Hexi CJV agreement

On August 24, 2006, SG Jiaodong entered into a CJV agreement with Zhaoyuan Hexi to establish the Hexi CJV.

Zhaoyuan Hexi is a limited liability company, registered under number 3706851802773. Zhaoyuan Hexi is engaged in the gold mine exploration and other activities within the business scope stipulated in its business licence.

In addition to the key common terms and variations discussed in the section headed "Business — Information on CJV Agreements" in this prospectus, the following is a summary of other principal terms of the Hexi CJV agreement:

- the project is divided into two phases;
- in the first phase, SG Jiaodong is required to contribute US$6,000,000, of which US$3,000,000 is the registered capital, in consideration for 70% of the equity interest, Zhaoyuan Hexi is required to contribute exploration rights, mineral data and other rights pertaining to the project areas in consideration for 30% of the equity interest;
- in either the first or the second phase, if further investment is required for exploration and development, subject to obtaining the relevant PRC governmental approvals, the general manager of the Hexi CJV is entitled to issue a cash call to SG Jiadong and Zhouyuan Hexi, each of which is required to contribute proportionate to its equity interest. If such cash call will result in an increase in the registered capital, unanimous board approval is necessary. If a party fails to contribute and the other party contributes, the equity interest of the non-contributing party will be diluted, but not below 10%;
- the Hexi CJV is entitled to withdraw from the project areas after SG Jiadong has contributed to the Hexi CJV and exploration work has been undertaken. Upon such Hexi CJV's withdrawal, SG Jiadong is entitled to sell its interest in the Hexi CJV and withdraw from the CJV agreement. If SG Jiadong's contribution is less than US$6,000,000, the exploration permits and all data will be transferred to Zhaoyuan Hexi; and
- if (i) SG Jiadong contributes its capital contribution, and (ii) the board determines not to proceed with the exploration program and/or feasibility study, Hexi CJV is entitled to dispose, and Zhaoyuan Hexi is entitled, in priority, to purchase, the assets of Hexi CJV. SG Jiaodong is entitled to the income from such disposal.

Sanjianfang CJV agreement

On July 28, 2005, the Company entered into a CJV agreement with Brigade 707 to establish the Sanjianfang CJV. The Company is holding its interests in this CJV agreement for the benefit of SG HLJ pending formal transfer of that interest.

Brigade 707 is a semi-governmental department of the PRC, registered under number 123000000976. Brigade 707 is engaged in mineral resources exploration and other activities within the business scope stipulated in its business licence.

In addition to the key common terms and variations discussed in the section headed "Business — Information on CJV Agreements" in this prospectus, the following is a summary of other principal terms of the Sanjianfang CJV agreement:

- the project is divided into two phases;

- in the first phase, SG HLJ is required to contribute US$1,440,000, of which US$700,000 is part of the registered capital, over three years in consideration for 70% of the equity interest. Brigade 707 is required to contribute the exploration rights, reports, data, surveys and other information and rights pertaining to the project areas in consideration for 30% of the equity interest. The contribution of Brigade 707 is valued at US$617,000, of which US$300,000 constitutes the balance of the registered capital;

- after the capital contribution of SG HLJ, if the board unanimously determines to increase the registered capital, subject to obtaining the relevant PRC governmental approvals, the parties are required to make further contributions proportionate to their equity interest. If a party fails to contribute, the equity interest of the non-contributing party will be diluted, but not below 5%;

- after the completion of the exploration work, Sanjianfang CJV is entitled to withdraw from the project areas. In this case, (i) if Sanjianfang CJV discovers less than five tonnes gold reserve, or SG HLJ's total investment before withdrawal is less than US$617,000, SG HLJ is entitled to elect to withdraw, and to transfer its equity interest and exploration data to Brigade 707 free of charge; (ii) if Sanjianfang CJV discovers more than five tonnes gold reserve, and SG HLJ's total investment before SG HLJ elects to withdraw is more than US$617,000, Brigade 707 is entitled, upon such election to withdraw by SG HLJ, in priority to purchase SG HLJ's equity interest, (iii) if Sanjianfang CJV elects to withdraw from the project areas but SG HLJ decides not to withdraw from the CJV agreement, the parties will endeavour to continue in new project areas under the same terms and conditions; and

- the second phase of the project relates to the commercial development of a mining operation. The investment and registered capital requirements are determined by the board unanimously based on the feasibility study, subject to obtaining the necessary PRC governmental approvals. Both parties are required to contribute to the registered capital proportionate to their equity interests.

North Mountain CJV agreement

On August 28, 2006, SG Guoxing and Minxing entered into a CJV agreement to establish the North Mountain CJV.

Minxing is a limited liability sole proprietorship, registered under number 6522232300018. Minxing is engaged in the sale of mineral products and other activities within the business scope stipulated in its business licence.

