BALANCING OUR RESPONSIBILITIES

SINO gold

ANNUAL REPORT 2008

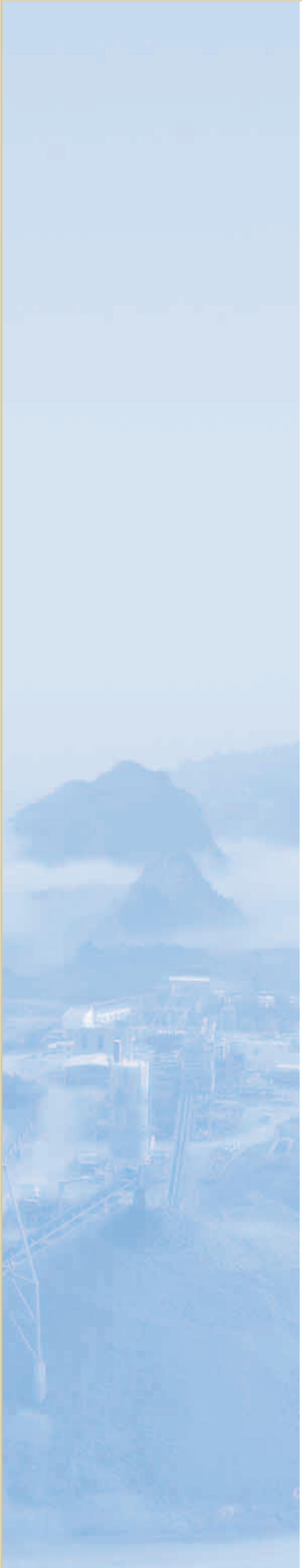
(STOCK CODE: ASX: SGX, SEHK: 1862)

Contents

Our Logo

People are the heart of our Company and therefore it is appropriate that the Chinese character for people '人' is at the centre of our logo. The colouring reflects the product we produce and sell.

The stars on the middle section represents the "Southern Cross" constellation which is visible in the night sky from Australia. This reflects the Company's relationship and link with Australia.



Sino Gold is the leading international gold exploration and mining company in China.

The Company is growing rapidly with more than 210,000 ounces of gold planned to be poured at our Jinfeng and White Mountain Gold Mines during 2009.

The high-grade Eastern Dragon Project is being rapidly progressed towards becoming **Sino Gold's** third mine.

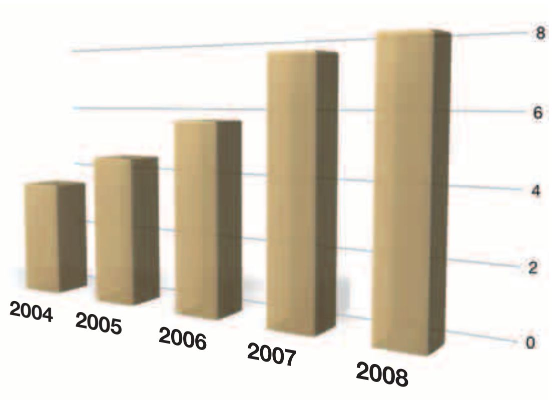
Sino Gold's values-driven culture is aimed at building long-term, sustainable benefits for all stakeholders.

Values

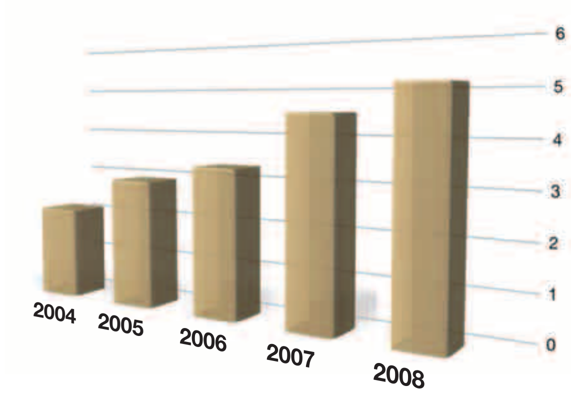
- Ensure health and safety is always the priority
- Look after and protect the environment
- Committed to superior performance and exceeding expectations
- Respect our differences to combine our strengths
- Understand and contribute to the broader community in which we operate
- Operate and communicate in a lawful, honest and open manner

Strong growth in resources and reserves

Mineral Resources
(million ounces, 100%)

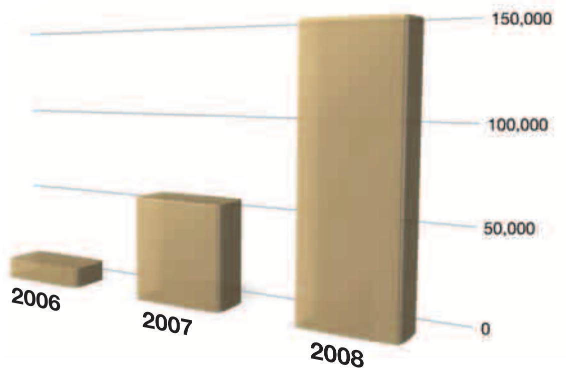


Ore Reserves
(million ounces, 100%)

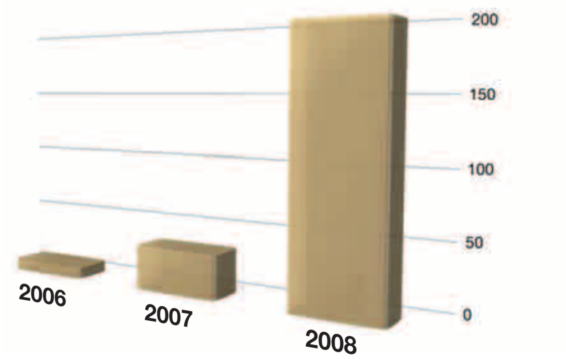


Now leading to increased production and profits

Gold Production
(ounces)

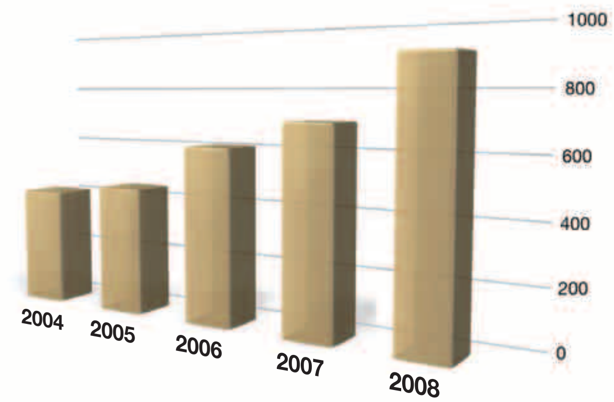


Sales Revenue
(A$ millions)

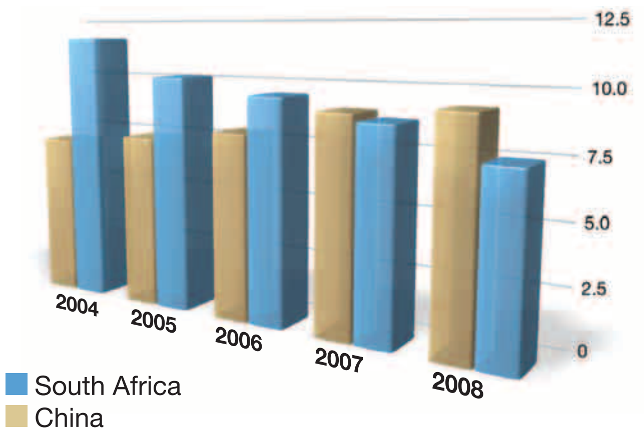


With a rising gold price in the #1 gold country

Average Annual Gold Price
(US$/ounce)



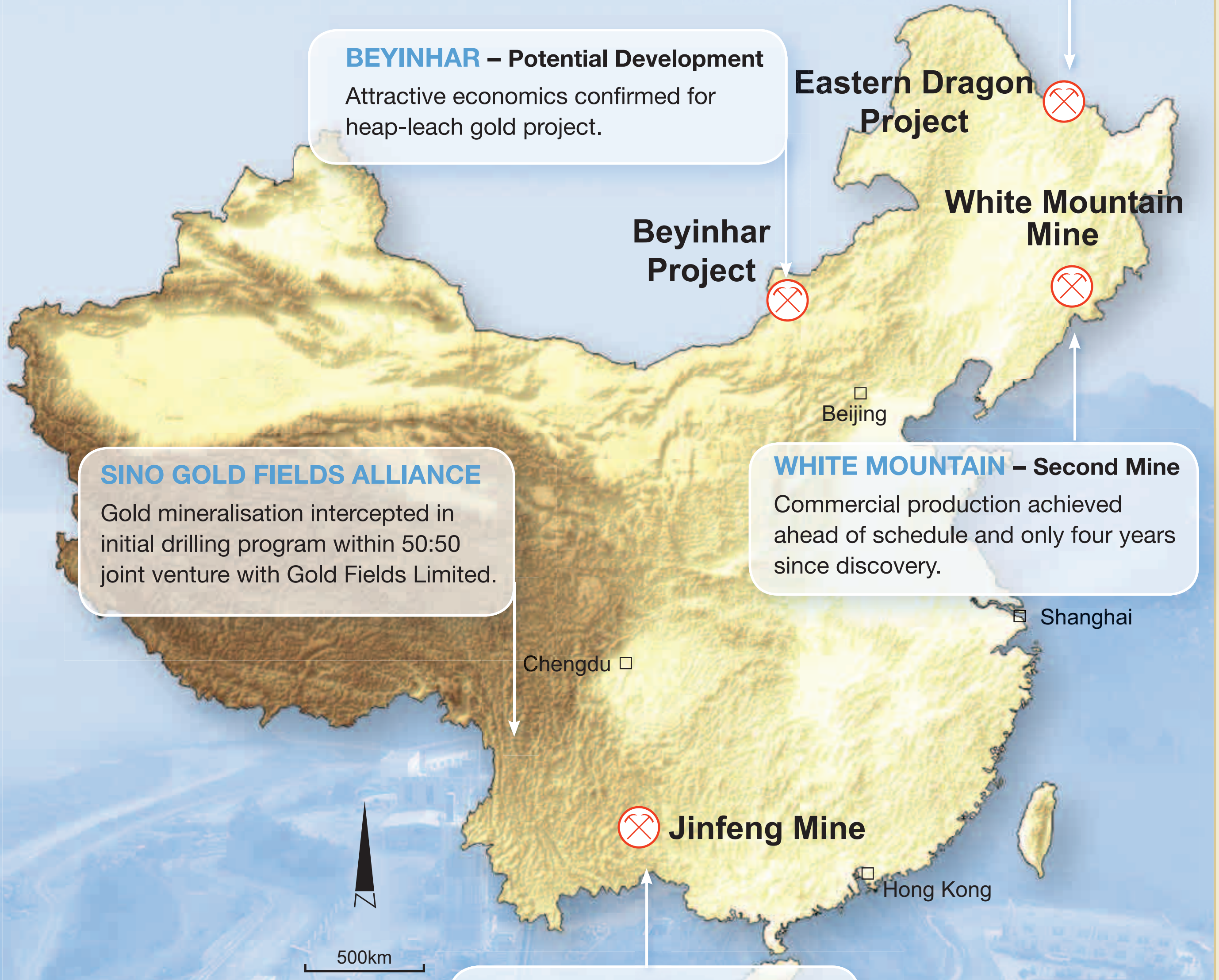
Gold Production by Country
(million ounces)



2008 HIGHLIGHTS

EASTERN DRAGON – Fast Track
Potential confirmed to produce gold at ~US$100/ounce from initial high-grade, gold-silver reserve.

BEYINHAR – Potential Development
Attractive economics confirmed for heap-leach gold project.



SINO GOLD FIELDS ALLIANCE
Gold mineralisation intercepted in initial drilling program within 50:50 joint venture with Gold Fields Limited.

WHITE MOUNTAIN – Second Mine
Commercial production achieved ahead of schedule and only four years since discovery.

JINFENG – Flagship Mine
Consistent production achieved with 150,928 ounces produced during 2008 at US$400/ounce.

Funding for Growth Secured
Equity raised during 2008 totalled A$307 million and two new loans totalling more than one billion Renminbi secured from leading Chinese bank.

Jim Askew *Chairman*

Chairman's Report

2008 was another productive year for your Company, which is now the third largest ASX-listed gold company by market capitalisation. We have strengthened our balance sheet, added growth projects, eliminated our hedge book and added a number of senior executives to the management team to support our growth as a low-cost gold producer in China.
In the current period of uncertain and challenging global economics, Sino Gold is not only weathering the financial crisis, but has positioned the Company for continued strong growth in the years ahead.

During 2008 we made the very significant and important transition to being an operating company with two long-life, low-cost mines. Our flagship Jinfeng Mine is now the second largest gold mine in China and our team delivered first gold production from the Company's second mine, White Mountain, ahead of schedule. The Company also has a strong growth pipeline and a team very experienced with developing projects in China.

