



**SINO GOLD MINING LIMITED**  
**澳華黃金有限公司**

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

**ACN 093 518 579**

**(Stock Code: 1862)**

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 2009 Annual General Meeting of shareholders of Sino Gold Mining Limited (“Company”) will be held in the Blaxland A Room, Swissotel, 68 Market Street (between Pitt and George Streets), Sydney, New South Wales, Australia, at 2.00 pm Sydney time on Thursday 28 May 2009 for the purpose of transacting the following Business.

**ORDINARY BUSINESS**

**2008 Financial Statements**

To receive and consider the financial statements of the Company for the year ended 31 December 2008, consisting of the Annual Financial Report, the Directors’ Report and Auditor’s Report.

**Resolution 1 — Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That the Remuneration Report of the Company for the year ended 31 December 2008 be adopted.”*

Pursuant to section 250R(3) of the *Corporations Act 2001*, the vote on this resolution is advisory only and it does not bind the directors or the Company.

**Resolution 2 — Election of Hanjing Xu as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That Hanjing Xu having retired as a Director of the Company pursuant to Article 5.1 of the Company’s Constitution and, being eligible, having offered himself for re-election be appointed a Director of the Company.”*

Pursuant to Article 5.1 of the Company’s Constitution, up to one-third of the Directors of the Company must retire at each Annual General Meeting and being eligible may offer themselves for re-election.

### **Resolution 3 — Election of Brian Davidson as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That Brian Davidson having retired as a Director of the Company pursuant to Article 5.1 of the Company’s Constitution and, being eligible, having offered himself for re-election be appointed a Director of the Company.”*

Pursuant to Article 5.1 of the Company’s Constitution, up to one-third of the Directors of the Company must retire at each Annual General Meeting and being eligible may offer themselves for re-election.

### **Resolution 4 — Confirmation of Appointment of Liangang Li as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That the appointment of Liangang Li as a Director of the Company since the previous Annual General Meeting pursuant to Article 8.1 of the Company’s Constitution be confirmed.”*

Pursuant to Article 8.1 of the Company’s Constitution, the existing Directors of the Company may appoint a person as a Director, subject to the Company confirming the appointment by resolution at the Company’s next Annual General Meeting.

### **Resolution 5 — Authorisation of Options**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purpose of Rule 7.2 Exception 9 of the Listing Rules of ASX Limited and all other purposes, the Company hereby approves the grant of Options under the Company’s Executive and Employee Plan to persons eligible to participate in the Plan as an exception to Rule 7.1 of the Listing Rules of ASX Limited, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.”*

The Company will disregard any votes cast on this resolution by any director and any other person that may participate in the proposed issue of options and any associate of any such person unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 6 — Issue of Options to Executive Director — Jacob Klein**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to grant to Mr. Jacob Klein Options to subscribe for 487,500 fully paid ordinary shares in the capital of the Company at an exercise price of A\$4.35 per share exercisable on or before 9 December 2013 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Company’s Executive and Employee Option Plan.”*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned director as calculated by the Company and its advisers using the Black & Scholes valuation model is A\$1.00.

**Resolution 7 — Issue of Options to Executive Director — Hanjing Xu**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to grant to Mr. Hanjing Xu Options to subscribe for 276,250 fully paid ordinary shares in the capital of the Company at an exercise price of A\$4.35 per share exercisable on or before 9 December 2013 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Company’s Executive and Employee Option Plan.”*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned director as calculated by the Company and its advisers using the Black & Scholes valuation model is A\$1.00.

**Resolution 8 — Issue of Options to Non-Executive Director — Thomas McKeith**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the directors of the Company to grant to Mr. Thomas McKeith Options to subscribe for 20,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$4.35 per share exercisable on or before 9 December 2013 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Company’s Executive and Employee Option Plan.”*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned Director as calculated by the Company and its advisers using the Black & Scholes valuation model is A\$1.00.

## **Resolution 9 — Issue of Options to Non-Executive Director — Liangang Li**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the directors of the Company to grant to Mr. Liangang Li Options to subscribe for 20,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$4.35 per share exercisable on or before 9 December 2013 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Company’s Executive and Employee Option Plan.”*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned Director as calculated by the Company and its advisers using the Black & Scholes valuation model is A\$1.00.

## **Resolution 10 — Issue of Options to Non-Executive Director — James Askew**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the directors of the Company to grant to Mr. James Askew Options to subscribe for 35,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$4.35 per share exercisable on or before 9 December 2013 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Company’s Executive and Employee Option Plan.”*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned Director as calculated by the Company and its advisers using the Black & Scholes valuation model is A\$1.00.

