

Sino Gold Mining Limited

ASX Stock Code: SGX, SEHK Stock Code: 1862

Interim Report 2007

(for the Half-Year Ended 30 June 2007)



澳华黄金

rising gold star



澳华黄金



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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.

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Key Points

- Construction of the group's Jinfeng Gold Mine was completed during the half year and first gold was produced and sold.
- Jinfeng's Ore Reserves and Mineral Resources increased to 3.2 million ounces and 4.6 million ounces, respectively.
- The White Mountain Project progressed towards development commencing in the second half of 2007.
- Agreement signed on 13 August 2007 for proposed takeover of Golden China Resources Corporation.
- Substantial exploration and drilling programs in progress to further consolidate Sino Gold's position as the leading foreign gold company in China.
- Secondary listing on the Hong Kong Stock Exchange completed.
- Equity issued during the half year raised a net A\$160.3 million, providing a strong balance sheet to fund growth.
- Net loss of A\$3.1 million after A\$5.1 million in finance costs.
- Net assets totalled A\$207.7 million at 30 June 2007, including net available cash of A\$100.5 million.

I am pleased to report that during the first half of 2007 Sino Gold put in place the foundation for strong future profits by commencing gold production at its flagship Jinfeng Gold Mine, advancing the White Mountain Project towards development and continuing to undertake the largest gold exploration program in China.

The Jinfeng development is the largest investment in China's mining industry by a foreign company and will soon be China's second largest gold mine.

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

Gold production commenced at Jinfeng during the half year with 10,687 ounces produced of which 2,581 ounces were poured and sold. Most areas of the processing plant have performed well during the commissioning phase with the plant demonstrating improving throughput and recovery rates. The processing plant is now being ramped-up to design throughput and production levels.

Rapid progress has been made on advancing our White Mountain Project towards becoming Sino Gold's second mine. Following receipt of the Environmental Impact Assessment approval, the Company's Board of Directors approved development of White Mountain in early August 2007. Mobilisation and site preparation is now in progress with site construction to commence in earnest following receipt of the Provincial Project Permit.

The cost to develop White Mountain is estimated to be US\$55 million. Project commissioning is expected in late 2008 with commercial production reached in early 2009 at an annual production rate of approximately 70,000 ounces at a cash cost of less than US\$250 per ounce.

Significant potential remains to increase the initial White Mountain Mineral Resource of 846,000 ounces and Ore Reserve of 434,000 ounces of gold, particularly to the northeast and at depth.

Sino Gold's very substantial drilling programs over the course of 2007 are aimed at further increasing reserves at Jinfeng and White Mountain, as well as discovering the next orebody.

A major corporate initiative during the period was Sino Gold becoming the first ASX-listed company with a secondary listing on the Hong Kong Stock Exchange. Trading of the Company's shares in Hong Kong commenced on 16 March 2007 and I would like to extend a very warm welcome to our new shareholders.

Our Hong Kong listing is an integral part of our strategy to continue to build a leading position in China's rapidly evolving gold industry. We believe that Hong Kong investors will highly value our growth strategy, especially as growing production from Jinfeng provides strong profits.

Financial Results

The Company's loss of A\$3.1 million for the half year to 30 June 2007 should be viewed in the context of Sino Gold's focus on developing Jinfeng during the period. The gold price has been strengthening and there could not be a better time to be bringing a major new gold mine into production.

The Balance Sheet was strengthened considerably during the period with equity issues raising a net A\$160.3 million. Net assets totalled A\$207.7 million at 30 June 2007, including net available cash of A\$100.5 million.

Net cashflow utilised in operating activities was A\$7.9 million for the period, which included interest payments of A\$5.2 million. A total of A\$58.3 million was absorbed by investment activities during the half year, which predominantly related to exploration, evaluation and development activities.