China's gold production continues to increase and is now clearly the largest gold producing country in the world. Sino Gold is uniquely positioned to contribute to the creation of a more sustainable and stronger gold industry in the country.

A key benefit of our values-driven culture is that the team works hard at balancing our responsibilities to our various stakeholders – employees, contractors, governments, local communities, joint-venture partners and shareholders.

Funding

Despite the freeze in global credit markets, Sino Gold has been able to access low-cost financing in China and has put in place two loans totalling more than one billion Renminbi (~A$235 million) since September 2008. These Renminbi-denominated loans are a significant breakthrough for Sino Gold and further cement our long-standing relationship with China Construction Bank. Notably, these loan facilities do not require any hedging of future gold sales.

Sino Gold also raised A$307 million in equity during 2008, primarily to fund a portion of the Eastern Dragon acquisition and to close-out the Company's gold hedge book.

The current balance sheet, combined with strong cashflow from two operating gold mines, positions Sino Gold extremely well to realise its growth ambitions. An emerging competitive advantage for Sino Gold is the potential for us to access further debt at the project and corporate level from within China.

Strategy

Sino Gold's strategy remains focused on becoming one of the largest and most profitable gold companies in China. The Company is being increasingly recognised within China for its progressive, modern approach to mining which provides long-term benefits to all stakeholders.

Sino Gold's management of safety, the environment and community relationships continues at the highest standards and we recognize that our continuing performance in these areas is crucial to our long-term success in China.

The rapid development of our White Mountain Mine during 2008 exemplifies our commitment to partnering with local businesses and government to develop China's gold resources in a responsible and timely manner. This achievement was possible only with the strong assistance and support of various government departments and the local community.

Two partnerships that we established during 2008 exemplify this very strong and differentiating commitment to sustainability. The first partnership with the Guizhou Provincial Environmental Authority provides environmental leadership training run by Sydney University for more than 125 officers from the Guizhou Government over a five-year period. The second partnership with the Zhenfeng Poverty Alleviation Bureau is a community development program aimed at long-term initiatives with villages near Jinfeng.

Sino Gold's technical skills and financial strength has led to the Company being viewed as a partner of choice regarding opportunities in China. Each mine and project is owned in joint-venture partnership with Chinese companies.

Our approach helps ensure that we continue to be well placed to play a leading role in China's rapidly consolidating gold industry and to seize growth opportunities.

People

Sino Gold is very fortunate in having a team that is very experienced as an explorer, developer and operator of gold mines in China. The efforts of all our people are greatly appreciated.

Two major events in China presented Sino Gold's team with unusual challenges during the first half of 2008.

A "once-in-fifty-year" snowstorm paralysed southern China in January. The Jinfeng team continued operations even though power supplies to the mine were limited for several weeks.

The devastating Sichuan earthquake in May deeply shocked our employees who responded with generous donations. Sino Gold donated essential equipment to the earthquake relief effort which was delivered by a mine emergency rescue team of 10 employees.

Sino Gold as an organisation has grown substantially as the Company has been transformed into a multi-mine company. The senior management team has been strengthened with several bi-lingual appointments and the Beijing corporate office has been expanded. All of our project sites are now run in Mandarin.

On behalf of all shareholders, I would like to thank Jake Klein and his management team for their efforts and success during the year.

I also welcome two new directors to Sino Gold's Board who are representatives of major shareholders - Tommy McKeith from Gold Fields Limited and Li Liangang from Sino Mining International Limited.

Sino Gold is rapidly growing into a significant gold producing company in the world's largest gold producing country. The dominant outlook for the gold price continues to be very favourable as investors recognise that the global financial crisis is likely to result in a much higher gold price. However, we believe it prudent, as an unhedged producer, to plan for the possibility that the gold price may fall in some circumstances, thus we remain committed to developing projects which deliver gold production at low cost.

Against this background, we look forward to your continuing support as we continue to deliver on our goals during the coming year.

Jim Askew
Chairman

Jake Klein *President & CEO*

CEO's Report

The opportunity for Sino Gold in China continues to get better each year.

With two long-life mines now operating and Ore Reserves of more than five million ounces of gold, Sino Gold is clearly the leading international gold company in China - the world's largest gold producing country.

A number of challenges have been successfully navigated to develop our flagship Jinfeng mine into the second largest gold mine in China and to commence gold production at White Mountain in late 2008.

Gold production for 2009 from these two mines is planned to be more than 210,000 ounces at a cash operating cost of less than US$400 per ounce, providing the Company with substantial operating cashflow to fund further growth.

Our work during 2008 confirmed Eastern Dragon Lode 5 as an excellent high-grade, gold-silver orebody that should be developed into Sino Gold's third operating mine as rapidly as possible. The Beyinhar heap-leach development continues to be evaluated for potential development after Eastern Dragon.

A review of the key goals set out in Sino Gold's 2007 Annual Report highlights the significant progress the Company has made.

2008 Goal 1: Establish Jinfeng as a major, low-cost gold mine

By making a very substantial investment in the Jinfeng Gold Mine since 2001, Sino Gold has now begun to benefit from this long-life, low-cost mine.

Jinfeng achieved consistent operations during the second half of the year and produced 150,928 ounces for 2008, a 252% increase over the previous year. The mine generated substantial operating cashflow of US$66 million during 2008.

Sino Gold invested further in Jinfeng during 2008 by developing the underground mine which will soon provide significant ore to supplement ore from the open pit.

Gold production is set to increase further as Jinfeng continues to achieve consistent production and higher grade ore from the underground mine which will provide an increasing proportion of mill feed from late 2009 onwards.

2008 Goal 2: Commence commissioning White Mountain on budget

White Mountain poured gold two months ahead of schedule in October 2008 and commercial production was achieved on budget in January 2009.

This outstanding achievement is a credit to everyone involved with the project and this was recognised in November 2008 with the prestigious "Development of the Year" award at the China Mining Congress in Beijing.

Commissioning of the processing plant and ramping up of ore production from the underground mine are both proceeding well. Planned annual gold production at the rate of approximately 65,000 ounces is on schedule to be achieved by the end of 2009.

White Mountain has a ten-year mine life based on current reserves and exploration during 2009 is aimed at extending mine life by discovering additional reserves within trucking distance of the new processing plant.

2008 Goal 3: Progress both Eastern Dragon and Beyinhar to development decisions

Drilling and studies undertaken by Sino Gold during 2008 have confirmed that Eastern Dragon is a very valuable gold-silver orebody that is both high grade and straight forward to develop into a very low-cost mining operation.

The very attractive project economics have been detailed in a Chinese feasibility study completed in early 2009. The high silver grade of the orebody provides significant revenue to supplement the gold revenue. Including these silver credits, Eastern Dragon cash operating costs are estimated to be only US$100 per ounce.

Sino Gold's drilling and studies at Beyinhar during 2008 indicate that the project is an attractive investment proposition worthy of further work. A low-grade, heap-leach project such as Beyinhar benefits greatly from improvements to either recovered grade or mine life. Both of these areas have the potential to be enhanced during 2009.

Sino Gold is continuing to progress the required permitting and further studies at both Eastern Dragon and Beyinhar with an in-house team fluent in Mandarin, many of whom were involved with developing the White Mountain Mine.

The priority is to commence developing Eastern Dragon into Sino Gold's third mine as rapidly as possible.

Goals for 2009

Sino Gold's key business goals for 2009 are to:

- Ensure Jinfeng operates consistently and successfully ramp-up production from the underground mine;
- Ramp-up White Mountain to design levels by the end of 2009;
- Commence development of Eastern Dragon;
- Maximise the value of Beyinhar; and
- Advance another property towards development by making a significant discovery or acquisition.

Sino Gold has the people, cultural experience, projects and funding in place to deliver on these goals during 2009.

Our long-life, quality mines are set to provide benefits to our many stakeholders and the Sino Gold team is excited by the opportunity, especially in light of the strong gold price outlook.

Jake Klein
Chief Executive Officer

Board of Directors

James (Jim) Askew
Chairman

Jim was appointed a director in 2002 and became Chairman in 2006. He is a mining engineer with broad international experience as CEO for a wide range of Australian and international publicly listed mining, mining finance and other mining-related companies.
He is also chairman of International Mining and Finance Corporation (a Denver-based venture capital group), Asian Mineral Resources and Oceana Gold Limited, as well as non-executive director of Ausdrill Limited and Golden Star Resources Inc.

Jacob (Jake) Klein
President and CEO

Jake was appointed President and CEO of the Company at the time of its formation in June 2000. He has over 17 years experience in senior finance and managerial positions and joined Macquarie Bank in 1991. From 1996 to June 2000 he served as a member of Sino Mining International's executive committee. Jake is a non-executive director of Lynas Corporation Limited and a member of the NSW Asia Council.

Hanjing Xu
Executive Director

Hanjing was appointed a director at the time of the company's formation in June 2000 and he has been involved in the non-ferrous metal industry for more than 19 years. 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. Hanjing 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.

Peter Cassidy
Non-Executive Director

Peter was appointed a director in 2002 and was Chairman from November 2005 to November 2006. He is an experienced senior mining executive with over 37 years of exposure to the minerals industry in Australia, Papua New Guinea, Southeast Asia and the USA, including more than 15 years in the gold industry. His most recent executive role was as CEO of Goldfields Limited from 1995 until 2002. Peter has over 15 years experience as a director of Australian publicly listed companies and is currently a non-executive director of Lihir Gold Limited and Chairman of Energy Developments Limited.

Brian Davidson
Non-Executive Director

Brian was appointed a director in 2002. He was a senior partner of Deacons, a major national law firm, with over 35 years experience in corporate and commercial law, particularly in the natural resources industry. Over the last 30 years Brian has been on the board of 12 publicly listed companies most of which were involved in the natural resources industries including gold mining.

Peter Housden
Non-Executive Director

Peter was appointed a director in 2006. He has over 40 years experience in accounting and finance 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. Peter is currently a non-executive director of GrainCorp Limited and several private companies.

Liangang Li
Non-Executive Director

Liangang was appointed a director in July 2008. He 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. Liangang previously held senior managerial positions with Minmetals in Australia, China, Mexico and USA.

Thomas (Tommy) McKeith
Non-Executive Director

Tommy was appointed a director in April 2008. He is a geologist with over 20 years experience in the mining industry and is currently Executive Vice-President Exploration and Business Development for Gold Fields Limited. He rejoined Gold Fields in October 2007 after a period as a director and Chief Executive Officer of Troy Resources, a junior gold producer listed on the ASX. Before joining Troy Resources, Tommy worked for over 15 years with Gold Fields and its predecessors in various mine geology, exploration and business development positions.

Ivo Polovineo
Company Secretary

Ivo 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.

“Sino Gold’s primary and most important focus is the safety and wellbeing of our people.”

SUSTAINABILITY

Kevin Hobgood-Brown
Group Executive and General Counsel

Sino Gold is focussed on building a gold company in China that not only achieves economic prosperity but is also committed to a comprehensive, co-ordinated and sustainable path of development that puts first people’s interests and the protection of the environment.

Sino Gold brings a unique perspective and sustainable approach to the exciting and rapidly evolving gold industry in China by combining and integrating Chinese and Australian capital, advanced technology and expertise.

Our access to international capital markets enables Sino Gold to invest in substantial drilling of gold deposits prior to commencement of development. This approach ensures that a much higher proportion of the gold in the ground can be recovered than is typically the case in China. In addition, by spending significant amounts on risk exploration and drilling, longer life, more sustainable mines can be built.

Sino Gold develops and manages operations in a manner that:

- ensures health and safety is always the priority;
- effectively controls and minimises pollution;
- looks after and protects the environment; and
- contributes to the broader community in which we operate.

Policies for health and safety, environment and community are in place and are ratified by the Board on a regular basis to ensure that they remain appropriate for the Company.

Regular external audits focused on managing safety and environmental risks have been initiated. The risks identified by these audits are being progressively addressed.

Appropriate systems have been implemented to identify, assess and minimise health, safety and environmental risks. Safety, environmental and community incidents are reported and investigated according to regulatory requirements and Sino Gold’s policies.

Sino Gold classifies all incidents, including potential incidents, as “Minor”, “Moderate”, “Major” or “Catastrophic” based on defined severity consequences. The latter two classifications are rated as “serious” and are reported to senior management within 24 hours. Incidents of lesser classification are reported in the site weekly and monthly reports. All incidents are reported to the Board and to the Risk Management Committee.