In addition to the key features and variations discussed in the section headed "Business — Information on CJV Agreements" in this prospectus, the following is a summary of other principal terms of the North Mountain CJV agreement:

- the project is divided into two phases;

- in the first phase, SG Guoxing is required to contribute US$6,160,000 as registered capital in consideration for 70% of the equity interest. Minxing is required to contribute mining and exploration rights, reports, data, surveys and other information and rights pertaining to the project areas in consideration for 30% of the equity interest;

- SG Guoxing is required to provide Minxing with an interest free advance of RMB10 million ("Establishment Advance"). Minxing is required to use the proceeds of the Establishment Advance to secure ownership for North Mountain CJV of the contributed mining and exploration rights;

- Minxing is required to reimburse SG Guoxing for the Establishment Advance in full on the date of commencement of the second phase, or to make repayment by instalments to fully reimburse SG Guoxing for the Establishment Advance before the date of commencement of the second phase;

- all gold (or other metal) reserves belong to North Mountain CJV. However, after the establishment of North Mountain CJV, and until completion of the feasibility study and commencement of work on the project construction, Minxing is entitled to process oxide ores and produce gold in the Beishan mining area for its own account;

- the second phase of the project is the commercial development of a mining operation. SG Guoxing is entitled to acquire 10% of Minxing's equity interest in the North Mountain CJV according to the project evaluation price. Thereafter, SG Guoxing will hold 80%, and Minxing will hold 20%, of the equity interest in the North Mountain CJV;

- the investment and registered capital requirements for the second phase are unanimously determined by the board based on the feasibility study, subject to obtaining the relevant PRC governmental approvals. Both parties are required to contribute to the increased registered capital proportionate to their equity interest. At the request of Minxing, SG Guoxing is required to provide a loan to Minxing at an internationally accepted rate of interest. SG Guoxing is entitled to 100% of the cash flow and profits from the project until the principal and the interest of the loan are repaid.

Greatland Project CJV agreement

On October 26, 2006, SG Greatland entered into a CJV agreement with Brigade 105 to establish the Greatland CJV.

Brigade 105 is a semi-governmental department of the PRC, registered under number 152000000079. Brigade 105 is engaged in gold mine exploration and other activities within the business scope stipulated in its business licence.

In addition to the key features and variations discussed in the section headed "Business — Information on CJV Agreements" in this prospectus, the following is a summary of other principal terms of the Greatland CJV agreement:

- the project is divided into two phases;

- in the first phase, SG Greatland is required to contribute US$1,800,000 as registered capital in consideration for 60% of the equity interest. Brigade 105 is required to contribute mining and exploration rights, reports, data surveys and other information and rights pertaining to the project areas in consideration for 40% of the equity interest;

- during the first phase, if the board unanimously determine to increase the registered capital (which is subject to obtaining the necessary PRC governmental approvals), SG Greatland is entitled to contribute to the registered capital disproportionately. The interest of Brigade 105 may not be diluted below 20%. If the total capital contribution by SG Greatland is US$4,800,000, SG Greatland will hold 80%, and Brigade 105 will hold 20%, of the equity interests in the Greatland CJV. If SG Greatland's total contribution is more than US$1,800,000 but less than US$4,800,000, the equity interest of SG Greatland will be adjusted in accordance with a formula set forth in the CJV agreement;

- in the second phase, SG Greatland and Brigade 105 are required to contribute to any increase in registered capital, as unanimously determined by the board, proportionate to their equity interest, subject to obtaining the necessary PRC governmental approvals. At the request of Brigade 105, SG Greatland is required to provide a loan to Brigade 105 at the same rate of interest as that for SG Greatland's project financing to assist Brigade 105 to make its capital contribution. SG Greatland is entitled to be repaid in priority from the cash flow of the Greatland Project. If Brigade 105 does not contribute, SG Greatland is entitled to acquire 12.5% of Brigade 105's equity interest in the Greatland CJV for RMB10,000,000 within 12 months after the completion of the feasibility study. Thereafter, Brigade 105 will hold between 7.5% and 27.5%, and SG Greatland will hold between 72.5% and 92.5%, of the equity interest in the Greatland CJV; and

- between the date of this agreement and the commencement of the mine construction, SG Greatland is required to pay RMB15,000,000 to Brigade 105 for evaluation and transfer of the exploration right and transfer of the geological data.

CONTRACTING OUT

As is typical for many mining and exploration companies, the Group uses sub-contractors for various services associated with exploration, including conduct of geophysical surveys, drilling and assaying.

At the Jinfeng Project, the plant construction, earth moving, grade control drilling and some ancillary services have all been contracted out. The two major contracts that have been awarded are:

- the engineering, procurement and construction contract, awarded to Ausenco Limited, an Australian based company that specialises in the provision of engineering, construction and project management services to the mining and mineral processing industry; and

- the mining contract, awarded to China Railway 19 Bureau Group Corporation.

Neither Ausenco Limited nor China Railway 19 Bureau Group Corporation has any relationship, business or otherwise, that is other than on arm's length terms, with any shareholder, director, member of the senior management of any company in the Group or their respective associates.

One of the key benefits of using sub-contracting arrangements is that it reduces the need for capital investment in equipment and human resources for the Group. The Group typically selects its sub-contractors through a tendering process to ensure all contracts are entered into on competitive terms.

The Group maintains strict supervisory control over its contractors and requires that they maintain a high standard of safety and environmental protection.

The Group selects contractors for major contracts pursuant to a competitive tender process run by an independent tendering company. The Group maintains control over the contractors by appointing delegated supervisors and by conducting regular safety and progress meetings with the contractors.