Outlook

Sino Gold's strategy is to continue to grow its portfolio of quality assets and capitalise on its leading position in China's gold industry. China has become the world's third largest gold producer and may ultimately become the largest gold producing country if recent trends continue.

Our approach is to develop gold mines in a manner which provides long-term benefits to all stakeholders and optimises the returns from the gold resources. The Company'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.



At Jinfeng, as previously disclosed the commissioning and ramp up has been hampered by heavy rainfall which restricted the capacity to discharge tailings to the CIL dam. Company guidance remains at 70,000-75,000 ounces for the year with approximately 15,000-20,000 ounces in the third quarter and the balance in the fourth quarter as the plant approaches full production rates.

We are excited about the commencement of construction of our second gold mine at White Mountain.

In August 2007, Sino Gold announced that it had entered into an agreement regarding a proposed offer to acquire all of the outstanding shares of Golden China Resources Corporation. This proposed acquisition provides an attractive addition to our asset base and enhances our growth profile as the Beyinhar project is advanced to development status. Formal documentation is anticipated to be sent to the shareholders of Golden China in October 2007.

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

With the largest gold exploration program in China and a number of acquisitions being evaluated, Sino Gold is very well placed to create value for shareholders.

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

The coming months promise to be very eventful and I recommend regularly visiting www.sinogold.com.au to keep up-to date with the Company's progress.

The Hong Kong listing and imminent cash flow from Jinfeng provides a powerful platform to grow our business. Sino Gold is very well positioned to capitalise on the enormous opportunity presented by China's prospectivity and rapidly improving business environment.

Jake Klein
Chief Executive Officer

Your directors submit their report for the half-year ended 30 June 2007.

This half-year report covers the consolidated entity comprising Sino Gold Mining Limited and its subsidiaries ("the Group" or "Sino Gold"). The functional currency of Sino Gold Mining Limited and its Australian subsidiaries is United States dollars ("US\$"). The functional currency of the overseas subsidiaries is Renminbi Yuan ("RMB"). The financial report is presented in Australian dollars ("A\$").

A description of the Group's operations and of its principal activities is included in the review and results of operations in the Directors' Report. The Directors' Report is unaudited and does not form part of the financial statements.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

James Askew — Chairman
 Jacob Klein — President and CEO
 Xu Hanjing — Executive Director
 James Dowsley — Non-Executive Director
 (Appointed 30 July 2007)
 Zhong Jianguo — Non-Executive Director
 Brian Davidson — Independent Non-Executive Director
 Peter Cassidy — Independent Non-Executive Director
 Peter Housden — Independent Non-Executive Director

Review and results of operations

Jinfeng

Contract open cut mining operations continue to perform efficiently with a focus on waste stripping during the half-year due to significant run-of-mine ("ROM") ore stockpiles in place ready for processing. A total of 290,000 tonnes of ore were mined along with 2,191,000 m³ of waste material. ROM ore stockpiled at 30 June 2007 totalled 277,000 tonnes.

The underground decline portal was completed in the half-year with government approval received in early August 2007 for driving the main decline.

The Jinfeng processing plant was completed in April 2007 with a commissioning gold pour conducted in mid-March. Since that time the plant has been operating on both a campaign and semi-continuous basis with 95,000 tonnes treated in the half-year. The grinding circuit is displaying additional capacity and the flotation, BIOX[®] circuit and CIL circuit all appear capable of achieving nameplate throughput of 1.2 million tonnes per annum. Flotation recoveries of up to 80% have been achieved, however average recoveries have been impacted due to the flotation circuit operating intermittently as concentrate feed rates have been restricted during the ramp-up to BIOX[®] design capacity. Gold poured totalled 2,581 ounces in the half-year and proceeds on gold sales have been netted against capitalised commissioning costs on the balance sheet.