Serious Incidents at Sino Gold Sites

	2007	2008
SAFETY		
– Fatality	0	1
– Lost Time Injuries	11	7
– Other Reportable	13	13
ENVIRONMENT	4	1
COMMUNITY	1	0

Unfortunately, in December 2008 at the White Mountain Mine, an employee of the mining contractor was fatally injured by a rock fall while working in the main decline of the underground mine. The underground mine was closed for three days while investigations were undertaken. We were also saddened earlier in the year when an employee was fatally injured in an off-site vehicle accident during icy road conditions.

Safety

Sino Gold's primary and most important focus is the safety and wellbeing of our people. Our strong safety record is a direct result of our relentless pursuit to ensure that safety is not just an empty slogan but something for which each employee and contractor working on our sites takes responsibility.

The Lost Time Injury Frequency Rate ("LTIFR") for the Sino Gold Group in 2008 was 0.93 per million man-hours worked, which compares with the comparable LTIFR average of 4.0 for Australia's metalliferous mining sector in 2006/07.

Jinfeng further reduced its LTIFR to 0.55 per million man-hours worked in 2008 and to 1.01 since the commencement of the project.

At White Mountain, two Lost Time Injuries occurred during 2008 and the project's LTIFR since commencement of construction in August 2007 was 0.47 per million man-hours worked when multiple contractors were working on site.

In order to continually improve our safety and environmental performance, educational programs are implemented across the company in various forms such as site meetings, newsletters, bulletin boards and workshops.

Training for safe underground mining practices was a key focus during 2008 at both Jinfeng and White Mountain, including various courses and exercises for the emergency rescue teams. Since Jinfeng is in a very remote location, the emergency rescue team's training includes dealing with all types of incidents around the site as well as the road into the remote site.

A specialised underground rescue chamber has been installed in the Jinfeng underground mine. The chamber is equipped with an air supply that enables up to 20 people trapped underground in an emergency situation to survive for a minimum 36 hours while waiting for the rescue team to reach them. This rescue chamber is believed to be the first such facility in the Chinese mining industry.

One new safety program utilised during 2008 was the Safety Habit Observation Technique ("SHOT") which was aimed at reducing the three most frequent types of incidents at Jinfeng – driving related, falling from heights and hand injuries. Behaviours and work practices were observed at nominated areas which have potential for these incidents. Both positive and negative work practices were recorded. The key behaviours observed, particularly positive behaviours, were communicated to employees and contractors in order to improve work practices. This program is planned for other sites and expanded to cover further types of incidents including those with the potential to cause the most harm.

Environment

Sino Gold's environmental programs are a key point of differentiation for our company in China. The Company makes substantial investments in various aspects of each project in order to minimise the environmental impact of our activities.

The Jinfeng and White Mountain Mines both have lined tailings storage facilities with dry stacked tailings systems that filter a high proportion of water out of the tailings. This enables water to be recirculated within part of each processing circuit and significantly reduces the water discharged from the tailings dams. Cut-off drains have also been built that divert rainwater run-off from the tailings dams. White Mountain does not discharge processing water. Jinfeng is working on minimising water discharge and towards a

zero processing water discharge objective by 2011.

Jinfeng is the first mine in the world using a bacterial oxidation process (BIOX®) with the tailings treated through an INCO cyanide destruction and arsenic removal process followed by a dry stacked tailings system. More than A$23 million has been invested in the environmental aspects of Jinfeng.

Jinfeng received the project final acceptance for safety and environmental protection facilities during 2008, which confirms that the operation is in compliance with all legal requirements and that the mine's transition into formal operations has been approved by the relevant authorities. This key approval was received after numerous site inspections and assessment by relevant experts from the County, Prefecture and Provincial authorities.

A progressive land rehabilitation program has been implemented at Jinfeng and approximately 23,000m^2 of disturbed land was rehabilitated by the end of 2008. A nursery has been established to grow plants for rehabilitation use.

Community

Open and transparent communication is the foundation of Sino Gold's relationships with the communities near our projects.

Our community development strategy has been developed in partnership with local government authorities and village committees. These community development programs are designed to support the communities' short, medium and long-term goals.

	Number of Employees	% Recruited within Province	% Recruited Locally
Jinfeng	688	43%	22%
White Mountain	299	81%	78%

Sino Gold aims to maximise employment opportunities for local people and to procure locally as many supplies as practical. White Mountain's location near a city in an established mining district has resulted in a very high percentage of the workforce being recruited locally.

The White Mountain project required the relocation of a number of families and Sino Gold invested A$3.5 million in building a new village for these people.

Sichuan Earthquake

Even though Sino Gold's operations and workforce in China were not directly impacted by the devastating Sichuan earthquake disaster in May 2008, all employees and contractors were deeply affected by this tragedy.

In support of earthquake relief efforts, Sino Gold donated approximately A$100,000 in essential equipment and many employees donated generously. The donated equipment included 70 portable gas power generators, 200 sets of hand torches and 70 megaphones, which were delivered by an emergency rescue team of 10 employees led by Sino Gold Executive Director, Hanjing Xu.

New Partnerships

Sino Gold set up two important partnerships during 2008 that are complementary to the Company's existing environment and community programs.

The Guizhou Environmental Management for Sustainable Development Leadership Project is a partnership between the Research Institute for Asia and the Pacific at the University of Sydney, Sino Gold and the Guizhou Provincial Environmental Protection Authority. The five-year project comprises five 13-day training programs that are to be conducted in China and Australia. It is envisaged that more than 125 Guizhou government officers will participate in the program.

Jinfeng Mine has entered into a Sustainable Community Development Cooperation Agreement with the Zhengfeng County Poverty Alleviation Bureau that provides for a three-phase sustainable community development program over the next ten years. This initiative is aimed at helping the three administrative villages (Lannigou, Jinshan and Niluo) near the Jinfeng Mine realise sustainable social and economic development, and create an effective, sustainable model for the Chinese mining sector.

Projects will include education, health and sanitation, environment, and agriculture production, as well as capacity building for community-based organizations and farmers. Facilitated by the newly established Community Development Department at Jinfeng, the first such department for mining companies in China, a number of cooperative projects commenced during the year.

FINANCE

Ed Miu, *Chief Financial Officer*

The 2008 financial results reflect the first full-year contribution to operating profits from commercial gold production at Jinfeng.

Substantial funding was successfully sourced for the development of White Mountain and Jinfeng as well as costs associated with the acquisition and evaluation of both Eastern Dragon and Beyinhar.

Sino Gold is now completely unhedged as the Company's entire gold hedge book was closed out during the year.

2008 Financial Result Highlights

A five-fold increase in sales revenue to a record A$206.1 million was due to Jinfeng gold production increasing by 93,947 ounces to 150,928 ounces and BioGold contributing to revenue for the first time during 2008.

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.

The exploration write-off for the year of A$9.1 million related to two exploration joint ventures in Guizhou Province as well as the Company ceasing exploration in Shandong Province.

Impairment losses charged of A$91.6 million for the year were largely associated with assets acquired in the Golden China Resources transaction. The BioGold processing facility was sold in early 2009 and the net sale value was included in the impairment charge.

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.

Investment activities during 2008 amounted to a total of A$245.5 million, primarily comprised of:

- White Mountain - A$72.4 million for development;
- Jinfeng - A$53.5 million for underground development, capitalised open-pit waste mining costs, tailings dam lifts and general sustaining capex;
- Eastern Dragon - A$73.6 million for acquisition and evaluation; and
- Beyinhar - A$20.5 million for acquisition and evaluation.

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

Funding

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

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

Sino Gold has also accessed Renminbi-denominated debt from within China as a cost-effective funding mechanism. China Construction Bank provided loan facilities totalling Renminbi 231 million for the White Mountain Gold Mine in September 2008 and Renminbi 780 million for the Jinfeng Gold Mine in February 2009.

Close-out of Hedge Book

A gold hedging program was required by lenders as part of the US$40 Jinfeng Project Finance Facility put in place during 2005.

In June 2008, Sino Gold completed the close-out of all of the Company's gold forward sales contracts and put options at a cost of US$118.6 million.

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 was capitalised on the balance sheet in a hedge reserve account within equity. This cost is amortised in accordance with the original hedge designation dates and a total of A$23.2 million of this cost was amortised during 2008.

Sino Gold Projects

"Sino Gold is growing rapidly with more than 210,000 ounces of gold planned to be poured at our Jinfeng and White Mountain Gold Mines during 2009."

"Jinfeng is the second largest gold mine in China."

JINFENG MINE

Cobb Johnstone *Chief Operating Officer*

Sino Gold's flagship Jinfeng Gold Mine is a high-grade, long-life operation that will provide substantial cash flow to fund Sino Gold's continued growth.

Jinfeng is the second largest gold mine in China and produced 150,928 ounces at a cash operating cost of US$400 per ounce during 2008. Gold production increased to approximately 15,000 ounces per month during the second half of 2008 as the gold processing plant achieved consistent performance.

Sino Gold owns an 82% interest in Jinfeng with local joint-venture partner Guizhou Lannigou Gold Mine Limited holding the remaining 18%.

Jinfeng is located in Guizhou Province, 236km southwest of the provincial capital Guiyang.

The area consists of rugged karst topography with a sub-tropical, humid climate. Average annual rainfall of 1,200mm falls primarily during the wet season from May to August each year.

Sino Gold acquired the Jinfeng deposit in 2001 via an open government tender, commenced construction in February 2005 and achieved commercial gold production in September 2007.

Gold Reserves and Resources

Jinfeng's Mineral Resources are estimated to total 34.3 million tonnes at 4.5g/t gold (containing 5.0 million ounces) and Ore Reserves are estimated to total 19.3 million tonnes at 5.2g/t gold (containing 3.2 million ounces), as at 31 December 2008. The Jinfeng orebody remains open down plunge to the east-southeast.

The Ore Reserves for the planned underground mine contain an estimated 2.4 million ounces of gold, with the remaining 0.8 million ounces contained within the planned open pit or in ore stockpiles. Ore from the underground mine is planned to provide an increasingly significant proportion of mill feed from the second half of 2009.

Exploration and Geological Setting

China's "Golden Triangle" region surrounding Jinfeng is highly prospective for further discoveries of multi-million ounce gold deposits and Sino Gold has a very large tenement position in the region.

Jinfeng, the largest known Carlin-type deposit in China, lies within Triassic clastic sedimentary rocks overlying the Permian and Carboniferous limestones of the Laizhishan Dome.

The Jinfeng orebody is a structurally controlled gold deposit with some replacement style mineralisation. The majority of the mineralisation is hosted by the major east-southeast trending high-angle F3 Fault which is consistently mineralised over 1,300 metres of strike and to a depth of more than 1,000 metres.

The F3 Fault is linked to a major low-angle thrust fault (F7). Northeast-trending folding of the F3 Fault and the intersection of the F3 and F7 Faults has focused high-grade mineralisation at depth, which plunges east-southeast.

The deepest drilling at Jinfeng has intercepted strong gold mineralisation and intense alteration at more than 1,000 metres depth. This deep, down-plunge zone has now been followed to near the contact of the Triassic sediments and underlying Permian limestones, which is considered very prospective for gold deposition. Several gold deposits in the Golden Triangle region are located in a similar stratigraphic position near the Triassic-Permian contact.

Drilling of this deep zone from surface was completed in early 2008. Testing for further down-plunge extensions to the orebody is planned to resume when drilling can be done more cost-effectively from an underground drive.

