

Mining Rights

The Group has successfully obtained the mining right for the Jinfeng Project in Guizhou Province. The permit number is 1000000510057. A summary of the mining right in respect of the Jinfeng Project is set out below:

<u>Project</u>	<u>Location</u>	<u>Interest held by Group</u>	<u>Mining Licence Area (sq.km.)</u>	<u>Validity Period</u>	<u>Mining Method</u>
Jinfeng Project .	Zhenfeng County, Guizhou Province	82%	1.2843	12 years from May 2005 to May 2017	Open-pit/ underground mine

The Gold Operating Permit for the Jinfeng Project was issued by the NDRC on December 25, 2006, to allow the Group to conduct gold mining activities in respect of the Jinfeng Project.

Exploration Rights

The Group has also been successful in obtaining a number of exploration rights. The Company will seek additional exploration rights as it continues to pursue its strategic objectives. A summary of the Company's current exploration rights is set out below:

<u>Project</u>	<u>Location</u>	<u>Interest held by Group</u>	<u>Exploration Licence Area (sq.km.)</u>	<u>Validity Period</u>	<u>Licence Number</u>
Jinfeng Project .	Zhenfeng County, Guizhou Province	82%	8.03	July 18, 2006 to June 8, 2008	0100000620106
White Mountain Project	Baishan City, Jilin Province	95%	62.16	May 12, 2006 to April 26, 2008	0100000630063
			24.78	November 13, 2006 to December 31, 2007	2200000610851
			17.55	November 13, 2006 to December 31, 2007	2200000610849
Jinluo Project . .	Ceheng County, Guizhou Province	65%	97.06	February 6, 2005 to May 6, 2007	5200000620036
Heishan Project.	Longkou City, Shandong Province	70%	5.45	June 6, 2005 to June 6, 2007	0100000520110
Sandi Project . .	Pingdu City, Shandong Province	80%	54.75	May 14, 2006 to May 13, 2008	3700000630325

In accordance with the “Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey”, a renewal application for exploration licences must be submitted 30 days prior to the expiration date. Each renewal period for an exploration licence must be no longer than two years.

The exploration licences of Jinluo Project and Heishan Project will expire on May 6, 2007 and June 6, 2007, respectively. The Jinluo CJV and the Heishan CJV intend to apply for renewal before April 6, 2007 and May 7, 2007, respectively.

The mining permit area for the Jinfeng Project is smaller than the exploration licence area for the Jinfeng Project. This is in accordance with usual mining industry practice. Exploration licences typically have lower rent and expenditure requirements than the mining permits, therefore the mining licence area covers only the actual mining area. While the Group has not, as at the Latest Practicable Date, applied for any further mining permits for the Jinfeng Project, if additional reserves are proven within the exploration licence area for the Jinfeng Project, then a mining permit application would be made in accordance with usual mining industry practice.

The Group has not experienced any material difficulties in obtaining or renewing any licence or permit. The Group has not had any dispute with any authority or any other party regarding title to mining properties.

As at the Latest Practicable Date, there are no claims in relation to exploration rights made or notified either by third parties against the Group, or by the Group against third parties.

MINING OPERATIONS

Jinfeng Project

Project Overview

The Jinfeng Project is the flagship project of the Group. The Jinfeng Project mine is owned by the Jinfeng CJV, a CJV in which the Company has an 82% interest, through its wholly-owned subsidiary, SG Guizhou, with the remainder held by Lannigou, the CJV partner. For more details on the CJV agreement relating to the Jinfeng CJV, please refer to the sections headed “Business — Information on CJV Agreements” and “Business — Summary of CJV Agreements” in this prospectus.

The Jinfeng Project is located 236km southwest of Guiyang, the capital of the Guizhou Province. The area is adjacent to rugged karst topography with vertical relief up to 420m. The climate is sub-tropical and humid with an average annual rainfall of 1,200mm, which falls primarily from May to August. The map below illustrates the location of the Jinfeng Project in Guizhou Province.