The belated requirement to line the CIL tailings dam curtailed operations in May and persistent rainfall in late June necessitated the Company to cease operating the CIL circuit and reduce BIOX[®] processing so that excess water in the CIL dam could be removed in a controlled manner. Following receipt of requisite approvals in early July sufficient water was removed to enable re-commencement of tailings discharge from the processing plant to the CIL dam in July. The Company has initiated civil works to improve the project's capacity to divert run-off water from entering the CIL dam.

It is anticipated the plant will ramp-up to design throughput and production levels over the course of the September quarter with commercial rates of production expected to be achieved imminently. As commercial production has yet to be achieved the Company continues to capitalise costs.

Exploration at Jinfeng continues to yield positive results with the Jinfeng Ore Reserve estimate updated in May 2007 to 16.6 million tonnes at 5.7g/t gold, containing 3.2 million ounces. This represents a contained gold increase of 341,000 ounces over the previous estimate due to the addition of 1.2 million tonnes of ore and the average gold grade increasing to 5.7g/t from 5.4g/t. Approximately two-thirds of this reserve is in the proved category and approximately 83% of Measured and Indicated Resources have been converted to Ore Reserves.

Mine exploration continues with most recent activity focused on extending the deep and upper zones which both remain open along the plunge to the east-southeast.



White Mountain

The 95% White Mountain Project is located in Jilin Province, northeast China. Following receipt of the Environmental Impact Assessment approval in July the Board of Directors approved the development of White Mountain. Mobilisation and site preparation are in progress with site construction to commence in earnest once the Provincial Project Permit is received, which is expected by the end of September.

Project development costs are estimated at US\$55 million (including contingency) with potential reductions in this cost if contract mining is employed. Project commissioning is expected in late 2008 with commercial production reached in early 2009 at an annual production rate of approximately 70,000 ounces at a cash cost of less than US\$250 per ounce. The processing circuit is a simple standard Chinese design grinding/CIL circuit with planned throughput of 650,000 tonnes per annum of ore grading 4.2g/t gold.

The initial White Mountain Ore Reserve totals 3.2 million tonnes at 4.2 g/t gold containing 434,000 ounces. Significant potential remains to increase this Ore Reserve, particularly to the northeast and at depth, and an active drilling campaign is underway with nine drill rigs currently at site.

Financial Results

The Company recorded a loss of A\$3.1 million for the half year to 30 June 2007 compared to a loss of A\$8.0 million for the half year to 30 June 2006 and a loss of A\$20.1 million for the year ended 31 December 2006.

The results in the previous half-year and full year included the results from the Jianchaling Mine which was disposed of in the previous half-year. The current period results are primarily made up of interest income, finance costs, corporate costs, exploration expenditure written off, hedge losses expensed and the accounting impact on embedded derivatives on seed share options denominated in our reporting currency (A\$) as opposed to our functional currency (US\$) which creates a material impact to the profit and loss account.

Interest income (A\$2.7 million) was earned on both cash and cash equivalents along with restricted cash. Restricted cash represents cash held on deposit to secure the RMB working capital loan within China with China Construction Bank. Finance costs (A\$5.1 million) are made up of borrowing costs expensed,

interest charges on the US\$42 million Jinfeng project facility, interest charges on Jinfeng Standby L/C Loan and coupon payments on the US\$35 million convertible note.

During the period the company relinquished the Zhengyuan and Heishan tenements in Shandong Province and costs associated with exploration on these tenements have been written off. New exploration licences have subsequently been added to our exploration portfolio in the Shandong area by our joint venture partner to replace these relinquished properties.

The half-year loss was materially impacted by the ongoing interpretation under International Financial Reporting Standards which deems certain share options to be derivative liabilities rather than equity. The International Financial Reporting Interpretations Committee continues to hold the view that contracts settled by delivering a fixed number of a company's own equity instruments in exchange for a fixed amount of a foreign currency should be classified as liabilities rather than equity. As Sino Gold has a United States dollar functional currency, all options containing an Australian dollar strike price (other than employee and director options covered under AASB 2—Share Based Payments) are accounted for as liabilities rather than equity. The balance sheet result of this treatment is that the Company is recognising a current liability of A\$14.4 million at 30 June 2007 (A\$19.8 million at 31 December 2006) that will never be cash settled.