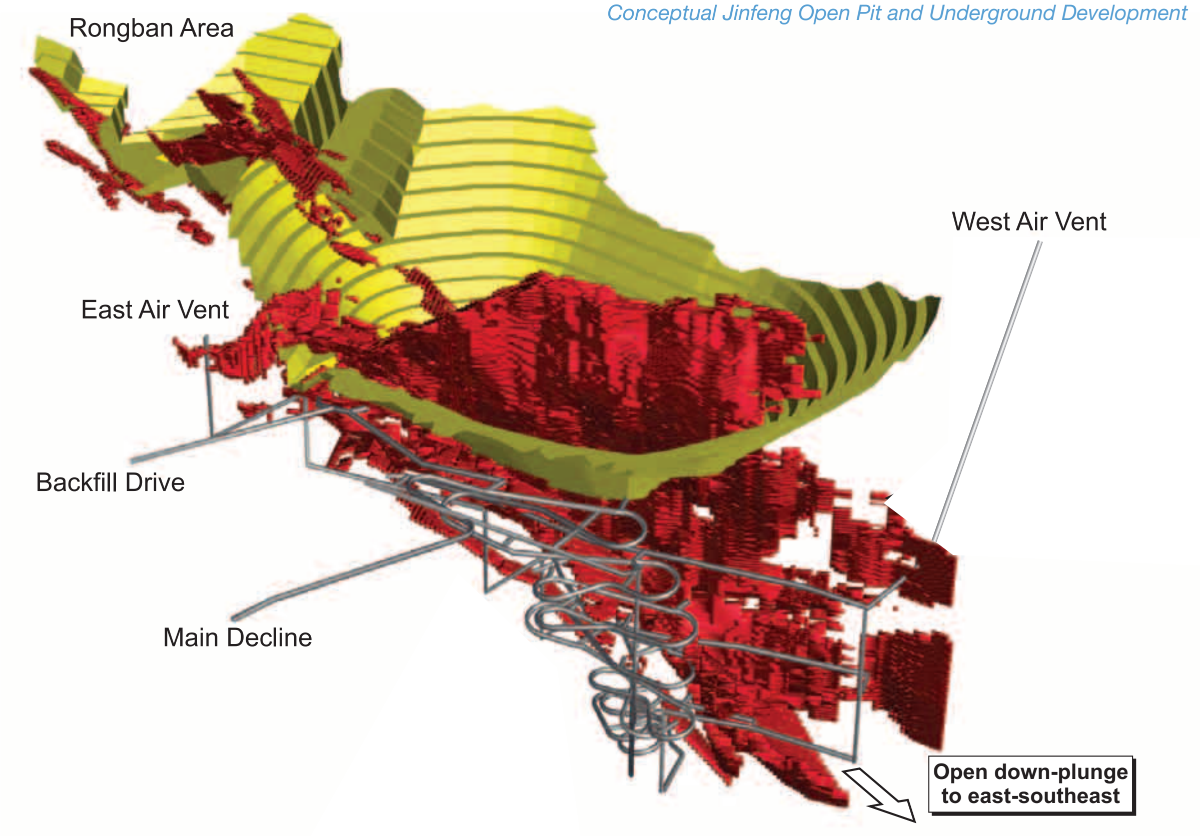
Sino Gold has a dominant tenement holding in the Jinfeng district via three joint ventures covering an extensive area of more than 400km^2 around the Laizhishan Dome. Regional exploration during 2008 continued to evaluate a number of prospects, particularly to the southwest and northwest of Jinfeng.

Operations

Jinfeng gold production of 150,926 ounces for 2008 was a 93,947 ounce increase over the previous year. Cash operating costs decreased over the course of 2008 and averaged US$400 per ounce for the year.

Operational flexibility will soon be provided by sourcing ore concurrently from the open pit and the underground mine. A total of 1.4 million tonnes of ore was mined from the open pit during 2008 and initial ore was mined from development drives in the underground mine during the year.

Ore production from the underground mine is planned to ultimately ramp-up to approximately 1.0 million tonnes per annum from several levels.



The contribution of underground ore is forecast to increase the mine's gold production due to the reserve grade of underground ore being greater than the reserve grade of open-pit ore.

Consistent operation of the processing plant facilitated improved mill throughput and gold recoveries, which were the primary drivers of the increased gold production for 2008.

The mill throughput rate was lifted to approximately 1.4 million tonnes per annum following the installation of a pebble crushing circuit in October 2008.

Jinfeng ore is refractory with most of the microscopic gold particles locked up with pyrite. The sulphide ore concentrate has oxidised well in the BIOX® circuit with recoveries in the BIOX® /CIL circuit improving to 93.8% for 2008. The average flotation recovery increased to 86.3% for 2008 and further improvement is aimed at increasing flotation recoveries.

Managing water levels in the CIL tailings dam was much improved by the installation of a dry stacked tailings system in early 2008 and construction of better channels to divert rainwater run-off.

		2007	2008	Change
Waste Mined	bcm ('000)	5,275	9,675	+4,400
Ore Mined	Tonnes ('000)	692	1,392	+700
Ore Milled	Tonnes ('000)	449	1,244	+795
Head Grade	g/t gold	5.5	4.7	-0.8
Flotation Recovery	%	77.5	86.3	+8.8
BIOX®/CIL Recovery	%	92.8	93.8	+1.0
Overall Recovery	%	71.9	81.0	+9.1
Gold Production	Ounces	56,981	150,928	+93,947
Gold Sold	Ounces	43,483	152,903	+109,420

Outlook

Jinfeng's gold production is planned to increase further in 2009 with the processing plant operating at higher throughput rates for the full year.

Ore production from the underground mine is ramping-up and should contribute approximately 0.4 million tonnes of ore during 2009. The balance of the planned 1.4 million tonnes of ore processed for the year will be sourced from the open pit.

By the end of 2009, the decline is planned to have advanced down to RL235m, with approximately 7.0 million tonnes of Ore Reserves for the underground mine above this level. This will provide access to many years of higher grade ore from the underground mine that should enable further increases in gold production.

Jinfeng is a high-quality asset which will underpin the Company's future growth.

"White Mountain is Sino Gold's second operating mine and has a planned mine life of at least ten years."

White Mountain

White Mountain is Sino Gold's second operating mine and has a planned mine life of at least ten years.

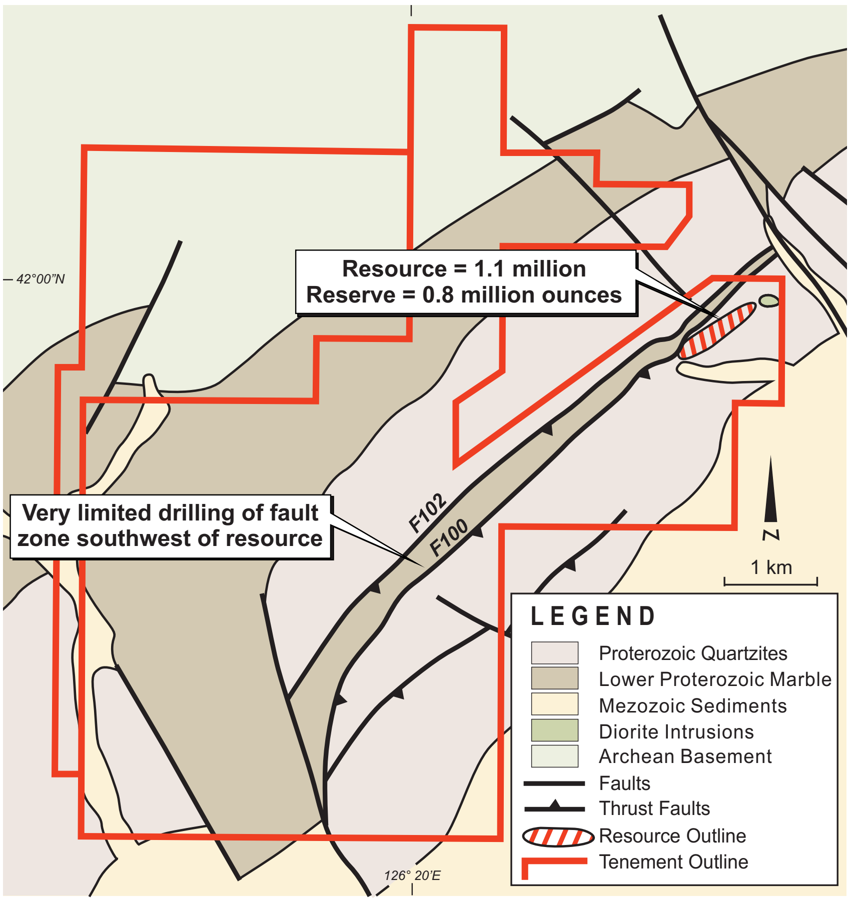
First gold was poured two months ahead of schedule in October 2008, only four years after the orebody was discovered by Sino Gold and only fourteen months after construction commenced. This achievement was made possible by the strong assistance and support of the Jilin Provincial Government, the Baishan City Government and the local community around the mine site.

Commercial gold production was achieved in January 2009 and is planned to ramp-up over the course of 2009 to design rates of 65,000 ounces of gold annually.

Sino Gold owns a 95% interest in White Mountain with the remainder held by local joint-venture partner Jilin Tonghua Institute of Geology and Minerals Exploration and Development.

White Mountain is located 230km south-southeast of Changchun, the capital city of Jilin Province

White Mountain geological plan



in northeast China. The area surrounding the mine is lightly forested public land and the processing plant is only 7km from the prefecture level city of Baishan, which is also a coal and iron ore mining centre.

The mine is built to operate during the very cold winter months when temperatures are often in the range of minus 25 degrees Celsius.

Resources and Reserves

White Mountain's Mineral Resources are estimated to total 12.4 million tonnes at 3.0g/t gold (containing 1.2 million ounces) and Ore Reserves are estimated to total 6.6 million tonnes at 3.7g/t gold (containing 0.8 million ounces) as at 31 December 2008.

Gold mineralisation at White Mountain remains open at depth and along strike to the northeast with drilling to continue in 2009.

Exploration and Geological Setting

A major northeast trending regional fault zone hosts the gold mineralisation at White Mountain, with mineralisation known to extend 1.5km along strike.

Gold mineralisation at White Mountain is:

- Hosted by a silicified fault breccia containing pyrite veinlets within Proterozoic sedimentary rocks;
- Associated with multi-stage silica, iron-oxide, pyrite and barite mineralisation; and
- Dipping between 25° and 70° (average 45°) to the southeast.

The primary control on mineralisation is interpreted to be the intersection of two major northeast-trending regional faults (F100 and F102).

Drilling during 2008 primarily tested for extensions to known resource, particularly down-plunge to the northeast.

First-pass drilling along the same regional fault zone was undertaken during 2008 at several prospects to the southwest of the White Mountain resource. Initial exploration was also undertaken on additional tenements acquired in the region.

Project Parameters

The White Mountain Gold Mine was rapidly constructed during 2008 and total project development costs were on-budget at US$65 million.

The operation is planned to be ramped up to:

- Gold production averaging 65,000 ounces per annum;
- Head grade of approximately 4g/t gold;
- Mill throughput of 650,000 tonnes per annum; and
- Gold recoveries averaging 80%.

Access to the underground mine is via a decline. The sub-level open stoping mining method is planned for portions of the orebody thicker than 10 metres, with the cut-and-fill method being utilised for the remainder of the deposit.

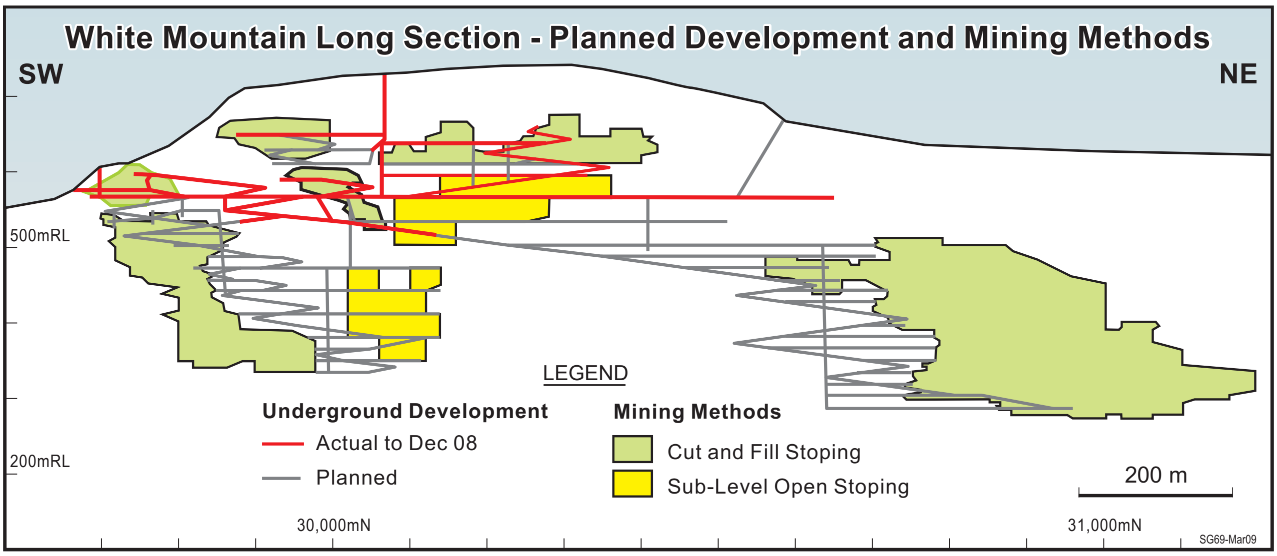
The White Mountain processing plant is a standard Chinese design carbon-in-leach plant and early indications are that the facility should readily be able to operate above nameplate capacity.

Outlook

Mining of ore from the underground mine is planned to ramp-up over the course of 2009 and enable design throughput rates to be achieved by the end of 2009.

As the resource remains open to the northeast and at depth, the Company intends to continue drilling in 2009 with the aim of further increasing the current White Mountain resource, as well as first-pass drilling of near-mine prospects in the surrounding 128km^2 licence areas.

White Mountain has demonstrated Sino Gold's capability to rapidly and cost-effectively progress discoveries into valuable producing gold mines.



"Eastern Dragon is an important part of Sino Gold's growth strategy that is being rapidly progressed towards becoming Sino Gold's third mine."