BUSINESS

As at February 2006, the Group's exploration had defined a high-grade gold deposit with a mineral resource estimated to contain 4.0 Moz of gold in the Jinfeng Project tenements. Since completing this mineral resource estimate, the Company has continued its exploration activities. Preliminary results of such activities indicate that further exploration is warranted; the timing and scope of such exploration is currently being scheduled.

The Company plans to utilise both open-pit and underground mining at the Jinfeng Project. Construction of the Jinfeng Project commenced in February 2005 with commissioning and first commercial gold production from the open-pit mine expected in the first quarter of 2007. With planned initial gold production estimated at 180,000 oz p.a. sourced from an open-pit operation, the Jinfeng Project is expected to become one of the largest gold mines in the PRC. Based on current reserves, production and cost estimates it will be a long-life (13.7 years), low-cost operation.

The Jinfeng Project has proved and probable reserves totalling 2,863,000 oz, as detailed in "Appendix IV — Independent Technical Expert's Report — Jinfeng Project — Mining and Reserves" of this prospectus. Therefore, reserves are not a constraint on annual production levels. The key determinants of annual production levels are mine output (i.e. how many tonnes of ore can be extracted from the mine) and processing capacity. Both mine output and processing capacity have been designed to support a minimum level of gold production of 180,000 oz p.a.

Assuming: (i) a gold price of US\$682.30 per oz over the life of the mine, based on the gold price as at the Latest Practicable Date; (ii) an estimated total reserve of the Jinfeng Project of 2,863,000 oz that is fully recovered and sold; and (iii) the hedging arrangements in place are taken into account, the implied total revenue post-hedging that could be generated over the life of the mine at the Jinfeng Project would be US\$1,900.7 million. A sensitivity analysis in respect of different assumed levels of gold price during the life of the mine at the Jinfeng Project is set out in the table below:

	Gold Price at LPD -10%	Gold Price at LPD	Gold Price at LPD +10%
Assumed Gold Price (US\$/oz)	614.07	682.30	750.53
Total Jinfeng Reserves (oz)	2,863,000	2,863,000	2,863,000
Implied Total Revenue Pre-Hedging (US\$ million)	1,758.1	1,953.4	2,148.8
Less: Impact of Hedging	(29.8)	(52.7)	(75.5)
Implied Total Revenue Post-Hedging (US\$ million)	1,728.3	1,900.7	2,073.3

The impact of hedging in the above table is calculated as the difference between the assumed gold price and the Forward Contract price, multiplied by ounces hedged under the Forward Contract.

BUSINESS

Based on an estimated gold sales of 180,000 oz p.a. and a gold price of US\$682.30/oz as at the Latest Practicable Date, the implied annual revenue would be US\$122.8 million. Assuming an estimated gold sales of 300,000 oz p.a., on the basis that the underground mine commences production and following required plant expansion, and a gold price of US\$682.30/oz as at the Latest Practicable Date, the implied annual revenue would be US\$204.7 million. A sensitivity analysis in respect of different assumed levels of gold price and estimated gold sales is set out in the table below:

	<u>Gold Price at LPD -10%</u>	<u>Gold Price at LPD</u>	<u>Gold Price at LPD +10%</u>	<u>Gold Price at LPD -10%</u>	<u>Gold Price at LPD</u>	<u>Gold Price at LPD +10%</u>
Assumed Gold Price (US\$/oz)	614.07	682.30	750.53	614.07	682.30	750.53
Average Annual Gold Sales (oz p.a.)	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Implied Average Annual Revenue Pre-Hedging (US\$ million)	<u>110.5</u>	<u>122.8</u>	<u>135.1</u>	<u>184.2</u>	<u>204.7</u>	<u>225.2</u>

The implied revenue outlined above is before hedging. However, the Company has entered into Forward Contracts — please refer to section headed “Business — Hedging Activities” in this prospectus. The impact of these hedging activities at a gold price of US\$682.30/oz as at the Latest Practicable Date, is a reduction in revenue of US\$5.1 million in 2007, US\$11.6 million in 2008, US\$10.2 million in 2009, US\$10.2 million in 2010, US\$10.2 million in 2011 and US\$5.4 million in 2012.

The Group has an 82% interest in the Jinfeng CJV. The Group’s feasibility study in respect of the Jinfeng Project estimates an 87.5% gold recovery rate.