**Resolution 11 — Issue of Options to Non-Executive Director — Peter Cassidy**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the directors of the Company to grant to Mr. Peter Cassidy Options to subscribe for 20,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$4.35 per share exercisable on or before 9 December 2013 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Company’s Executive and Employee Option Plan.”*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned Director as calculated by the Company and its advisers using the Black & Scholes valuation model is A\$1.00.

**Resolution 12 — Issue of Options to Non-Executive Director — Brian Davidson**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the directors of the Company to grant to Mr. Brian Davidson Options to subscribe for 20,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$4.35 per share exercisable on or before 9 December 2013 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Company’s Executive and Employee Option Plan.”*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned Director as calculated by the Company and its advisers using the Black & Scholes valuation model is A\$1.00.

**Resolution 13 — Issue of Options to Non-Executive Director — Peter Housden**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the directors of the Company to grant to Mr. Peter Housden Options to subscribe for 20,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$4.35 per share exercisable on or before 9 December 2013 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Company’s Executive and Employee Option Plan.”*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned Director as calculated by the Company and its advisers using the Black & Scholes valuation model is A\$1.00.

### **Proxies and Entitlements to Vote**

To vote by proxy, please complete and sign the proxy form enclosed with this notice of meeting and return it to the share registry of the Company, Registries Limited, either:

- by facsimile on (02) 9279 0664;
- by post to GPO Box 3993, Sydney, NSW 2001; or
- by delivery to Level 7, 207 Kent Street, Sydney, NSW 2000,

so that it is received not later than 2.00pm Sydney time on Tuesday, 26 May 2009.

For the purposes of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and holder of shares if that person is registered as a holder of those shares at 7pm Sydney time on 26 May 2009.

By order of the Board

**I. Polovineo**

*Secretary*

Date: 20 April 2009

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Sino Gold Mining Limited ACN 093 518 579 (“Company”) with sufficient information to assess the merits of the Resolutions contained in the Notice of Annual General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the above Resolutions.

The following information should be noted in respect of the various matters contained in the Notice of Annual General Meeting:

### RESOLUTION 1 — REMUNERATION REPORT

The Remuneration Report for the year ended 31 December 2008 is set out in the Directors’ Report on pages 41 to 46 of the Annual Report which is available on the Company’s website at [www.sinogold.com.au](http://www.sinogold.com.au).

The Remuneration Report:

- Explains the Board’s policies relating to remuneration of directors, secretaries and executives of the Company;
- Discusses the relationship between such policies and the Company’s performance;
- Provides details of any performance conditions attached to such remuneration; and
- Sets out remuneration details for each director and certain named executives.

The Board submits the Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution as required by the Corporations Act.

### RESOLUTION 2 — ELECTION OF HANJING XU AS A DIRECTOR

In accordance with the commentary and guidance to Recommendation 2.4 of the ASX Corporate Governance Principles, the Company provides the following information concerning Mr. Xu:

#### Biographical details

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, which has been instrumental in securing all of the Company's joint venture agreements and positioning the Company for the acquisition of new projects.

**Details of relationships between the Candidate and the Company**

Mr. Xu is an Executive Director of the Company.

**Details of relationships between the Candidate and Directors of the Company**

Not applicable

**Directorships held**

Mr. Xu has no other directorships outside of the Sino Gold group of companies.

**The term of office already served by Mr. Xu**

Mr. Xu has been a Director of the Company since its incorporation on 28 June 2000.

**RESOLUTION 3 — ELECTION OF BRIAN DAVIDSON AS A DIRECTOR**

In accordance with the commentary and guidance to Recommendation 2.4 of the ASX Corporate Governance Principles, the Company provides the following information concerning Mr. Davidson:

**Biographical details**

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, Sydney. He is Chairman of the Company's 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.

**Details of relationships between the Candidate and the Company**

Mr. Davidson is a Non-Executive Director of the Company.

**Details of relationships between the Candidate and Directors of the Company**

Not applicable

**Directorships held**

Mr. Davidson is a director of a number of private companies and the Pain Management Research Institute Ltd Royal North Shore Hospital, Sydney.

**The term of office already served by Mr. Davidson**

Mr. Davidson has been a Director of the Company since 28 August 2002.



## **RESOLUTION 4 — CONFIRMATION OF APPOINTMENT OF LIANGANG LI AS A DIRECTOR**

In accordance with the commentary and guidance to Recommendation 2.4 of the ASX Corporate Governance Principles, the Company provides the following information concerning Mr. Li:

### **Biographical details**

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 of the Company on 16 July 2008. He has held no other listed company directorships in the past three years.