Eastern Dragon

Eastern Dragon Lode 5 is a high-grade, gold-silver deposit in northern China's Heilongjiang Province that has potential to produce gold at very low costs.

A Chinese Feasibility Study completed in early 2009 indicates that Eastern Dragon is potentially a simple open-pit then underground mining operation with a carbon-in-leach ("CIL") processing plant achieving high gold and silver recoveries.

Eastern Dragon's initial Ore Reserve contains 0.5 million ounces of gold and 4.4 million ounces of silver at average grades of 8.4g/t gold and 70g/t silver.

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

Eastern Dragon is located approximately 45km southeast of the town of Xunke, which is adjacent to the Heilongjiang River that forms the border with Russia. The project site is on public land in lightly forested rolling hills with water nearby. Winters are severe with the exploration field season restricted to April to October each year.

In 1998, an exploration brigade under the Heilongjiang Non-ferrous Metals Geology and Exploration Bureau discovered gold mineralisation at Eastern Dragon.

In 2005, Sino Gold formed a joint venture with the Brigade in relation to the adjacent Sanjianfang Exploration Licence and this long-standing relationship laid the foundation for Sino Gold's acquisition of Eastern Dragon.

In 2008, Sino Gold completed the acquisition of an initial 72% interest in Eastern Dragon Lode 5 at a cost of US$90 million and then acquired a further 8% interest for US$11 million. In March 2009, Sino Gold increased its equity to 95% by acquiring a further 15% interest for US$20 million. The remaining 5% of Eastern Dragon Lode 5 is held by a Chinese joint-venture partner.

Resources and Reserves

During 2008, Sino Gold completed a total of 56 drillholes totalling 12.8km of drilling at Eastern Dragon. This drilling supplemented and confirmed historical data from trenches, underground development on two levels and 45 previous drillholes, many of which were re-sampled.

The initial Eastern Dragon Mineral Resource and Ore Reserve estimates are summarised in the table below.

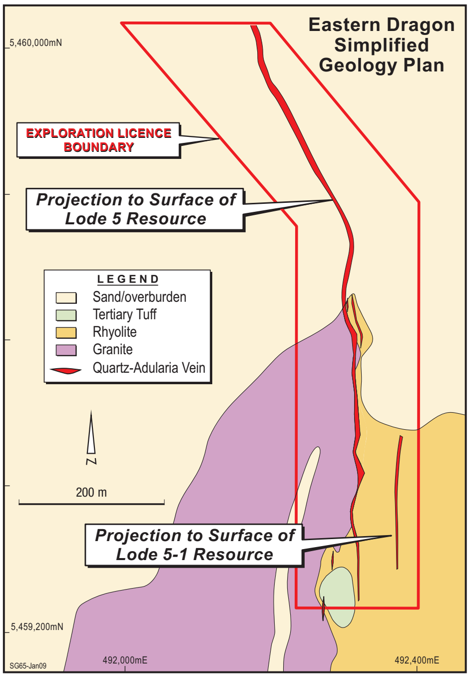
The resource extends from surface to a maximum depth of 300m and over a strike length of 800m. The average true width of Lode 5 is approximately 6m.

Exploration and Geological Setting

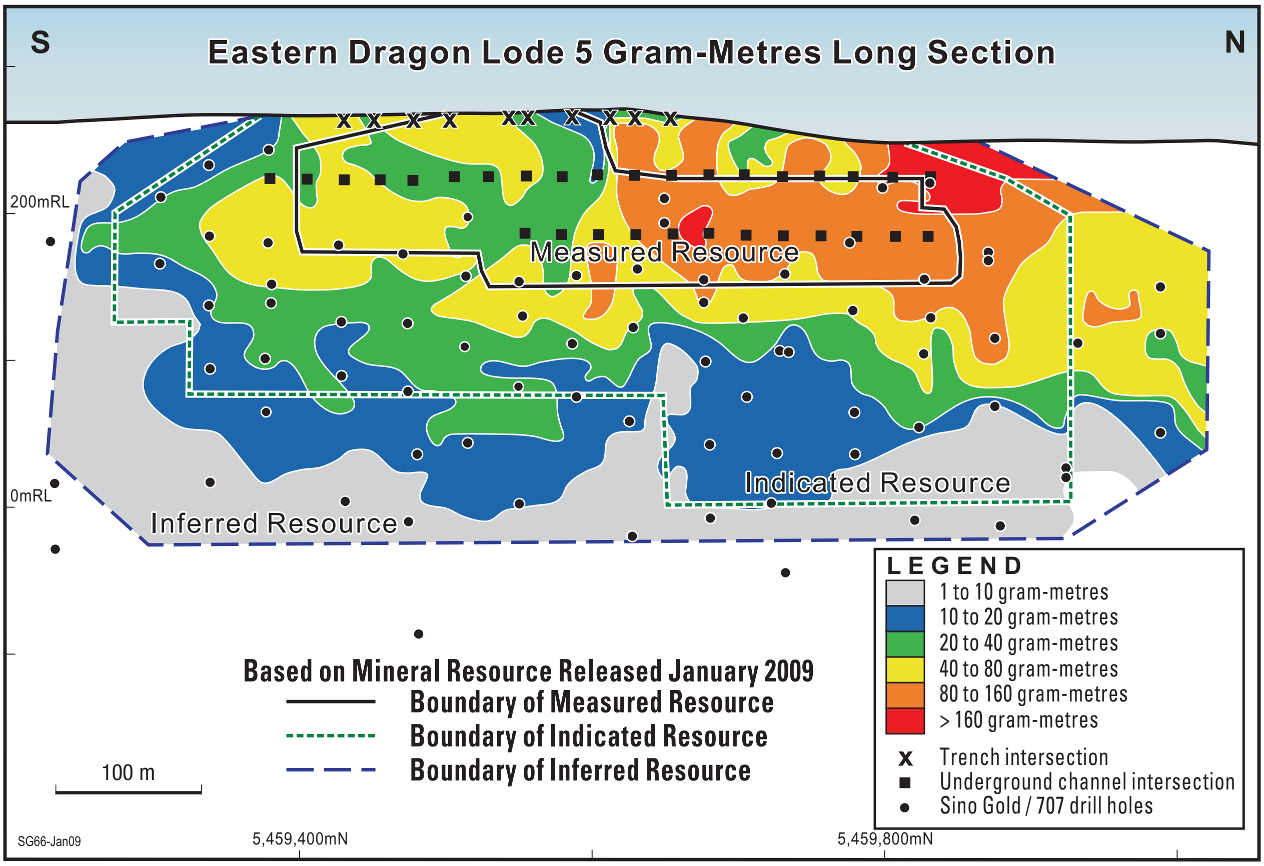
Exploration at Eastern Dragon has focussed primarily on Lode 5 which is a low-sulphidation epithermal quartz-adularia vein with a near vertical dip.

Further drilling of Lode 5 is planned for the 2009 field season with the aim of extending and upgrading resources and reserves. Key targets will be extending Lode 5 to the north and discovering gold mineralisation in parallel veins such as Lode 5-1, which was intercepted late in the field season.

In late 2008, Sino Gold acquired an initial 25% interest



	Tonnes	Gold Grade	Gold Ounces	Silver Grade	Silver Ounces
	(millions)	(g/t Au)	('000)	(g/t Ag)	(millions)
Mineral Resource	3.4	7.1	777	66	7.2
Ore Reserve	2.0	8.4	527	70	4.4



in a 53 km^2 Exploration Licence ("EL53") surrounding the Eastern Dragon Lode 5 Exploration Licence. In March 2009, Sino Gold acquired the rights to a further 35% interest in EL53 for US$11 million, which will increase its holding to 60% of EL53.

The geological setting of EL53 is considered favourable for hosting similar epithermal gold-silver deposits.

A number of outcropping quartz veins have been previously identified in EL53 and tested to varying degrees by trenching and drilling, some with known gold mineralisation.

A systematic exploration program of EL53 is planned to commence early in the 2009 field season.

Project Parameters

A Beijing engineering design institute completed the Eastern Dragon Chinese Feasibility Study ("CFS") in early 2009, which indicated very attractive project economics.

The CFS proposes a simple operation at Eastern Dragon comprising:

- Open-pit mining to approximately 60m below surface with an underground mine below using the benching mining method;
- Staged construction of a carbon-in-leach ("CIL") processing plant with overall recoveries of approximately 95% for gold and approximately 80% for silver;
- CIL processing plant initially treating 150,000 tonnes per annum of open-pit ore with a reserve grade of 11.5g/t gold;
- Processing plant to be built with expansion capacity to 500,000 tonnes per annum for potential further delineation of reserves and ore production from the underground mine being ramped up;
- Cash operating costs of approximately US$100 per ounce (after silver credits)
- Total development capital cost of approximately US$60 million; and
- Construction period of approximately 15 months.

The CFS is currently being reviewed to determine which aspects of the project need to be evaluated further in order to enable Sino Gold's Board of Directors to commit to developing this technically straight-forward and low-cost project.

> "Eastern Dragon Lode 5 is a high-grade, gold-silver deposit that has potential to produce gold at very low costs."

Outlook

Sino Gold has set an ambitious schedule to bring Eastern Dragon into production. Development of Eastern Dragon may commence in late 2009 if feasibility and design work continues on schedule and provided required approvals are received expeditiously.

This potential early start to development is driven by commencing development works at site sufficiently in advance of a construction hiatus over the winter months from November to March. This timeline envisages commercial production commencing in early 2011 and is similar to the timing achieved for the development of Sino Gold's White Mountain Mine.

Exploration results promise to be exciting as drilling during 2009 will be aimed at extending the Lode 5 resource and discovering new gold-silver lodes in EL53.

Eastern Dragon is an important part of Sino Gold's growth strategy that is being rapidly progressed towards becoming Sino Gold's third mine.

"Beyinhar was acquired by Sino Gold as part of the take-over of Golden China Resources Corporation."

BEYINHAR

Sino Gold is assessing the potential of the Beyinhar Project to be developed into an open-pit, heap-leach gold operation.

A Board Feasibility Review ("BFR") undertaken during 2008 concluded that Beyinhar is an attractive investment proposition. Sino Gold intends to further evaluate Beyinhar during 2009 prior to committing to development.

Whilst the BFR indicates an attractive investment, Sino Gold intends to prioritise the development of the more attractive Eastern Dragon Project ahead of the Beyinhar Project.

The 15km^2 Beyinhar Joint Venture area is 95% owned by Sino Gold and an adjacent 33km^2 Exploration Licence is 100% owned by Sino Gold.

Beyinhar is located approximately 500km northwest of Beijing in the Inner Mongolia Autonomous Region, People's Republic of China.

The Beyinhar gold deposit is approximately 2km from a regional highway and within 10km of grid power. The gently rolling, steppe grasslands of the project area receive very little rainfall with fairly hot summers and cold, windy winters.

Beyinhar was acquired by Sino Gold as part of the take-over of Golden China Resources Corporation.

Resources and Reserves

Resources and reserves were both increased by drilling undertaken by Sino Gold during 2008.

Beyinhar's Mineral Resources are now estimated to total 69.2 million tonnes at 0.55g/t gold (containing 1.2 million ounces) and Ore Reserves are now estimated to total 27.8 million tonnes at 0.62g/t gold (containing 0.6 million ounces)

Oxide ore comprises 95% of the Ore Reserve, with the remainder being harder, lower recovery, sulphide ore.

Exploration and Geological Setting

Gold mineralisation at Beyinhar is hosted in the Beyinhar Shear Zone in Proterozoic metasediments and Cretaceous rhyolite.

The aim of the Beyinhar 2008 exploration program was to extend and upgrade both the oxide and sulphide resources. The program increased the ounces contained in the oxide resources by 28%, however the drilling aimed at increasing the deeper sulphide resources intercepted only limited narrow zones of higher grade mineralisation in sparsely developed, weakly mineralised, epithermal quartz veins.

The aim of a reverse-circulation ("RC") drilling program undertaken in late 2008 was to improve confidence in the gold grade by analysing data collected from closer-spaced, larger-diameter drilling and a bulk-leach cyanide analysis method that more accurately reflects the proposed heap-leach processing method. Analysis of the RC results indicate potential upside to the grade in the current resource estimates.

