



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 2008

24 Feb 2009

Contents

Highlights

Summary of the full-year results

Financial report:

Directors' Report

Income Statement

Balance Sheet

Cash Flow Statement

Statements of Changes in Equity

Notes to the Financial Statements

Directors' Declaration

Independent Audit Report



24 February 2009

ANNUAL RESULTS ANNOUNCEMENT for the year ended 31 December 2008 Highlights

				A\$ million
Revenue from operating activities	Up	514%	to	206.1
Mine operating earnings	Up	864%	to	69.5
Operating profit/(loss) before other income/(expense)	Up from loss		to	43.3
Net loss after tax	Loss increased by	307%	to	(101.4)
Net loss for the period attributable to members of Sino Gold Mining Limited	Loss increased by	342%	to	(103.8)
Dividend				Nil

SUMMARY OF 2008 FULL-YEAR RESULTS

Key Points - Financial

- Sino Gold's underlying financial performance for the 2008 year was strong as **mine operating earnings increased by A\$62.3 million to A\$69.5 million.**
- **Operating profit of A\$43.3 million.**
- Statutory loss after tax of A\$101.4 million, inclusive of pre-tax **write-downs totalling A\$100.7 million** in relation to acquisition and exploration carrying values.
- **All gold hedging was closed out during 2008** and hedging charges totalled A\$35.2 million.
- Net assets totalled A\$820.3 million at 31 December 2008, including **net available cash of A\$70.5 million.**
- **In February 2009, China Construction Bank agreed to provide a refinancing package for Jinfeng in the form of a six-year, Renminbi denominated loan facility totalling RMB780 (A\$176) million.**

Key Points - Operational

- Jinfeng's gold sales increased 252% to 152,903 ounces for the year at a cash operating cost of US\$400/ounce.
- Construction of the White Mountain Gold Mine was completed during 2008 and commercial production declared on 1 January 2009.
- Acquisition of 80% of the high-grade Eastern Dragon Lode 5 gold-silver deposit completed during 2008. A Chinese feasibility study has now been completed and Eastern Dragon is being rapidly progressed towards becoming Sino Gold's third mine.
- A Board Feasibility Review was completed on the Beyinhar gold deposit that demonstrates the potential for a robust heap-leach mine development.
- In February 2009, the BioGold plant was sold to a local operator.
- Combined 2009 gold production from the Jinfeng and White Mountain Mines is forecast to be in the range of 210,000 to 230,000 ounces of gold at a cash operating cost of less than US\$400/ounce, a substantial increase in gold production over 2008.

During 2008, Sino Gold has delivered strong operating profits and put in place the foundation for strong future profits by commencing gold production at the White Mountain Gold Mine and progressing Eastern Dragon and Beyinhar Projects towards development.

Financial Results – Income Statement

The table below provides a summary of the 2008 Income Statement and comparison with the previous year.

	2008 Year	2007 Year	Change
	A\$ million	A\$ million	A\$ million
Net sales revenue - Jinfeng	156.4	33.6	122.8
Net sales revenue - BioGold	49.7	-	49.7
Total net sales revenue	206.1	33.6	172.5
Cost of goods sold - Jinfeng	(74.3)	(22.9)	(51.4)
Cost of goods sold - BioGold	(48.2)	-	(48.2)
Depreciation & amortisation	(14.1)	(3.5)	(10.6)
Mine operating earnings	69.5	7.2	62.3
Royalties, rehabilitation and other	(8.1)	(1.6)	(6.5)
Non-cash share-based payments	(7.1)	(3.8)	(3.3)
Administration and corporate costs	(11.0)	(8.0)	(2.9)
Operating profit/(loss)	43.3	(6.2)	49.6
Other income	12.6	5.4	7.2
Gain on fair value of vested share options	2.3	1.3	1.0
Finance costs	(7.5)	(14.5)	6.9
Profit before impairment, hedging and tax	50.7	(14.0)	64.7
Impairment loss	(91.6)	-	(91.6)
Exploration written off	(9.1)	(1.5)	(7.6)
Hedging loss - pre-close-out	(12.0)	(9.3)	(2.7)
Amortisation of hedge close-out	(23.2)	-	(23.2)
Loss before tax	(85.2)	(24.8)	(60.4)
Income tax	(16.2)	(0.1)	(16.1)
Net loss	(101.4)	(24.9)	(76.5)

A five-fold increase in sales revenue to a record A\$206.1 million was due to Jinfeng gold production increasing by 104,672 ounces to 150,928 ounces and BioGold contributing to revenue for the first time during 2008.

Jinfeng sold a total of 152,903 ounces during 2008 at an average realised price of US\$872/ounce. Jinfeng's unit cash operating costs decreased over the course of the year and an average of US\$400/ounce was achieved for the year.

Administration and corporate costs increased A\$2.9 million to A\$11.0 million due to less overheads being charged to development projects, lower A\$/US\$ exchange rate and general corporate growth.

Share based payments totalling A\$7.1 million for 2008 are non-cash charges relating to options issued to employees and directors of Sino Gold. The high volatility of Sino Gold's share price results in a relatively high value for these options, which are amortised over three years from the grant date.

Inclusive of the above charges, operating profit increased to A\$43.3 million from a loss of A\$6.2 million the previous year.

The exploration write-off for 2008 is comprised of:

- A\$4.6 million write-off of the carrying value of all properties in Shandong Province following the Company's decision to cease exploration in that region;
- A\$4.5 million write-down the value of the Greatlands and Jinluo properties in Guizhou Province to the estimated fair value of these assets.

Impairment losses charged for the year include A\$90.2 million associated with assets acquired in the Golden China Resources transaction and A\$1.4 million for an investment in a publicly listed company.

Close-out of Hedge Book

As part of the Jinfeng Project Loan, the Jinfeng Project was required to enter into a hedging program. In June 2008, Sino Gold completed the close-out of all of the Company's gold forward sales contracts and put options. Following this transaction, Sino Gold has total exposure to gold prices and the Company does not anticipate putting in place any further gold hedging.

The close-out cost of US\$118.6 million was capitalised on the balance sheet in a hedge reserve account within equity. Hedge accounting requires that this cost is amortised and brought to account in accordance with the original hedge designation dates. The annual amortisation schedule is tabulated below:

Calendar Year	2008	2009	2010	2011	2012
Non-cash hedging losses (US\$ millions)	20.1	26.5	27.5	28.4	16.1

These losses will be amortised at the average A\$/US\$ exchange rate for each year. A total of A\$23.2 million of this cost was amortised during 2008 and A\$116.5 million remained on the balance sheet as at 31 December 2008.

Financial Results – Balance Sheet

The table below provides a summary of the key drivers behind changes in the Group's Total Equity during the year.

	A\$ millions
Adjusted Balance at 31 December 2007	387.0
Changes during 2008:	
Issued capital	329.3
Current year loss	(103.8)
Foreign currency translation reserve	207.1
Other	11.4
Outside equity interest	(10.7)
Balance at 31 December 2008	820.3

The company's rapid growth during 2008 was funded by share issues which raised a total of A\$307.0 million, primarily comprised of:

- placement for the Eastern Dragon acquisition; and
- rights issue and placement to Gold Fields to fund the close-out of the hedge book.

The A\$/US\$ exchange was extremely volatile during 2008 and is reflected in the substantial movement in the foreign currency translation reserve of A\$207.1 million. The carrying values of assets on the Balance Sheet were translated at an A\$/US\$ exchange of 0.693 at 31 December 2008, compared with 0.882 at 31 December 2007.

Financial Results – Statement of Cash Flows

The following table shows the change of cash balances during 2008:

(A\$ millions)	Cash Balance/ Movements
Cash balance at 31 December 2007	109.0
<i>Net operating cash inflow</i>	61.7
<i>Investing Cash Flows</i>	
Payment for property, plant and equipment	(123.6)
Payment for deferred exploration, evaluation and development	(55.6)
Payment for acquisition of Eastern Dragon assets	(66.3)
<i>Financing Cash Flows</i>	
Proceeds from share issue	307.0
Net drawdown of debt	72.4
Hedging costs pre-close-out	(11.0)
Hedging close-out cost	(124.5)
Other	0.3
Effect of exchange rate changes on cash	61.9
Cash balance at 31 December 2008	231.2
- includes restricted cash at 31 December 2008	160.7
- includes available cash at 31 December 2008	70.5

The Group's total cash balance increased by A\$122.2 million during 2008. Proceeds from share issues and bank loans were partly offset by investment expenditures and the close out of the hedge book.

The A\$124.2 million expenditure on property, plant and equipment during 2008 was primarily incurred for:

- White Mountain (A\$70.2 million) construction and underground development; and
- Jinfeng (A\$50.8 million) underground development, capitalised open-pit waste mining costs, tailings dam lifts and general sustaining capex.

Restricted cash is cash held in US dollars as collateral to more than offset the principal amount Standby L/C Loan Facilities in Renminbi. Restricted cash increased by A\$90.7 million during the year due to drawdown of the Eastern Dragon L/C Loan Facility and depreciation of the Australian dollar.

After deducting restricted cash, the Group's available cash balance at 31 December 2008 was A\$70.5 (US\$49) million.

In February 2009, China Construction Bank provided a six-year, Renminbi-denominated loan facility totalling RMB780 (A\$176) million. The facility will be used to:

- repay the existing Jinfeng project senior loan (~A\$44 million); and
- repay the Jinfeng Standby L/C Loan (~A\$78 million), which will enable the cash currently held on deposit as collateral of approximately US\$58 million to be released for general corporate purposes within the Company; and
- provide further available credit equal to the balance (~A\$54 million) of the total facility.

Operations and Development

The **Jinfeng Gold Mine** is China's second largest gold mine and produced 150,928 ounces of gold during 2008, the first full year of commercial production for the mine.

Gold production increased over the course of the year in line with improving tonnes milled, gold recoveries and head grade. Unit cash operating costs decreased over the course of the year and an average of US\$400/ounce was achieved for the year. A total of 152,903 ounces were sold during 2008 at an average realised price of US\$872/ounce. Development of the underground mine at Jinfeng continued during the year.

Sino Gold acquired the **BioGold Processing Facility** in late 2007 as part of the acquisition of Golden China Resources Corporation. BioGold purchases gold concentrates and produces refined gold, selling a total of 48,065 gold-equivalent ounces during 2008. As the asset was considered non-core, subsequent to period end, Sino Gold sold BioGold to a local operator.

The **White Mountain Gold Mine** was rapidly developed during 2008 with first gold poured in October 2008 and commercial gold production achieved in January 2009. Revenue and costs incurred in relation to White Mountain prior to that time were capitalised. Gold production for 2008 totalled 2,617 ounces and is planned to ramp-up to the planned 65,000 ounces per annum production level over the course of 2009.

In April 2008, the US\$90 million acquisition of an initial 72% interest in the **Eastern Dragon Lode 5** gold-silver deposit was completed by payment of the remaining \$45 million. In June 2008, Sino Gold increased its interest in the Eastern Dragon Joint Venture to 80% at a cost of US\$11 million.

Sino Gold has also acquired an initial 25% interest in the 53 km² Exploration Licence surrounding the Eastern Dragon Lode 5 Exploration Licence, as well as a pre-emptive right over a further 26% interest. Eastern Dragon Lode 5 is a high-grade, epithermal deposit that tends to form clusters of similar deposits and thus the surrounding area is considered highly prospective

In early 2009, a Chinese feasibility study was completed on the high-grade Lode 5 deposit and demonstrated the project's potential to produce gold and silver at very low costs. Sino Gold is working towards bringing Eastern Dragon into production as quickly as possible.

The **Beyinhar Project** was acquired by Sino Gold as part of the take-over of Golden China Resources Corporation. A substantial 2008 exploration program at Beyinhar targeted but did not intercept significant high-grade sulphide mineralisation at depth.

Studies undertaken during 2008 of the Beyinhar Project concluded that development was an attractive investment proposition as overall gold recoveries of 85% and a cash operating cost of approximately US\$450/ounce would be achievable.

In January 2009, Sino Gold announced that development of the more attractive Eastern Dragon Project would be prioritised ahead of the Beyinhar Project. The interpretation of results from a recent RC drilling program at at Beyinhar is awaited in order to quantify potential grade upside.

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.

The combined 2009 gold production from the Jinfeng and White Mountain Mines is planned to be in the range of 210,000 to 230,000 ounces of gold at a cash operating cost of less than US\$400/ounce, a substantial increase in gold production over 2008.

Gold production and costs are forecast to be better for both mines during the second half of the year than the first half of the year.

At Jinfeng, ore production from the underground mine is planned to supplement ore from the open-pit mine and to ramp-up during 2009 as ore is sourced from the initial stopes.

Gold production at White Mountain is expected to ramp-up over the course of the year and to achieve planned levels during the second half of 2009.

Sino Gold aims to progress Eastern Dragon Project into the Company's third mine as quickly as possible. The Chinese Feasibility Study for the project has been completed and various approvals are required prior to commencing development. Timing of permitting is likely to be the key factor determining if development of the project can commence during 2009.

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 China.

The gold price outlook remains strong and Sino Gold's shareholders will fully benefit from an increasing gold price as the Company is now completely unhedged.

For further information regarding Sino Gold please contact:

Investor Enquiries: Jake Klein, CEO or Roger Howe, Investor Relations
+61 2 8259 7000, info@sinogold.com.au

Media Enquiries: Kate Kerrison
+61 2 6746 3221, kate@katekerrison.com.au

SINO GOLD MINING LIMITED
ABN 42 093 518 579

Consolidated Financial Statements
for the year ended 31 December 2008

SINO GOLD MINING LIMITED
For the Year Ended 31 December 2008

Table of Contents

COMPANY PARTICULARS.....	3
DIRECTORS' REPORT.....	4
CORPORATE GOVERNANCE STATEMENT	24
INCOME STATEMENT	30
BALANCE SHEET.....	31
STATEMENT OF CASH FLOWS.....	32
STATEMENT OF CHANGES IN EQUITY.....	33
NOTES TO THE FINANCIAL STATEMENTS	35
DIRECTORS' DECLARATION.....	80
INDEPENDENT AUDIT REPORT	81

SINO GOLD MINING LIMITED

ANNUAL REPORT 2008

COMPANY PARTICULARS

Directors

James Askew - Chairman
Jacob Klein - President and CEO
Hanjing Xu - Executive Director
Brian Davidson – Independent Non-Executive Director
Peter Cassidy – Independent Non-Executive Director
Peter Housden – Independent Non-Executive Director
Liangang Li – Non-Executive Director
Thomas McKeith – Non-Executive Director

Audit Committee

Brian Davidson (Chairman)
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

Somerley Limited
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
44 Market Street, Sydney NSW 2000
Australia

Hong Kong

Sino Gold Mining Limited
31st Floor, Gloucester Tower
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 2008

The Board of Directors of Sino Gold Mining Limited is pleased to submit its report in respect of the financial year ended 31 December 2008.