### **Details of relationships between the Candidate and the Company**

Mr. Li is a Non-Executive Director of the Company.

### **Details of relationships between the Candidate and Directors of the Company**

Not applicable

### **Directorships held**

Mr. Li does not have any public company directorships.

### **The term of office already served by Mr. Li**

Mr. Li was appointed as a Non-Executive Director on 16 July 2008.

## **RESOLUTION 5 — AUTHORISATION OF OPTIONS**

The Company's Executive and Employee Option Plan ("Plan") was in place prior to the Company's listing on ASX in December 2002. Under the terms of the Plan the total number of options over unissued shares that may be issued under the Plan, when 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.

Under Listing Rule 7.1, the Company may issue equity securities equivalent to 15% of the total issued equity securities in the Company without obtaining a further shareholder approval. Listing Rule 7.2 Exception 9 contains an exception to the 15% limit where shareholders have approved the issue of securities under an employee incentive scheme within 3 years before the date of issue of securities or (as is the case for the Company) the scheme was established before the entity was listed, a summary of the terms of the scheme were set out in the prospectus and securities were issued within

3 years after the entity was listed. It is common for companies to obtain approvals of the issue of securities pursuant to an employee incentive scheme every 3 years, so that Listing Rule 7.2 Exception 9 continues to apply to the employee incentive scheme.

Given that the previous approval for the issue of options under the Plan was given at the 2006 Annual General Meeting the Company seeks shareholder approval in the same terms as those given at the 2006 Annual General Meeting.

The following information is provided in accordance with Listing Rule 7.2 Exception 9:

- (1) a summary of the terms of the Plan is set out in Annexure A;
- (2) the number of securities issued under the Plan since the date of the last approval of the issue of options under the Plan on 30 May 2006 is 9,480,000; and
- (3) the aggregate number of securities issued under the Plan and under all other employee or executive share or option plans of the Company as at 24 March 2009 is 13,227,000 which represents 4.5% of the ordinary shares on issue.

#### **RESOLUTIONS 6 AND 7 — ISSUE OF OPTIONS TO EXECUTIVE DIRECTORS — JACOB KLEIN AND HANJING XU**

The Company proposes to issue a total of 763,750 Options to Executive Directors of the Company under the Plan in the following proportions:

|             |   |         |
|-------------|---|---------|
| Jacob Klein | — | 487,500 |
| Hanjing Xu  | — | 276,250 |

The Options will be issued on the terms and conditions of the Company's Executive and Employee Option Plan as set out in Annexure A.

#### **RESOLUTION 8 TO 13 — ISSUE OF OPTIONS TO NON-EXECUTIVE DIRECTORS**

The Company proposes to issue a total of 135,000 Options under the Plan to Non-Executive Directors of the Company in the following proportions:

|                |   |        |
|----------------|---|--------|
| Thomas McKeith | — | 20,000 |
| Liangang Li    | — | 20,000 |
| James Askew    | — | 35,000 |
| Peter Cassidy  | — | 20,000 |
| Brian Davidson | — | 20,000 |
| Peter Housden  | — | 20,000 |

The Options will be issued on the terms and conditions of the Company's Executive and Employee Option Plan as set out in Annexure A.

The Options are to be issued to Non-Executive Directors in order to provide them with a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

## **OTHER INFORMATION — RESOLUTIONS 6 TO 13**

### **Listing Rule 10.14**

Listing Rule 10.14 states that a company must not permit a Director or an associate of a Director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders.

The following information is provided to shareholders for the purpose of Listing Rule 10.15:

- (a) the Options will be issued to Jacob Klein and Hanjing Xu (being Executive Directors), and Thomas McKeith, Liangang Li, James Askew, Brian Davidson, Peter Cassidy and Peter Housden (being Non-Executive Directors) each referred to as “**Participating Directors**”;
- (b) the maximum number of Options to be granted under Resolutions 6 to 13 is 898,750;
- (c) the Options will be granted as employee incentive options and accordingly the Options will be issued for nil consideration. The exercise price of the Options will be A\$4.35 per share exercisable on or before 9 December 2013;
- (d) the value of the Options to be granted to the Participating Directors as calculated by the Company and its advisers, HLB Mann Judd (NSW) Pty Limited, using the above assumptions and the Black & Scholes valuation model is A\$1.00 per Option (details of the calculation of this valuation are set out below);
- (e) the names of the persons referred to in Listing Rule 10.14 who are entitled to participate in the Executive and Employee Option Plan are Jacob Klein and Hanjing Xu (being Executive Directors), and Thomas McKeith, Liangang Li, James Askew, Brian Davidson, Peter Cassidy and Peter Housden (being Non-Executive Directors);
- (f) no loan is granted in relation to the acquisition of Options by the Directors;
- (g) the Options will be issued no later than 12 months after the date of this Annual General meeting;
- (h) the persons referred to in Listing Rule 10.14 who have received securities under the Executive and Employee Option Plan since the last approval under Listing Rule 10.14 are those persons referred to in the Resolutions numbered 6 to 8 which were approved at the Company’s Annual General Meeting held on 27 May 2008, i.e.
  - (a) Jacob Klein received options to subscribe for 500,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$7.65 per share exercisable on or before 9 November 2012. Those options were granted for no additional consideration. Those options were issued on 24 July 2008.
  - (b) Xu Hanjing received options to subscribe for 350,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$7.65 per share exercisable on or before 9 November 2012. Those options were granted for no additional consideration. Those options were issued on 24 July 2008.