The resulting impact on the income statement is that movements during a given period in the fair value of the relevant options are recorded as a gain or loss and a foreign exchange gain or loss is also attributable on the translation to the functional currency. A net non-cash income gain of A\$4.3 million was recognized in the half-year made up of a non-cash income gain of \$5.4 million due to the decrease in the share price of the Company from A\$7.30 at 29 December 2006 to A\$5.63 on 29 June 2007 offset by a A\$1.1 million non-cash foreign exchange loss due to the appreciation of the Australian dollar over the United States dollar in the same period.

Net cashflow utilised in operating activities was A\$7.9 million for the six-month period, which included interest payments of A\$5.2 million. During the half-year A\$58.3 million was absorbed by investment activities, the bulk of which pertained to exploration, evaluation and development activities.

Financing activities during the period include A\$160.3 million generated from new share issues and A\$43.8 million proceeds from the full drawdown of both the Jinfeng project finance facility and the RMB working capital facility from China Construction Bank.

The Company had cash reserves of A\$153.5 million at the end of the period including restricted cash of A\$53.0 million. The financial statements recognise total assets of A\$461.0 million, net assets of A\$207.7 million giving a book value of net assets per share of A\$0.35. In accordance with Accounting Standards net assets do not recognise the full value of the Company's Ore Reserves.

Financial Results	GROUP A\$'000
Earnings before finance costs	
and gain on fair value of vested share options	(2,281)
Gain on fair value of vested share options — derivatives	4,287
Finance costs	(5,123)
Loss before income tax	(3,117)
Income tax expense	—
Net Loss	(3,117)

Hedging

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

Hedging Position at 30 June 2007

	Fixed Forwards		Bought Put Options	
	Ounces	US\$/oz	Ounces	US\$/oz
2007	31,827	523	37,092	400
2008	73,548	524	74,184	400
2009	64,612	525	74,178	400
2010	64,612	525	—	—
2011	64,612	525	—	—
2012	35,789	530	—	—
Total	335,000	525	185,454	400
Minority Share	(60,300)	525	(33,382)	400
Net	274,700	525	152,072	400

Production delays at Jinfeng have resulted in 2,091 ounces of forward gold sales in July and 11,918 ounces of put options expected to be settled in 2007 as no longer classified as effective hedges. Accordingly the mark-to-market losses on these instruments has been expensed in the income statement. All other forward sales and put options are regarded as effective hedges and the mark-to-market impact is recognised in the balance sheet as a liability and in equity.

Issued Capital

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

In March 2007 the company successfully completed a secondary listing on the Main Board of The Stock Exchange of Hong Kong Limited ("the SEHK"). Total shares issued on SEHK were 19,708,912 ordinary shares at A\$7.00 per share raising a total of A\$138.0 million. This secondary listing was the first for an Australian company and the Company was the first pre-production mining company listed in Hong Kong.

In addition, during the half year a total of 1,946,776 ordinary shares were issued on the exercise of unlisted options details of which are as follows:

- 1,777,776 shares at US\$0.5625 per share
- 94,000 shares at A\$2.69 per share
- 75,000 shares at A\$1.20 per share

The Company has not redeemed any of its shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

At 30 June 2007 Sino Gold had 181,216,415 ordinary shares and 9,000,000 unlisted options on issue.

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**
James Askew — Chairman	—	—	140,000
Jacob Klein — CEO	1,032,178	1,650,000	650,000
Xu Hanjing	200,000	600,000	475,000
James Dowsley	—	—	—
Zhong Jianguo	—	—	120,000
Brian Davidson	212,315	—	20,000
Peter Cassidy	22,315	—	140,000
Peter Housden	10,000	—	—

* Shares issued pursuant to the Employee Share Incentive Scheme ("ESIS").