The Jinfeng Project mine contains refractory ore, with most of the gold locked up with the mineral pyrite. In order to extract this gold at economic recovery rates, the Jinfeng CJV, at the time of commencing development of the Jinfeng Project, entered into the BIOX[®] Licence Agreement with Minsaco, an associate of Gold Fields Limited. Under the terms of this agreement, the Jinfeng CJV receives a licence to use the licensor’s BIOX[®] technology. This technology involves micro-organisms or bacteria, which are used in the oxidation of certain gold-bearing sulphidic minerals in order to facilitate gold recovery — in essence unlocking the gold. The Jinfeng Project has been designed and constructed on the basis of this technology, highlighting its importance and the importance of the BIOX[®] Licence Agreement and Minsaco, to the success of the Jinfeng Project. For further details of the BIOX[®] technology, please refer to the section headed “Business — Production Processes — Oxidation” in this prospectus.

In August 2006, the Board committed to the early development of the underground mine at the Jinfeng Project at an estimated pre-production capital cost of US\$20 million. Based on its current development plan, the Company expects to source ore from both the open-pit and underground mine by early 2008, providing the possibility of expanding production subject to sufficient investment being applied to a plant expansion.

Geological Setting

The Jinfeng Project is located in the “Golden Triangle” region, a significant mineral belt in the PRC which covers southwest Guizhou Province, southeast Yunnan Province and northwest Guangxi Zhuang Autonomous Region. This region contains several gold deposits each with reported resources in excess of one million ounces of contained gold.

The Golden Triangle covers a sedimentary basin that comprises a sequence of folded sedimentary rocks deposited on basement sequences with major faults. Gold mineralisation is generally localised within faults and associated with sulphide replacement.

BUSINESS

The Jinfeng Project deposits lie within Triassic sedimentary rocks overlying Permian limestones of the Laizhishan Dome.

Mineral Resources and Ore Reserves

The table below summarises the mineral resources and ore reserves of the Jinfeng Project attributable to the Jinfeng CJV as at February 2006:

	<u>JORC Category</u>	<u>Tonnes '000</u>	<u>Grade gpt Gold</u>	<u>Contained Gold '000 oz</u>
Mineral Resources¹	Measured	13,420	5.3	2,287
(2gpt Cut-off)	Indicated	<u>7,766</u>	<u>4.1</u>	<u>1,029</u>
Total of Measured and Indicated		<u>21,186</u>	<u>4.9</u>	<u>3,316</u>
	Inferred	<u>4,144</u>	<u>5.4</u>	<u>722</u>
Total of Measured, Indicated and Inferred		<u>25,330</u>	<u>5.0</u>	<u>4,038</u>
Ore Reserves				
Open-pit	Proved	5,352	5.7	986
Open-pit	Probable	377	4.2	51
(1.9gpt Cut-off)	Total Open-pit	<u>5,729</u>	<u>5.6</u>	<u>1,037</u>
Underground	Proved	5,698	5.5	1,005
Underground	Probable	4,954	5.2	821
(3gpt Cut-off)	Total Underground	<u>10,652</u>	<u>5.3</u>	<u>1,826</u>
Total Ore Reserves		<u>16,381</u>	<u>5.4</u>	<u>2,863</u>

¹ Mineral resources include ore reserves

Note: rounding differences may occur.

The Group believes that there is potential to increase the currently defined mineral resource at the Jinfeng Project on the basis that drilling during 2006 has extended known mineralisation in the following areas:

- down-dip and down-plunge to the east-south-east of the main deposit;
- along strike to the east of the main deposit; and
- to the northwest and at depth in the Rongban area.

An updated statement of mineral resources is planned to be provided in the first quarter of 2007.

Drilling continues at the Jinfeng Project mine with the aim of further extending the resource and discovering additional gold deposits in the immediate vicinity.

Development

According to the “Provisional Administrative Measures on Examining and Approving Foreign Investment Projects” (外商投資項目核准暫行管理辦法), a prior examination conducted by NDRC or its local agent will be generally required prior to the commencement of the projects with foreign investments. After the examination, NDRC or its local agent will issue the project development permit or corresponding approval to approve the proceeding of the project.