- (c) Thomas McKeith received options to subscribe for 120,000 fully paid ordinary shares in the capital of the Company at an exercise price of A\$7.65 per share exercisable on or before 9 November 2012. Those options were granted for no additional consideration. Those options were issued on 24 July 2008.

### **Related Party Transactions**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors of the Company are considered to be related parties of the Company.

Resolutions 6 to 13 provide for the grant of Options to Directors of the Company, which is a financial benefit that requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

### **The related parties to whom the proposed resolutions would permit the financial benefit to be given**

Jacob Klein and Xu Hanjing (being Executive Directors), and Thomas McKeith, Liangang Li, James Askew, Brian Davidson, Peter Cassidy and Peter Housden (being Non-Executive Directors).

### **The nature of the financial benefit**

The proposed financial benefit to be given is the grant of Options for no consideration. The terms and conditions of the Options to be granted are set out in Annexure A to this Explanatory Memorandum. The Options cannot be sold, transferred, assigned or otherwise disposed of except with the approval of the Board of Directors.

### **Directors' recommendation**

All the Directors were available to consider the proposed Resolutions 6 to 13.

Section 195 of the *Corporations Act* provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered.

The Participating Directors each have an interest in the outcome of the proposed resolutions because they will be issued Options in accordance with the proposed resolutions. Accordingly, the Participating Directors are unable to make a recommendation to shareholders concerning the proposed resolutions 6 to 13.

### **Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors**

The proposed Resolutions 6 to 13 would have the effect of giving power to the Directors to grant 898,750 Options on the terms and conditions as set out in Annexure A and as otherwise mentioned above. The Company presently has on issue 262,006,627 ordinary shares and 12,867,420 unlisted Options and warrants.

If any Options granted as proposed above are exercised the effect would be to dilute the share holding of existing shareholders. The market price of the Company's shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and shares are issued pursuant to the exercise of the Options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the Options.

The highest price of fully paid ordinary shares in the Company trading on ASX during the past 12 months was A\$6.30 which occurred on 22 July 2008 and the lowest price of shares in the Company trading on ASX during the past 12 months was A\$2.37 which occurred on 24 October 2008. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A\$5.12, which occurred on 17 April 2009.

The other remuneration currently being received by the proposed recipients of the options is set out on page 43 of the enclosed 2008 Annual Report of the Company.

The shares and options currently held by the proposed recipients of the options are set out in Note 19 commencing on page 86 of the enclosed 2008 Annual Report of the Company.

The specific numbers of additional Options to be granted to Executive Directors pursuant to Resolutions 6 and 7 are as follows:

|              |         |
|--------------|---------|
| Jacob Klein: | 487,500 |
| Hanjing Xu:  | 276,250 |

These numbers of Options were chosen by the Company's Remuneration Committee in order to provide the Executive Directors with an appropriate mix of cash remuneration and remuneration by way of Options. The Options component of the remuneration provides a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

The specific number of Options to be granted to each Non-Executive Directors pursuant to Resolutions 8 to 13 is as follows:

|                |        |
|----------------|--------|
| Thomas McKeith | 20,000 |
| Liangang Li    | 20,000 |
| James Askew    | 35,000 |
| Brian Davidson | 20,000 |
| Peter Cassidy  | 20,000 |
| Peter Housden  | 20,000 |

The number of Options was chosen by the Company's Remuneration Committee in order to provide the Non-Executive Directors with a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

It is not considered that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits forgone by the Company resulting from the issue of the Options pursuant to Resolutions 6 to 13.

## Valuation of Options

The Directors, in conjunction with the Company's advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model uses five inputs: expected term, strike price, value of the underlying financial instrument, implied volatility and the risk free interest rate. In assessing the implied volatility, the Company's advisors have reviewed the movements in the Company's daily closing Share Price for the 42 months to 30 November 2008.