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 three years Mr. Askew has served as a director of the following other 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 17 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 member of the NSW Asia Council.

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

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

Hanjing Xu, Executive Director

Mr Xu has been involved in the non-ferrous metal industry for more than 19 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 including China Government and Public Relations, 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 former senior partner of Deacons, a major national law firm with over 37 years experience 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 and 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 and Chairman of Energy Developments 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 three years Mr. Cassidy has served as a director of the following other listed companies:

- Lihir Gold Limited
- Oxiana Limited (until 27 November, 2007)
- Zinifex Limited (until 17 July, 2008)
- OZ Minerals Limited (until 31 January, 2009)
- Energy Developments Limited
- Allegiance Mining NL (until 17 July, 2008)

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

Liangang Li – Non executive Director

Mr Li has over 15 years of broad international experience in the resources sector.

In May 2006 he was appointed President and CEO of Sino Mining International Ltd (a subsidiary of China Minmetals Group), whose main business is trading alumina and nickel concentrates between Australia and China. Mr Li previously held senior managerial positions with Minmetals in Australia, China, Mexico and USA.

Mr Li is also currently the Vice General Manager of Minmetals Aluminium Company Limited and director of its four subsidiaries – Minmetals Non-ferrous Lianyungang Company Limited, Sino Mining Australia Pty Ltd, Sino Mining Trading Pty Ltd and Sino Nickel Pty Limited.

Mr Li was appointed as a non executive director on 16 July 2008. He 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 40 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. Mr. Housden is currently a non-executive director of GrainCorp Limited, China Holidays Travel Group (Holdings) Pty Ltd, Member of the Board of Sparke Helmore – Lawyers and member of the Audit Committee for the NSW Department of Housing.

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

Thomas McKeith – Non-Executive Director

Mr. McKeith is a geologist with over 20 years experience in the mining industry. Tommy is currently Executive Vice-President Exploration and Business Development for Gold Fields Limited and is based in Perth, Western Australia.

He rejoined Gold Fields in October 2007 after a period as a director and Chief Executive Officer of Troy Resources, an junior gold producer listed on the ASX. Before joining Troy Resources, Mr. McKeith worked for over 15 years with Gold Fields and its predecessors in various mine geology, exploration and business development positions.

Gold Fields Limited is a substantial shareholder of Sino Gold Mining Limited.

Mr. McKeith joined the Board on 18 April 2008. During the past three years, Mr. McKeith served as a director of Troy Resources NL until 26 November 2008.

Secretary

Ivo Polovineo

PNA

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

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	1,559,800	1,650,000	1,750,000	758,232
H Xu	276,666	600,000	1,250,000	275,723
B Davidson	266,725	-	-	-
P Cassidy	185,675	-	-	-
L Li	-	-	-	-
P Housden	11,333	-	120,000	-
T McKeith	-	-	120,000	-

* Loans outstanding pursuant to the terms of the Employee Share Incentive Scheme ("ESIS"). Please refer to note 16(d) for further details of options outstanding.

The Board has approved the following additional option issues to directors which are subject to shareholder approval at the 2009 Annual General Meeting.

**Options
to be issued**

J Askew	35,000
J Klein	487,500
H Xu	276,250
B Davidson	20,000
P Cassidy	20,000
L Li	20,000
P Housden	20,000
T McKeith	20,000

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

Financial Results

Revenue reached a record of A\$206.1 million. This was due to increased gold production at the Jinfeng Gold Mine and A\$49.7 million revenue contribution from the BioGold processing facility. Costs of sales were A\$122.5 million and depreciation and amortisation was A\$14.1 million. Mine operating earnings were A\$69.5 million before other income, impairment, hedging and tax.

Interest income of A\$1.9 million was earned on cash and cash equivalents but excluding restricted cash. Restricted cash represents cash held on deposit to secure Renminbi working capital loans with Chinese banks. The restricted cash whilst shown separately in the balance sheet should be directly offset against interest bearing liabilities (refer to Note 13).

Finance costs of A\$7.5 million include borrowing costs expensed (A\$1.2 million), interest charges on guaranteed loans (A\$3.4 million), and other interest expenses (A\$2.9 million).

The Group's result includes a gain of A\$2.3 million due to the treatment of embedded derivatives within seed share options which are treated as derivative liabilities rather than equity.

During the period, the company decided to cease exploration activities on the Hexi and Ludi tenements in Shandong Province, and the costs of A\$4.6 million associated with exploration on the tenements have been written off. The company also decided to write down A\$4.5 million of Jinluo and Greatland tenements in Guizhou Province.

On 2 June 2008, all gold hedging contracts relating to the Jinfeng Project Loan were closed out for a total cost of US\$118.6 million (A\$125 million). Accounting standards require this cost to be recognized progressively over the period of the hedges closed out. Hedging loss for 2008 was A\$35.2 million in which A\$12.0 million were losses incurred prior to the close-out and A\$23.2 million was post-close-out amortisation.

Net cash flows generated from operating activities (excluding hedges) increased to A\$61.7 million for the year, which included interest payments of A\$8.1 million. During the year A\$245.5 million was absorbed by investment activities, primarily relating to the construction and development of the White Mountain project, the development of the underground mine at Jinfeng and the acquisition of Eastern Dragon.

Financing activities during the period include A\$312.1 million generated from new share issues and A\$127.6 million proceeds from Renmimbi loan facilities (refer to Note 13). Loan repayment of A\$55.2 million included A\$10.7 million in scheduled repayments on the USD denominated Jinfeng Project facility.

The debt, after offsetting the restricted cash is A\$92.5 million or 11% of equity. Borrowings are denominated in both Renmimbi and United States Dollars and are at floating interest rates. The company does not have any foreign currency hedging and is exposed to foreign currency exchange movements.

The Company had cash reserves of A\$231.2 million at the end of the period including restricted cash of A\$160.7 million leaving A\$70.5 million available for use by the Company. Cash holdings at 31 December 2008 were US\$135.4 million (A\$195.4 million), A\$2.0 million, and RMB\$159.5 million (A\$33.8 million). Other than Renmimbi holdings and \$0.6 million in United States Dollars all cash is controlled by head office treasury.

The financial statements recognise total assets of A\$1,245.8 million and net assets of A\$820.3 million giving a book value of net assets per share of A\$2.81. Net current liabilities are A\$9.5 million and total assets less current liabilities are A\$936.5 million.

It should be highlighted however that in accordance with accounting standards, net assets do not recognise the full value of the Company's Ore Reserves.

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

	GROUP 2008 A\$'000	GROUP 2007 A\$'000
Financial Results		
Mine operating earnings	69,468	7,206
Other operating expenses	(8,072)	(1,591)
Non-cash share based payment	(7,099)	(3,793)
Corporate costs	(10,955)	(8,006)
Operating profit before other income (expenses)	43,342	(6,183)
Other income	12,598	5,381
Gain on fair value of vested share options - derivatives	2,286	1,303
Finance costs	(7,522)	(14,465)
Profit before impairment, hedging and tax	50,703	(13,964)
Impairment & deferred exploration costs written down	(100,694)	(1,545)
Hedging loss - pre-close-out	(11,984)	(9,292)
Amortisation of hedge close-out	(23,229)	-
Loss before income tax	(85,204)	(24,801)
Income tax expense	(16,227)	(138)
Loss	(101,431)	(24,939)

Impairment Review

The company recorded a total of A\$100.7 million of impairment charges related to deferred exploration costs, available for sale investments, and Golden China Resource Company. The remaining carrying values of the impaired assets are the best estimation by management at this time based on the current fair value or the value in use. The value in use of an asset is estimated using discounted cash flow model assumptions with a range of production volumes, discount rates, gold prices and operating costs. Fair value for the available-for-sale assets were based on the listed share price at the end of the year.

The Company has performed a cash flow analysis using a range of assumptions and discount rates for each of the cash generating units (CGU) to determine whether the carrying value of the CGU is impaired as at 31 December 2008. The models prepared and reviewed by management utilised sensitivity analyses looking at changes in the various assumptions. This exercise also considered brokers reports, latest drilling and operating costs information and the Company's market capitalisation.

At the time of the acquisition, Golden China recognised US\$45 million in mineral interest. Under AASB 136 *Impairment of Assets*, mineral interests are required to be tested for impairment on an annual basis.

The Company assessed each asset within the Golden China group and concluded that a total impairment write down of A\$90.1 million in relation to the Golden China Group was required at 31 December 2008.

Further details are set out in Note 2 (i)

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

Jinfeng (82% Equity)

The Jinfeng Gold Mine is located in Guizhou Province in southern China.

Jinfeng produced 150,928 ounces of gold during 2008, a 165% increase over 2007 gold production of 56,981 ounces.

Gold production increased over the course of the year in line with improving tonnes milled, gold recoveries and head grade. A total of 1,244,000 tonnes were milled during the year at an average head grade of 4.7g/t gold with overall gold recoveries achieving 81.0%.

Unit cash operating costs decreased over the course of the year and an average of US\$400/ounce was achieved for the year. A total of 152,903 ounces were sold during 2008 at an average realised price of US\$872/ounce.

Excellent productivity by the open-pit mining contractor enabled mining of 9.7 million m³ of waste material and 1.4 million tonnes of ore during 2008. ROM ore stockpiled at 31 December 2008 totalled 467,000 tonnes.

Development of the underground mine continued and the decline had advanced down to 330RL by the end of December 2008.

White Mountain (95% Equity)

The White Mountain Gold Mine is located in Jilin Province in northeast China.

In August 2007, the Company's Board of Directors approved the development of White Mountain, primarily comprising an underground mine and a CIL processing plant.

The project was rapidly developed during 2008 with first gold poured in October 2008 and commercial gold production achieved in January 2009.

Gold production for 2008 totalled 2,617 ounces. Overall gold recoveries of 82% were better than expected during this commissioning period.

Development of the underground mine continued during the year and ore was mined in the central and southern portions of the orebody.

Gold production averaging 65,000 ounces per annum is planned to result from design mill throughput of approximately 650,000 tonnes per annum and overall gold recoveries averaging 80%. Production is expected to ramp up to these levels over the course of 2009.

BioGold

Sino Gold acquired the BioGold Processing Facility in late 2007 as part of the acquisition of Golden China Resources Corporation. BioGold purchases gold concentrates and produces refined gold, selling a total of 48,065 gold-equivalent ounces during 2008. As the asset was considered non-core, subsequent to period end, Sino Gold sold BioGold to a local operator.

Eastern Dragon (80% Equity)

Eastern Dragon is a high-grade, gold-silver deposit in northern China's Heilongjiang Province that has potential to produce gold at very low costs.

In April 2008, the US\$90 million acquisition of an initial 72% interest in the Eastern Dragon Lode 5 gold-silver deposit was completed by payment of the remaining \$45 million. In June 2008, Sino Gold increased its interest in the Eastern Dragon Joint Venture to 80% at a cost of US\$11 million.

A Chinese Feasibility Study completed in early 2009 indicates that Eastern Dragon is potentially a simple combined open-pit and underground mining operation with a carbon-in-leach ("CIL") processing plant. Metallurgical testwork indicates that approximately 95% of the gold and 80% of the silver should be recoverable.

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

An initial Ore Reserve totalling 2.0 million tonnes at 8.4g/t gold and 70g/t silver (containing 0.5 million ounces gold and 4.4 million ounces silver) was announced in January 2009.

The epithermal style of mineralisation at Eastern Dragon tends to form clusters of similar deposits and thus the surrounding area is considered highly prospective.

Sino Gold has an 80% equity interest in the Lode 5 Exploration Licence as well as an initial 25% interest in the surrounding 53 km² Exploration Licence with a pre-emptive right over a further 26% interest.

Sino Gold is working towards bringing Eastern Dragon into production as quickly as possible.

Beyinhar

The Beyinhar Project in Inner Mongolia was acquired by Sino Gold as part of the take-over of Golden China Resources Corporation.

The 2008 exploration program was aimed at extending both the oxide and sulphide resources and a very substantial drilling program was completed.

The Beyinhar Ore Reserve estimate increased to a total of 27.8 million tonnes at 0.62g/t gold, containing 0.6 million ounces of gold.

During 2008, a Board Feasibility Review ("BFR") studied the development of open-pit mine with the gold extracted via heap leaching of crushed ore. The BFR concluded that developing Beyinhar was an attractive investment proposition as overall gold recoveries of 85% and a cash operating cost of approximately US\$450/ounce would be achievable.

Hedging

As part of the Jinfeng Project Loan, the Jinfeng Project was required to enter into a hedging program. In early June 2008, Sino Gold completed the close-out of all of the Company's gold forward sales contracts and put options. Following this transaction, Sino Gold has total exposure to gold prices and the Company does not anticipate putting in place any further gold hedging.

The close-out cost of US\$118.6 million was capitalised on the balance sheet in a hedge reserve account within equity. Hedge accounting requires that this cost is amortised and brought to account in accordance with the original hedge designation dates. The annual amortisation schedule is tabulated below:

Calendar Year	2008	2009	2010	2011	2012
Non-Cash hedging Losses (US\$ millions)	20.1	26.5	27.5	28.4	16.1

Issued Capital

In January 2008 the company completed the compulsory acquisition of Golden China Resources Corporation ("GCX") with the issue of 821,772 ordinary shares at a deemed issue price of A\$8.00 per share.

Also in January 2008 the conditional tranche of the share placement arranged in December 2007 was completed following shareholder approval at an Extraordinary General Meeting held on 24 January 2008. This tranche resulted in the issue of 16,669,459 ordinary shares at A\$6.45 per share raising a total of A\$107.5 million.

In March 2008 a total of 2,223,897 shares were issued in consideration for the repurchase of GCX 11.5% debentures with a total value of C\$14.0 million.

In May 2008 the company issued 11.0 million shares to Gold Fields Australasia (BVI) Limited at \$5.03

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

per share as the first tranche of the share placement announced on 20 May 2008.