In January 2005, the Guizhou Development and Reform Commission issued the project development permit for the Jinfeng Project. With this approval from the PRC government for the project’s development, the Jinfeng CJV was legally entitled to commence development of the mine.

Construction of the Jinfeng Project commenced in February 2005. Capital expenditure for the development of the project to commercial production is estimated to be approximately US\$95 million. Project development expenditure totalled approximately US\$90 million as at December 31, 2006.

Based on the feasibility study, the key parameters of the Jinfeng Project are estimated to be:

- ore throughput of 1.2 million tonnes p.a.;
- gold recoveries of approximately 85%;
- gold production of 180,000 oz p.a.; and
- cash operating costs averaging approximately US\$220/oz.

The Gold Operating Permit for the Jinfeng Project was issued by the NDRC on December 25, 2006. Commercial gold production is expected to commence in the first quarter of 2007.

In August 2006, the Board approved the early commencement of the underground mine at the Jinfeng Project. Pre-production capital to first ore production from the underground mine is estimated at US\$20 million. Based on the Company’s current development plan, the open-pit mining is scheduled to be complemented by underground mining commencing early 2008. The additional ore source provides the possibility of expanding production subject to sufficient investment being applied to a plant expansion.

Developing the underground mine will provide the capacity to deliver in excess of the nominal plant design capacity of 1.2 million tonnes of ore throughput p.a. The current plant layout has been designed for an expansion.

The scale of any expansion of the processing plant will be dependent on:

- actual performance of the plant currently under construction;
- underground mining conditions; and
- identifying additional reserves at the Jinfeng Project and/or discovering new deposits within trucking distance of the processing plant.

Over the course of 2007, the Group plans to assess the actual plant throughput rates achieved and underground mining conditions encountered. This assessment will form the basis of optimising the processing plant and determining appropriate modifications to the plant to potentially increase the throughput capacity.

PRODUCTION PROCESSES

Mining

The deposits of the Jinfeng Project will initially be mined by open-pit mining methods. The Company has outsourced the open-pit mining contract to China Railway 19 Bureau Group Corporation, an independent third-party contractor. The contractor has 20 years experience in mining and as a mining contractor in the PRC.

The contractor is under a contractual obligation to use a modern, efficient mining fleet of new 63 tonne haul trucks and three 125 tonne excavators. As a contractual requirement, the mining fleet must consist of a fleet manufactured by Komatsu, a manufacturer of large mining equipment such as 63 tonne haul trucks and 125 tonne excavators. It is more efficient for the Jinfeng Project to use such Komatsu equipment than to use the smaller equipment domestically available and used at many other mine sites in the PRC. Under the terms of the contract, the contractor has agreed to mobilise all equipment and resources to carry out the necessary mining work at the Jinfeng Project, in accordance with a mining schedule approved by the Jinfeng CJV. Based on the Company's current development plan, the open-pit mining is scheduled to be complemented by underground mining commencing in early 2008.

The product of the mining operations is ore from which gold can be extracted. The average grade of the ore reserve of the Jinfeng Project is 5.4gpt of gold.

Processing

To extract the gold from the ore, there are a number of processing stages involved:

- crushing then grinding in a semi autogenous mill and a ball mill circuit;
- flotation of a pyrite concentrate containing over 90% of the gold;
- oxidation of the concentrate in a BIOX[®] circuit;
- extraction of gold in a standard carbon-in-leach circuit; and
- producing gold dore in an electrowinning circuit for shipment to a refinery.

Each of these stages are described briefly below:

Crushing and Grinding

The initial step is the crushing of the ore. Crushing involves tipping ore from the mine into a large crushing machine, comprising of a large chamber with a swinging weight. The swinging weight compresses and fractures the ore into smaller rocks.