** In addition to the above at the Annual General Meeting held in May 2007 shareholders approved the following option issues to be made after 16 September 2007 to directors as follows: Jacob Klein (750,000), Xu Hanjing (500,000) and Peter Housden (120,000).

As at the date of this report, the names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Ordinary Shares
Gold Fields Limited	31,658,185
Merrill Lynch & Co Inc	24,355,425
J P Morgan Chase & Co	12,324,958
Commonwealth Bank of Australia	10,122,582
Sino Mining International Limited	10,020,805
Indus Capital Partners LLC	9,219,116

Corporate Governance

Through-out the half-year ended 30 June 2007 the Company has 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 SEHK.

During the half-year ended 30 June 2007 the Company has, in respect of the Model Code set out in Appendix 10 of the SEHK Listing Rules:

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

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

Audit Committee

The Group's half-year report for the six months ended 30 June 2007 has been reviewed by the audit committee. The audit committee notes the ongoing interpretation under International Financial Reporting Standards which deems certain share options to be derivative liabilities rather than equity and the resultant impact of this on the balance sheet and income statement of the Company as disclosed above.

Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

Auditors Independence Declaration

We have obtained the following independence declaration from our auditors 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
DX Sydney Stock
Exchange 10172

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

In relation to our review of the financial report of Sino Gold Mining Limited for the half-year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



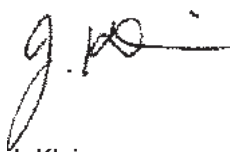
Paul Flynn
Partner

21 August 2007

Signed in accordance with a resolution of the directors.



J. Askew
Chairman



J. Klein
CEO

Sydney, 21 August 2007

Condensed Income Statement

Half-Year Ended 30 June 2007

		CONSOLIDATED	
		Half-year to June 2007	Half-year to June 2006
	Notes	A\$000	A\$000
Revenue from sale of gold	2	—	5,429
Other expenses	2	(4,958)	(8,166)
Other income	2	2,677	580
Finance costs	2	(5,123)	(2,214)
		(7,404)	(4,371)
Gain/(loss) on fair value of vested share options — derivative	2	4,287	(3,626)
Total loss from continuing operations before tax		(3,117)	(7,997)
Income tax expense		—	—
Net loss attributable to members of Sino Gold Limited		(3,117)	(7,997)
Basic loss per share (cents per share)		(1.72)	(5.23)
Diluted loss per share (cents per share)		(1.72)	(5.23)

Condensed Balance Sheet

As at 30 June 2007

		CONSOLIDATED	
	Notes	As at 30 June 2007 A\$000	As at 31 December 2006 A\$000
Current Assets			
Cash and cash equivalents		100,518	13,923
Restricted cash	5(c)	53,022	7,582
Trade and other receivables		2,891	2,550
Inventories		14,401	1,412
Prepayments		342	6,967
Total Current Assets		171,174	32,434
Non-Current Assets			
Receivables		1,841	3,067
Property, plant and equipment	3	385	226
Deferred exploration, evaluation and development costs	4	287,604	240,074
Total Non-Current Assets		289,830	243,367
Total Assets		461,004	275,801
Current Liabilities			
Trade and other payables		29,386	25,258
Provisions		602	645
Interest bearing liabilities	5	56,987	9,742
Derivatives	6	25,709	25,205
Total Current Liabilities		112,684	60,850
Non-Current Liabilities			
Interest bearing liabilities	5	78,850	89,900
Derivatives	6	61,794	71,138
Total Non-current Liabilities		140,644	161,038
Total Liabilities		253,328	221,888
Net Assets		207,676	53,913
Equity			
Issued capital	7	327,594	168,259
Convertible notes — equity component		3,228	3,228
Accumulated losses		(67,422)	(64,305)
Other reserves		(98,472)	(87,343)
Total Parent Entity Interest in Equity		164,928	19,839
Outside equity interests		42,748	34,074
Total Equity		207,676	53,913