SUPPLY OF RAW MATERIALS

The principal raw material for the Group (as with others in the gold mining industry) in extracting gold at the Jinfeng Project is the ore mined from the Jinfeng Project. Therefore, there is no requirement for access to or purchase of any third party ore.

SUPPLY OF AUXILIARY MATERIALS

The production process at the Jinfeng Project will consume numerous auxiliary materials including explosives, grinding media, lime, sodium cyanide and activated carbon, once it is in production. These consumables are typically widely available from several suppliers at competitive market prices. The Group will contract with third-party suppliers for its auxiliary materials requirements.

Access to electricity and water is critical for any gold mining operation. At the Jinfeng Project, the Group relies on the local power grids to supply the electricity to meet its requirements. Diesel generators have been installed at the Jinfeng Project site as a back-up device to be used to maintain vulnerable production components, such as the BIOX®, during times when the local power grids are unable to meet the Jinfeng Project's electricity demands. The generators cannot supply sufficient electricity to operate the full production process.

The Group uses water for its ore processing operations. The Group's principal source of process water will be from the Luofan River which is pumped to the Jinfeng Project through a 3km pipeline. The Luofan River will provide a daily supply of approximately 7,000m^3 of water for the Jinfeng Project.

For the three years ended December 31, 2004, 2005 and 2006, the largest five suppliers of the Group accounted for approximately 28%, 26% and 43%, respectively of Group's total purchases, whilst the largest supplier accounted for 8%, 9% and 14% of Group's total purchases, respectively for the same periods.

None of the Directors, their respective associates, or shareholders interested in more than 5% of the issued Shares of the Company, nor any of their respective associates, had any interest in any of the five largest suppliers of the Group during the three years ended December 31, 2004, 2005 and 2006.

SALES AND MARKETING

Commercial production at the Jinfeng Project mine is forecast to commence in the first quarter of 2007. The Group has identified certain gold refineries to whom it could sell its gold dore once production has commenced.

Consistent with industry practice, it is expected that the refinery will collect the gold dore from the Jinfeng Project mine, will make full provisional payment for the gold dore before taking delivery and will be responsible for transporting and securing the gold dore from the site.

For the three years ended December 31, 2004, 2005 and 2006, the largest five customers of the Group accounted for approximately 100% of Group's total sales, whilst the largest customer accounted for 35%, 70% and 78% of Group's total sales, respectively for the same periods.

The Group's largest customer (including its shareholders, directors and senior management) does not have any past or existing relationship, including but not limited to any business relationship or family relationship, that is other than on arm's length terms, with the Group, its directors, senior management and their respective associates.

None of the Directors, their respective associates, or shareholders interested in more than 5% of the issued Shares of the Company, nor any of their respective associates, had any interest in any of the five largest customers of the Group during the three years ended December 31, 2004, 2005 and 2006.

HEDGING ACTIVITIES

Pursuant to the Senior Loan Facility dated September 16, 2005 referred to in "Appendix VI — Statutory and General Information — Further Information about the Business" of this prospectus, SG Guizhou was required to enter into a gold hedging program. All outstanding hedging contracts as at December 31, 2006 are summarised in the table below:

	Forward Contracts		Bought Put Options	
	Oz	US$/oz	Oz	US$/oz
2006	—	—	—	—
2007	31,827	523	55,638	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	204,000	400

A total of 539,000 oz were hedged (335,000 committed Forward Contracts with the balance in Put Options) as at December 31, 2006. The mark-to-market value of the total hedge book was negative US$62.5 million as at December 31, 2006, based on a spot gold price of US$635.4/oz. The contracts are not subject to margin calls by counterparty banks.

The Group does not intend to enter into any further gold hedging contracts. This is the current policy of the Group, which was formulated on the basis of shareholder feedback. The Group does not have any interest rate or foreign exchange hedging currently in place.

COMPETITION

The Group believes that the major barriers to entry in the PRC gold industry include access to gold resources, the number of environmental and safety regulations to be complied with, and the ability to obtain a mining licence under the Mineral Resources Law of the PRC.

The Group's business is based on the efficient exploitation of gold reserves. These reserves are finite and to sustain and increase its business the Group must continue to discover, expand and acquire new gold reserves. Exploring and acquiring gold resources is a competitive process in which the Group is faced with competition from a large number of foreign and domestic gold mining companies. However, based on the Group's competitive advantages, as outlined in the section headed "Business — Competitive Advantages" in this prospectus, the Group believes it is well positioned to increase its gold operations in the PRC.

There are over 1,200 identified gold mines and projects in the PRC, including mines operated by global gold mining companies, smaller foreign gold mining companies and domestic PRC gold mining companies, all of whom are exploring for gold in the PRC.

The Jinfeng Project will be one of the largest gold mines in the PRC and the Company will be one of the largest foreign gold producers in the PRC.

The Group is addressing the task of reserve replacement through both exploration and acquisition initiatives.

ACQUISITIONS

The Group continues to actively evaluate a range of joint venture and acquisition opportunities within the most prospective gold provinces of the PRC and has formed the Business Development and Generation Group to generate and evaluate these opportunities.

The Group seeks to attract potential PRC and international partners and acquisition targets with its reputation and track record of successfully exploring and mining gold in the PRC.