On the days where the Share has not traded the previous day's closing price has been used. The resulting volatility figure is historical and this has been used as a guide to estimating Implied Volatility. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

The Company proposes to issue the Options effective 9 December 2008 (subject to shareholder and board approval), in accordance with the Company's usual remuneration practices, because the Options relate to the remuneration for the 2008 calendar year. Initial board approval of the grant of the options (subject to applicable shareholder and regulatory approvals) occurred on 10 December 2008.

Using this method of valuation HLB Mann Judd (NSW) Pty Limited has determined a value of A\$1.00 for each of the Options to be granted to the Directors in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Directors, if Resolutions 6 to 13 are approved, would amount to A\$898,750

The assumptions used by the Company and its advisers in calculating the value of the Options were as follows:

|                                |                        |
|--------------------------------|------------------------|
| Share Price at 9 December 2008 | <b>A\$3.49</b>         |
| Exercise Price                 | <b>A\$4.35</b>         |
| Volatility                     | <b>44%</b>             |
| Vesting date                   | <b>9 December 2011</b> |
| Expiry date                    | <b>9 December 2013</b> |
| Expected term                  | <b>3.5 years</b>       |
| Risk free rate                 | <b>3.43%</b>           |
| Dividends                      | <b>Nil</b>             |

The exercise price of the Options was calculated at a 25% premium over the volume weighted average share price for the 5 days prior to the date of the board meeting held on 10 December 2008. The 25% premium was set to provide an imbedded hurdle as an additional incentive for achievement of the medium term and long term strategies of growing the Company for the benefit of all shareholders.

Apart from the information set out in this Explanatory Memorandum there is not any other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass Resolutions 6 to 13.

## GLOSSARY

“**ASX**” means ASX Limited ACN 008 624 691;

“**Company**” means Sino Gold Mining Limited ACN 093 518 579;

“**Corporations Act**” means Corporations Act 2001 (Cth);

“**Director**” a director of the Company, including both Executive and Non-Executive Directors;

“**Listing Rules**” means the Listing Rules of the ASX;

“**Notice**” means the notice of meeting accompanying this Explanatory Memorandum;

“**Option**” means an option to acquire one Share;

“**Plan**” means the Company’s Executive and Employee Option Plan attached as Annexure A; and

“**Shares**” means fully paid ordinary shares in the Company.

## ANNEXURE A

### RULES OF SINO GOLD MINING LIMITED (ACN 093 518 579) EXECUTIVE AND EMPLOYEE OPTION PLAN

#### 1. NAME

1.1 This Plan shall be called the Sino Gold Limited (ACN 093 518 579) Executive and Employee Option Plan.

#### 2. PURPOSE

2.1 The Purpose of this Plan is to:

- (1) recognise the ability and efforts of the Directors and employees of the Company who have contributed to the success of the Company;
- (2) provide an incentive to the Directors and employees to achieve the long term objectives of the Company and improve the performance of the Company; and
- (3) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its Directors and employees.

#### 3. COMMENCEMENT

3.1 This Plan will commence with effect from 28 August 2002.

#### 4. INTERPRETATION

4.1 In these Rules, unless the context otherwise requires:

- (1) “**Application**” means an application for Options substantially in the form of Schedule 2;
- (2) “**ASX**” means ASX Limited;
- (3) “**Bid Period**” means, in relation to a takeover bid in respect of shares in the Company, the period referred to in the definition of that expression in section 9 of the Corporations Act provided that where a takeover bid is publicly announced prior to the service of a bidder’s statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement;
- (4) “**Board of Directors**” means the Board of Directors of the Company from time to time (or for the purposes of the Plan, a committee of the Board appointed for that purpose) acting by resolutions made in accordance with the Corporations Act and the Constitution of the Company;
- (5) “**Business Day**” has the meaning given to that term in the Listing Rules;



- (6) “**Change of Control Event**” means a shareholder, or a group of associated shareholders, acquiring relevant interests in sufficient shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board of Directors and that ability is successfully exercised;
- (7) “**Commencement Date**” means the date the Plan commences in accordance with clause 3;
- (8) “**Company**” means Sino Gold Limited ACN 093 518 579;
- (9) “**Corporations Act**” means the *Corporations Act 2001* (Cth);
- (10) “**Director**” means an executive or non-executive director of the Company or its Related Bodies Corporate, from time to time;
- (11) “**Eligible Person**” means:
  - (a) a full or part-time employee of the Company or Related Body Corporate;
  - (b) a Director;
  - (c) a company controlled by a person referred to in (a) or (b); or
  - (d) a trust or superannuation fund for the benefit of a person referred to in (a) or (b) and/or members of such person’s immediately family;
- (12) “**Exercise Notice**” means a notice substantially in the form of Schedule 1;
- (13) “**Exercise Period**”, in relation to an Option, means the period commencing on the date that is 3 years after the Issue Date and ending on the Expiry Date, or such other period as the Board resolves.