Condensed Cash Flow Statement

Half-Year Ended 30 June 2007

	CONSOLIDATED	
	Half-year to June 2007 A\$000	Half-year to June 2006 A\$000
Cash flows from operating activities		
Receipts from customers	—	5,430
Payments to suppliers, employees and others	(5,178)	(6,371)
Interest received	2,681	330
Interest paid	(5,181)	(1,776)
Other	(263)	250
Net cash flows used in operating activities	(7,941)	(2,137)
Cash flows from investing activities		
Purchase of property, plant and equipment	(271)	(15)
Payments for exploration, evaluation and development	(58,050)	(51,688)
Net cash flows used in investing activities	(58,321)	(51,703)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	171,007	69,942
Share issue costs	(10,752)	(7,646)
Proceeds from borrowings	43,803	20,180
Proceeds from repayment of employee loans	1,196	193
Net cash flows from financing activities	205,254	82,669
Net increase/(decrease) in cash held	138,992	28,829
Cash and cash equivalents at beginning of period	21,505	28,769
Effects of exchange rate changes on cash	(6,957)	(150)
Cash and cash equivalents (including restricted cash) at end of period	153,540	57,448

Condensed Statement of Changes in Equity

Half-Year Ended 30 June 2007

	CONSOLIDATED					
	Issued capital A\$'000	Convertible notes Equity component A\$'000	Retained earnings A\$'000	Other Reserves A\$'000	Outside Equity interests A\$'000	Total A\$'000
At 1 January 2007	168,259	3,228	(64,305)	(87,343)	34,074	53,913
Currency translation differences	—	—	—	(11,386)	—	(11,386)
Movement in fair value of cashflow hedges	—	—	—	(1,281)	—	(1,281)
Total income/(expense) for the period recognised directly in equity	—	—	—	(12,667)	—	(12,667)
Loss for the period	—	—	(3,117)	—	—	(3,117)
Total income/(expense) for the period	—	—	(3,117)	(12,667)	—	(15,784)
Share issue costs	(11,672)	—	—	—	—	(11,672)
Allotment of new shares	169,391	—	—	—	—	169,391
Exercise of options	1,616	—	—	—	—	1,616
Cost of share based payments	—	—	—	1,538	—	1,538
Minority equity uplift in development and production assets	—	—	—	—	8,674	8,674
At 30 June 2007	327,594	3,228	(67,422)	(98,472)	42,748	207,676
At 1 January 2006	101,949	3,228	(44,337)	(34,183)	11,491	38,148
Currency translation differences	—	—	—	120	—	120
Movement in fair value of cashflow hedges	—	—	—	(50,952)	—	(50,952)
Total income/(expense) for the period recognised directly in equity	—	—	—	(50,832)	—	(50,832)
Loss for the period	—	—	(7,997)	—	—	(7,997)
Total income/(expense) for the period	—	—	(7,997)	(50,832)	—	(58,829)
Share issue costs	(3,685)	—	—	—	—	(3,685)
Allotment of new shares	63,531	—	—	—	—	63,531
Exercise of options	6,411	—	—	—	—	6,411
Cost of share based payments	—	—	—	626	—	626
Minority equity uplift in development and production assets	—	—	—	—	7,549	7,549
At 30 June 2006	168,206	3,228	(52,334)	(84,389)	19,040	53,751

Notes to the Half-Year Financial Statements

30 June 2007

1. Basis of preparation of the half-year financial report

Corporate information

The financial report of Sino Gold Mining Limited (the Company) for the half-year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 21 August 2007. Sino Gold Mining Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited.