No target acquisitions or investments are currently identified by the Group, except for the following:

- the potential acquisition of two CJVs from Gold Fields Australasia. Please refer to the section headed "Business — Recent Developments — Heads of Agreement" in this prospectus; and

- the five CJV agreements entered into with various PRC CJV partners to establish CJVs undertake exploration activities. Each such CJV is pending approval by the relevant PRC government authority. Please refer to the section headed "Business — Projects Pending Governmental Approval as at the Latest Practicable Date" in this prospectus.

ENVIRONMENTAL, HEALTH AND SAFETY AND COMMUNITY RELATIONS POLICIES

Overview

The Group's major objective is to ensure sustainable development around its operations and thus it places great emphasis on environmental, health and safety and community relations and strives to meet applicable PRC or international standards (whichever is higher):

- a Board sub-committee has been established to monitor compliance with stated policies;

- the Company's senior management team includes a corporate risk manager, who reports directly to the chief executive officer;

- corporate policies have been established for environmental, health and safety and community relations; and

- annual review of environmental, health and safety and community related performance are conducted and action plans developed to address areas for improvement.

The Company's high environmental, health and safety and community relations standards have been rewarded with a number of awards over the past few years.

Risk Management in the Operations Phase

The Company has adopted a risk management approach to all of its developments and operations and has adopted a consistent methodology of quantifying and ranking risks across the whole company.

During the feasibility phase, the design and construction phases and soon in the commissioning phase, comprehensive risk assessment and mitigation programs have been implemented at the Jinfeng Project with the result that many of the risks (including: interruption of supply lines; safety of employees commuting to the mine site; failure of power supply and its impact on the BIOX® plant; open pit slope stability; fall of ground in underground mine; failure of detox plant resulting in pumping of cyanide-containing slurry to CIL tailings dam; inadequate training and low skill levels of recruits) inherent to the operation of a remote mine in the PRC have been identified and mitigated to manageable levels.

Many of the environmental risks have been mitigated by a combination of design improvements and changes or by developing tight operational and management procedures.

A number of the risks identified in "Appendix IV — Independent Technical Expert's Report" in this prospectus had already been incorporated into the Company's risk management plans, however only those identified with a residual risk ranked high or extreme will be given priority attention in the short term (commissioning and initial operations) while resources are limited. Risk assessment activities will be performed at regular intervals as operating experience grows.

Mitigation of risks in the Jinfeng Project

SRK has identified a number of risks to the operations in the Jinfeng operations. For details, please refer to "Appendix IV — Independent Technical Expert's Report" in this prospectus. Some of these risks have already been previously identified or experienced by the Company. As a result, the Company has already developed mitigation plans to address the key risks, which includes the following:

Potential failure of road access to tails dams resulting in production interruptions

Periodic geotechnical assessment and engineering inspections will be undertaken of the entire road length. Before each "wet" season (i.e. March to September at the Jinfeng Project), major suitability reviews will be conducted by site staff and critical works will be undertaken on an urgent basis. The roads will be progressively upgraded during each "dry" season. During this most recent construction year, temporary repairs were completed after a storm event, which included:

- flattening the slope of walls above the roads to reduce landslides;
- improvements to the highwall protection above the road (i.e. rockbolting and meshing);
- reinstating cross-road drains and culverts; and
- coarsening road base in critical areas around the culverts to permit drainage through the road as well as through the culverts.

In the dry season following commissioning or after the following wet season, the Company intends to replace each pipe culvert by a concreted rock culvert to ensure sufficient flow capacity.

With the pipeline and embankment construction now completed, the road base will be upgraded and the drainage slopes and channels will be reinstated to make maximum use of the culverts.

Further improvements will be made each succeeding dry season, particularly to stabilise the highwalls above the roads.

Potential failure of CIL dam water management resulting in violations of discharge permits

The Company has adopted a policy to cease production in the event of any discharge level exceeding regulatory limits. This gives the Company time to identify and rectify the source failure leading to this while minimizing pollution caused.

The water management strategy developed by the Company is expected to adequately mitigate these risks so that shutdowns for this environmental reason will not be experienced. This strategy involves design improvements implemented, e.g by setting up the detox and polishing plants, and adopting comprehensive operating methods and controls and action guidelines for operators and management, e.g batch discharging plan (where pond liquor will be accumulated for one to two days and treated if necessary in the polishing plant to confirm it is within regulatory limits prior to discharging).

With the polishing plant and batch discharging plan, large volumes of re-treatment reagents will be able to be added if required to ensure compliance.

Potential metal leaching within the waste dump

Upon commissioning of the Jinfeng Project, the Company intends to consult specialists to improve the waste dumping system.

Commute accidents to and from the Jinfeng Project

Recently a commute bus service (in place of a four-wheel drive service) was substituted for a large portion of the journey to and from the Jinfeng Project. Each bus (which is regularly inspected) is operated by two drivers in shift. Each driver is only permitted to make a four-hour one-way trip each day, thus providing added protection against driver fatigue.

Environmental

The Group's operations are subject to potential environmental risk; typically relating to pollution of the natural environment as a result of waste treatment, emissions and disposals. One of the main environmental issues in the gold mining industry is wastewater and tailings management. Wastewater and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. For further details, please refer to the section headed "Risk Factors — Risk Relating to the Business of the Group" in this prospectus.