In June 2008 a total of 33,968,847 shares were issued at \$4.00 per share raising \$135.9 million pursuant to an Accelerated Renounceable Entitlement Offer announced on 20 May 2008.

Also in June 2008 the company issued 2,586,378 shares to Gold Fields Australasia (BVI) Limited at \$5.00 per share as the second tranche of the share placement announced on 20 May 2008.

In addition, during the year a total of 1,108,951 ordinary shares were issued on the exercise of unlisted options details of which are as follows:

- 455,000 shares at \$2.00 per share
- 95,000 shares at \$2.08 per share
- 43,951 shares at \$4.14 per share
- 40,000 shares at \$2.69 per share
- 250,000 shares at \$2.37 per share
- 225,000 shares at \$2.53 per share

The Company has not redeemed any of its shares during the year ended 31 December 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

At 31 December 2008 Sino Gold had 291,811,627 ordinary shares and 13,062,420 unlisted options and warrants on issue.

Dividends

No dividends have been recommended, declared or paid during the year ended 31 December 2008.

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 2008:

- The Company has entered into a Share Purchase Agreement for the sale of all of its interest in its BioGold processing facility in Shandong Province, People's Republic of China, through the sale of its wholly owned subsidiary Michelago (Hong Kong) Limited. The consideration of RMB 10 million has been received and Sino Gold has undertaken to discharge the BioGold Finance facilities amounting to RMB 70 million.
- The Company has accepted terms of a finance facility from China Construction Bank for its Jinfeng project totalling RMB 780 million. The facility will predominantly be used to retire the existing Jinfeng project senior loan and to release cash collateralised letters of credit relating to existing Jinfeng borrowings. The facility is subject to the finalisation of the documentation.

Likely Developments and Expected Results

The combined 2009 gold production from the Jinfeng and White Mountain Mines is planned to be in the range of 210,000 to 230,000 ounces of gold at a cash operating cost of less than US\$400/ounce, a substantial increase in gold production over 2008.

At Jinfeng, ore production from the underground mine is planned to supplement ore from the open-pit mine and to ramp-up during 2009 as ore is sourced from the initial stopes.

Gold production at White Mountain is expected to ramp-up over the course of the year and to achieve planned levels during the second half of 2009.

Sino Gold aims to progress the Eastern Dragon Project into the Company's third mine as quickly as

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

possible.

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	9	9
J Klein	9	9
H Xu	9	8
P Cassidy	9	9
B Davidson	9	9
P Housden	9	8
L Li (appointed 16/07/08)	5	4
T McKeith (appointed 18/04/08)	7	6
J Zhong (resigned 03/03/08)	2	-
J Dowsley (resigned 18/04/08)	2	2

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 2008 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 2008 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 2008 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 27 May 2008 when shareholders approved an aggregate remuneration of \$850,000 per year.

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 is 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. Additional fees by way of bonus may also be awarded by the Board to a non-executive director who, at the Board's request, performs significant additional services for the Company that are appropriate for a director to carry out.

The non-executive directors do not receive retirement benefits.

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.

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

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.
- 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.
- 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 and/or achievement of specific set targets;
- 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 and, where the Board considers appropriate, directors 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.

The remuneration structure maintains its validity by conducting annual reviews taking into account individual performance, the economic environment, the unique requirement for certain employees and directors 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 in lieu of making cash payments.

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.

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

Director remuneration for the year ended 31 December 2008

Name	Annual Emoluments			Post Employment Emoluments	Long Term Emoluments	Total	% of remuneration for the year consisting of options %
	Base Fee	Other*	Bonus	Super- annuation	Share Based Payments**		
	\$	\$	\$	\$	\$	\$	
J Askew	190,000	-	-	-	-	190,000	-
J Klein	707,606	60,000	375,000	42,394	1,351,774	2,536,774	53.3
H Xu	389,908	22,000	212,500	35,092	899,000	1,558,500	57.7
T McKeith (appointed on 18 April 2008)	60,208	-	-	-	101,884	162,092	62.9
B Davidson	117,500	-	25,000	-	-	142,500	-
P Cassidy	102,500	-	-	-	-	102,500	-
L Li (appointed on 16 July 2008)	38,958	-	-	-	-	38,958	-
P Housden	84,862	-	-	7,638	109,161	201,661	54.1
J Zhong (resigned on 3 March 2008)	15,417	-	-	-	-	15,417	-
J Dowsley (resigned on 18 April 2008)	25,442	-	-	-	-	25,442	-
	1,732,402	82,000	612,500	85,123	2,461,819	4,973,844	49.5

* Interest benefits under ESIS loans. There was no repayment of ESIS loan by Mr. Klein and Mr. Xu in 2008. The loans are interest free – details of the terms of the ESIS loans are set out in Note 19(iv) of the financial statements.

** The fair value of options granted have been valued using a Black Scholes 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 options granted have a 3 year vesting period and accordingly the fair value of these options are recognised as an expense 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 to Note 16(c).

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

Director remuneration for the year ended 31 December 2007

Name	Annual Emoluments			Post Employment Emoluments	Long Term Emoluments	Total	% of remuneration for the year consisting of options
	Base Fee	Other*	Bonus	Super- annuation	Share Based Payments		
	\$	\$	\$	\$	\$	\$	%
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. There was no repayment of ESIS loan by Mr. Klein and Mr. Xu in 2008. The loans are interest free – details of the terms of the ESIS loans are set out in Note 19(iv) of the financial statements.

No housing or other allowances are paid to directors and no inducements are paid to directors to join the Board. No director has waived or agreed to waive any emoluments.

Remuneration of the 5 named executives who receive the highest remuneration for the year ended 31 December 2008

Name	Annual Emoluments		Post Employment Emoluments	Long Term Emoluments	Total	% of remuneration for the year consisting of options
	Base Fee	Bonus	Super- annuation	Share Based Payments*		
	\$	\$	\$	\$	\$	%
C Johnstone - Chief Operating Officer	435,780	142,500	39,220	655,000	1,272,500	51.5
S Zhang - General Manager of Operations Development	325,688	200,000	29,312	318,250	873,250	36.4
P Uttley - Chief Geologist	298,165	35,000	26,835	497,861	857,861	58.0
Y Qiu - General Manager of China Explorations & JVC	298,165	35,000	39,220	357,417	729,802	49.0
I Polovineo - Company Secretary	266,055	50,000	23,945	267,069	607,069	44.0
	1,623,853	462,500	158,532	2,095,597	4,340,483	48.3

* The fair value of options granted have been valued using a Black Scholes 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 options granted have a 3 year vesting period and accordingly the fair value of these options are recognised as an expense 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 to Note 16(c).

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

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

Name	Annual Emoluments		Post Employment Emolumnet	Long Term Emoluments	Total	% of remuneration for the year consisting of options
	Base Fee	Bonus	Super-annuation	Share Based Payments		
	\$	\$	\$	\$	\$	%
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	1,133,384	2,760,250	41.1

Employment Agreements

Executive Directors

The Company entered into new Employment Agreements dated 30 December 2008 with Mr J Klein (Chief Executive Officer) and Mr H Xu (Executive Director) to secure their services for a minimum of two years, to ensure that the Company's strategic plan (adopted in July 2008) could be embarked upon and, at least, be substantially implemented. The Company was advised by independent expert consultants (Mercer) in these negotiations as to the level and nature of the remuneration benefits and incentive milestones that are applicable and reasonable, having regard to the duties and targets set for the two executive directors, the size, market position and goals of the Company, the remuneration levels of comparable executives in peer group companies and the international market for senior executives of successful mining companies.

The key features of the new Employment Agreements are:

1. Total Fixed Remuneration (TFR), which has been determined in regard to the existing TFR of Sino Gold and the TFR of comparable executives in peer group companies, within Australia and overseas. The TFR is fixed for 2009 and for 2010.
2. Short Term Incentive (STI), of up to 50% of TFR (with an increase at the Board's discretion for over achievement), subject to achieving key performance indicators in 2009. These key performance indicators were set by the Company's Remuneration Committee and cover the following main areas:
 - Revenue and operating profit targets;
 - Attaining ore reserve targets;
 - Attaining production targets; and
 - Government and public relations.

In both cases, there is a pro-rata vesting entitlement if more than 75% of the employee's or company's targets are achieved. The targets for 2010 are to be set by the Board by 31/10/2009 and will be based on the approved budget for 2010.

3. Long Term Incentive (LTI), being options issued under the existing Executive and Employee Option Plan, to be issued as at 31 December in each year (subject to shareholder approval). The quantum of options to be issued under both Agreements is:

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

- 120% of annual TFR for top decile (i.e. 90% - 100%) of Peer Group total shareholder returns (TSR);
- 100% of annual TFR for 75% - 90% Peer Group TSR;
- 50% of annual TFR for 50% - 75% Peer Group TSR; and
- pro-rata increases in between.

The Peer Group comprises 20 mid-tier listed international gold mining companies with operations in developing countries. These include companies with a primary listing in Australia (4), Canada (8), Hong Kong (3), UK (3) and USA (2).

4. Retention Incentive (RI), being the incentive payment agreed to be paid to each of the executive directors for committing to serve the Company for a further two-year period. The nature of the RI is performance rights, with shares to be issued/delivered as at 31 December 2010, subject to the executive remaining employed by the Company (except in the event of a change in control), the agreed key performance indicators being achieved and, if necessary, shareholder approval. Like the STI, the key performance indicators for the RI are set by the Company's Remuneration Committee and cover the following main areas:
 - Progression of mining operations;
 - Market capitalization related targets;
 - Safety and environmental related targets; and
 - Government and public relations.

The maximum number of shares to be issued under the RI are as follows:

For Mr J Klein

- equal to \$2 million market value at 30/11/2010 based on a 20 day volume weighted average price.

For Mr H Xu

- equal to \$1 million market value at 30/11/2010 based on a 20 day volume weighted average price.

Mercer has given written confirmation that, as the Board has adopted the strategic plan developed by the CEO and Executive Director and as it regards the retention and incentivisation of both these executives as critical to implementing and achieving this plan and to the on going operations of the Company, the agreed levels of remuneration and incentive payments (including the Retention Incentive) under the terms of the Employment Agreements, are both appropriate and reasonable.

Company Secretary

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.

Sino Gold Mining Limited
 Directors' Report
 For the Year Ended 31 December 2008

Compensation options: Granted and vested in 2008

Granted in 2008						Vested in 2008			
31/12/2008	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	Vested %
Directors									
J Klein	500,000	27/05/2008	3.76	7.49**	9/11/2012	9/11/2010	9/11/2012	500,000	28.6
H Xu	350,000	27/05/2008	3.76	7.49**	9/11/2012	9/11/2010	9/11/2012	400,000	32.0
T McKeith	120,000	27/05/2008	3.76	7.49**	9/11/2012	9/11/2010	9/11/2012	-	-
Executives									
C Johnstone	300,000	9/12/2008	1.00	4.35	9/12/2013	9/12/2011	9/12/2013	-	-
P Uttley	70,000	9/12/2008	1.00	4.35	9/12/2013	9/12/2011	9/12/2013	320,000	38.1
I Polovineo	85,000	9/12/2008	1.00	4.35	9/12/2013	9/12/2011	9/12/2013	170,000	37.4
S Zhang	150,000	9/12/2008	1.00	4.35	9/12/2013	9/12/2011	9/12/2013	115,000	22.3
Y Qiu	150,000	9/12/2008	1.00	4.35	9/12/2013	9/12/2011	9/12/2013	100,000	18.2
Total	1,725,000							1,605,000	

Compensation options: Granted and vested in 2007

Granted in 2007						Vested in 2007			
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	Vested %
Directors									
J Klein	750,000	30/05/2007	2.35	6.34**	31/12/2011	31/05/2010	31/12/2011	100,000	7.1
H Xu	500,000	30/05/2007	2.35	6.34**	31/12/2011	31/05/2010	31/12/2011	75,000	7.7
P Housden	120,000	30/05/2007	2.35	6.34**	31/12/2011	31/05/2010	31/12/2011	-	-
Executives									
C Johnstone	275,000	8/11/2007	3.76	7.49**	9/11/2012	9/11/2010	9/11/2012	-	-
P Uttley	150,000	8/11/2007	3.76	7.49**	9/11/2012	9/11/2010	9/11/2012	150,000	19.5
I Polovineo	75,000	8/11/2007	3.76	7.49**	9/11/2012	9/11/2010	9/11/2012	20,000	5.1
T Norman	20,000	8/11/2007	3.76	7.49**	9/11/2012	9/11/2010	9/11/2012	-	-
W Rossiter	150,000	9/05/2007	2.82	5.71**	30/09/2012	10/05/2010	30/09/2012	-	-
W Rossiter	75,000	8/11/2007	3.76	7.49**	9/11/2012	9/11/2010	9/11/2012	-	-
Total	2,115,000							345,000	

*See Note 16 for additional details on the fair value per option at the grant date and the exercise price.

** These exercise prices reflect a reduction of \$0.16 per option pursuant to an adjustment made in accordance with ASX listing rule 6.22.2 as a result of the Accelerated Renounceable Entitlement Offer completed in June 2008. These were adjusted in 2008 only.

Sino Gold Mining Limited
Directors' Report
For the Year Ended 31 December 2008

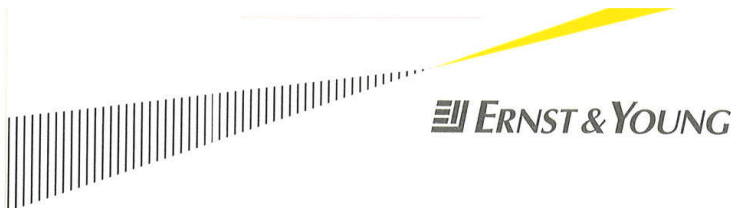
Options granted as part of remuneration in 2008

31/12/2008	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 (\$)
J Klein	2,820,000	300,000	-	3,120,000
H Xu	1,316,000	189,750	-	1,505,750
T McKeith	451,200	-	-	451,200
C Johnstone	300,000	-	-	300,000
P Uttley	70,000	-	-	70,000
I Polovineo	85,000	63,250	-	148,250
S Zhang	150,000	-	-	150,000
Y Qiu	150,000	4,950	-	154,950
	5,342,200	557,950	-	5,900,150

Sino Gold Mining Limited
Auditor Independence and Non-audit Services
For the Year Ended 31 December 2008

Auditor Independence and Non-audit Services

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



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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 year ended 31 December 2008, 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
Paul Flynn
Partner
23 February 2009

Liability limited by a scheme approved
under Professional Standards Legislation

Sino Gold Mining Limited
Auditor Independence and Non-audit Services
For the Year Ended 31 December 2008

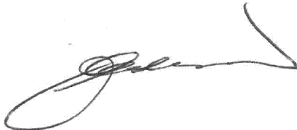
Non-Audit Services

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:

	\$
Capital raising	53,766
Process improvements	80,000
	<hr/>
Total	133,766
	<hr/>

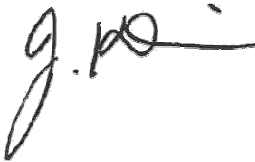
Signed in accordance with a resolution of directors.