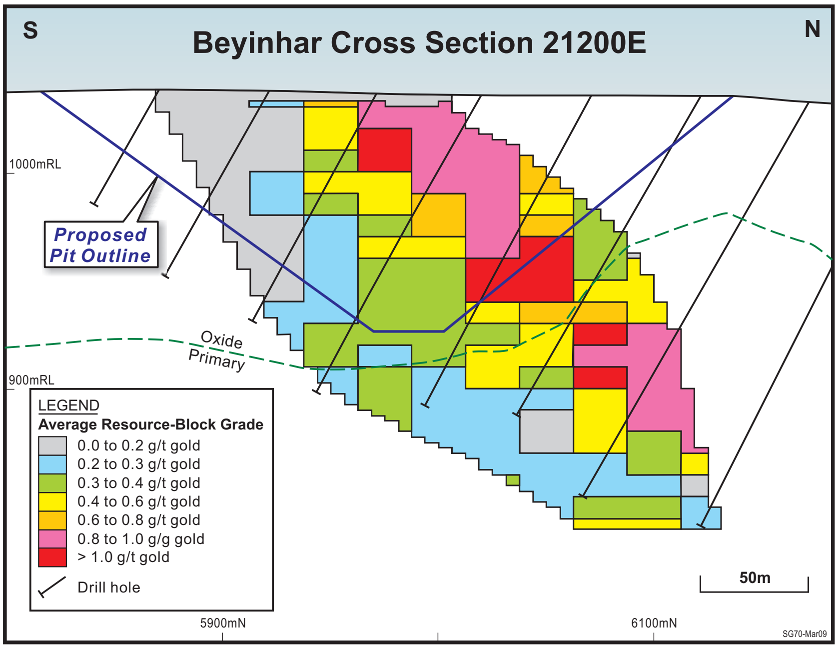
Project Parameters

The following parameters summarise the Beyinhar development envisaged in the BFR:

- 3.0 million tonne per annum, heap-leach operation;
- Overall gold recoveries of 85%;
- Average cash operating cost of US$450/ounce;
- Total development capital costs of US$65 million; and
- Construction period of approximately 12 months.

Two separate open pits are planned to be mined with an overall waste-to-ore strip ratio of 1.0 to 1.0.

Project economics are sensitive to gold grade, gold recoveries and gold prices. Additional reserves would enhance confidence in developing the project by adding to the project's mine life and scale.



Beyinhar Outlook

Permitting and further studies are planned to be progressed during 2009.

Further work will be undertaken to provide greater confidence in project economics, including further work in determining the grade of the Beyinhar deposit and the costs associated with development.

The 2009 exploration program will be aimed at discovering additional oxide resources near the current Beyinhar resource.

Beyinhar is a valuable deposit that Sino Gold intends to progress prudently and develop at the appropriate time.

Exploration

Sino Gold continues to have the largest gold exploration program in China and approximately 71km metres of diamond drilling was completed during 2008.

Drilling during 2008 tested for extensions to existing gold resources as well as first-pass drilling at a number of advanced prospects in four gold mineral belts in southern and northeastern China.

The Company's exploration teams evaluated other mineral belts and numerous new opportunities during 2008, which ranged from acquiring operating gold mines to forming new joint ventures with local Chinese groups who have often advanced their prospects to the drill targeting stage.

Golden Triangle

China's "Golden Triangle" mineral province in southern China contains a number of gold deposits containing in excess of one million ounces, of which Jinfeng is the largest.

Sino Gold has several joint ventures in the Golden Triangle with licences that cover prospects containing gold mineralisation in a similar geological and structural setting to the Jinfeng orebody and other major gold deposits in the region.

At the Yandan Prospect in the Guangxi Joint Venture, drilling during 2008 extended generally low-grade gold mineralisation to a total of 1.3 kilometres along strike. Yandan is located approximately 70km southeast of Jinfeng and drilling is planned for several other prospects within the 15km-long target zone containing Yandan in a similar geological setting to the Jinfeng Mine.

Drilling to delineate high-grade extensions to the Nibao gold deposit in Guizhou Province was not successful and Sino Gold has agreed to sell its 70% interest in Nibao.

Shandong

Following the completion of drilling programs on the main Jiaojia Fault and parallel fault structures at both the Ludi and Hexi Gold Joint Ventures, Sino Gold decided to cease exploration in Shandong Province.

Northern China

Substantial drilling programs were undertaken during 2008 to upgrade and extend resources at Eastern Dragon, Beyinhar and White Mountain.

First-pass drilling and other regional exploration activities were pursued near these three projects with the aim of discovering near-mine "satellite" deposits. Drilling on the Eastern Dragon licences will be the priority in 2009.

Sino Gold Fields Alliance (50:50 Equity)

The aim of the Sino Gold Fields ("SGF") Alliance is to discover large gold deposits containing more than three million gold-equivalent ounces and with the potential to produce at least 300,000 ounces of gold-equivalent per annum.

The SGF Alliance is exploring primarily for large tonnage, bulk-mineable styles of gold and/or copper-gold mineralisation.

Sino Gold manages exploration undertaken by the SGF Alliance, which is equally funded by both parties. Gold Fields will manage the development and operation of any new projects resulting from the alliance that meet the agreed Gold Fields' benchmark criteria.

At the SGF Alliance's Jinshu Project in northwest Yunnan Province, initial drilling intercepted several zones of narrow, high-grade gold mineralisation within a broader envelope of low-grade, intrusive-related gold mineralisation during 2008.

Outlook

Gold resources under the Company's management have increased by an average of one million ounces per year over the past six years and now total more than eight million ounces. As the leading gold explorer in China, Sino Gold aims to build on this strong track record of success by managing exploration risk effectively and utilizing the Company's 'first-mover' advantages.

The majority of drilling planned for Sino Gold's 2009 exploration program is based on a systematic ranking of the highest value targets, focussed in particular for extending known resources and for discovery by near-mine exploration. This program will be implemented by a reorganised, single China exploration team rather than by three regional teams as in previous years.

During 2009, the SGF Alliance plans to continue evaluating the Jinshu Project as well as pursuing further opportunities in at least two other selected gold mineral belts.

Many companies exploring for gold in China are finding it increasingly difficult to source adequate funding. Sino Gold is evaluating numerous advanced-stage prospects which are being offered for sale or joint venture on increasingly attractive terms.

Sino Gold has the management, people, partners and funding in place to rapidly assess, efficiently test and turn over its exploration portfolio for discovery, as well as evaluating further acquisitions.

MINERAL RESOURCES & ORE RESERVES

SUMMARY OF MINERAL RESOURCES

	Category	Million Tonnes	Grade g/t Au	Gold '000oz	Grade g/t Ag	Silver Moz	Share %	Gold '000oz	Silver Moz
Jinfeng	Measured	18.0	4.8	2,750	-	-	82%	2,255	-
	Indicated	11.0	4.5	1,580	-	-	82%	1,296	-
	Sub-Total M+I	**29.0**	**4.7**	**4,330**	**-**	**-**	**82%**	**3,551**	**-**
	Inferred	5.4	3.9	674	-	-	82%	553	-
	Total Jinfeng	**34.3**	**4.5**	**5,004**	**-**	**-**	**82%**	**4,103**	**-**
White Mountain	Measured	6.7	3.1	673	-	-	95%	640	-
	Indicated	4.0	3.1	405	-	-	95%	385	
	Sub-Total M+I	**10.7**	**3.1**	**1,079**	**-**	**-**	**95%**	**1,025**	**-**
	Inferred	1.6	2.1	109	-	-	95%	104	-
	Total White Mountain	**12.4**	**3.0**	**1,188**	**-**	**-**	**95%**	**1,128**	**-**
Beyinhar	Measured	7.8	0.82	205	-	-	95%	195	-
	Indicated	53.9	0.49	848	-	-	95%	806	-
	Sub-Total M+I	**61.7**	**0.53**	**1,053**	**-**	**-**	**95%**	**1,000**	**-**
	Inferred	7.5	0.75	182	-	-	95%	173	-
	Total Beyinhar	**69.2**	**0.55**	**1,235**	**-**	**-**	**95%**	**1,173**	**-**
Eastern Dragon	Measured	0.6	11.2	220	83	1.6	95%	209	1.5
	Indicated	1.6	7.2	361	73	3.7	95%	343	3.5
	Sub-Total M+I	**2.2**	**8.3**	**581**	**76**	**5.3**	**95%**	**552**	**5.0**
	Inferred	1.2	5.0	196	50	1.9	95%	186	1.8
	Total Eastern Dragon	**3.4**	**7.1**	**777**	**66**	**7.2**	**95%**	**738**	**6.8**
Sino Gold	Measured	33.1	3.6	3,849	83	1.6		3,299	1.5
	Indicated	70.5	1.4	3,194	73	3.7		2,829	3.5
	Sub-Total M+I	**103.6**	**2.1**	**7,043**	**156**	**5.3**		**6,128**	**5.0**
	Inferred	15.8	2.3	1,161	50	1.9		1,015	1.8
	Total Sino Gold	**119.4**	**2.1**	**8,204**	**206**	**7.2**		**7,143**	**6.8**

Summary of Ore Reserves

	Category	Million Tonnes	Grade g/t Au	Gold '000oz	Grade g/t Ag	Silver Moz	Share %	Gold '000oz	Silver Moz
Jinfeng Open Pit	Proved	4.9	4.4	697	-	-	82%	572	-
	Probable	0.7	3.3	71	-	-	82%	58	-
Sub-Total Jinfeng Open Pit		**5.6**	**4.3**	**768**	**-**	**-**	**82%**	**630**	**-**
Jinfeng Underground	Proved	7.9	5.7	1,435	-	-	82%	1,177	-
	Probable	5.4	5.7	990	-	-	82%	812	-
Sub-Total Jinfeng Underground		**13.3**	**5.7**	**2,425**	**-**	**-**	**82%**	**1,989**	**-**
Jinfeng Stockpile	Proved	0.5	2.6	39	-	-	82%	32	-
Total Jinfeng	Proved	13.2	5.1	2,171	-	-	82%	1,780	-
	Probable	6.1	5.4	1,061	-	-	82%	870	-
Total Jinfeng		**19.3**	**5.2**	**3,232**	**-**	**-**	**82%**	**2,650**	**-**
White Mountain	Proved	4.3	3.6	496	-	-	95%	471	-
	Probable	2.3	4.0	290	-	-	95%	276	-
Sub-Total White Mountain Underground		**6.6**	**3.7**	**786**	**-**	**-**	**95%**	**747**	**-**
White Mountain Stockpile	Proved	0.05	3.0	4	-	-			-
Total White Mountain	Proved	4.3	3.6	500	-	-	95%	475	-
	Probable	2.3	4.0	290	-	-	95%	276	-
Total White Mountain		**6.6**	**3.7**	**790**	**-**	**-**	**95%**	**751**	**-**
Beyinhar	Proved	7.1	0.83	191	-	-	95%	181	-
	Probable	20.7	0.55	367	-	-	95%	349	-
Total Beyinhar		**27.8**	**0.62**	**558**	**-**	**-**	**95%**	**530**	**-**
Eastern Dragon	Proved	0.7	9.8	206	72	1.5	95%	196	1.4
	Probable	1.3	7.6	321	69	2.9	95%	305	2.8
Total Eastern Dragon		**2.0**	**8.4**	**527**	**70**	**4.4**	**95%**	**501**	**4.2**
Total Sino Gold	Proved	25.3	3.8	3,068	72	1.5		2,629	1.4
	Probable	30.4	2.1	2,039	69	2.9		1,800	2.8
Total Sino Gold		**55.7**	**2.9**	**5,107**	**70**	**4.4**		**4,428**	**4.2**

Notes applicable to the Mineral Resources and Ore Reserves:

1. Mineral Resources are inclusive of Ore Reserves. All estimates are as at 31 December 2008.
2. Details of the methodologies used to estimate Mineral Resources and Ore Reserves are available under the Projects section of the Sino Gold website (www.sinogold.com.au).
3. Key changes since the Mineral Resources and Ore Reserves estimates in the 2007 Annual Report are:
   - Drilling at Jinfeng during 2007 led to increases in both Mineral Resources and Ore Reserves for the project which were finalised in April 2008 subsequent to printing of the 2007 Annual Report. The April 2008 Jinfeng Mineral Resources (estimated as at 31 December 2007) have been depleted for mining, processing and losses during 2008 totalling 249,000 ounces;
   - The White Mountain Mineral Resources have been depleted for mining and processing completed during 2008 totalling 3,000 ounces;
   - The Beyinhar Mineral Resources and Ore Reserves estimates have been updated to include the results from drilling and studies undertaken during 2008; and
   - The Eastern Dragon Mineral Resources and Ore Reserves are initial estimates that include the results from drilling and studies undertaken during 2008.

	Gold Price Basis (US$/oz)	Cut-off Grade (g/t gold)	Competent Person
Mineral Resources			
Jinfeng - Open Pit		1.0	1
- Underground		2.0	1
White Mountain		1.0	2
Beyinhar		0.2/0.5	1
Eastern Dragon		1.0	2, 3
Ore Reserves			
Jinfeng - Open Pit	US$750/oz	1.5	4
- Underground	"	2.9	5
White Mountain	US$750/oz	2.0	5
Beyinhar	US$650/oz	0.28/0.66	6
Eastern Dragon	US$650/oz	1.5/2.5	5

Competent Persons

As noted in the table above, the following individuals take responsibility as at the date of signing-off each Mineral Resource and Ore Reserve estimate:

1. Mr Phillip Uttley (FAusIMM) was a full-time employee of Sino Gold in the capacity of Chief Geologist. He is a geologist with more than 27 years experience in exploration and evaluation of gold deposits, including the exploration for and estimation of resources of structurally controlled-gold deposits and replacement-style gold deposits. Mr Uttley takes responsibility for the Jinfeng and Beyinhar Mineral Resource estimates.