The Group's policy is to develop and manage operations in a manner that effectively controls and minimises pollution, strives to protect the environment and takes into account local cultural sensitivities and community expectations. Company standards are developed for each stage of the Group's business and systems and are implemented to identify, assess and manage environmental risk.

At the Jinfeng Project, operations are designed to reduce waste and pollution as follows:

Detoxification Plant

The Detoxification Plant utilises technology originally introduced by INCO Limited whereby cyanide-containing gold plant residues are treated in agitated tanks with sulphur dioxide in the presence of copper sulphate catalyst.

Polishing Plant

The polishing plant is a series of agitated tanks and dosing pumps located at the CIL tailings storage area. When the contents of toxic metals and cyanide exceed regulatory discharge limits, supernatant liquor is pumped through the polishing plant and will be treated with reagents to precipitate or chemically destroy those components. Several treatment chemicals are able to be added in the polishing plant, including sodium hydrosulphide, hydrogen peroxide, ferric chloride etc. The reacted water flows by gravity back to the supernatant pond. The plant ceases operating when water analysis return results which are outside regulatory discharge limits.

Studies regarding Reductions of Wastage and Potential Pollution Risks

Processes being studied for the removal or reduction of thiocyanate include bacterial and chemical processes. The object is to reduce the thiocyanate levels in wastewater to below 2.0mg/L.

At the present stage, chemical reagent addition rates are projected from laboratory tests and these estimated rates are expected to be higher than normal plant addition rates. The Company will maximise the recycling of wastewater streams in order to reuse any un-consumed reagents (e.g. flotation frother).

The Group is subject to PRC national and local environmental laws and regulations on such matters as air emission, discharge of waste water and pollutants, land reclamation, and mining control. For details of which, please refer to the section headed "The PRC Laws and Regulations Relating to the Industry — Laws and Regulations Relating to Environmental Protection" in this prospectus.

During the Track Record Period, the principal subsidiary of the Company was the Jinfeng CJV. According to the environmental impact assessment report and the confirmation letter issued by the relevant PRC environmental authority, the Jinfeng CJV did not breach any relevant PRC environmental laws or regulations. In addition, there were no mine construction activities or mining activities taken up by the White Mountain CJV, the Jinluo CJV, the Heishan CJV, the Sandi CJV and the Gold Triangle CJV during the Track Record Period. Accordingly, they were not in material breach of any relevant PRC environmental laws or regulations.

The Group did not have any material breach of any applicable environmental laws or regulations during the Track Record Period. As at the Latest Practicable Date, the Group was not subject to any material environmental claims, lawsuits, penalties or disciplinary actions.

As a condition to the Group's financing arrangements with its financiers, it is required to implement an environmental management plan to monitor and ensure compliance with the requirements of PRC environmental laws, the Equator Principles (being a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing) and relevant authorisations at the Jinfeng Project.

The annual expenditure of the Company in respect of compliance with environmental regulations is as follows:

	2004	2005	2006
	A$	A$	A$
Jianchaling	269,301	58,615	29,409
Jinfeng	—	—	245,783
	269,301	58,615	275,192

SRK, an independent expert, has reviewed the necessary construction certificates for all areas of the Jinfeng Project and concluded that they are all in order. Operating and environmental permits will be issued once the plant has been operational for three months and the project has been shown to be operating within the predicted impacts presented in the Environmental Impact Assessment.

Health and Safety

The Group operates in a responsible manner to ensure the health and safety of the Group's employees, contractors and the communities in which it operates. The Group is committed to meeting applicable legal requirements and where possible seek to implement leading international industry standards in its operations.

The Group recognises its operations generate risks and the ongoing management of these risks is integral to the way it does business. Challenging objectives and targets encourage the Group to continually improve its performance. The Group measures, monitors, reviews and publicly reports its performance. The Group also has an active training program for its employees on health and safety.

The Company classifies all incidents, including potential incidents, as either "minor", "moderate", "significant", "major" or "catastrophic" based on determined severity consequences. During the Track Record Period, the Group did not have any major or catastrophic incidents related to the health or safety of its employees, contractors or communities in which it operates.

The Group is subject to PRC national and local production and mine safety laws and regulations on such matters as production safety, mine safety, monitoring of mine safety and mine design. Please see the section headed "The PRC Laws and Regulations Relating to the Industry — Laws and Regulations Relating to Production Safety" for more information. The Group did not have any material breach of any applicable production or mine safety laws or regulations during the Track Record Period. The Group's operations are in compliance with relevant labour and safety regulations. As at the Latest Practicable Date, the Group was not subject to any material production and mine safety claims, lawsuits, penalties or disciplinary actions. Furthermore, there have not been any material non-fatal injuries or fatal accidents during the Track Record Period.

A Risk Management Committee has been established with the responsibility of reviewing health, safety and environmental performance against legal and other requirements. The efficacy of the committee has been ensured by the implementation of regular staff training programs and workplace inspections.