J Askew - Chairman

Sydney

23 February 2009



J. Klein - CEO

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2008

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. Remunerate fairly and responsibly

Sino Gold Mining Limited's corporate governance practices were in place throughout the year ended 31 December 2008 and were compliant with the Council's best practice recommendations, with one exception. This exception involves Principle 8.2, whereby the Company issued 120,000 options to a newly appointed non-executive director, Thomas McKeith. The Company believes that this action was acceptable because the issue was approved by shareholders at the Annual General Meeting held on 27 May 2008. Furthermore, 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.

It should be noted that Corporate Governance Principles and Recommendations are largely recommendations (the main exception to this being the requirement for the company to have an Audit Committee). It is recognised that not all of the Recommendations will be suitable for all companies at all times in their corporate development. In this regard, the Board recognises that the Company's corporate governance practices must continue to evolve and develop as the Company grows.

Principle 1 – Lay solid foundations for management and oversight

The Company has established the functions reserved to the Board and those delegated to senior executives.

The responsibilities of the Board include:

- appoint and remove the President and CEO on the basis of performance and approve key appointments reporting to the President and CEO;
- assess the performance of the Board, each Committee and each non-executive director so as to ensure their effectiveness;
- review and approve management's proposed strategy and performance objectives;
- oversee the Company, including its control and accountability systems;
- make recommendations to the shareholders as to the appointment and removal of non-executive directors based on performance;
- review key executive performance and remuneration policy;

Sino Gold Mining Limited
Corporate Governance Statement
For the Year Ended 31 December 2008

- review and monitor development of succession plans for key senior management, including the President and CEO and the Chief Financial Officer;
- review, ratify and monitor systems of risk management and internal control, codes of conduct, and legal compliance;
- approve and monitor the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approve annual budgets (including key assumptions) and monitor financial performance against budget;
- consider and approve proposals in relation to capital and debt structure – allotment of new capital, share buybacks, significant capital and debt raisings (including project and other finance arrangements), dividend policy and the payment of dividends; and
- approve and monitor financial and other reporting.

The Recommendations provide that the Company should disclose the process of evaluating the performance of senior executives.

Senior executives prepare annual achievement plans which reflect their role description in the context of the strategic plan of the Company. Performance against these annual achievement plans is assessed on an annual basis. This annual review also includes an assessment of the senior executives' "key behavioural indicators" (whilst the executive may have achieved certain performance goals, this assessment considers whether the executive's behaviour has been consistent with the values of the Company). The process is documented and managed by the Managing Director and the Department of Human Resources.

The results of the senior executive review feed into the remuneration review which is overseen by the Remuneration Committee. Further information is contained in the Remuneration Report on Note 20.

The Chairman and the Remuneration Committee consider the performance of the Managing Director. Again, the results of the review are reflected in the results of the remuneration review. This process has been completed for the 2008 reporting year.

Principle 2 – Structure the Board to add value

The skills and experience of each of the Directors is detailed in the Directors' Report. A majority of the Directors of the Company are independent. In addition, the Chairman is an independent director. The roles of the Chairman and Managing Director are not exercised by the same person.

The Board has adopted specific principles with respect to assessing the independence of directors. In order to be independent, the Director must be independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered or independent judgment.

In the context of the independence of directors, immateriality is considered from the perspective of both the Company and the Director. The determination of independence requires a consideration of both quantitative and qualitative elements.

The following non-executive Directors of Sino Gold are considered to be independent:

J Askew - Chairman
P Cassidy
B Davidson
P Housden

Each of these independent directors have confirmed their independence pursuant to Rule 13.13 of the Stock Exchange of Hong Kong and the Company therefore still considers the independent directors to be independent.

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

**Sino Gold Mining Limited
Corporate Governance Statement
For the Year Ended 31 December 2008**

Name	Term in office	Name	Term in office
J Askew	6 years	J Klein	8 years
H Xu	8 years	B Davidson	6 years
P Cassidy	6 years	T McKeith	8 months
P Housden	3 years	L Li	5 months

During the year ended 31 December 2008, 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, details of which are shown under Principle 8.

This Committee convened one meeting during the year which was attended by all members.

Principle 3 – Promote ethical and responsible decision making

Sino Gold has adopted a "Vision and Values" statement which provides that the Company's business affairs are to be conducted legally and ethically with strict observance of the highest standards of integrity and propriety. The statement is available on the Company's website.

Within this framework, the Board and management have a responsibility to carry out their functions in order to maximise the financial performance of the Sino Gold Group.

The Company also has a Code of Conduct which all employees have committed to abide by as a condition of employment.

In accordance with the Recommendations, the Company has a policy relating to the trading of securities by Directors, senior executives, employees and contractors.

Principle 4 – Safeguard integrity in financial reporting

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 Company. 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 (resigned 03/03/2008)
P Housden

The Audit Committee convened four meetings during the year which were attended by members as follows:

Sino Gold Mining Limited
Corporate Governance Statement
For the Year Ended 31 December 2008

	Meetings entitled to attend	Meetings attended
B Davidson	5	5
P Housden	5	5
J Zhong (resigned 03/03/08)	1	1

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 five 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. 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.

Principle 5 – Make timely and balanced disclosure

Sino Gold complies with its continuous disclosure obligations in accordance with the requirements of the ASX Listing Rules and the Corporations Act. The Chief Executive Officer has primary responsibility for ensuring that the market is properly informed.

In settling the wording of announcements, drafts are circulated as appropriate to managers and the Chairman (a non-executive director) who can provide relevant input and raise any issues with respect to the particular wording of announcements. This provides intensive quality control of both the content and expression of announcements.

In accordance with the JORC Code, Sino Gold has in place procedures to ensure it obtains relevant “form and context” consent from relevant experts in relation to the disclosure of exploration results, resource and reserve information.

The Company has developed a culture of complying with its continuous disclosure obligations under the leadership of the CEO. Previously, the size of the Company and the complexity of its operations did not warrant a detailed disclosure policy. However, the Board has determined that it is now appropriate for the Company to adopt a detailed policy concerning disclosure in accordance with the Recommendations. Once this policy is developed it will be located on the Company’s website.

Principle 6 – Respect the rights of shareholders

The Board of Directors aims to ensure that shareholders are informed of all information necessary to assess the performance of the Company and the Board. This reflects the core value of the Company to strive for excellence in communications with all stakeholders.

Information on all major developments affecting the Company is communicated to the shareholders through the annual report, half-yearly report, quarterly reports and the Annual General Meeting. The Company’s website is a key communication tool. Announcements, reports and updates are available on the website. Shareholders may provide feedback to the Company and ask questions through the website.

Whilst it is a legal requirement to provide shareholders with an opportunity to ask questions at the Annual General Meeting, the Company and the Board have worked hard to develop a culture where

Sino Gold Mining Limited
Corporate Governance Statement
For the Year Ended 31 December 2008

shareholders are encouraged to ask questions and to provide feedback to Sino Gold.

The Recommendations provide that companies should have a “communications policy”. Whilst Sino Gold considers that the initiatives referred to above meet the spirit of the Recommendation and believes that the formation of a definitive policy has not previously been warranted, the Board considers that the time is right to develop a formal communications policy. Once this is developed, a summary will be provided on the Company’s website.

Principle 7 – Recognise and manage risk

The group takes a proactive approach to risk management. The Company has established a Risk Committee which 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.

Members of this committee throughout the year were:

P Cassidy (Chairman)

J Askew

B. Davidson

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

- safety;
- the environment;
- the community in which the Company operates; and
- minimization of business risk.

In particular, the Company has in place the following procedures:

- a “severity-consequence” matrix used to assess the impact of environmental incidents;
- a crisis management plan with respect to security incidents;
- financial risk control (the charter of the Audit Committee provides that it has responsibility for overseeing this risk); and
- occupational health and safety procedures and programs.

The Recommendations provide that companies should establish policies for the oversight and management of material business risks. In addition, the Recommendations provide that the Board should require management to design and implement the risk management and internal control systems to manage the Company’s material business risks.

Up to this point in time of the evolution of the Company and given the size of the Company and the nature of its operations, the Board considered the policies and procedures the Company had in place to be entirely appropriate. To reflect the continuing growth of the Company and its transition to a mining company with significant assets and operations, the Board has now determined to develop a fully integrated risk oversight and internal control system in accordance with an appropriate Australian or international standard. Once this system is developed it will be appropriately disclosed on the Company’s website.

Principle 8 – Remunerate fairly and responsibly

In accordance with the Recommendations and as mentioned in Principle 2 above, Sino Gold has a joint Remuneration and Nomination Committee.

Members of this committee throughout the year were:

B. Davidson (Chairman)

P Cassidy

J Askew

Sino Gold Mining Limited
Corporate Governance Statement
For the Year Ended 31 December 2008

This Committee convened 1 formal meeting during the year which was attended by all members. In addition, a considerable number of informal meetings were held during the year.

The Remuneration Report in the Directors' Report provides details with respect to the Company's remuneration policies and practices. There is a clear distinction made between remuneration paid to Non-Executive Directors and the Chief Executive Officer and other senior executives.

The Company has not fully implemented Recommendation 8.2 during the year in that the Company issued 120,000 options to a newly appointed non-executive director, Thomas McKeith. The Company believes that its action was acceptable because the issue was approved by shareholders at the Annual General Meeting held on 27 May 2008. The Options were also 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.

Sino Gold Mining Limited
Income Statement
For the Year Ended 31 December 2008

INCOME STATEMENT

		Group	Group	Parent	Parent
		2008	2007	2008	2007
	Notes	A\$'000	A\$'000	A\$'000	A\$'000
Revenue from sale of gold	2(a)	198,158	33,573	-	-
Other operating revenue	2(a)	7,892	-	-	-
Operating costs	2(b)	(122,454)	(22,918)	-	-
Depreciation and amortisation	2(b)	(14,128)	(3,449)	-	-
Mine operating earnings		69,468	7,206	-	-
Depreciation	2(c)	(223)	(20)	(223)	(20)
Employee benefits	2(c)	(7,615)	(3,060)	(7,615)	(6,629)
Share based payment	2(c)	(7,099)	(3,793)	(7,099)	(3,793)
Other corporate costs	2(c)	(3,117)	(4,926)	(2,125)	(1,357)
Other operating expenses	2(d)	(8,072)	(1,591)	-	-
Operating profit/(loss) before other income/(expense)		43,342	(6,183)	(17,062)	(11,799)
Other income/(expense):					
Other income	2(e)	12,598	5,381	6,016	4,132
Gain on fair value of vested share options - derivative	2(g)	2,286	1,303	2,286	1,303
Finance costs	2(f)	(7,522)	(14,465)	(335)	(8,879)
Deferred exploration costs written off	2(i)	(9,144)	(1,545)	(9,144)	(1,545)
Impairment loss	2(i)	(91,550)	-	(91,550)	-
Loss before hedging and tax		(49,991)	(15,509)	(109,789)	(16,788)
Hedging loss - pre-close-out	2(h)	(11,984)	(9,292)	-	-
Amortisation of hedge close-out	2(h)	(23,229)	-	-	-
Loss before income tax		(85,204)	(24,801)	(109,789)	(16,788)
Income tax expense	3(a)(b)	(16,227)	(138)	-	-
Net loss after tax for the period		(101,431)	(24,939)	(109,789)	(16,788)
Attributed to:					
Outside equity interests		2,393	(1,443)	-	-
Members of the parent		(103,825)	(23,497)	(109,789)	(16,788)
Basic loss per share (cents per share)	26	(38.56)	(13.23)		
Diluted loss per share (cents per share)	26	(38.56)	(13.23)		

Sino Gold Mining Limited
Balance Sheet
Year Ended 31 December 2008

BALANCE SHEET

		Group	Group	Parent	Parent
		2008	2007	2008	2007
	Notes	A\$'000	A\$'000	A\$'000	A\$'000
CURRENT ASSETS					
Cash and cash equivalents	23(a)	70,537	38,967	36,822	31,394
Restricted cash	23(a)	160,652	69,986	160,652	69,986
Trade and other receivables	4	5,684	5,196	3,431	996
Inventories	5	40,371	35,529	-	-
Other	6	22,594	6,453	1,702	2,180
TOTAL CURRENT ASSETS		299,838	156,131	202,607	104,556
NON-CURRENT ASSETS					
Receivables	7	4,488	1,331	463,351	97,528
Other financial assets	8	-	11,381	227,082	284,804
Property, plant and equipment	9	582,768	304,862	599	277
Deferred tax assets	3(d)	280	639	-	-
Deferred exploration, evaluation and development costs	10	358,473	311,011	-	-
TOTAL NON-CURRENT ASSETS		946,010	629,224	691,032	382,609
TOTAL ASSETS		1,245,848	785,355	893,640	487,165
CURRENT LIABILITIES					
Trade and other payables	11	114,952	101,766	20,607	53,172
Provisions	12	1,163	783	1,163	783
Interest bearing liabilities	13	181,338	106,998	-	-
Tax payable	3(c)	10,014	-	-	-
Derivatives	15	1,829	29,216	1,829	2,456
TOTAL CURRENT LIABILITIES		309,296	238,763	23,599	56,411
NON-CURRENT LIABILITIES					
Interest bearing liabilities	13	71,775	34,547	-	-
Provisions	14	33,738	24,546	-	-
Deferred tax liabilities	3(d)	10,783	4,712	-	-
Derivatives	15	-	95,755	-	2,475
TOTAL NON-CURRENT LIABILITIES		116,296	159,560	-	2,475
TOTAL LIABILITIES		425,592	398,323	23,599	58,886
NET ASSETS		820,256	387,032	870,041	428,279
EQUITY					
Issued capital	16	857,284	527,970	857,284	527,970
Accumulated losses		(191,627)	(87,802)	(185,284)	(75,494)
Hedge reserve		(116,516)	(121,548)	-	-
Other reserves	17	219,922	6,566	198,041	(24,197)
Total parent entity interest in equity		769,063	325,186	870,041	428,279
Outside equity interests		51,193	61,846	-	-
TOTAL EQUITY		820,256	387,032	870,041	428,279

