	6,679
Accrued liabilities	**29,394**	-	**(5,939)**	-
Net Cash Flows from/ (used in) Operating Activities	**(20,963)**	(8,152)	**(11,887)**	(8,354)

27. AUDITORS' REMUNERATION

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Amounts received or due and receivable by Ernst & Young for:				
- audit or review of the financial report of the entity and any other entity in the group	**120,124**	104,000	**80,124**	40,250
- Hong Kong Initial Public Offering costs	**-**	467,000	**-**	467,000
- Golden China prospectus costs	**79,000**	-	**79,000**	-
	199,124	571,000	**159,124**	507,250
Amounts received or due and receivable by KPMG for:				
- Golden China auditing fee	**119,204**	-	**119,204**	**-**
	119,204	**-**	**119,204**	**-**

28. FINANCIAL INSTRUMENTS

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 year under review, the Group's policy that no trading in financial instruments shall be undertaken without board approval.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and commodity price risk. The Directors review and approve 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.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated as cash flow hedges:

28. FINANCIAL INSTRUMENTS (Continued)

	Group 2007 $'000	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Financial Assets				
Cash and cash equivalents	**108,953**	21,505	**101,380**	19,119
Financial Liabilities (note 13)				
CCB standby L/C loan	**60,339**	6,847	-	-
BioGold short term loan	**15,531**	-	-	-
Jinfeng project loan	**44,143**	49,542	-	-
Golden China Resources Corporation long-term loan	**597**	-	-	-
Convertible notes net value	-	39,998	-	39,998
SUB-TOTAL	**120,610**	96,387	**-**	39,998
Net exposure	**(11,657)**	(74,882)	**101,380**	(20,879)

The Group's policy is to manage its finance costs by using an appropriate balance of fixed and variable rate debt. It is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. At 31 December 2007, approximately 14.8% of the Group's borrowings are at a fixed rate of interest (2006: 3.3%).

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 31 December 2007, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		**Equity Higher/(Lower)**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Consolidated				
+1% (100 basis points)	**(120)**	(740)	**(120)**	(740)
- .5% (50 basis points)	**60**	370	**60**	370
Parent				
+1% (100 basis points)	**1,000**	(210)	**1,000**	(210)
- .5% (50 basis points)	**(500)**	105	**(500)**	105

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to the impact on profit of these interest rate movements. The sensitivity is lower in 2007 than in 2006 as a result of increased cash from the share issued.

(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.

28. FINANCIAL INSTRUMENTS (Continued)

The risk implied from the values shown in the following table, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital, inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the group has established comprehensive risk reporting covering its worldwide business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 31 December 2007	**<=6 months $'000**	**6-12 months $'000**	**1-5 years $'000**	**>5 years $'000**	**Total**
Consolidated Financial Assets					
Cash & cash equivalent	108,953	-	-	-	108,953
Trade & other receivables	9,730	454	151	1,180	11,515
	118,683	454	151	1,180	120,468
Consolidated Financial Liabilities					
CCB standby L/C loan	-	-	60,339	-	60,339
BioGold short term loan	-	-	15,531	-	15,531
Jinfeng project loan	5,445	5,445	33,254	-	44,144
Golden China Resources Corporation long-term loan	-	-	-	596	596
Golden China Resources Corporation Debentures	19,264	-	-	-	19,264
Trade & other payables	30,883	-	-	-	30,883
Derivatives	13,669	15,547	95,755	-	124,971
	69,261	20,992	204,879	596	295,728
Net maturity	49,422	(20,538)	(204,728)	584	(175,260)

Year ended 31 December 2007	**<=6 months $'000**	**6-12 months $'000**	**1-5 years $'000**	**>5 years $'000**	**Total**
Parent Financial assets					
Cash & Cash equivalent	101,380	-	-	-	101,380
Trade & other receivables	1,427	454	151	1,180	3,212
	102,807	454	151	1,180	104,592
Parent Financial liabilities					
Trade & other payables	289	-	-	-	289
	289	-	-	-	289
Net maturity	102,518	454	151	1,180	104,303

(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.

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 2007, there was no significant concentration of credit risk.

28. FINANCIAL INSTRUMENTS (Continued)
(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 as set out in note 16.

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Consolidated				
US$/oz +10%	**(3,010)**	-	**(31,688)**	(26,900)
US$/oz -5%	**1,505**	-	**15,844**	13,450
Parent				
US$/oz +10%	**-**	-	**-**	-
US$/oz -5%	**-**	-	**-**	-

There is no profit or loss impact to 2006 due to there was no forward contracts matured during the year.