2. Dr Yumin Qiu (MAIG) is a full-time employee of Sino Gold in the capacity of General Manager, China Exploration and JVC. He is a geologist with more than 25 years experience in the mining industry in Australia and China. Dr Qiu takes responsibility for the White Mountain Mineral Resource estimate and the exploration data relating to the Eastern Dragon Mineral Resource estimate.

3. Mr Robin Simpson (MAIG) is an independent consultant with SRK Consulting and is a geologist with more than 10 years experience in the evaluation of gold deposits. He takes responsibility for the Eastern Dragon Mineral Resource estimate.

4. Mr Weifeng Li (MAusIMM) is a Principle Mining Consultant of West Swan Pty Ltd and is an open-pit mining engineer with over 20 years experience in the mining industry. Mr Li takes responsibility for the Jinfeng open-pit Ore Reserve estimate.

5. Dr John Chen (MAusIMM) is a full-time employee of Sino Gold in the capacity of Manager – Mining, Technical Services. He is a mining engineer with more than 20 years experience in the mining industry in Australia and China. Dr Chen takes responsibility for the Jinfeng underground, White Mountain and Eastern Dragon Ore Reserve estimates.

6. Mr Steve Craig (MAusIMM) is an independent consultant with Orelogy and is a mining engineer with more than 20 years experience in evaluation of gold deposits. Mr Craig takes responsibility for the Beyinhar Ore Reserve estimate.

These Mineral Resources and Ore Reserves are presented in accordance with the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"), which is equivalent under the corresponding categories of mineral reserves and mineral resources to Canada's National Instrument 43-101 – Standards for Disclosure for Mineral Projects ("NI43-101") and CIM Standards.

Each of the above individuals:

- have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration;
- are Competent Persons as defined in the JORC Code and "qualified persons" under NI43-101; and
- consent to the publication of this information in the form and context in which it appears.

Financial Report

Consolidated Financial Statements for the year ended 31 December 2008

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Directors' Report

For the 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.

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)

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

Directors' Report

For the year ended 31 December 2008

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, a 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

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 recognised 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.

	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 Resources Corporation. 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.

Directors' Report

For the year ended 31 December 2008

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).

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 m^3 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.

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 km^2 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 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.

Directors' Report

For the year ended 31 December 2008

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 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.

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 five 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.

Director remuneration for the year ended 31 December 2008

Name	Base Fee	Other*	Bonus	Super-annuation	Share Based Payments**	Total	% of remuneration for the year consisting of options
	Annual Emoluments			Post Employment Emoluments	Long Term Emoluments		
	$	$	$	$	$	$	%
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 (appointedon 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).

Director remuneration for the year ended 31 December 2007

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

* Interest benefits under ESIS loans. 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.

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 2008

	Annual Emoluments		Post Employment Emoluments	Long Term Emoluments		
Name	**Base Fee**	**Bonus**	**Super-annuation**	**Share Based Payments***	**Total**	**% of remuneration for the year consisting of options**
	$	$	$	$	$	%
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).

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

	Annual Emoluments		Post Employment Emoluments	Long Term Emoluments		
Name	**Base Fee**	**Bonus**	**Super-annuation**	**Share Based Payments***	**Total**	**% of remuneration for the year consisting of options**
	$	$	$	$	$	%
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:
   - 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.

Directors' Report

For the year ended 31 December 2008

Compensation options: Granted and vested in 2008

31/12/08	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 %
	Granted in 2008							Vested in 2008	
DIRECTORS									
J Klein	500,000	27/5/08	3.76	7.49**	9/11/12	9/11/10	9/11/12	500,000	28.6
H Xu	350,000	27/5/08	3.76	7.49**	9/11/12	9/11/10	9/11/12	400,000	32.0
T McKeith	120,000	27/5/08	3.76	7.49**	9/11/12	9/11/10	9/11/12	-	
EXECUTIVES									
C Johnstone	300,000	9/12/08	1.00	4.35	9/12/13	9/12/11	9/12/13	-	
P Uttley	70,000	9/12/08	1.00	4.35	9/12/13	9/12/11	9/12/13	320,000	38.1
I Polovineo	85,000	9/12/08	1.00	4.35	9/12/13	9/12/11	9/12/13	170,000	37.4
S Zhang	150,000	9/12/08	1.00	4.35	9/12/13	9/12/11	9/12/13	115,000	22.3
Y Qiu	150,000	9/12/08	1.00	4.35	9/12/13	9/12/11	9/12/13	100,000	18.2
Total	**1,725,000**							**1,605,000**	

Compensation options: Granted and vested in 2007

31/12/07	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 %
	Granted in 2007							Vested in 2007	
DIRECTORS									
J Klein	750,000	30/5/07	2.35	6.34**	31/12/11	31/5/10	31/12/11	100,000	7.1
H Xu	500,000	30/5/07	2.35	6.34**	31/12/11	31/5/10	31/12/11	75,000	7.7
P Housden	120,000	30/5/07	2.35	6.34**	31/12/11	31/5/10	31/12/11	-	-
EXECUTIVES									
C Johnstone	275,000	8/11/07	3.76	7.49**	9/11/12	9/11/10	9/11/12	-	-
P Uttley	150,000	8/11/07	3.76	7.49**	9/11/12	9/11/10	9/11/12	150,000	19.5
I Polovineo	75,000	8/11/07	3.76	7.49**	9/11/12	9/11/10	9/11/12	20,000	5.1
T Norman	20,000	8/11/07	3.76	7.49**	9/11/12	9/11/10	9/11/12	-	-
W Rossiter	150,000	9/5/07	2.82	5.71**	30/9/12	10/5/10	30/9/12	-	-
W Rossiter	75,000	8/11/07	3.76	7.49**	9/11/12	9/11/10	9/11/12	-	-
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.

Options granted as part of remuneration in 2008

31/12/08	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**

Auditor Independence and Non-audit Services

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

ERNST & YOUNG

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
Partner
23 February 2009

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
Total	**133,766**

Signed in accordance with a resolution of directors.

J Askew - Chairman

J. Klein - CEO

Sydney
23 February 2009

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;
- 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 CEO 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 CEO. 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 CEO 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:

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.

Corporate Governance Statement

For the year ended 31 December 2008

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:

	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 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

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.

Income Statement

For the year ended 31 December 2008

	Notes	Group 2008 A$'000	Group 2007 A$'000	Parent 2008 A$'000	Parent 2007 A$'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)
Attibuted 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)		

Balance Sheet

As at 31 December 2008

	Notes	Group 2008 A$'000	Group 2007 A$'000	Parent 2008 A$'000	Parent 2007 A$'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

Statement of Cash Flows

For the year ended 31 December 2008

	Notes	Group 2008 A$'000	Group 2007 A$'000	Parent 2008 A$'000	Parent 2007 A$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**206,050**	33,767	**-**	-
Payments to suppliers, employees and others		**(135,050)**	(35,225)	**(10,341)**	(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)	**(6,587)**	(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 FROM (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		**-**	-	**(251,231)**	(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	**56,086**	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

Statement of Changes in Equity

For the year ended 31 December 2008

Year Ended 31 December 2008

CONSOLIDATED	Issued capital A$'000	Convertible notes equity component A$'000	Accumulated losses A$'000	Hedge reserve A$'000	Other reserves A$'000	Outside equity interests A$'000	Total 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)

Statement of Changes in Equity

For the year ended 31 December 2008

Year Ended 31 December 2008

PARENT	Issued capital A$'000	Convertible notes equity component A$'000	Accumulated losses A$'000	Hedge reserve A$'000	Other reserves A$'000	Outside equity interests A$'000	Total 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**

Notes to the Financial Statements

For the year ended 31 December 2008

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).

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 because a non-vesting condition is not satisfied.	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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
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) below. 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

Notes to the Financial Statements

For the year ended 31 December 2008

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').

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").

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.

(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.

Notes to the Financial Statements

For the year ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

The fair value of options as at the grant date is expensed to the income statement over the vesting period to the extent that it is expected that that these options will ultimately vest (i.e. - the sevice and performance conditions will be met). No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at the grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Options granted to investors where there is no share based payment relationship and are denominated in a foreign currency are accounted for as derivative liabilities. These options are recorded on the balance sheet at fair value with any movements in fair value recorded directly in the income statement.

(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.

(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.

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

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.

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.

(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.

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:

Notes to the Financial Statements

For the year ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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:

- 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.

Notes to the Financial Statements

For the year ended 31 December 2008

	Group 2008 A$'000	Group 2007 A$'000	Parent 2008 A$'000	Parent 2007 A$'000
2. PROFIT AND LOSS ITEMS				
(a) Revenue from ordinary activities:				
Revenue from sale of gold	**198,158**	33,573	**-**	-
Other operating revenue[1]	**7,892**	-	**-**	
	206,050	33,573	**-**	-
(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[2]	**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
(g) Gain on fair value of vested share options - derivatives				
Gain on fair value of vested share options - derivatives[3]	**2,286**	1,303	**2,286**	1,303

1. Other operating revenue relates to silver and other BioGold by-product sales
2. 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.
3. Gain on fair value movement of vested seed options.

	Group 2008 A$'000	Group 2007 A$'000	Parent 2008 A$'000	Parent 2007 A$'000
(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[4]	**9,144**	1,545	**-**	-
	9,144	1,545	**99,283**	1,545
Golden China Resource Company ("GCX") impairment[5]				
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[6]	**1,411**	-	**1,411**	-
	100,694	1,545	**100,694**	1,545

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

5. 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.

Available for sale asset:

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

6. Other Investments

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

Notes to the Financial Statements

For the year ended 31 December 2008

	Group 2008 A$'000	Group 2007 A$'000	Parent 2008 A$'000	Parent 2007 A$'000
3. INCOME TAX				
(a) Income tax expense				
The major components of income tax expense are:				
Current income tax charge	**(11,099)**	-	**-**	-
Deferred income tax				
Relating to origination and reversal of temporary differences	**(5,128)**	(138)	**-**	-
Income tax expense reported in the income statement	**(16,227)**	(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	**16,227**	138	**-**	-
Deferred tax asset arising from tax losses and timing differences not brought to account at balance date as realisation of the benefit is not regarded as probable*	**84,381**	6,299	**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	**10,014**	-	-	-

	Group Balance Sheet		Group Income Statement	
	2008 A$'000	2007 A$'000	2008 A$'000	2007 A$'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 2008 A$'000	Group 2007 A$'000	Parent 2008 A$'000	Parent 2007 A$'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.

	Group 2008 A$'000	Group 2007 A$'000	Parent 2008 A$'000	Parent 2007 A$'000
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	**-**	-
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.

Notes to the Financial Statements

For the year ended 31 December 2008

8. OTHER FINANCIAL ASSETS – NON CURRENT

	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	-	-	**-**	-
Shandong MIC BioGold Limited (d)	99.71	-	-	**2,075**	36,766

	Group Interest held %	Group 2008 $'000	Parent 2007 $'000	Parent 2008 $'000	2007 $'000
Rockmining Group Company Limited (g)	100	**-**	-	**-**	-
Hei He Rockmining Development Limited (d)	80	**-**	-	**46,189*****	77,132
Sino Gold Kunming Jinsanjiang Mineral Product Co (d)	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)

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.

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)	(1,797)	(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**	**-**	**599**
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**

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**

10. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	Group 2008 $'000	Group 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
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.

	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.

12. PROVISIONS – CURRENT

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

Notes to the Financial Statements

For the year ended 31 December 2008

	Group 2008 $'000	Group 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
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 capitalised 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.

(b) Jinfeng Standby L/C loan - The Company has secured a standby cash collaterised L/C facility issued by its bankers to secure advances made by China Construction Bank, Guizhou Branch to the Jinfeng Project. 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	2/1/09	6.50%
62,700	13,252	15/2/09	6.07%
30,000	6,340	11/3/09	6.07%
29,700	6,277	15/4/09	6.24%
30,700	6,488	22/5/09	5.04%
28,800	6,087	6/7/09	6.67%
18,400	3,889	6/7/09	7.10%
33,900	7,165	12/8/09	5.99%
119,700	25,299	2/9/09	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'000	A$'000	Maturity	Annual interest rate
Working Capital Loan	40,900	8,644	31/8/09	6.66%
Construction Loan	190,100	40,178	31/8/13	7.74%
	231,000	**48,822**		**7.55%**

(d) Eastern Dragon Standby L/C loan – The Company has secured a standby cash collaterised L/C facility issued by its bankers to secure advances made by China Construction Bank, 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).