At the Jinfeng Project, the focus has been to train new recruits to the rapidly expanding workforce in appropriate safety procedures. The Company also ensures that contractors on site follow the Company's safety procedures. Managers and safety officers conduct inspections regularly to ensure site safety. All visitors are required to undergo site risk induction. All new employees undergo a formal risk induction. The Jinfeng Project has a full-time "risk manager" on site who is required to ensure risk awareness at all times, including by conducting regular training and/or refresher sessions for supervisors and senior management.

The Risk Management Committee is composed of Peter Cassidy (chairman), James Askew and Brian Davidson. Two formal Risk Management Committee meetings were held in each of the years 2005 and 2006. For further details, please refer to the section headed "Directors and Senior Management — Board Committees — Risk Management Committee" in this prospectus.

The annual expenditure of the Company in respect of compliance with safety regulations is as follows:

	2004	2005	2006
	A$	A$	A$
Jianchaling	596,107	300,832	175,910
Jinfeng	71,432	409,114	589,648
	667,539	709,946	765,559

The Group's safety record is published each year in its annual report, which is publicly available.

The Group's overall safety performance for 2005 was pleasing given the sizable construction workforce at the Jinfeng Project. In November 2005, the Jinfeng Project passed the milestone of 1 million man-hours worked without sustaining a Lost Time Injury ("LTI"). This milestone was achieved over a hazardous period, with a high level of earthworks and construction activities on site. Between November 2005 and the Latest Practicable Date, there have been only 8 LTIs, despite an approximately 6.8 million man-hours worked on the Jinfeng Project.

Specific risks that arise in the future will be dealt with according to tailored solutions. A good example was the Avian Influenza pandemic in 2005; the Company developed specific protocols to deal with risks and consequences of the development of an Avian Influenza pandemic in its areas of operations, with an employee fact sheet being issued in October 2005.

Community Relations

The Group seeks to contribute to the social and economic development of the local communities within which it operates. Accordingly, the Group will continue its work in the area of community relations that strives to:

- respect the values, traditions and aspirations of the people that work with the Group and who may be impacted by the Group's operations;
- foster strong relationships based on honesty, trust, involvement and mutual benefit;
- openly consult and communicate with relevant interested parties;
- work in harmony with local communities contributing to their social, economic and sustainable development aligned with the advancement of the Group;
- promote capacity building within local communities by transferring knowledge and skills and through education and training programs; and

- share information about the environmental and social impacts or potential impacts from the Group's operations with the local community.

At the Jinfeng Project, the Company holds monthly community meetings, aims for at least 50% of the workforce to be locals, recruits to local demographics, provides support to local schools and health programs and has upgraded roads and other infrastructure.

AWARDS AND CERTIFICATES

Award	Awarded by	Date of award
Development of the Year (the Jinfeng Project)	China Mining Congress	November 2006
Advanced Organisation for Safe Operation in 2005	Zhenfeng County People's Government	January 2006
Advanced Organisation for Environmental Protection in Gold Industry during "Tenth Five Year" Period	Qianxinan Prefecture People's Government	January 2006
Advanced Enterprise on Safety Production for the 2004 Year (the Jianchaling Gold Mine)	Lueyang County	2005
Highest safety standards for an underground mine in Shaanxi Province (the Jianchaling Gold Mine)	Shaanxi Safety Monitoring Bureau	April 2005
Special Environment Commendation (the Jianchaling Gold Mine)	Austcham ANZ Australian Business Awards	September 2002

INSURANCE

The Group maintains business interruption, material damage and public liability insurance for the construction of the Jinfeng Project covering the Jinfeng CJV and certain other parties in respect of their on site activities.

In addition, the Group maintains property insurance for some of its office premises and liability insurance for its Directors and officers. The Group also intends to obtain business continuity, property and other insurance for the production facilities of the Jinfeng Project.

INTELLECTUAL PROPERTY

The Company does not hold nor has it applied for any registered patents or trademarks. The Company has entered into the Trademark Licence Agreement with Biomin for use of the "BIOX®" trademark in the PRC and has entered into the BIOX® Licence Agreement with Minsaco to use the BIOX® in connection with the Jinfeng Project.

The Group has also created a database of mining opportunities within the PRC, known as the China Review Project. The China Review Project consists of a searchable digital database containing more than 8,000 identified gold deposits or mines, and approximately another 2,000 base metal deposits. The Company considers the database information as strategically important.

For details relating to the China Review Project, please refer to the section headed "Business — Competitive Advantages — Database of Chinese Mining Opportunities" in this prospectus.

PROPERTIES

As at the Latest Practicable Date, the Group held one property interest in the PRC with a site area of 696,667 sq.m., ten leased property interests in the PRC, with a total gross floor area of approximately 2,195 sq.m. and one leased property interest in Australia with a gross floor area of 572 sq.m. The Company held one leased property interest in Australia, the Company's head office, being Level 8, 17 Bridge Street, Sydney, NSW 2000, Australia.

The Group has obtained the land use right certificate for the property in the PRC owned by the Jinfeng CJV.