Pursuant to the powers vested in the Board under the Rules of this Plan, the Board resolved on 24 November 2003 that, in the event of a Change of Control Event occurring or a take over bid being made for the Company, the Exercise Period shall commence on either:

- 1. the happening of the change of control event; or
- 2. the point in time during the Bid Period when the Bidder becomes entitled to more than 50% of the voting shares of the Company

(as the case may be)

and end on the Expiry Date;

- (14) “**Exercise Price**” means the exercise price specified in an offer of Options, being:
  - (a) in respect of offers of Options approved by the Board while the Company is not admitted to the Official List of the ASX, the price determined by the Board; and

- (b) in respect of offers of Options approved by the Board while the Company is admitted to the Official List of the ASX, the weighted average price of the Company's shares on the ASX over the five trading days prior to the date of offer of the Options,

provided that, in all cases, the Exercise Price shall be not less than \$0.20;

- (15) “**Expiry Date**” means the earlier of:
  - (a) 5 years from the Issue Date; or
  - (b) the date on which the Optionholder ceases to be an Eligible Person;
- (16) “**Group**” means the Company and its Related Bodies Corporate;
- (17) “**Issue Date**” means a date upon which the Option Certificate is issued to the Optionholder as set out in the Option Certificate;
- (18) “**Listing Rules**” means the Listing Rules of ASX;
- (19) “**New Issue**” means any variation in the share capital of the Company arising from:
  - (a) a cash issue; or
  - (b) any issue of Shares or other equity securities or instruments which convert into Shares by way of capitalisation of profits or reserves;
- (20) “**Official Quotation**” means quotation on the Official List of ASX;
- (21) “**Options**” means the options granted under this Plan to subscribe for Shares;
- (22) “**Optionholder**” means a person to whom options are issued under this Plan;
- (23) “**Option Certificate**” means the certificate issued by the Company to the Optionholder setting out the number of Options issued to the Optionholder, the Issue Date, the Exercise Price and the Exercise Period relating to those Options;
- (24) “**Outstanding Options**” means, in relation to an Optionholder, Options which remain unexercised from time to time and have not lapsed, expired or otherwise been terminated;
- (25) “**Plan**” means the Sino Gold Limited Executive and Employee Option Plan as amended from time to time;
- (26) “**Qualification Period**” means, in respect of an Option, the period commencing on the Issue Date and ending on the date which is 3 years after the Issue Date;
- (27) “**Related Bodies Corporate**” has the meaning given to that term in section 50 of the *Corporations Act*;
- (28) “**Rules**” means these rules as from time to time amended; and
- (29) “**Shares**” means the ordinary fully paid shares in the capital of the Company.

## **5. NO EFFECT ON CONTRACT OF EMPLOYMENT**

- 5.1 This Plan shall not form any part of any contract of employment between the Company and the Eligible Person unless expressly incorporated in the contract of employment by reference or otherwise.
- 5.2 Nothing in this Plan:
- (1) confers on the Eligible Person any right to continue as an employee of the Company;
  - (2) affects the rights which the Company may have to terminate the employment of the Eligible Person; or
  - (3) may be used to increase any compensation or damages in any action brought against the Company in relation to the termination of employment of the Eligible Person.

## **6. LIMITATION ON NUMBER OF OPTIONS ISSUED**

- 6.1 The total number of Options over unissued Shares in the Company that may be issued under this Plan, when added to the number of Shares or Options to acquire Shares 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.

## **7. OPTION ENTITLEMENTS**

- 7.1 The Board may, from time to time, determine the extent to which Eligible Persons participate in the Plan and may issue Options in accordance with these terms and conditions.
- 7.2 Subject to clause 11, on issue and exercise each Option entitles the Optionholder to subscribe for one Share at the Exercise Price.
- 7.3 Upon the offer of Options to an Eligible Person, the Company will send the Eligible Person an Application which must be signed by the Eligible Person and returned to the Company within 5 Business Days. Upon the Company receiving the Application for Options in accordance with this clause the Company will issue the relevant number of Options to the Optionholder and issue the Optionholder with an Option Certificate.
- 7.4 The Option Certificate will bear an endorsement to the following effect:
- “The Options to which this Certificate relates were issued subject to the conditions set out in the Sino Gold Limited ACN 093 518 579 — Executive and Employee Option Plan.”
- 7.5 An Eligible Person may only apply for Options in his/her own name. An Application for less than the Eligible Person’s full entitlement must be in respect of multiples of 100 options.
- 7.6 Options will only be issued under the Plan to Directors after the members of the Company have approved the proposed issue, if such approval is required by the *Corporations Act* or the Listing Rules.