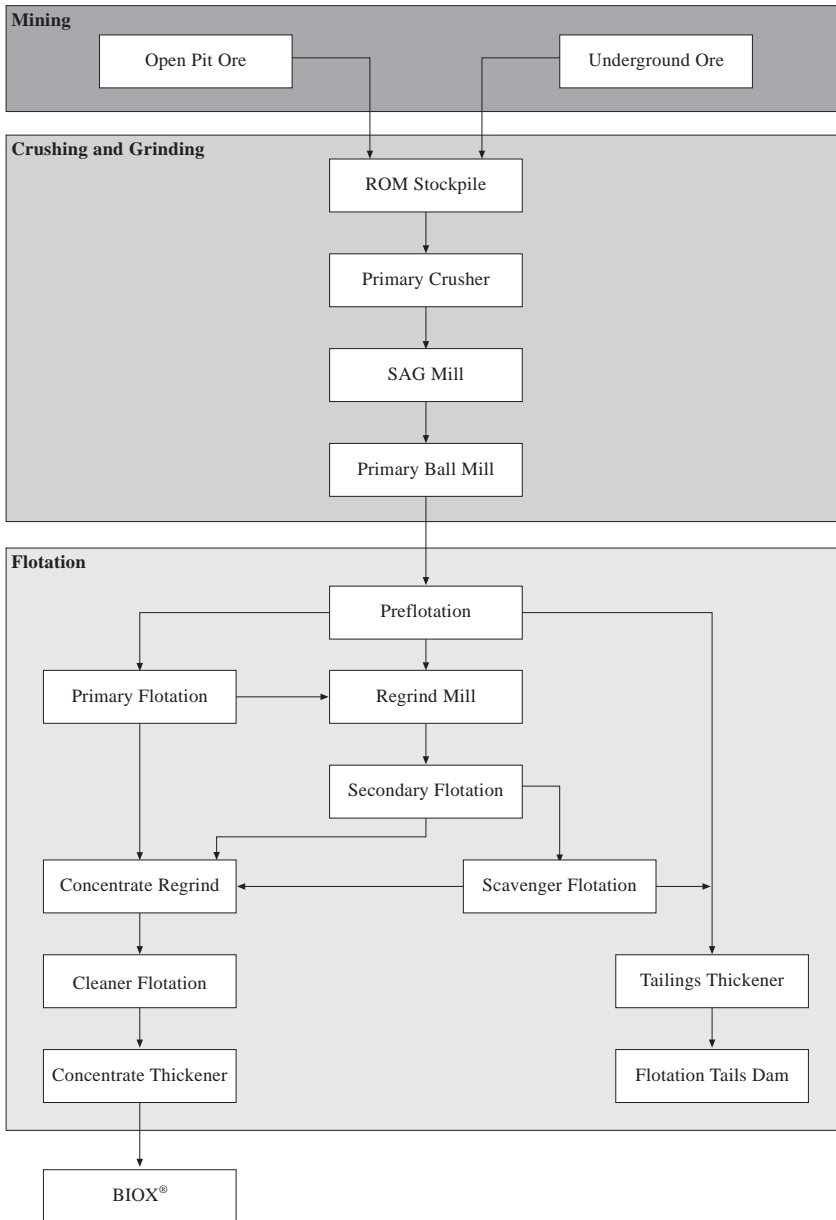
Grinding is the process that breaks small rocks into very fine particles through semi-autogenous mills and ball mills. These mills are rotating horizontal drums containing various sizes of grinding balls, which collide to break the rock fragments into fine particles. Water is added to the particles to form a slurry for transportation through the remainder of the processing facility.

Flotation

Special chemicals are added to the slurry, which is pumped to large tanks called flotation cells. Air is added to the bottom of the flotation cells and rises through the slurry. The chemicals added to the slurry attach themselves to the gold-bearing minerals and to the passing air bubbles and float to the top of the cell, where they form a concentrate froth. This froth, which contains nearly all the gold bearing minerals is collected and dewatered in a thickener. The product is referred to as flotation concentrate.

The material that does not float is called tailings and is pumped to tailings dams for storage.

The crushing and grinding and flotation processes are described diagrammatically below:



Oxidation

Ore from the deposits at the Jinfeng Project is refractory with most of the gold locked up with the mineral pyrite. The gold in refractory ores is encapsulated in sulphide minerals (such as pyrite) which prevents the gold from being directly leached in conventional carbon-in-leach circuit.