Summary of significant accounting policies

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Sino Gold Mining Limited as at 31 December 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Sino Gold Mining Limited and its controlled entities during the half-year ended 30 June 2007 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

(a) Basis of preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost convention except for derivative financial instruments and vested share options which have been measured at fair value. The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2006. There have been no changes in accounting policies as a result of the adoption of amending standards mandatory for annual reporting periods beginning on or after 1 January 2007.

(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.

	Notes	CONSOLIDATED Half-year to June 2007 A\$000	Half-year to June 2006 A\$000
2. Loss from ordinary activities			
(a) Specific Items			
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
(i) Revenues from ordinary activities			
Revenue from sale of gold		—	5,429
Other income			
Other operating revenue		(4)	250
Interest revenue		2,681	330
		2,677	580
		2,677	6,009
(ii) Other expenses			
Depreciation and amortisation		57	28
Employee benefits		493	339
Share based payments expense		1,220	626
Mining costs, raw materials and consumables		—	4,344
Deferred exploration costs written off		702	—
Loss on ineffective hedges		798	—
Corporate overheads		3,075	2,423
Foreign exchange (gain)/loss		(1,387)	250
Royalties paid		—	156
		4,958	8,166
(iii) Finance costs			
Interest paid and charged		4,687	2,070
Other borrowing costs		436	144
		5,123	2,214
(iv) Gain/(loss) on fair value of vested share options — derivatives			
Gain/(loss) on fair value of vested share options — derivatives		4,287	(3,626)

	June 2007 A\$000	December 2006 A\$000
3. Property plant & equipment		
Plant, equipment and leasehold		
Opening book value	226	339
Additions	271	107
Disposals	(55)	(142)
Depreciation for period	(57)	(78)
Net book value	385	226
4. Deferred exploration, evaluation and development costs		
Opening book value	240,074	102,868
Additions	55,176	121,917
Value of exploration licence contributed by minority interest partner	8,674	22,583
Deferred exploration costs written off	(702)	—
Foreign exchange adjustment	(15,618)	(7,294)
Net book value	287,604	240,074
5. Interest bearing liabilities		
Current		
Jinfeng Project Loan (b)	7,718	2,061
Jinfeng Standby L/C Loan (c)	48,233	6,847
Jinfeng Financing Lease (d)	—	148
Deferred gold put option premium	1,036	686
	56,987	9,742
Non-current		
Convertible notes (a)		
Convertible notes at face value	38,341	41,122
Accrued interest	536	376
Un-amortised borrowing costs	(1,266)	(1,500)
	37,611	39,998
Jinfeng Project Loan (b)		
Principal	41,231	48,884
Un-amortised borrowing costs	(1,124)	(1,403)
	40,107	47,481
Jinfeng Financing Lease (d)	—	593
Deferred gold put option premium	1,132	1,828
	78,850	89,900

5. Interest bearing liabilities (continued)

- (a) In March 2005 the company issued 35,000 convertible notes at an issue price of US\$1,000 per note, raising a total of US\$35 million. The notes are seven-year convertible notes maturing in March 2012. Interest is payable on the notes at the rate of 5.75% per annum. The price for conversion of the notes into ordinary shares in the Company is A\$2.89 per share. The fair value of the liability was originally assessed at US\$32.5 million. The company also has access to a further US\$20 million under the Convertible Note facility.
- (b) Jinfeng Project Loan - this financing facility is arranged and jointly underwritten by Standard Bank London Limited and Bayerisch Hypo-und Vereinsbank AG for US\$40 million plus US\$2 million capitalized interest with a 7 year term. 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 30 June 2007 the total drawdown amount was US\$41.5 million (A\$49.0 million).

- (c) Jinfeng Standby L/C loan — The company has secured a standby cash collateralised L/C facility issued by its bankers to secure advances made by China Construction Bank, Guizhou Branch to the Jinfeng Project. The interest rate for this loan is currently 5.95%. Restricted cash held on deposit as security for this facility at 30 June 2007 was US\$45.0 million (A\$53.0 million).
- (d) Jinfeng Financing Lease — The contract period is 5 years. Monthly payment of RMB97,000 are made to the lessor. This contract was terminated in March 2007 and all the outstanding balance was repayed.
- (e) The Company has entered into a Cost Overrun facility in relation to the Jinfeng Project in the principal amount of US\$3.7 million. No amounts have been drawn under this facility.