## **8. TERMS OF THE OFFER OF OPTIONS**

- 8.1 No monies will be payable for the issue of the Options.

- 8.2 The Options shall expire on the Expiry Date.
- 8.3 Each Option shall carry the right in favour of an Option Holder to subscribe for one Share.
- 8.4 Shares allotted to Option Holders on the exercise of Options shall be issued at the Exercise Price.
- 8.5 The Board may, in its absolute discretion, impose performance hurdles on the exercise of Options by an Optionholder. Performance hurdles must be specified in the offer of Options made under clause 7.3 and state that the relevant Options cannot be exercised unless the performance hurdles are satisfied.

## **9. ACCEPTANCE**

- 9.1 The Company shall be obliged to accept any Application made in terms of clause 7 above, provided that the Application accords, in all respects, with these Rules and is for such number of Options, or part thereof, to which the Eligible Person is entitled. Upon acceptance of a duly complying Application the Company, within ten (10) Business Days, shall deliver an Option Certificate in respect of the Options applied for by the Eligible Person.

## **10. EXERCISE OF OPTIONS**

- 10.1 Subject to this clause 10, an Optionholder may at any time during the Exercise Period exercise Outstanding Options, in whole or in part, by lodging with the Company at its registered office:
- (1) the Option Certificate;
  - (2) a duly completed and signed Exercise Notice; and
  - (3) the subscription monies for the relevant Shares being the number of Options specified in the Exercise Notice multiplied by the Exercise Price.
- 10.2 Despite anything contained elsewhere in these Rules, an Option is only exercisable if at the time of exercise, the Optionholder is an Eligible Person. The Board of Directors may waive or amend the operation of this clause (but so as not to increase the period for the exercise of an Option) as it applies to an Optionholder in the case of hardship or for any other just reason.
- 10.3 The Company shall allot the resultant Shares within five (5) business days of the exercise of the Option.
- 10.4 Options shall not be listed for Official Quotation on ASX.
- (1) An Option Holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of an Option during the Qualification Period.
  - (2) After the expiration of the Qualification Period, an Option Holder may sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of an Option on condition that the proposed new holder of the Option enter into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the provisions contained in this Plan.

- (3) The Board of Directors may waive or amend the operation of clause 10.4(1) as it applies to an Optionholder in cases of hardship or for any other just reason.

10.5 Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.

10.6 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.

## **11. ISSUES AND RECONSTRUCTIONS**

### **11.1 New Issues**

- (1) An Optionholder is not entitled by reason only of being a holder of Options to participate in any New Issue or any issue of rights to subscribe for additional Shares or any other securities to be issued by the Company. The Optionholder cannot participate in any New Issue or any such issue of rights without exercising the Options prior to the record date for the determination of entitlements to the issue of securities and participating as a result of being a holder of Shares.

### **11.2 Adjustment**

- (1) If the Company makes a New Issue which is a pro rata cash issue to all shareholders of the Company and is of a type referred to in paragraph (a) of the definition of "New Issue" (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option before the record date for determining entitlements to the issue, the Exercise Price will be reduced in accordance with the formula set out in Listing Rule 6.22.
- (2) If the Company makes a New Issue which is a pro rata bonus issue to all shareholders of the Company or is of a type referred to in paragraph (b) of the definition of "New Issue" (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option before the record date for determining entitlements to the issue, the number of Shares which will be allotted on the exercise of an Option pursuant to clause 10 will be increased by the number of Shares that would have been issued in respect of the Shares the subject of the Option if the Option had been exercised immediately prior to such record date but no change will be made to the Exercise Price.
- (3) Following any adjustment being made pursuant to this clause 11.2, the Board must notify each Optionholder within 1 month after the date on which entitlements are ascertained for the holders of Shares to participate in the issue in writing informing him or her of the number of Shares to be issued on the exercise of the Option and any adjustment to be made to the Exercise Price relating to the Option.