Under the BIOX[®] Licence Agreement between Jinfeng CJV and Minsaco, holder of a licence from Biomin, dated June 23, 2004, the Jinfeng CJV is licensed to use the BIOX[®] in connection with the Jinfeng Project. Minsaco is an associate of Gold Fields, a company which held approximately 17.2% of the issued Shares in the Company as at the Latest Practicable Date. The BIOX[®] is a process whereby micro-organisms or bacteria are used in the oxidation of certain gold-bearing sulphidic minerals in order to facilitate gold recovery.

Gold Fields Limited (an associate of Gold Fields Australasia and Minsaco) provided the Company with a letter of support in relation to the BIOX[®] Licence Agreement, in which Gold Fields Limited commits to provide Minsaco with sufficient technical and human resources support to ensure that Minsaco performs its obligations and meets its liabilities under the BIOX[®] Licence Agreement. The Company has no reason to believe that it will not receive the required support from Minsaco.

For further details of the BIOX[®] Licence Agreement, please refer to “Appendix VI — Statutory and General Information” in this prospectus.

In addition, under the Trademark Licence Agreement between Jinfeng CJV and Biomin dated July 26, 2005, Biomin licensed the Jinfeng CJV to use the “BIOX[®]” trademark in the PRC in connection with the Jinfeng Project. Biomin is an associate of Gold Fields, a company which held approximately 17.2% of the issued Shares in the Company as at the Latest Practicable Date. The trade mark licence expired on January 28, 2007, and is renewed automatically upon renewal of the trade mark registration, which expired on January 27, 2007.

The Trademark Licence Agreement recites that Biomin, as the licensor, is entitled to use the trademark in the PRC, and that the trademark has been issued under certificate number 939936 in relation to Class 40 (Goods).

The annual cost payable under the BIOX[®] Licence Agreement and the Trademark Licence Agreement (in aggregate) will not, after production commences at the Jinfeng Project, exceed 1% of the annual cash operating costs of the Jinfeng Project. This is calculated based on the Company’s average cash operating costs estimate for the Jinfeng Project of US\$220/oz.

The BIOX[®] destroys the sulphide minerals and exposes the gold for subsequent carbon-in-leach processing. The BIOX[®] uses a combination of three bacteria, that occur naturally, to break down the sulphide mineral matrix in the ore being treated, thus freeing the occluded gold for subsequent cyanidation. The bacteria attach themselves to the metal sulphide surfaces in the ore, resulting in the accelerated oxidation of the sulphides.

The BIOX[®] involves the continuous feeding of the flotation concentrate slurry to a series of stirred reactors.

Low pH levels and a high slurry temperature enhance the efficiency of the process. These parameters are controlled within narrow ranges so as to maintain the right balance of bacteria in order to achieve the optimum rate of oxidation.

As the oxidation reactions of sulphide minerals are exothermic, the tanks are cooled to maintain the slurry temperature within the optimum range. This is done by circulating cooling water and removing the excess heat via a cooling tower.

The pH level is controlled by adding lime to the slurry. Since direct sulphide oxidation requires high levels of oxygen, large volumes of air are injected and dispersed in the slurry.

During the bacterial oxidation process, elements like iron, sulphur and arsenic are dissolved. After oxidation, the BIOX[®] product is washed in a counter-current decantation circuit and the solution is neutralised in a controlled two-stage process with lime. The precipitates formed meet international environmental standards and can be safely deposited onto tailings dams. The BIOX[®] is thus a non-polluting, environmentally clean means of processing refractory ore.

The washed BIOX[®] product is treated in a conventional carbon-in-leach plant from which the gold is finally recovered.