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'000	A$'000	Maturity	Annual interest rate
Short term	10,000	2,113	31/3/09	7.84%
	20,000	4,227	1/4/09	7.84%
	20,000	4,227	9/4/09	7.84%
	20,000	4,227	19/8/09	5.51%
Total of short term		**14,794**		
Long term	3,840	843	26/3/21	3.78%

	Group 2008 $'000	Group 2007 $'000	Parent 2008 $'000	Parent 2007 $'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.

	Group 2008 $'000	Group 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
15. DERIVATIVE LIABILITIES				
-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

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

	Group 2008 $'000	Group 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Ordinary shares fully paid (no par value)	**857,284**	527,970	**857,284**	527,970
	857,284	527,970	**857,284**	527,970

(b) Movements in ordinary shares on issue

	2008 Number of shares ('000)	2008 ($'000)	2007 Number of shares ('000)	2007 ($'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

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For the year ended 31 December 2008

16. ISSUED CAPITAL (CONTINUED)

(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 the end of the year	**12,252,334**	10,315,559
Exercisable at the end of the year	**3,182,700**	2,081,974

	Number	Date of issue	Exercise price	Expiry	Number vested	Vesting date
Other						
	250,000	16/9/05	$2.53	16/9/10	250,000	N/A
	777,700	7/8/07	C$5.63	8/8/12	777,700	N/A
Directors	100,000	31/12/04	$1.84	31/12/09	100,000	31/12/07
	800,000	31/12/05	$3.13	31/12/10	800,000	31/12/08
	1,370,000	31/12/06	$6.34	31/12/11	-	31/12/09
	970,000	9/11/07	$7.49	9/11/12	-	9/11/10
Employees	150,000	15/10/04	$1.90	15/10/09	150,000	15/10/07
	25,000	27/10/04	$1.96	27/10/09	25,000	27/10/07
	100,000	31/12/04	$1.84	31/12/09	100,000	31/12/07
	980,000	31/12/05	$3.13	31/12/10	980,000	31/12/08
	150,000	6/3/06	$3.65	6/3/11	-	6/3/09
	40,000	3/6/06	$4.72	3/6/11	-	3/6/09
	1,665,000	31/12/06	$6.34	31/12/11	-	31/12/09
	150,000	31/12/06	$6.34	30/9/12	-	30/9/10
	200,000	11/9/07	$6.04	30/9/12	-	30/9/10
	150,000	9/5/07	$5.71	30/9/12	-	30/9/10
	1,795,000	9/11/07	$7.49	9/11/12	-	9/11/10
	40,000*	13/8/08	$7.11	2/4/13	-	2/4/11
	150,000*	20/10/08	$4.01	20/10/13	-	20/10/11
	2,000,000*	9/12/08	$4.35	9/12/13	-	9/12/11
	109,730	12/4/05	C$9.68	12/4/10	-	12/4/08
	35,552	22/12/06	C$15.35	31/12/09	-	31/12/09
	33,433	22/12/06	C$3.07	31/12/09	-	31/12/09

	Number	Date of issue	Exercise price	Expiry	Number vested	Vesting date
	29,626	22/12/06	C$7.88	3/11/10	-	22/12/09
	159,318	14/3/07	C$3.83	14/3/12	-	14/3/10
	21,975	4/4/07	C$3.16	4/4/12	-	4/4/10
	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)

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

	Number	Date of issue	Exercise price	Expiry	Number vested	Vesting date
Other	399,960	27/4/06	C$7.88	27/4/09	399,960	N/A
	410,126	23/5/07	C$5.63	23/5/09	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	11/1/08	$2.00	$7.70
20,000	1/2/08	$2.00	$7.96
15,000	5/3/08	$2.00	$8.38
80,000	5/3/08	$2.08	$8.38
43,951	3/3/08	C$3.83	$8.02
10,000	25/3/08	$2.00	$6.86
10,000	9/4/08	$2.00	$6.87
10,000	7/5/08	$2.00	$5.54
20,000	22/5/08	$2.69	$5.32
20,000	23/5/08	$2.69	$5.32
221,332	23/7/08	$2.37	$5.96
25,000	6/8/08	$2.53	$4.58
28,668	13/10/08	$2.37	$4.54
75,000	31/10/08	$2.53	$3.50
125,000	18/12/08	$2.53	$4.50
1,108,951			

Notes to the Financial Statements

For the year ended 31 December 2008

16. ISSUED CAPITAL (CONTINUED)

(d) Employee Share and Option Schemes

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

EOP - Pursuant to the EOP, no money is payable for the issue of the options and the exercise price is the weighted average price of the company's shares on ASX over the five trading days prior to the date of offer of the options. The options expire five years after they are issued and may only be exercised three years after they are issued or such other period as the Board may determine. Senior staff will be offered participation in the EOP and the Board will determine the conditions on which options are issued under this plan.

The total number of options over unissued shares that may be issued under the EOP, which added to the number of shares or options issued under all other employee or executive share or option plans of the Company must not exceed 10% of the total number of shares on issue from time to time.

ESIS - The company has on issue 2,587,000 shares under the ESIS at 31 December 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)

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

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)

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	**10,015**	2,070	**10,015**	2,070
Cost of share based payments	**7,099**	7,945	**7,099**	7,945
At 31 December	**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

Operating leases

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

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.

Notes to the Financial Statements

For the year ended 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 1 Jan 08	Granted as Remuneration*	Options Exercised	Balance 31 Dec 08	Vested and 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).

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**

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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 ($)	Consolidated 2007 ($)
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

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.

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

21. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION 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.

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	**160,652**	69,986
	231,189	108,953	**197,474**	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))

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	Group 2008 $'000	Group 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
23. STATEMENT OF CASH FLOWS (CONTINUED)				
(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	**7,895**	(142)	**(130)**	-
Accrued liabilities	**5,290**	29,394	**-**	(5,939)
Provision	**9,575**	422	**380**	138
Tax	**16,443**	4,073	**-**	-
Net Cash Flows from (used in) Operating Activites	**61,654**	(11,671)	**(6,587)**	(11,887)
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:

	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.

Notes to the Financial Statements

For the year ended 31 December 2008

25. FINANCIAL INSTRUMENTS (CONTINUED)

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 shares 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.

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**	
Year ended 31 December 2008	**$'000**	**$'000**	**$'000**	**$'000**	**Total**
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)**

Year ended 31 December 2008	<=6 months $'000	6-12 months $'000	1-5 years $'000	>5 years $'000	Total
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.

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

Notes to the Financial Statements

For the year ended 31 December 2008

25. FINANCIAL INSTRUMENTS (CONTINUED)

(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 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 2008 $'000	Group 2007 $'000	Parent 2008 $'000	Parent 2007 $'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

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

	Group 2008 $'000	Group 2007 $'000	Parent 2008 $'000	Parent 2007 $'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 Higher/(Lower)		Equity Higher/(Lower)	
A$/US$ movement*	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Consolidated				
A$/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.

RMB/US$ movement*	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Consolidated				
RMB/US$ +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.

(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 utilised 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

Notes to the Financial Statements

For the year ended 31 December 2008

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.

Directors' Declaration

For the year ended 31 December 2008

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

Independent Audit Report

For the year ended 31 December 2008

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680 George Street
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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.

Independent Audit Report

For the year ended 31 December 2008

ERNST & YOUNG

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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

Ernst & Young

Paul Flynn
Partner
Sydney
23 February 2009

Additional Stock Exchange Information

For the year ended 31 December 2008

Additional information required by the Hong Kong Stock Exchange and not shown elsewhere in this report is as follows.

Sufficient Public Float

In accordance with to the Listing Rules of the Hong Kong Stock Exchange the Company confirms that, at the date of this report, at least 25% of its ordinary shares are in public hands.

Historical Financial Results

	2008 A$000s	2007 A$000s	2006 A$000s	2005 A$000s	2004 A$000s
Sales revenue - spot	198,158	33,573	8,695	11,024	20,044
Hedging losses	(11,984)	(9,292)	0	0	0
Net revenue	186,174	24,281	8,695	11,024	20,044
Profit (loss) before depreciation, finance costs, impairment, exploration written off and tax	60,593	(5,218)	(13,800)	(12,652)	(143)
(Loss) before income tax	(85,204)	(24,801)	(20,054)	(23,707)	(20,856)
Net (loss) after tax	(101,431)	(24,939)	(20,054)	(26,210)	(20,856)
Assets	1,245,848	785,355	275,801	140,925	90,097
Liabilities	(425,592)	(398,323)	(221,888)	(100,751)	(15,728)
Net assets	820,256	387,032	53,913	40,174	74,369
Minority interest	(51,193)	(61,846)	0	0	0
Number of shares on issue ('000s)	291,812	223,432	153,061	131,444	129,244
Earnings per share	(38.6)	(13.2)	(13.7)	(20.2)	(16.1)

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 March 2009.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary Shares	
	Number of holders	Number of shares
1 - 1,000	2,662	1,084,765
1,001 - 5,000	1,505	3,543,841
5,001 - 10,000	285	2,071,490
10,001 - 100,000	227	5,877,181
100,001 and over	66	279,419,350
	4,745	291,996,627
The number of shareholders holding less than a marketable parcel of shares are:	458	22,366

Additional Stock Exchange Information

For the year ended 31 December 2008

(b) Distribution of options

The number of holders, by size of holding, in each class of unlisted options are:

	$2.37 16/09/10	Various Directors	Various Employees	Golden China Warrants	Golden China Options
1 - 1,000	-	-	-	9	2
1,001 - 5,000	-	-	2	11	3
5,001 - 10,000	-	-	26	5	3
10,001 - 100,000	-		51	11	2
100,001 and over	1	4	16	2	2
Total	**1**	**4**	**95**	**38**	**12**

(c) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

	Number of shares	Percentage of ordinary shares
HSBC Custody Nominees (Australia) Limited	72,545,749	24.8
Gold Fields Australasia (BVI) Limited	57,968,029	19.9
National Nominees Limited	51,940,992	17.8
J P Morgan Nominees Australia Limited	17,725,409	6.1
ANZ Nominees Limited <Cash Income A/C>	15,289,114	5.2
Sino Mining International Limited	11,492,912	3.9
Citicorp Nominees Pty Limited	11,235,807	3.8
HKSCC Nominees Limited	8,818,031	3.0
Citicorp Nominees Pty Limited <CFS W/Sale GBL Res Fund A/C>	2,606,214	0.9
Citicorp Nominees Pty Limited < CFS Future Leaders Fund A/C>	2,429,868	0.8
Mr Jacob Klein	2,203,831	0.8
Cogent Nominees Pty Limited	2,165,075	0.7
AMP Life Limited	1,731,180	0.6
Citicorp Nominees Pty Limited < CFSIL CFS WS Small Comp A/C>	1,575,395	0.5
Queensland Investment Corporation	1,568,991	0.5
Cogent Nominees Pty Limited <SMP Accounts>	1,373,063	0.5
HSBC Custody Nominees (Australia) Limited - GSCO ECA	1,270,558	0.4
Neweconomy Com Au Nominees Pty Limited <900 Account>	1,151,713	0.4
Standard Bank London Limited	1,100,000	0.4
Merrill Lynch (Australia) Nominees Pty Limited	1,029,836	0.4
	258,403,746	**88.5**

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act are:

	Number of shares
Gold Fields Limited	57,968,029
BlackRock Group	18,197,593
Commonwealth Bank of Australia	14,636,465

(e) Voting rights

All ordinary shares carry one vote per share without restriction.

Corporate Directory

Company Information
Sino Gold Mining Limited
ABN: 42 093 518 579
Australian Stock Exchange Code: SGX
Hong Kong Stock Exchange Code: 1862
Website: www.sinogold.com.au

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

Company Secretary
Australia - Ivo Polovineo
Hong Kong - Jane Chan Yuen Bik

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Deacons
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Sydney NSW 2001

In this report the words 'Sino Gold', 'the Group' or 'the Company' are used to refer to Sino Gold Mining Limited and/or its related bodies corporate and 'Gold Fields' is used to refer to Gold Fields Limited and/or its related bodies corporate.

All currency is expressed in Australian dollars unless otherwise indicated. All weights expressed in ounces are troy ounces.

The information contained in this report has been prepared using the information available to Sino Gold at the time of preparation. This report contains forward-looking statements that were based on expectations, estimates and projections as of the date of this report. Any forward-looking statement is subject to known and unknown factors which may cause actual results and developments to materially differ from those expressed by, or implied by the forward-looking statements in this report.

The information contained in this report which relates to mineralisation, reserves or resources has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 Edition) and accurately reflects information compiled or audited by Sino Gold's Chief Geologist Phillip Uttley and those named in the Notes to Mineral Resources and Ore Reserves, who are Competent Persons in relation to such mineralisation.

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