The lessors have only been able to provide the building ownership certificates or land use rights certificates to four of the property interests leased by the Group[1] in the PRC. The Group has not been able to provide building ownership certificates and land use rights certificates for the remaining six leased properties. However, none of these properties are used for mining operations, and each is immaterial to the Company's and the Group's business. The leased properties in the PRC contain the following defects, being the absence of such certificates in relation to:

- approximately 2,127 square feet of office space in Guiyang City, leased by the Group for a term of 3 months at a monthly rental of RMB9,483;
- approximately 3,014 square feet of office and residential space in Zhenfeng county, leased by the Group for a term of two years at an annual rental of RMB15,000;
- approximately 1,346 square feet of office space in Jinan City, leased by the Group for a term of one year at an annual rental of RMB135,000;
- approximately 237 square feet of office space in Jinan City, leased by the Group for a term of one year at an annual rental of RMB15,840;
- approximately 323 square feet of office space in Jinan City, leased by the Group for a term of one year at a monthly rental of RMB501.4; and
- approximately 1,539 square feet of office space in Guiyang City, leased by the Group for a term of 5 years at a monthly rental of RMB6,864.

The profit contributions from each of these properties and the legal implications of the defects are immaterial. No remedial action will be taken by the Group to rectify these title defects because they are short term leases for minimal square footage of office and residential space and are immaterial to the business of the Company and the Group. The Company has not received any assertions against the validity of its occupation of these premises. The Company believes that the absence of proper leases for these properties will not have a material adverse effect on the business of the Company.

Knight Frank Petty Limited, an independent property valuation firm, has attributed no commercial value to these property interests.

[1] The property interests leased by the Group for which the lessors have been able to provide the building ownership certificates and/or land use rights certificates are properties number 2, 4, 6 and 10 under "Appendix III — Property Valuation" of this prospectus. Of the leased properties lacking such certificates, property 3 is leased for office use under a three month lease, property 5 is leased for office and residential use under a two year lease; property 7 is leased for office use under a one year lease; property 8 is leased for office use under a one year lease; property 9 is leased for office use under a one year lease and property 12 is leased for office use under a 5 year lease. The Company believes that the absence of building ownership and/or land use rights certificates is immaterial to the Company's business. There has been no illegal use of any of the leased properties.

Knight Frank Petty Limited has valued the Group's property interests in the PRC and Australia assets as at December 31, 2006. For details relating to the Group's properties leased and owned together with valuations and valuation certificates and details of whether the lessor has provided the building ownership certificates or land use rights certificates, please refer to "Appendix III — Property Valuation" of this prospectus.

EMPLOYEES

As at December 31, 2004, 2005 and 2006, the Group had a total of 416, 450 and 453 employees, respectively.

In the table below, the employees have been categorised based on their regional location as well as their area of responsibility:

Groupwide Manning Levels

As at December 31, 2006	**Ex-Jianchaling Gold Mine (to relocate to Jinfeng Project)**	**Jinfeng Project**	**Golden Triangle Region**	**Shandong Region**	**White Mountain Project**	**Beijing Office**	**Sydney Office**	**Total**
Mining	30	46						76
Mobile Maintenance								
Process Plant		29						29
Engineering		57						57
EPCM		60						60
Supply		31						31
Mine Geology		28						28
Exploration		5	30	6	12		4.5	57.5
Camp Services		2						2
Training, Safety, Health & Environment		32						32
Administration						5	2	7
External Relations		18						18
Human Resources		6					3.5	9.5
General Manager's Office		8					2	10
CEO's Office							2	2
Project Development		19						19
Finance		10					4	14
Risk Management							1	1
Total	**30**	**351**	**30**	**6**	**12**	**5**	**19**	**453**

Since the divestment of the Jianchaling Gold Mine in September 2006, 30 of the employees from the Jianchaling Gold Mine will be transferred to the Jinfeng Project. The remaining employees will continue at Jianchaling Gold Mine under its new ownership.

Disruptions and Injuries

No material disruptions to the Group's operations have occurred during the Track Record Period. There have been no material employee injuries and there have been no employee fatalities during the Track Record Period.

Employee Remuneration Policy

The Company's remuneration policy is designed to attract, retain and motivate highly talented individuals to ensure the capability of its workforce to deliver the business strategy and to maximize shareholder wealth creation.

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 including financial and non-financial measure of performance through its Performance Management Program;
- establish short and long-term incentive programs across the organisation, for which the following principles apply;
- ensure remuneration planning continues to be integrated within the Company's business planning process; and
- total reward levels and performance targets will be set at appropriate levels to reflect the competitive market in which the Company operates; the prevailing economic environment and the relative performance of comparator companies.

Short term annual cash bonus

The key principles of the short term annual cash bonus policy are:

- an individual bonus is earned and not a right;
- a bonus is determined according to pre-set targets, but ultimately is discretionary and distribution is related to outstanding achievement;
- a bonus is determined according to individual, team and Company performance;
- general labour market conditions for the position are considered; and
- frequency, timing and quantum of any incentive program including an annual cash bonus, are approved by the chief executive officer and the Board in respect of senior executives and executive Directors.

Long term performance based share options

Senior staff of the Company are offered participation in the Company's approved EOP. The Board will determine the conditions on which options are issued under the EOP. The options are issued at an exercise price being the higher of (i) A$0.20; or (ii) the weighted average sale price of the Shares on the ASX over the five trading days immediately prior to the date of issue of the options.

The Group's remuneration structure maintains its validity by conducting annual reviews taking into account individual performance, the economic environment, the unique requirement for certain employees to travel to and spend time in the PRC, 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.