Gold Recovery

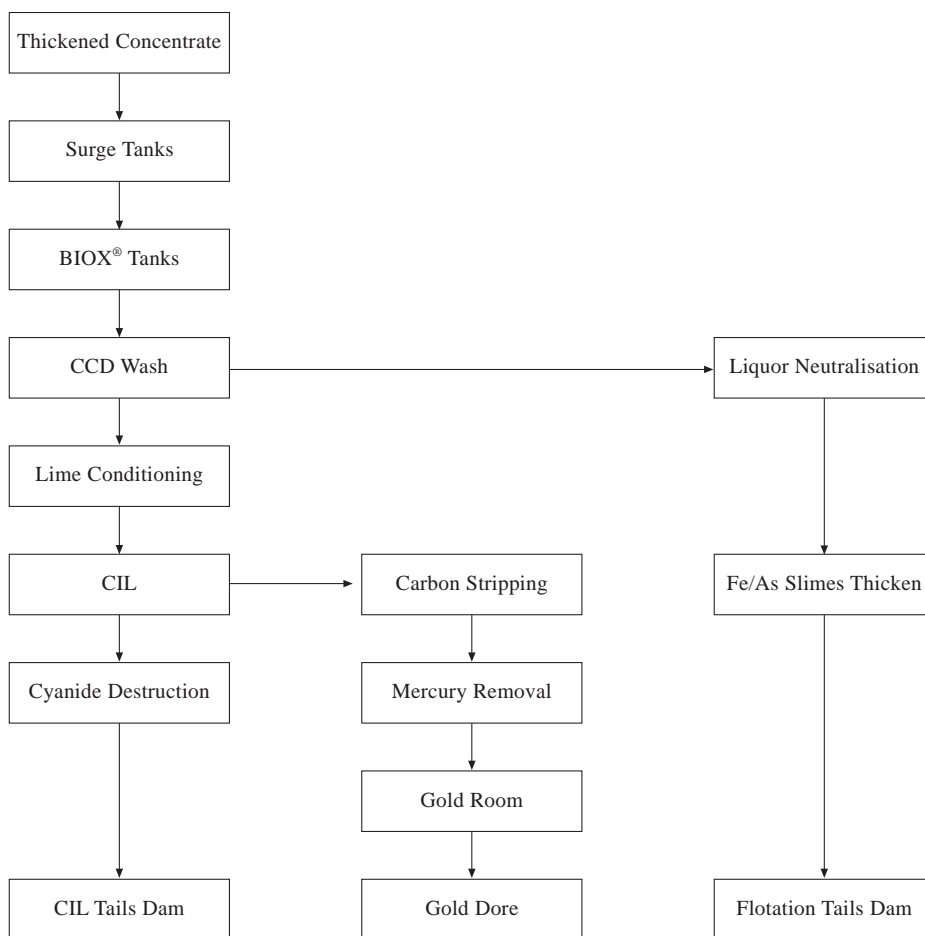
This process involves addition of lime slurry and sodium cyanide to dissolve the gold. The gold is collected on a super rich grade carbon and removed by the elution process. Elution involves feeding carbon into a special pressure vessel called a column. A mixture of caustic soda and cyanide is pumped through the column to contact the carbon. This mixture extracts the gold from the carbon to make a concentrated solution of gold. This solution is transported to tanks located in a secure building called the gold room where metallic gold is recovered.

Electrowinning

The next recovery phase is called electrowinning. Electrowinning takes place in the gold room and uses the science of electrolysis to plate the gold from solution onto steel cathodes. Electrolysis uses electrical current to ensure that gold is removed from the solution.

Once all the gold has been plated on the cathodes, the cathodes are removed and washed. The product is placed in a diesel-fired furnace to melt the gold. The molten material is poured into ingots to make gold bars called bullion or gold dore.

The bacterial oxidation of concentrate and subsequent gold recovery is described diagrammatically below:



EXPLORATION PROJECTS

The Group has a number of active exploration programs underway in the PRC and has established three regional exploration teams:

- Northern China Exploration Team, primarily responsible for exploration in the Xinjiang Uygur Autonomous Region, and the Heilongjiang and Jilin Provinces;
- Shandong Exploration Team, primarily responsible for exploration in the Shandong Province; and
- Golden Triangle Exploration Team, primarily responsible for exploration in the Yunnan, Guizhou Provinces and Guangxi Zhuang Autonomous Region.

The Group has proven to be successful in its exploration efforts. Following the 2006 drilling campaign, the Company increased the mineral resource from 436,000 oz in December 2005 to 846,000 oz in January 2007 at the White Mountain Project. At the Jinfeng Project, the Company increased the mineral resource from 3.45 Moz in June 2004 to 4.0 Moz in February 2006.