Sino Gold Mining Limited
Statement of Cash Flows
For the Year Ended 31 December 2008

STATEMENT OF CASH FLOWS

		Group	Group	Parent	Parent
		2008	2007	2008	2007
	Notes	A\$'000	A\$'000	A\$'000	A\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		206,050	33,767	-	-
Payments to suppliers, employees and others		(135,050)	(35,225)	(42,776)	(9,644)
Income tax paid		(2,594)	-	-	-
Interest received		3,884	4,946	3,884	4,946
Interest paid		(8,061)	(15,225)	(130)	(7,255)
Other		(2,576)	66	-	66
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	23(b)	61,654	(11,671)	(39,022)	(11,887)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant & equipment		636	1,251	636	1,251
Payment for property, plant and equipment		(124,208)	(46,013)	(166)	(278)
Payments for exploration, evaluation and development		(55,649)	(58,732)	-	-
Acquisition of Golden China Resources Corporation		-	(5,867)	-	-
Acquisition of Eastern Dragon asset		(66,264)	(51,044)	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(245,485)	(160,405)	470	973
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from repayment of employee loans		312	1,243	312	1,243
Repayment of loans		(55,248)	(5,077)	-	-
Loan to related entities		-	-	(218,796)	(114,030)
Proceeds from share issues		312,097	236,863	312,097	236,863
Share issue costs		(5,092)	(11,842)	(5,092)	(11,842)
Proceeds from bank loan		127,638	56,640	-	-
Hedging costs pre-close-out		(11,045)	(9,292)	-	-
Hedging close-out cost		(124,519)	-	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		244,143	268,535	88,520	112,234
NET INCREASE IN CASH HELD		60,312	96,459	49,969	101,320
Cash and cash equivalents (including restricted cash) at beginning of period		108,953	21,505	101,380	19,119
Effects of exchange rate changes on cash		61,924	(9,011)	46,125	(19,059)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) AT END OF PERIOD	23(a)	231,189	108,953	197,474	101,380
Cash and cash equivalent		70,537	38,967	36,822	31,394
Restricted cash		160,652	69,986	160,652	69,986
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH) AT END OF PERIOD		231,189	108,953	197,474	101,380

Sino Gold Mining Limited
Statement of Changes in Equity
For the Year Ended 31 December 2008

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2008

	Issued capital	Convertible notes equity component	Accumulated losses	Hedge reserve	Other reserves	Outside equity interests	Total
CONSOLIDATED	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
At 1 January 2008 (pre adjustment)	527,970	-	(87,802)	(136,783)	(817)	43,312	345,880
Restatement of outside equity interest*	-	-	-	-	22,618	18,534	41,152
Restatement of hedge reserve*	-	-	-	15,235	(15,235)	-	-
At 1 January 2008	527,970	-	(87,802)	(121,548)	6,566	61,846	387,032
Currency translation differences	-	-	-	(7,454)	207,082	-	199,628
Effective hedging loss charged to the income statement	-	-	-	35,213	-	-	35,213
Effective hedging closure loss on balance sheet	-	-	-	(22,726)	-	-	(22,726)
Total income/(expense) for the period recognised directly in equity	-	-	-	5,033	207,082	-	212,115
Profit/(loss) for the period	-	-	(103,825)	-	-	2,393	(101,431)
Total income/(expense) for the period	-	-	(103,825)	5,033	207,082	2,393	110,683
Allotment of new shares	328,136	-	-	-	-	-	328,136
Exercise of options	2,594	-	-	-	817	-	3,411
Share issue costs	(4,678)	-	-	-	-	-	(4,678)
Cost of share based payments	-	-	-	-	7,099	-	7,099
Acquisition of outside equity interest - Eastern Dragon	-	-	-	-	(249)	(11,178)	(11,427)
Acquisition of outside equity interest - Golden China	3,262	-	-	-	-	(3,262)	-
Recognition of outside equity interest share of net assets	-	-	-	-	(1,393)	1,393	-
At 31 December 2008	857,284	-	(191,627)	(116,516)	219,922	51,193	820,256
At 1 January 2007	168,259	3,228	(64,305)	(77,135)	(10,208)	34,074	53,913
Currency translation differences	-	-	-	-	(6,090)	(3,015)	(9,105)
Effective hedging loss charged to the income statement	-	-	-	-	6,423	-	6,423
Effective hedging closure loss on balance sheet	-	-	-	(59,648)	2,869	-	(56,779)
Total income/(expense) for the period recognised directly in equity	-	-	-	(59,648)	3,202	(3,015)	(59,461)
Profit/(loss) for the period	-	-	(23,497)	-	-	-	(23,497)
Total income/(expense) for the period	-	-	(23,497)	(59,648)	3,202	(3,015)	(82,958)
Allotment of new shares	321,587	-	-	-	-	-	321,587
Convertible notes onversion 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)	(136,783)	(817)	43,312	345,880

*Please refer to Note 1(a)

Sino Gold Mining Limited
Statement of Changes in Equity
For the Year Ended 31 December 2008

	Convertible notes		Accumulated losses	Hedge reserve	Other reserves	Outside equity interests	Total
	Issued capital	equity component					
PARENT	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
At 1 January 2008	527,970	-	(75,494)	-	(24,197)	-	428,279
Currency translation differences	-	-	-	-	214,322	-	214,322
Total income/(expense) for the period recognised directly in equity	-	-	-	-	214,322	-	214,322
Profit/(loss) for the period	-	-	(109,790)	-	-	-	(109,790)
Total income/(expense) for the period	-	-	(109,790)	-	214,322	-	104,532
Allotment of new shares	328,136	-	-	-	-	-	328,136
Exercise of options	2,594	-	-	-	817	-	3,411
Share issue costs	(4,678)	-	-	-	-	-	(4,678)
Cost of share based payments	-	-	-	-	7,099	-	7,099
Acquisition of outside equity interest - Golden China	3,262	-	-	-	-	-	3,262
At 31 December 2008	857,284	-	(185,284)	-	198,041	-	870,041
At 1 January 2007	168,259	3,228	(58,706)	-	(14,605)	-	98,176
Currency translation differences	-	-	-	-	(26,996)	-	(26,996)
Total income/(expense) for the period recognised directly in equity	-	-	-	-	(26,996)	-	(26,996)
Profit/(loss) for the period	-	-	(16,788)	-	-	-	(16,788)
Total income/(expense) for the period	-	-	(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
	-	-	-	-	-	-	-

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

NOTES TO THE FINANCIAL STATEMENTS

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 and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared in accordance with the historical cost convention except for investment in listed shares and 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.

Adjustments to previously published financial statements

Restatements have been made to the equity balances as at 31 December 2007 from A\$345.9 million to A\$387.0 million. Restatement of the outside equity interest has resulted from the calculation of the fair value uplift on the acquisition of Eastern Dragon. This adjustment of A\$39.7 million to the 31 December 2007 balance sheet resulted in a restatement of deferred exploration, evaluation and development costs (increase of A\$41.2 million), reserves (increase of A\$22.6 million) and outside equity interest balances (increase of A\$18.5 million).

A\$15.2 million was incorrectly included in the hedge reserve. This was transferred to the foreign currency translation reserve in the current year.

Financial statement reclassification

The company has reclassified the comparative income statement and cash flow statement to conform with the current year presentation to better align with current operations of the company. The specific adjustments are summarised below:

Sales Revenue – The hedging loss (\$9.3 million) is disclosed as a separate line item as opposed to netted against total revenue as was previously disclosed in 2007.

Cost of Sales – The name of account is changed to “Operating Costs”. Royalty expense (\$1.3 million) and rehabilitation costs (\$0.3 million) were included as part of “Cost of Sales” as previously disclosed in 2007. Currently, they are classified as “Other Operating Expenses”.

Other Income – Foreign Exchange Gains/Losses is included as “Other Income” whereas as previously disclosed in 2007, such gain (\$1.6 million) was shown as a separate item.

Occupancy Expenses – This item was separately disclosed in 2007 (\$0.6 million). In 2008 it has been included in “Other Corporate Costs”.

Staff Costs – This line item has been renamed to “Employee Benefits” in 2008 (\$2.8 million in 2007).

Administrative Expenses – Included in “Other Corporate Costs” in 2008 (\$4.6 million in 2007).

Foreign Exchange Gain/Loss – see “Other Income” note above.

Convertible Note Fee – This is included in “Finance Costs” in 2008 (\$6.5 million in 2007).

Other Finance Costs – This is included in “Finance Costs” in 2008 (\$8.0 million in 2007).

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following table lists all applicable standards/interpretations not yet effective for the 31 December 2008 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 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	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, although it may indirectly impact the level at which mineral interest is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 January 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The impact has not been assessed.	1 January 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	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 dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 January 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 January 2009

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		because a non-vesting condition is not satisfied.			
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 January 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above. The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 January 2010
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. The Group has not assessed the impact of early adoption.	1 January 2010
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 January 2010

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sino Gold Mining Limited and its subsidiaries ('the Group').

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

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.

(d) Change in hedge disclosure

During the year the Company closed out its gold hedge book and does not anticipate entering into any further gold hedging. As a result, the Company has amended its disclosures within the profit and loss associated with the loss on gold hedges including the comparative period. Previously the loss on gold hedges would have been recognised within "Revenue from gold sales" as the underlying hedged transactions occur, instead the company is recognising the hedging loss pre-close out and amortisation of the hedge close-out for the period of \$12.0 million and \$23.2 million, respectively, as separate lines within the profit and loss. The Company believes that this revised disclosure is more relevant and will enable a more accurate year on year comparison of the results of the underlying operations.

(e) 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\$" or "\$").

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").

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(f) 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.

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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) 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 these assets are capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(i) 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.

(j) 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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

(k) 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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 these options will ultimately vest (ie - the service 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.

(l) 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.

(m) 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.
- 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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Derivative financial instruments

Forward Gold Hedges

The consolidated entity previously entered into forward gold hedges where it agreed to sell specified ounces of gold at a predetermined gold price. The objective of these hedges was 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 was contracted to occur.

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.

During the year the Company closed out its gold hedge book and at the close-out date the total loss in the hedge reserve within equity was US\$118.6 million. Hedge accounting requires the cost to be brought to account at the original hedge designated dates. The spot gold price realised will be recognised as sales revenue in the Income Statement. The non-cash hedging losses form a separate pre-tax line item in the Income Statement that does not form part of the operating profit. The hedging loss for this period was A\$35.2 million.

(o) 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:

- 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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax and other taxes

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.

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.

(p) 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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Mineral interest, 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.

(r) Development costs

Costs incurred in the development and construction of a mining operation are capitalised to the extent that the carrying amount does not exceed recoverable amount. Once production commences the carrying value is transferred to property, plant and equipment and depreciated accordingly.

(s) Significant accounting estimates

Deferred tax estimates

The Group is required to estimate the deferred tax liabilities and assets as per the accounting policy note in paragraph (o) above.

Impairment of available for sale investments

The Group applies judgment in determining the fair value of the available-for-sale assets as per the accounting policy note in paragraph (v) below.

Impairment of mineral interest

The Group applies judgment in determining the recoverable value of mineral interest as per the accounting policy note in paragraph (q) above.

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 (k) above. The fair value is determined using a Black Scholes model with the assumption detailed in Note 16(c).

Rehabilitation

The group is required to estimate the rehabilitation costs of its operations in the accounting policy note in paragraph (j) above. The estimate is based on management's 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 (q).

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.

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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(t) 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.

(u) 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. 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.

(v) 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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Investments and other financial assets

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 subsidiaries are held at cost.

(w) 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.

(x) 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:

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

(y) 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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
2. PROFIT AND LOSS ITEMS				
(a) Revenue from ordinary activities:				
Revenue from sale of gold	198,158	33,573	-	-
Other operating revenue*	7,892	-	-	-
	206,050	33,573	-	-
*Other operating revenue relates to silver and other BioGold by-product sales				
(b) Cost of sales				
Operating costs	122,454	22,918	-	-
Depreciation and amortisation	14,128	3,449	-	-
	136,582	26,367	-	-
(c) Corporate expenses				
Depreciation and amortisation	223	20	223	20
Employee benefits	7,615	3,060	7,615	6,629
Share-based payment expense	7,099	3,793	7,099	3,793
Administration costs	3,117	4,926	2,125	1,357
	18,054	11,799	17,062	11,799
(d) Other operating expenses				
Rehabilitation amortisation	1,264	305	-	-
Royalties expense	5,064	1,286	-	-
Resource tax	1,195	-	-	-
Other operating expense	549	-	-	-
	8,072	1,591	-	-
(e) Other income				
Interest revenue	1,931	3,752	5,291	6,136
Sundry income	55	66	55	66
Foreign exchange gain/(loss)	10,612	1,562	670	(2,070)
	12,598	5,381	6,016	4,132
(f) Finance costs				
Interest paid and charged*	4,700	6,676	130	1,578
Rehabilitation unwinding expense	1,645	-	-	-
Other borrowing costs	1,177	7,789	205	7,301
	7,522	14,465	335	8,879
*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.				
(g) Gain on fair value of vested share options - derivatives				
Gain on fair value of vested share options - derivatives*	2,286	1,303	2,286	1,303
*Gain on fair value movement of vested seed options.				

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
2. PROFIT AND LOSS (CONTINUED)				
(h) Hedging loss				
Hedging loss - pre-close-out	11,984	9,292	-	-
Amortisation of hedge close-out	23,229	-	-	-
	35,213	9,292	-	-
(i) Impairment and write-off of exploration costs				
Investment in subsidiaries	-	-	99,283	1,545
Exploration costs written off*	9,144	1,545	-	-
Golden China Resource Company ("GCX") impairment**				
Mineral interest asset	51,545	-	-	-
Property, plant & equipment	13,973	-	-	-
Exploration and evaluation asset	12,840	-	-	-
Available-for-sale asset	11,781	-	-	-
	90,139	-	-	-
Available-for-sale financial assets***	1,411	-	1,411	-
	100,694	1,545	100,694	1,545

* In accordance with Note 1(q), the Directors write off exploration where they assess that the asset is impaired.