### **11.3 Reconstruction**

- (1) If the Company, while an Option remains unexercised, reconstructs its issued capital (including a reduction, return, subdivision or consolidation of share capital or a reorganisation of share capital), the rights of the Optionholder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

## 12. TERMINATION OF RIGHT TO EXERCISE OPTION

12.1 Subject to clause 12.3, an Option will lapse on the earlier of:

- (1) the Expiry Date;
- (2) a determination of the Board that the Optionholder has, in the Board's opinion:
  - (a) been dismissed or removed from office for a reason which entitles a company in the Group to dismiss the Optionholder without notice or has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of that company (whether or not charged with an offence); or
  - (b) done any act which brings the Group or any company in the Group into disrepute;
- (3) unless otherwise determined by the Board in respect of any of the following Eligible Persons as Optionholders, where:
  - (a) in the case of an Eligible Person who is an employee, the employment of that Eligible Person by the Company or a Related Body Corporate ceases;
  - (b) in the case of an Eligible Person who is a Director of the Company or a Director of a Related Body Corporate and not an employee of the Company or a Related Body Corporate, the directorship of that Eligible Person ceases;
  - (c) in the case of an Eligible Person as defined in paragraph (c) of clause 4.1(11), that company ceases to be controlled by a person referred to in paragraph (a) or (b) of clause 4.1(11); or
  - (d) in the case of an Eligible Person as defined in paragraph (d) of clause 4.1(11), that trust or superannuation fund ceases to be for the benefit of a person referred to in (a) or (b) and/or members of such person's immediately family referred to in paragraph (a) or (b) of clause 4.1(11).

12.2 On an Option lapsing, all rights of an Optionholder under the Plan in respect of an Option shall cease, regardless of whether the Option has become exercisable.

12.3 The exercise of Options under this Plan shall be not ineffective if the Optionholder ceases to be an Eligible Person in the following circumstances:

- (1) where an Optionholder dies and at the date of his death that Optionholder held Outstanding Options. In such circumstances, those Outstanding Options are automatically transferred to the estate of the deceased Optionholder and shall continue as provided for by the terms of the Plan notwithstanding that the Optionholder is no longer an Eligible Person;
- (2) where the relevant Eligible Person is a Director and ceases to hold such office by reason of retirement pursuant to the constitution of the Company or the Corporations Act or who offers himself for reappointment but is not reappointed. In such circumstances, the Optionholder's Outstanding Options shall continue as provided for by the terms of the Plan notwithstanding the Optionholder is no longer an Eligible Person; or

- (3) where the Eligible Person ceases to be an Eligible Person by reason of ill health or accident (resulting in permanent disability). In such circumstances, the Eligible Person's right to exercise Outstanding Options shall not be terminated and shall continue as provided for by the terms of the Plan prior to the occurrence of the illness or permanent disability notwithstanding that the Optionholder is no longer an Eligible Person.

### **13. CALCULATIONS**

- 13.1 Any calculations or adjustments which are required to be made for the purpose of these Options will be made by the auditors of the Company for the time being and will, in the absence of manifest error, be final and conclusive and binding on the Optionholder.
- 13.2 The Company must notify each Optionholder of any adjustments made to the Exercise Price or the number of Outstanding Options within 10 Business Days of the date of the adjustment. A reference to an adjustment to the Exercise Price of the Outstanding Options does not include variations in the Exercise Price due to fluctuation of the prices for sales of the Shares on the Exchange.

### **14. REPLACEMENT OF CERTIFICATES**

- 14.1 If any Option Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the registered office of the Company on payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence, indemnity and security as the Company may reasonably require. Mutilated or defaced Option Certificates must be surrendered before replacements will be issued.

### **15. RESTRICTIONS OR ALTERATIONS TO THE PLAN**

- 15.1 The Plan may be amended at any time by resolution of the Board subject to the requirements from time to time of the Corporations Act and the Listing Rules including approval by the Company's shareholders of any such amendment to the Plan. Any such amendment however shall not adversely affect the rights of Optionholders who are granted Options prior to such amendment without the consent of the Optionholder, unless such amendment is required by, or necessitated by amendments to, either the Corporations Act or the Listing Rules.

### **16. POWERS OF THE DIRECTORS**

- 16.1 The Plan shall be administered by the Board of Directors who shall have the power to:
  - (1) determine procedures from time to time for administration of the Plan consistent with these Rules;
  - (2) resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and
  - (3) delegate to any one or more persons for such period and on such conditions as may be determined by the Board of Directors, the exercise of any of the Board of Directors' powers or discretions arising under the Plan.

**17. TERMINATION OF PLAN**

17.1 The Plan may at any time be terminated by the Board of Directors but such termination shall not affect the rights of holders of Options issued prior to termination.

**18. GOVERNING LAW**

18.1 This Plan shall be governed by, administered and construed in accordance with the Laws of New South Wales.