(v) Foreign currency risk

As a result of significant operations in the People's Republic of China and large purchases of inventory denominated in RMB, the Group's balance sheet can be affected significantly by movements in the RMB$/US$ exchange rates. At 31 December 2007, the A$/US$ exchange rate was 0.8816, and the US$/RMB$ exchange rate was 7.3037. The primary mitigate to this risk is that sales proceeds are denominated in RMB, and the group actively monitors its debt currency exposure and manage this within the limits of its lending arrangement.

At 31 December 2007, the Group had the following exposure to A$/RMB foreign currency that is not designated in cash flow hedges:

A$	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Financial Assets				
Cash and Cash Equivalents	**1,036**	622	**1,036**	622
Other Debtors	**1,162**	733	**1,162**	733
	2,198	1,355	**2,198**	1,355
Financial Liabilities	-	-	-	-
	-	-	-	-
Net exposure	**2,198**	1,355	**2,198**	1,355

RMB	**Group 2007 $'000**	Group 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Financial Assets				
Cash and Cash Equivalents	**7,573**	2,386	-	-
Other Debtors	**8,446**	815	-	-
	16,019	3,201	-	-
Financial Liabilities				
Trade Creditors	**23,516**	(258)	-	-
Other Creditors	**7,078**	5,166	-	-
	30,594	4,908	-	-
Net exposure	**(14,575)**	(1,708)	-	-

28. FINANCIAL INSTRUMENTS (Continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 31 December 2007, had the US Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

A$	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Consolidated				
A$/US$ +10%	**(200)**	(123)	**(200)**	(123)
A$/US$ -5%	**116**	71	**116**	71
Parent				
A$/US$ +10%	**(200)**	(123)	**(200)**	(123)
A$/US$ -5%	**116**	71	**116**	71

RMB	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Consolidated				
RMB/US$ +10%	**1,325**	155	**1,325**	155
RMB/US$ -5%	**(767)**	(90)	**(767)**	(90)
Parent				
RMB/US$ +10%	**-**	-	**-**	-
RMB/US$ -5%	**-**	-	**-**	-

The movements in profit in 2007 are more sensitive than in 2006 due to the higher level of RMB payables at balance date.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(vi) Debt/Equity Management

The Group funds its exploration, development and operating activities using both debt and equity. The mix of debt and equity is determined by consideration of regulatory, commercial and risk factors as well as tax efficiencies and the impact on earnings per share. The Company prepares detailed medium to long term cash forecasts and determines funding requirements accordingly. Debt is preferentially utilised on production assets where tax shields can be effective.

Equity is ordinary shares, not preference capital.

29. EARNINGS PER SHARE

	2007	2006
Basic earnings per share (cents per share)	**(13.23)**	(13.7)
Diluted earnings per share (cents per share)	**(13.23)**	(13.7)
Earnings used in calculating basic and diluted earnings per share	**$(23,496,817)**	$(20,054,360)
Weighted number of ordinary shares on issue used in calculation of basic earnings per share	**177,586,981**	146,168,242
Effect of dilutive securities	**-**	-
Number of potential ordinary shares that are not dilutive and not used in the calculation of diluted earnings per share	**8,651,645**	5,764,086
Weighted number of ordinary shares on issue used in calculation of diluted earnings per share	**177,586,981**	146,168,242

30. SUBSEQUENT EVENTS

The following significant events have occurred after 31 December 2007:

- On 11 December 2007, the company announced that it had acquired over 90% acceptance for the acquisition of Golden China Resources Corporation and was moving into compulsory acquisition to acquire the outstanding shares. On 16 January 2008, the compulsory acquisition was completed by the issue of a further 821,772 shares for a total number of share issued in consideration of 14,189,642.

- On 14 December 2007, an equity raising of A$170 million was translated for the issue of 26,459,459 fully paid ordinary share at A$6.45 per share. The issue of 16,669,459 shares was conditional upon shareholder approval which was received at an Extraordinary General Meeting held on 24 January 2008. As a result of this approval these shares were issued and gross proceeds of A$107,518,010 realised.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of the company, we state that:

In the opinion of the directors:

(a) The financial statements, notes and additional disclosures included in the Directors' Report designated as audited, of the company and consolidated entity are in accordance with the *Corporations Act 2001,* including:

   (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

   (ii) Complying with Accounting Standards and 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.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 December 2007.

On behalf of the board

J Askew – Chairman

J. Klein - CEO

Sydney
20 February 2007

ERNST & YOUNG

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Independent auditor's report to the members of Sino Gold Mining Limited

We have audited the accompanying financial report of Sino Gold Mining Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 10 to 14 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the 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 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. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit we have met 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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion
In our opinion:

1. the financial report of Sino Gold Mining Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Sino Gold Mining Limited and the consolidated entity at 31 December 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the remuneration disclosures that are contained on pages 10 to 14 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

Paul Flynn

Paul Flynn
Partner
Sydney
20 February 2008