****Golden China**

At the time of the acquisition, Golden China recognised US\$45 million in mineral interest. Under AASB 136 *Impairment of Assets*, mineral interests are required to be tested for impairment on an annual basis.

The Golden China Group is treated as one cash generating unit (CGU) including the BioGold facility, Nibao and Beyinhar. The Company assessed each asset within the Golden China group and concluded that a total impairment write down of \$90.1 million in relation to the mineral interest, property, plant & equipment and exploration and evaluation assets of the Golden China Group was required at 31 December 2008 based on the following analysis:

Management has assessed the recoverable amount of GCX by considering various valuation techniques used in the industry using a range of assumptions and discount rates, review of brokers reports, latest drilling and operating costs and the market capitalisation of the Group. The recoverable amount of GCX was determined by management to be US\$68.4 million (A\$98.8 million). The corresponding value in use discounted cash flow analysis utilises the following assumptions:

- Discount rate: post-tax rate of 6.37%
- Years of cash flow: 10 years which approximates the expected mine life based on current mine plans
- Gold price: US\$900/oz

The impairment was required due to management obtaining new information from additional exploration activities.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

2. PROFIT AND LOSS (CONTINUED)

Available for sale asset:

Based on current market values this asset has been written down to nil.

*****Other Investments**

The Company's other available for sale financial asset has been written down to nil based on its current share market value.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
--	-------------------------	-------------------------	--------------------------	--------------------------

3. INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

Current income tax charge	<u>(11,099)</u>	-	-	-
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	<u>(5,128)</u>	(138)	-	-
Income tax expense reported in the income statement	<u>(16,227)</u>	(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	(85,204)	(24,801)	(109,789)	(16,788)
At the statutory income tax rate of 30% (2007:30%)	(25,561)	(7,440)	(32,937)	(5,036)
Overseas tax rate differential	(3,246)	1,240	-	-
Deferred tax asset not recognised	45,034	6,338	32,937	5,036
Income tax expense relating to ordinary activities	<u>16,227</u>	<u>138</u>	-	-

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*

	<u>84,381</u>	<u>6,299</u>	36,447	6,299
--	----------------------	--------------	---------------	-------

* The Company and its wholly owned Australian control entities form a tax consolidation group. These tax losses arise from the Australian tax consolidation group.

(c) Income tax payable

Income tax payable	<u>10,014</u>	-	-	-
--------------------	----------------------	---	---	---

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

3. INCOME TAX (CONTINUED)

	Group Balance Sheet		Group Income Statement	
	2008	2007	2008	2007
	A\$'000	A\$'000	A\$'000	A\$'000
(d) Recognised deferred tax assets & liabilities				
Deferred tax liabilities:				
Accelerated depreciation	(6,757)	(777)	(5,356)	(777)
Mineral tenements	(3,935)	(3,935)	-	-
Tax effect	(91)	-	-	-
Total	(10,783)	(4,712)	(5,356)	(777)
Deferred tax assets:				
Expenses not immediately deductible	280	639	228	639
Total	280	639	228	639

The net movement of \$5.1 million has been recognised in the tax expense in the income statement for 2008. There was no income tax expense impact for 2007.

There are no deferred tax balances recognised in the parent entity.

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
4. RECEIVABLES-CURRENT				
Amounts due from sale of non-current assets	211	454	211	454
Concentrate deposits	3,311	3,774	-	-
Insurance compensation	-	269	-	-
Other	2,161	699	3,220	542
	5,684	5,196	3,431	996

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. All trade debtors are current. It is expected these balances will be received when due.

The maximum exposure to credit risk is the fair value 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 25.

5. INVENTORIES-CURRENT

Gold in circuit - at cost	22,008	15,003	-	-
Ore stockpiles - at cost	10,822	5,573	-	-
Consumable stores and spares	6,341	6,522	-	-
Gold in safe - at cost	11	4,338	-	-
Concentrate inventory	1,189	4,093	-	-
	40,371	35,529	-	-

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
6. OTHER-CURRENT				
Prepaid costs	-	1,465	-	1,294
Prepaid development costs	8,318	3,190	-	-
Prepayment for salary	531	886	-	886
Prepayment to Chinese partner	11,547	-	-	-
Other prepayments	2,198	912	1,702	-
	22,594	6,453	1,702	2,180
7. RECEIVABLES-NON-CURRENT				
Employee loans*	1,118	1,180	1,118	1,180
Amounts due from sale of non-current assets**	-	151	-	151
Amounts due from controlled entities	-	-	461,020	96,197
Others	3,370	-	1,213	-
	4,488	1,331	463,351	97,528

*Loans to employees pursuant to the terms of the Sino Gold Mining Limited Employee Share Incentive Scheme ("ESIS")-secured only against issued shares-refer to note 16 (d).

**Relates to amounts due from the sale of Tianjianshan in 2003. This amount is interest free and the remaining amount due is US\$150,000 on 31 December 2009 which is classified into current receivables.

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 value of receivables. With the exception of the employee loans, collateral is not held as security, nor is it the Group policy to transfer (on-sell) receivables to special purpose entities.

Detail regarding liquidity risk and foreign currency risk exposure is disclosed in Note 25.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

	Interest held %	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
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	-	-	50,520 *	39,701 *
Sino Guizhou Jinluo Mining Limited (d)	65	-	-	722 *	2,269 *
Sino Gold Jilin BMZ Mining Limited (d)	95	-	-	23,816	11,025
Shandong Sino Gold Fields Ludi Limited (d)	70	-	-	-	1,169 **
Sino Guangxi Golden Triangle Mining Limited (d)	70	-	-	2,992	1,265
Sino Guizhou Greatland Mining Limited (d)	70	-	-	722	306
Sino Zhaoyuan Xinxin Mining Limited (d)	70	-	-	-	510 **
Heilongjiang Sino Gold Strike Mining Limited (d)	70	-	-	722 *	567
Sino Gold Guizhou Jindu Mining Limited (d)	75	-	-	2,129	1,163
Golden China Resources Corporation (e)	100	-	-	51,694	90,233
Golden China International Inc. (f)	100	-	-	-	-
Golden China Subsidiary Australia (b)	100	-	-	-	-
Golden China Nibao Gold Corporation (c)	100	-	-	-	-
Golden China Neimen Gold Exploration Corporation (c)	100	-	-	-	-
Michelago Limited (b)	100	-	-	-	-
Guizhou APAC Minerals Inc. (d)	100	-	-	14,562	13,371
Neimen APAC Resources Corporation (d)	100	-	-	30,410	7,963
Sashimo Pty Ltd (b)	100	-	-	-	-
Michelago (Hong Kong) Limited (g)	100	-	-	-	-
Michelago (China Mining) Pty Ltd (b)	100	-	-	-	-
Michelago (China) Exploration Pty Ltd (b)	100	-	-	-	-
Michelago China (Xinjiang) Pty Ltd (b)	100	-	-	-	-

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

	Interest held %	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
8. OTHER FINANCIAL ASSETS-NON CURRENT (CONTINUED)					
Investments in subsidiaries (continued)					
Shandong MIC BioGold Limited (d)	99.71	-	-	2,075	36,766
Rockmining Group Company Limited (g)	100	-	-	-	-
Hei He Rockmining Development Limited (d)	80	-	-	46,189 ***	77,132
Sino Gold Kunming Jinsanjiang Mineral Product Co	43	-	-	529	-
Sub-total		-	-	227,082	283,440
Investments other					
Other		-	11,381	-	1,364
Grand-total		-	11,381	227,082	284,804

*Movement is due to foreign exchange fluctuation only. All investments are denominated in US\$.

**During the financial year, all of Shandong Sino Gold Fields Ludi Limited and Sino Zhaoyuan Xinxin Mining Limited related costs and net assets were written off.

***Balance in 2007 included an accrual amount for the acquisition of investment in the joint venture. This has been subsequently reversed in 2008.

(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.

All subsidiaries operate in the country of incorporation.

There were no significant contracts for the provision of services to the parent entity or any of its subsidiaries by a controlling shareholder or any of its subsidiaries other than inter-company loans and services recharges which were on normal commercial terms.

Available for sale financial assets

At fair value

Shares-Australian listed*	-	1,364	-	1,364
Shares-Canadian listed*	-	10,017	-	-
	-	11,381	-	1,364

* Refer to Note 2(i)

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

9. PROPERTY, PLANT & EQUIPMENT

Consolidated							
	Buildings	Plant and equipment	Office and computer	WIP	Leasehold improvement	Mineral interest**	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2008							
At 1 January 2008 net of accumulated depreciation	15,822	70,978	4,616	25,873	1,224	186,349	304,862
Transfer from deferred exploration and development costs	48,715	37,191	644	16,267	-	19,661	122,478
Additions	2,759	6,669	920	58,938	63	58,259	127,610
Disposals / transfer to other asset categories	-	(159)	-	(12,815)	-	(19,651)	(32,625)
Net foreign currency movements arising from self-sustaining foreign operations	5,388	17,122	(709)	1,171	(921)	66,329	88,380
Depreciation and amortisation charge for the year	(904)	(5,061)	(490)	-	(35)	(7,862)	(14,352)
Impairment*	-	(8,440)	(158)	(3,458)	-	(1,529)	(13,585)
At 31 December 2008 net of accumulated depreciation, amortisation and impairment	71,780	118,301	4,823	85,976	331	301,556	582,768
At 31 December 2008							
Cost	73,309	127,893	7,768	85,976	1,123	341,454	637,523
Accumulated depreciation, amortisation and impairment	(1,530)	(9,591)	(2,944)	-	(792)	(39,898)	(54,754)
Net carrying amount	71,780	118,301	4,824	85,976	331	301,556	582,768

* Refer to Note 2(i).

** Mineral interest with PPE relates to Jinfeng & White Mountain only. Refer to Note 10 for remaining mineral interest.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

9. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Consolidated							
	Buildings	Plant and equipment	Office and computer	WIP	Leasehold improvement	Mineral interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2007							
At 1 January 2007 net of accumulated depreciation	-	-	202	-	24	-	226
Transfer from deferred exploration and 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	(147)	(668)	(44)	(239)	(12)	(1,988)	(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	186,349	304,862
At 31 December 2007 net of accumulated depreciation							
Cost	16,104	72,478	5,929	25,873	1,724	189,399	311,506
Accumulated depreciation and amortisation	(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

Parent							
	Buildings	Plant and equipment	Office and computer	WIP	Leasehold improvement	Mineral interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2008							
At 1 January 2008 net of accumulated depreciation	-	-	168	-	109	-	277
Additions	-	185	205	-	63	-	453
Disposals	-	-	-	-	-	-	-
Net foreign currency movements	-	37	24	-	31	-	92
Depreciation charge for the year	-	(54)	(135)	-	(35)	-	(223)
At 31 December 2008 net of accumulated depreciation	-	168	263	-	168	-	598
At 31 December 2008							
Cost	-	240	702	-	227	-	1,169
Accumulated depreciation and amortisation	-	(71)	(439)	-	(60)	-	(570)
Net carrying amount	-	168	263	-	168	-	599

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

9. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Parent							
	Buildings	Plant and equipment	Office and computer	WIP	Leasehold improvement	Mineral interest	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 and amortisation charge for the year	-	-	(99)	-	(20)	-	(119)
At 31 December 2007 net of accumulated depreciation	-	-	168	-	109	-	277
At 31 December 2007 net of accumulated depreciation							
Cost	-	-	433	-	129	-	562
Accumulated depreciation and amortisation	-	-	(265)	-	(20)	-	(285)
Net carrying amount	-	-	168	-	109	-	277

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
--	-------------------------	-------------------------	--------------------------	--------------------------

10. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Deferred exploration and evaluation costs

-White Mountain*	-	11,067	-	-
-Eastern Dragon	231,248	102,255	-	-
-Golden China	89,581	158,413	-	-
-Other projects**	37,644	28,306	-	-
	358,473	300,041	-	-

Capitalised development costs

-White Mountain*	-	10,970	-	-
	358,473	311,011	-	-

*White Mountain construction was completed and commissioning commenced in October 2008. Commercial Production will commence from 1st January 2009. The related deferred exploration, evaluation and development costs were transferred to property, plant and equipment.

**Other projects include interests in deferred exploration and evaluation costs in relation to other projects in China.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

10. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS (CONTINUED)

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
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.				
Opening balance	311,011	240,074	-	-
Transferred to production	(122,478)	(216,676)	-	-
Additions	134,443	29,104	-	-
Acquisition of subsidiary				
-Golden China Resources Corporation	8,393	158,413	-	-
-Acquisition of Eastern Dragon asset	15,878	102,255	-	-
Exploration write-off	(9,144)	(1,545)	-	-
Impairment loss	(64,385)	-	-	-
Net foreign currency movements arising from self-sustaining foreign operations	84,756	(614)	-	-
Net book value	358,473	311,011	-	-

11. PAYABLES-CURRENT

Trade creditors*	21,572	23,805	-	-
Trade accruals	25,183	19,179	-	-
Eastern Dragon acquisition	-	51,044	-	-
BioGold short-term loan	17,799	-	17,799	-
Royalty to Chinese partner	7,266	-	-	-
Retention accrual	2,953	5,152	-	-
Deferred exploration costs accrual	3,829	-	-	-
Construction costs accrual	25,446	1,810	-	-
Sundry creditors & accruals	10,905	776	2,809	53,172
	114,952	101,766	20,607	53,172
*Aged Trade Creditors				
Less than 30 days	11,208	14,970	-	-
30 days to 60 days	3,597	5,112	-	-
60 days to 90 days	1,639	1,798	-	-
Greater than 90 days	5,127	1,925	-	-
	21,572	23,805	-	-

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

Information regarding interest rate, foreign currency and liquidity risk exposure is set out in Note 25.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
12. PROVISIONS-CURRENT				
Employee entitlements - Note 21				
-Long service leave	666	339	666	339
-Annual leave	497	444	497	444
	1,163	783	1,163	783

13. INTEREST BEARING LIABILITIES

Current

Jinfeng Project Loan (a)	11,836	10,889	-	-
Jinfeng Standby L/C Loan (b)	78,432	60,339	-	-
White Mountain Project Loan (c)	8,644	-	-	-
Eastern Dragon Standby L/C Loan (d)	67,632	-	-	-
Golden China Resources Corporation Debentures	-	19,264	-	-
BioGold short-term loan (e)	14,794	15,531	-	-
Deferred gold put option premium	-	975	-	-
Total current	181,338	106,998	-	-

Non-current

Deferred gold put option premium	-	696	-	-
	-	696	-	-
Jinfeng Project Loan (a)				
Principal	31,767	34,247	-	-
Un-amortised borrowing costs	(1,013)	(993)	-	-
Total of Jinfeng non-current	30,754	33,254	-	-
BioGold long-term loan (e)	843	597	-	-
White Mountain Project Loan	40,178	-	-	-
Total non-current	71,775	34,547	-	-
	253,113	141,545	-	-

(a) 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; and
- Pledge over all material project contracts.