	June 2007 A\$000	December 2006 A\$000
6. Derivatives		
Current		
Fair value of non-employee vested share options	14,420	19,845
Fair value of gold forward contracts & options	11,289	5,360
	25,709	25,205
Non-current		
Fair value of gold forward contracts & options	61,794	71,138
	61,794	71,138

7. Issued capital

Ordinary shares Issued and fully paid	327,594	168,259
	Number of shares '000	June 2007 A\$000
Movements in ordinary shares on issue		
At 1 January 2007	153,061	168,259
Issue of shares	28,155	171,007
Share issue and transaction costs	—	(11,672)
Closing balance	181,216	327,594

8. Contingent liabilities

There are no contingent liabilities as at 30 June 2007.

9. Dividends paid and proposed

No dividends have been paid or proposed.

10. 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.

11. Subsequent events

On 3 August 2007 the Company's Board of Directors approved the development of the White Mountain Gold Project. Highlights of the White Mountain Project are: 1) gold production of approximately 70,000 ounces per annum; 2) forecast capital cost of US\$55 million (including contingency); 3) operating costs of less than US\$250 per ounce; and 4) commissioning to commence in late 2008 with commercial production in early 2009.

On 13 August 2007 the Company announced a proposed offer to acquire all of the outstanding shares in Golden China Resources Corporation ("Golden China"). Under the key terms of the proposed offer, Golden China shareholders would receive one Sino Gold share for every 4.5 Golden China shares held which would result in an additional 12,616,790 Sino Gold shares being issued. A

Definitive Support Agreement is expected to be finalised by 10 September 2007 and following this Sino Gold will provide interim funding to Golden China by subscribing to a private placement in Golden China shares. The subscription will be for the lesser of either Candian \$5 million worth of Golden China common shares or such a number of Golden China shares to result in Sino Gold owning a 9.9% interest in Golden China.

12. Capital expenditure commitment

The group has commenced development and construction of it's second gold mine, the White Mountain Gold Project in Jilin Province PRC which has a capital cost estimate of approximately US\$55.0 million of which approximately US\$2.7 million has been spent to 30 June 2007. The company has arranged sufficient funding to ensure that the balance of the commitment will be met.

Directors Declaration

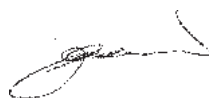
In accordance with a resolution of the directors of Sino Gold Mining Limited, we state that:

In the opinion of the directors:

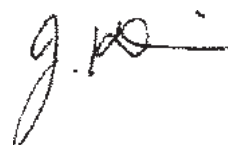
- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the 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.

On behalf of the Board



J. Askew
Chairman



J. Klein
CEO

Sydney, 21 August 2007

Independent Audit Review Report



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To the members of Sino Gold Mining Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of Sino Gold Mining Limited and the entities it controlled during the half-year, which comprises the condensed balance sheet as at 30 June 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Condensed Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Sino Gold Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Sino Gold Mining Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Paul Flynn
Partner

Sydney, 21 August 2007

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

澳华黄金
rising gold star

Directors

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

Audit Committee

Brian Davidson
Zhong Jianguo
Peter Housden

Remuneration and Nomination Committee

Brian Davidson
James Askew
Peter Cassidy

Risk Management Committee

Peter Cassidy
Brian Davidson
James Askew

Company Secretary

Australia — Ivo Polovineo
Hong Kong — Jane Chan Yuen Bik

Authorised Representative

Australia — Ivo Polovineo
Hong Kong — Dennis Chi Ho Ng

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NOTES

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.

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

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.