In addition, the Company and Sino Mining Guizhou Pty Limited has guaranteed until completion of the project construction, a first ranking charge over all shares of the Company in Sino Mining Guizhou Pty Limited and a first ranking pledge of the interest of Sino Mining Guizhou Pty Limited in the Borrower.

At 31 December 2008 the outstanding principal amount was US\$30.2 million (A\$43.6 million).

Please refer to Note 27 Subsequent Events for further information.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

13. INTEREST BEARING LIABILITIES (CONTINUED)

(b) Jinfeng Standby L/C loan - The Company has secured a standby cash collateralised L/C facility issued by its bankers to secure advances made by China Construction Bank, Guizhou Branch to the Jinfeng Project. The restricted cash held on deposit as security for this facility at 31 December 2008 was US\$58 million (A\$83.7 million).

RMB	A\$	Maturity	Annual interest rate
RMB'000	\$'000		
17,200	3,635	2/01/2009	6.50%
62,700	13,252	15/02/2009	6.07%
30,000	6,340	11/03/2009	6.07%
29,700	6,277	15/04/2009	6.24%
30,700	6,488	22/05/2009	5.04%
28,800	6,087	6/07/2009	6.67%
18,400	3,889	6/07/2009	7.10%
33,900	7,165	12/08/2009	5.99%
119,700	25,299	2/09/2009	5.02%
Total	78,432		

(c) White Mountain Project Loan consists of two portions as construction loan and working capital loan. This facility is secured by:

- Mine life guarantee provided by the company; and
- Mortgage on fixed assets.

Major terms for construction loan:

- Principal: RMB190.1 million;
- Term: 5 years;
- Interest: floating annually; and
- Prepayment: bullet repayment at the end of term.

Major terms for working capital loan:

- Principal: RMB40.9 million;
- Term: 12 months; and
- Interest: floating bi-annually.

Both construction and working capital loans were fully drawn down in 2008.

	RMB	A\$	Maturity	Annual interest rate
	RMB'000	\$'000		
Working Capital Loan	40,900	8,644	31/08/2009	6.66%
Construction Loan	190,100	40,178	31/08/2013	7.74%
	231,000	48,822	26/03/2021	7.55%

(d) Eastern Dragon Standby L/C loan – The Company has secured a standby cash collateralised L/C facility issued by its bankers to secure advances made by China Construction Bank, Heilongjiang Branch to the Eastern Dragon Project. The interest rate for this loan is currently 7.47%. Restricted cash held on deposit as security for this facility at 31 December 2008 was US\$50.0 million (A\$72.2 million).

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

13. INTEREST BEARING LIABILITIES (CONTINUED)

(e) 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, other than RMB20 million is secured by standby L/C with restricted cash held on deposit at 31 December 2008 was US\$3.3 million (A\$4.8 million). 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	A\$	Maturity	Annual interest rate
	RMB'000	\$'000		
Short term	10,000	2,113	31/03/2009	7.84%
	20,000	4,227	1/04/2009	7.84%
	20,000	4,227	9/04/2009	7.84%
	20,000	4,227	19/08/2009	5.51%
Total of short term		14,794		
Long term				
	3,840	843	26/03/2021	3.78%

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000

14. PROVISIONS-NON-CURRENT

Restoration and rehabilitation*

Jinfeng	32,047	24,546	-	-
White Mountain	1,691	-	-	-
	33,738	24,546	-	-

Movement in provision:

- Jinfeng

Carrying amount at the beginning of the financial year	24,546	-	-	-
Rehabilitation provision provided	-	24,546	-	-
Unwinding expenses	1,645	-	-	-
Payment for rehabilitation costs	(498)	-	-	-
Foreign exchange effect	6,954	-	-	-
End of financial year	32,647	24,546	-	-

- White Mountain

Rehabilitation provision provided	1,691	-	-	-
Total Jinfeng and White Mountain end of financial year	34,337	24,546	-	-

*Rehabilitation costs are expected to be incurred between 2009 and 2022. The provision has been estimated using existing technology at current prices and discounted using a pre-tax discount rate of 6.5% p.a.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

15. DERIVATIVE LIABILITIES

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
-Current				
Fair value of non-employee vested share options*	1,829	2,456	1,829	2,456
Fair value of gold forward contracts & options**	-	26,760	-	-
	1,829	29,216	1,829	2,456
-Non-current				
Fair value of non-employee vested share options*	-	2,475	-	2,475
Fair value of gold forward contracts & options**	-	93,280	-	-
	-	95,755	-	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(n). Movement in their value along with any foreign exchange impact is recognised as a gain or loss. During the year 250,000 of these Australian dollar denominated options were exercised prior to maturity leaving 250,000 options maturing in 2010 and 777,770 maturing in 2012. The fair value of options granted have been valued using the Black Scholes 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 2008 are: volatility 44%, risk free interest rate 3.46% and expected life of options 1.71 years and 3.7 years respectively.

** On 2 June 2008, all gold hedging contracts relating to the Jinfeng Project Loan were closed out for a total cost of US\$118.6 million (A\$125 million).

Fair value of gold forward contracts & options

Opening balance	120,040	76,498	-	-
Effective hedge loss recycled in the income statement	(11,984)	(6,423)	-	-
Ineffective hedge loss expensed	-	(2,869)	-	-
Foreign exchange effect	16,463	(6,814)	-	-
Hedge book close-out	(124,519)	-	-	-
Charged to equity	-	59,648	-	-
Closing balance	-	120,040	-	-

16. ISSUED CAPITAL

(a) Issued and paid up capital

-Ordinary shares fully paid (no par value)	857,284	527,970	857,284	527,970
	857,284	527,970	857,284	527,970

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

16. ISSUED CAPITAL (CONTINUED)

(b) Movements in ordinary shares on issue

	2008		2007	
	Number of shares ('000)	(\$'000)	Number of shares ('000)	(\$'000)
Beginning of financial year	223,433	527,970	153,061	168,259
Issued during the year				
-exercise of options	1,109	2,594	5,622	5,509
-private placement	64,225	309,503	16,290	98,233
-Hong Kong IPO	-	-	19,709	133,121
-less share issue and transaction costs	-	(4,678)	-	(11,842)
-convertible notes conversion shares	2,224	15,321	15,383	44,457
-purchase consideration for GCX	822	6,573	13,368	90,233
End of financial year	291,813	857,284	223,433	527,970

(c) Options

The following unlisted options were on issue at the balance sheet date.

	Year ended 31 December	
	2008 Number of options	2007 Number of options
Outstanding at the beginning of the year	10,315,559	10,946,776
Granted during the year	3,160,000	3,665,000
Replacement Golden China Resources Corporation options	-	1,325,559
Exercised during the year	(1,108,951)	(5,621,776)
Forfeited during the year	(114,274)	-
Outstanding at end of the year	12,252,334	10,315,559
Exercisable at end of the year	3,182,700	2,081,974

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

16. ISSUED CAPITAL (CONTINUED)

	Number	Date of issue	Exercise price	Expiry	Number vested	Vesting date
Other						
	250,000	16/09/2005	\$2.53	16/09/2010	250,000	N/A
	777,700	7/08/2007	C\$5.63	8/08/2012	777,700	N/A
Directors						
	100,000	31/12/2004	\$1.84	31/12/2009	100,000	31/12/2007
	800,000	31/12/2005	\$3.13	31/12/2010	800,000	31/12/2008
	1,370,000	31/12/2006	\$6.34	31/12/2011	-	31/12/2009
	970,000	9/11/2007	\$7.49	9/11/2012	-	9/11/2010
Employees						
	150,000	15/10/2004	\$1.90	15/10/2009	150,000	15/10/2007
	25,000	27/10/2004	\$1.96	27/10/2009	25,000	27/10/2007
	100,000	31/12/2004	\$1.84	31/12/2009	100,000	31/12/2007
	980,000	31/12/2005	\$3.13	31/12/2010	980,000	31/12/2008
	150,000	6/03/2006	\$3.65	6/03/2011	-	6/03/2009
	40,000	3/06/2006	\$4.72	3/06/2011	-	3/06/2009
	1,665,000	31/12/2006	\$6.34	31/12/2011	-	31/12/2009
	150,000	31/12/2006	\$6.34	30/09/2012	-	30/09/2010
	200,000	11/09/2007	\$6.04	30/09/2012	-	30/09/2010
	150,000	9/05/2007	\$5.71	30/09/2012	-	30/09/2010
	1,795,000	9/11/2007	\$7.49	9/11/2012	-	9/11/2010
	40,000*	13/08/2008	\$7.11	2/04/2013	-	2/04/2011
	150,000*	20/10/2008	\$4.01	20/10/2013	-	20/10/2011
	2,000,000*	9/12/2008	\$4.35	9/12/2013	-	9/12/2011
	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	3/11/2010	-	22/12/2009
	159,318	14/03/2007	C\$3.83	14/03/2012	-	14/03/2010
	21,975	4/04/2007	C\$3.16	4/04/2012	-	4/04/2010
	12,252,334				3,182,700	

* The following options were granted during the year:

- 40,000 options – fair value per option is \$0.83 (share price on issue date was \$4.25)
- 150,000 options – fair value per option is \$1.36 (share price on issue date was \$3.85)
- 2,000,000 options – fair value per option is \$1.00 (share price on issue date was \$3.49)

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

16. ISSUED CAPITAL (CONTINUED)

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	

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

	2007	2008
Expected volatility	40%	44%
Risk free interest rate	7%	4%
Expected life of options (years)	5	3.5
Dividend yield	Nil	Nil

The following options were exercised during the year:

Number of exercise	Date exercised	Exercise price	Share price at date
405,000	11/01/2008	\$2.00	\$7.70
20,000	1/02/2008	\$2.00	\$7.96
15,000	5/03/2008	\$2.00	\$8.38
80,000	5/03/2008	\$2.08	\$8.38
43,951	3/03/2008	C\$3.83	\$8.02
10,000	25/03/2008	\$2.00	\$6.86
10,000	9/04/2008	\$2.00	\$6.87
10,000	7/05/2008	\$2.00	\$5.54
20,000	22/05/2008	\$2.69	\$5.32
20,000	23/05/2008	\$2.69	\$5.32
221,332	23/07/2008	\$2.37	\$5.96
25,000	6/08/2008	\$2.53	\$4.58
28,668	13/10/2008	\$2.37	\$4.54
75,000	31/10/2008	\$2.53	\$3.50
125,000	18/12/2008	\$2.53	\$4.50
1,108,951			

(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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

16. ISSUED CAPITAL (CONTINUED)

ESIS - The company has on issue 2,587,000 shares under the ESIS at 31 December 2008, 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 the balance sheet date is \$1.1 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.

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	2,587,000	-	1,180
Loan repayments	(120,000)	(63)	(63)
Balances at end of financial year	2,467,000	(63)	1,117

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
17. OTHER RESERVES				
Foreign currency translation reserve	185,656	(21,426)	172,910	(41,412)
Share based payments	17,114	10,015	17,114	10,015
Vested share options	8,017	7,200	8,017	7,200
Capital reserve	9,135	10,777	-	-
	219,922	6,566	198,041	(24,197)

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.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
At 1 January	(21,426)	(1,892)	(41,412)	(9,181)
Currency translation differences	207,082	(19,534)	214,322	(32,231)
At 31 December	185,656	(21,426)	172,910	(41,412)

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

17. OTHER RESERVES (CONTINUED)

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.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
At 1 January 2008	10,015	2,070	10,015	2,070
Cost of share based payments	7,099	7,945	7,099	7,945
At 31 December 2008	17,114	10,015	17,114	10,015

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.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
At 1 January	7,200	(7,494)	7,200	(7,494)
Exercise of option	817	14,694	817	14,694
At 31 December	8,017	7,200	8,017	7,200

Capital reserve

This reserve is used to record the value of exploration licence contributed to the joint venture by the Chinese partner as the cooperative conditions and share of net asset attributed to the JV partners.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
At 1 January	10,777	849	-	-
Addition	(1,642)	9,928	-	-
At 31 December	9,135	10,777	-	-

18. EXPENDITURE COMMITMENTS

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Operating leases				
Within one year	441	278	441	278
After one year but not more than 2 years	459	289	459	289
After 2 years but not more than 5 years	973	612	973	612
Later than 5 years	-	-	-	-
Aggregate lease expenditure contracted for at balance date but not provided for	1,873	1,179	1,873	1,179

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

18. EXPENDITURE COMMITMENTS (CONTINUED)

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

Capital Commitments

There were no commitments for the group as at 31 December 2008.

19. 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
L Li	T McKeith

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 of 2008

	Balance	Granted as	Options	Balance	Vested and
	1 Jan 08	Remuneration*	Exercised	31 Dec 08	Exercisable
					at 31 Dec 08
J Askew	-	-	-	-	-
J Klein	1,400,000	500,000	(150,000)	1,750,000	500,000
H Xu	975,000	350,000	(75,000)	1,250,000	400,000
B Davidson	20,000	-	(20,000)	-	-
P Cassidy	20,000	-	(20,000)	-	-
P Housden	120,000	-	-	120,000	-
L Li	-	-	-	-	-
T McKeith	-	120,000	-	120,000	-
P Uttley	770,000	70,000	-	840,000	320,000
I Polovineo	395,000	85,000	(25,000)	455,000	170,000
C Johnstone	725,000	300,000	-	1,025,000	-
	4,425,000	1,425,000	(290,000)	5,560,000	1,390,000

*The fair value of options granted have been valued using a Black Scholes 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 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 to Note 16(c).

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

18. EXPENDITURE COMMITMENTS (CONTINUED)

The following options were granted during the year:

- 40,000 options – fair value per option is \$0.83 (share price on issue date was \$4.25)
- 150,000 options – fair value per option is \$1.36 (share price on issue date was \$3.85)
- 2,000,000 options – fair value per option is \$1.00 (share price on issue date was \$3.49)

The Board has approved the following additional option issues to directors which are subject to shareholder approval.

	Options to be issued
J Askew	35,000
J Klein	487,500
H Xu	276,250
B Davidson	20,000
P Cassidy	20,000
L Li	20,000
P Housden	20,000
T McKeith	20,000

Key Management Personnel Option Holdings of 2007:

	Balance 1 Jan 07	Granted as Remuneration	Options Exercised	Net Change Other	Balance 31 Dec 07	Vested and Exercisable 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

Key Management Personnel Shareholdings of 2008

	Balance 1 Jan 08	Acquisitions	Options Exercised	Disposals	Balance 31 Dec 08
J Askew	140,000	-	-	-	140,000
J Klein	2,682,178	377,622	150,000	-	3,209,800
H Xu	800,000	96,666	75,000	(95,000)	876,666
B Davidson	215,347	31,378	20,000	-	266,725
P Cassidy	143,831	21,844	20,000	-	185,675
P Housden	10,000	1,333	-	-	11,333
L Li	-	-	-	-	-
T McKeith	-	-	-	-	-
P Uttley	-	13,332	-	-	13,332
I Polovineo	182,315	15,332	25,000	(18,332)	204,315
	4,173,671	557,507	290,000	(113,332)	4,907,846

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

19. RELATED PARTY DISCLOSURES (CONTINUED)

Key Management Personnel Shareholdings of 2007

	Balance 1 Jan 07	Acquisitions	Options Exercised	Disposals	Balance 31 Dec 07
J Askew	-	-	140,000	-	140,000
J Klein	3,132,178	-	400,000	(850,000)	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	-	660,000	(1,175,000)	4,173,671

(iii) Summary of Key Management Remuneration

	Consolidated	
	2008	2007
	(\$)	(\$)
Short term employee benefits	4,513,255	3,343,279
Post employment benefits	243,655	307,504
Share-based payments	4,557,417	2,293,068
Total compensation	9,314,327	5,943,851

(iv) Transactions with director-related entities

Employee Share Incentive Scheme ("ESIS") loans

Loans have been made to executive directors Jake Klein and Hanjing Xu pursuant to the ESIS plan details and terms of which are set out in Note 16. The loans were initially made in 2001, are interest free and have a ten-year term. 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 of the loans during the reporting period.

The balances outstanding are as follows:

	2008 \$000	2007 \$000
J Klein	758	758
H Xu	276	276
	1,034	1,034

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

20. CONTINGENT LIABILITIES

In December 2008, the Jinfeng joint venture company ("JVC") received a notice from the Ministry of Land and Resources ("Ministry") advising that the Ministry concluded that the JVC should not receive an exemption from payment of the Resource Compensation Fee ("RCF"). An exemption from the RCF had been part of the conditions for the JVC when Jinfeng was approved as an "encouraged" project in January 2005. The JVC has received legal advice that its qualification for the exemption is strong and has sought a formal review of the Ministry's notice. The timing and outcome of the review process is uncertain.

21. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
COMMITMENTS				
Employee Entitlements				
The aggregate employee entitlement liability is comprised of:				
Provisions:				
-Long service leave	666	339	666	339
-Annual leave	497	444	497	444
	1,163	783	1,163	783

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 employee wages and salaries are legally enforceable in Australia.

During the year the average number of employees in the economic entity was 1,334 (2007: 611).

22. 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.

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000

23. STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

Cash balance comprises

-Cash on hand	107	68	8	3
-Cash at bank	70,430	38,899	36,814	31,391
-Restricted cash*	160,652	69,986	160,653	69,986
	231,189	108,953	197,475	101,380

*Restricted cash relates to cash held in term deposits as security for the Jinfeng, BioGold and Eastern Dragon Standby L/C loans (refer to Note 13(a))

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

23. STATEMENT OF CASH FLOWS (CONTINUED)

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(b) Reconciliation of loss after tax to net cash flows from operations				
Operating loss after tax	(101,431)	(24,939)	(109,789)	(16,788)
Non cash items:				
Depreciation of non-current assets	15,615	3,574	223	124
Profit from sale of assets	(11)	-	-	-
Deferred exploration costs written off	9,144	1,545	9,144	1,545
Impairment loss	79,781	-	79,781	-
Write down listed investment	11,769	-	11,769	-
Rehabilitation unwinding expense	1,645	-	-	-
Amortisation of hedge close-out	23,229	-	-	-
Share-based payment expense	7,099	3,973	7,099	3,973
Gain on fair value of seed investor options	(2,286)	(1,303)	(2,286)	(1,303)
Net gain (loss) on foreign exchange	(10,612)	(1,562)	(670)	2,070
Other	13,137	8,084		
Changes in assets and liabilities:				
Receivables	(3,645)	(567)	(2,586)	4,965
Inventories	(4,842)	(33,380)	-	-
Prepayments	(16,141)	(843)	478	(672)
Trade and other payables	7,896	(142)	(32,565)	-
Accrued liabilities	5,290	29,394	-	(5,939)
Provision	9,575	422	380	138
Tax	16,443	4,073	-	-
Net Cash Flows used in Operating Activities	61,655	(11,671)	(39,022)	(11,887)

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$	\$	\$	\$
24. AUDITORS' REMUNERATION				
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	403,000	231,293	268,805	154,275
-capital raising	53,766	-	53,766	-
-process improvement	80,000	-	80,000	-
-Golden China prospectus costs	-	79,000	-	79,000
	536,766	310,293	402,572	233,275
Amounts received or due and receivable by KPMG for:				
-Golden China auditing fee	-	119,204	-	119,204
	-	119,204	-	119,204
Total	536,766	429,497	402,572	352,479

25. 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 may enter into gold derivative transactions, including principally forward contracts and purchased put options. Gold derivatives may be 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:

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

25. FINANCIAL INSTRUMENTS (CONTINUED)

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Financial Assets				
Cash and cash equivalents	231,189	108,953	197,474	101,380
Financial Liabilities (note 13)				
CCB standby L/C loan	146,064	60,339	-	-
BioGold short-term loan	14,794	15,531	-	-
Jinfeng project loan	42,590	44,143	-	-
White Mountain project loan	48,822	-	-	-
Golden China Resources Corporation long-term loan	843	597	-	-
SUB-TOTAL	253,113	120,610	-	-
Net exposure	(21,924)	(11,657)	197,474	101,380

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 2008, none of the Group's borrowings were at a fixed rate of interest (2007: 14.8%).

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 2008, 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)	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Consolidated				
+1% (100 basis points)	(219)	(120)	-	-
-0.5% (50 basis points)	110	60	-	-
Parent				
+1% (100 basis points)	1,975	1,000	-	-
-0.5%(50 basis points)	(987)	(500)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity is lower in 2008 than in 2007 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's surplus funds are also managed centrally by placing them with reputable financial institutions.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

25. FINANCIAL INSTRUMENTS (CONTINUED)

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.

	<=6 months	6-12 months	1-5 years	>5 years	Total
Year ended 31 December 2008	\$'000	\$'000	\$'000	\$'000	
Consolidated Financial Assets					
Cash & cash equivalent	159,018	72,171	-	-	231,189
Trade & other receivables	3,522	2,161	-	-	5,684
Total Financial Assets	162,540	74,332	-	-	236,873
Consolidated Financial Liabilities					
CCB standby L/C loan	103,625	42,439	-	-	146,064
BioGold short-term loan	10,567	4,227	-	-	14,794
BioGold long-term loan	-	-	843	-	843
Jinfeng project loan	5,918	5,918	30,754	-	42,590
White Mountain project loan	-	8,644	40,178	-	48,822
Trade & other payables	100,732	14,220	-	-	114,952
Total Financial Liabilities	220,842	75,448	71,775	-	368,066
Net maturity	(58,302)	(1,116)	(71,775)	-	(131,193)

	<=6 months	6-12 months	1-5 years	>5 years	Total
Year ended 31 December 2008	\$'000	\$'000	\$'000	\$'000	
Parent Financial Assets					
Cash & cash equivalent	125,304	72,171	-	-	197,474
Trade & other receivables	3,220	211	-	-	3,431
Total Parent Financial Assets	128,524	72,382	-	-	200,906
Parent Financial Liabilities					
Trade & other payables	20,607	-	-	-	20,607
Total Parent Financial Liabilities	20,607	-	-	-	20,607
Net maturity	107,916	72,382	-	-	180,299

(iii) Credit risk

Credit risk arises mainly from the risk that counterparties defaulting on the terms of their agreements. This is mitigated as generally sales are paid in advance. 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.

As at 31 December 2008, there was no significant concentration of credit risk.

(iv) Commodity price risk

The Group closed out the gold hedging books in June 2008. All productions were exposed to spot price since then.

At 31 December 2008, the Group had the following exposure to the gold price, with all other variables being held constant. The average gold price assumption is US\$872/oz for 2008 and US\$631/oz for 2007. For the equity calculation, the spot price at 31 December 2007 was US\$829.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

25. FINANCIAL INSTRUMENTS (CONTINUED)

	Post Tax Profit		Equity	
	Higher/(Lower)	Higher/(Lower)	Higher/(Lower)	Higher/(Lower)
Gold price movement	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Consolidated				
US\$/oz +10%	11,252	(3,010)	-	25,125
US\$/oz-5%	(5,626)	1,505	-	(12,563)
Parent				
US\$/oz +10%	-	-	-	-
US\$/oz-5%	-	-	-	-

(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 for the US\$ denominated transactions recorded in the RMB functional currency entities. The Group also has exposure to foreign exchange movements in US\$/A\$ exchange rate as the USD functional currency entities have A\$ denominated transactions and balances.

At 31 December 2008, the A\$/US\$ exchange rate was 0.6928, and the US\$/RMB\$ exchange rate was 6.8295. The primary controls to 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.

The A\$ balances as at 31 December 2008 for the USD functional entities are as follows:

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash Equivalents	1,973	1,036	1,973	1,036
Other debtors	134	1,162	134	1,162
	2,107	2,198	2,107	2,198
Financial Liabilities				
Other creditors	2,237	809	2,237	809
	2,237	809	2,237	809
Net exposure	(131)	1,389	(131)	1,389

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

25. FINANCIAL INSTRUMENTS (CONTINUED)

The US\$ balances as at 31 December 2008 for the RMB functional entities are as follows:

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash Equivalents	805	878	-	-
	805	878	-	-
Financial Liabilities				
Other creditors	3,059	2,311	-	-
Jinfeng project loan	43,603	45,136	-	-
	46,662	47,447	-	-
Net exposure	(45,857)	(46,569)	-	-

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

At 31 December 2008, 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:

	Post Tax Profit		Equity	
	Higher/(Lower)	Higher/(Lower)	Higher/(Lower)	Higher/(Lower)
A\$/US\$ movement*	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Consolidated				
A\$/US\$+10%	(13)	139	-	-
A\$/US\$-5%	7	(69)	-	-
Parent				
A\$/US\$+10%	(13)	139	-	-
A\$/US\$-5%	7	(69)	-	-

* The exchange rate of A\$/US\$ for 2008 is 1.44 and 1.13 for 2007.

	Post Tax Profit		Equity	
	Higher/(Lower)	Higher/(Lower)	Higher/(Lower)	Higher/(Lower)
RMB/US\$ movement*	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Consolidated				
RMB/US\$+10%	(4,586)	(4,657)	-	-
RMB/US\$-5%	2,293	2,328	-	-
Parent				
RMB/US\$+10%	-	-	-	-
RMB/US\$-5%	-	-	-	-

* The exchange rate of RMB/US\$ for 2008 is 6.8295 and 7.3037 for 2007.

The movements in profit in 2008 are less sensitive than in 2007 due to the lower 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.

Sino Gold Mining Limited
Notes to the Financial Statements
For the Year Ended 31 December 2008

25. FINANCIAL INSTRUMENTS (CONTINUED)

(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 determined funding requirements accordingly. Debt is preferentially utilized on production assets where tax shields can be effective.

Equity is ordinary shares, not preference capital.

26. EARNINGS PER SHARE (unrounded)

	2008	2007
Basic loss per share (cents per share)	(38.56)	(13.23)
Diluted loss per share (cents per share)	(38.56)	(13.23)
Loss used in calculating basic and diluted earnings per share	\$(103,824,773)	\$(23,496,817)
Weighted number of ordinary shares on issue used in calculation of basic loss per share	269,283,360	177,586,981
Effect of dilutive securities	-	-
Number of potential ordinary shares that are not dilutive and not used in the calculation of diluted loss per share	7,157,700	8,651,645
Weighted number of ordinary shares on issue used in calculation of diluted loss per share	270,932,649	177,586,981

27. SUBSEQUENT EVENTS

The following significant events have occurred after 31 December 2008:

- On 14 February 2009 the Company entered into a Share Purchase Agreement for the sale of all of its interest in its BioGold processing facility in Shandong Province, People's Republic of China, through the sale of its wholly owned subsidiary Michelago (Hong Kong) Limited. The consideration of RMB 10 million was received on 16 February 2009 and Sino Gold has undertaken to discharge the BioGold Finance facilities amounting to RMB 70 million.
- On 16 February 2009 the Company accepted terms of a finance facility from China Construction Bank for its Jinfeng project totalling RMB 780 million. The facility will predominantly be used to retire the existing Jinfeng project senior loan and to release cash collateralised letters of credit relating to existing Jinfeng borrowings. The facility is subject to finalisation of documentation.

Sino Gold Mining Limited
Directors' Declaration
For the Year Ended 31 December 2008

DIRECTORS' DECLARATION

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

In the opinion of the directors:

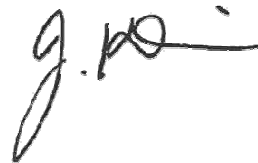
- (a) The financial statements, notes and additional disclosures included in the Directors' Report designated as audited, of the company and consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2008 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 2008.

On behalf of the board



J Askew - Chairman



J. Klein - CEO

Sydney

23 February 2009

**Sino Gold Mining Limited
Independent Audit Report
For the Year Ended 31 December 2008**

INDEPENDENT AUDIT REPORT



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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

Report on the Financial Report

We have audited the accompanying financial report of Sino Gold Mining Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity, 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.

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. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These 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.

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, 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.

Liability limited by a scheme approved
under Professional Standards Legislation

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 2008 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 financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

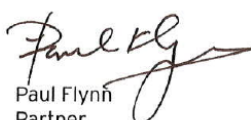
We have audited the Remuneration Report included in pages 14 to 21 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Sino Gold Mining Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Paul Flynn
Partner

Sydney
23 February 2009