The Group's remuneration structure further recognises that until the Jinfeng Project becomes fully operational, the Company is in a negative cash flow generating position and in order to conserve its cash resources, the Company, where appropriate, should issue options under the approved EOP as an integral part of its remuneration policy.

RESEARCH & DEVELOPMENT

In January 1999, some members of the Company's current management team initiated the China Review Project to gather data on various regions. Over a three-year period, mine and exploration data from various regions across the PRC was compiled, assessed and interpreted. In November 2002, the initial work on the China Review Project was completed. It has since been progressively updated. This work has been conducted by managers and employees of the Group using information acquired from a range of sources including state-owned geology brigades, other mining companies and government agencies. The China Review Project now consists of a searchable digital database containing more than 8,000 identified gold deposits or mines, and approximately another 2,000 base metal deposits.

The China Review Project has created a database of mining opportunities within the PRC. These opportunities have been assessed and ranked by the Company according to attractiveness, creating a pipeline of potential exploration projects for the Company.

For details relating to the China Review Project, please refer to the section headed "Business — Competitive Advantages — Database of Chinese Mining Opportunities" in this prospectus.

Except for the China Review Project, as is typical for gold mining and exploration businesses of the Group's size, the Group does not currently participate in any other research and development initiatives.

RECENT DEVELOPMENTS

Corporate Loan Facility

The Company has negotiated an indicative term sheet for a proposed Corporate Loan Facility from HVB in the principal amount of US$25 million for funding of general corporate purposes of the Company. It is provided up to June 30, 2007, thereafter, renewable until December 30, 2007 at the discretion of HVB upon request by the Company, and thereafter, annually renewable at the discretion of HVB upon request by the Company.

The Corporate Loan Facility is subject to conditions precedent, including execution of formal documentation, payment of fees and expenses and satisfactory due diligence. It will become available when all the conditions precedent have been satisfied or as otherwise agreed in writing by HVB.

The reference rate for this facility is US$ LIBOR for the appropriate period. The margin is 3.0% p.a. above the reference rate prior to the anticipated capital raising referred to below and then 2.0% once a minimum of US$25 million is raised or the completion of the Jinfeng Project is achieved. In the event that the Company wants to fix the interest rate on all or part of the Corporate Loan Facility, the interest rate on that part of the Corporate Loan Facility will be the relevant US$ interest rate swap rate determined at the time of fixing plus the margin. There is an establishment fee of 1.0% of the total Corporate Loan Facility amount and a further 1.0% at the time of the Corporate Loan Facility is drawn. There is also a commitment fee of 0.5% p.a. of the margin applicable to any undrawn portion of the Corporate Loan Facility.

The obligations of the Company under the Corporate Loan Facility are conditional upon the election of the Company to draw down under the facility. As at the Latest Practicable Date, the Company has not agreed to the Corporate Loan Facility.

Pursuant to the Corporate Loan Facility, if accepted, the Company would agree to raise at least US$25 million in additional funds by July 1, 2007 by way of an issue of Shares on the Stock Exchange or a capital raising on the ASX. If the Company fails to achieve either of these, the Company would agree to grant HVB an exclusive mandate to place a convertible bond commensurate to the value of US$25 million on normal commercial terms and conditions. Assuming a conversion price of US$5.83 as at the Latest Practicable Date, the convertible bond, if it were ever issued, would be convertible into approximately 4,286,240 Shares.

There are a number of negative covenants given by the Company under the Corporate Loan Facility relating to, amongst other things, additional unsecured debt, acquisition of new subsidiaries and disposal of assets, preventing the Company from performing certain actions without HVB's consent.

Heads of Agreement

On November 22, 2006, the Company entered into the Heads of Agreement with Gold Fields Australasia.

The Heads of Agreement creates an alliance between the Company and Gold Fields Australasia for the joint development of gold mining projects in the PRC excluding:

- the Jinfeng Project area comprising the Laizhishan Dome and a 10km wide band surrounding the current outer edges of the Laizhishan Dome; and

- the White Mountain Project area and a 10km wide band surrounding the outer edges of the White Mountain Project's exploration leases (together, the "Excluded Area").

The alliance will last for three years from the date of the Heads of Agreement, unless an unresolved deadlock occurs (as defined in the Heads of Agreement) or Gold Fields Australasia ceases to hold at least 17,600,000 Shares (unless required to do so by the South African Reserve Bank) and may be extended by the parties' mutual agreement.

If a deadlock occurs, the Heads of Agreement provides for the deadlock to be elevated for consideration and negotiation by appropriate senior personnel of each party who are required, acting reasonably and in good faith, to endeavour to resolve and reach agreement in respect of the deadlock. A deadlock only becomes an unresolved deadlock if the deadlock cannot be resolved within 6 months of it first arising (unless extended by agreement of the parties).

The alliance is in respect of gold projects:

- possessing the potential of a minimum 5,000,000 oz of gold, or Gold Equivalent (as defined in the Heads of Agreement), in resources; and

- capable of producing at an approximate minimum annual rate of 500,000 oz of gold or Gold Equivalent (together, a "GFS Scale Deposit").

The Heads of Agreement contains a non-compete clause preventing the Company from exploring, exploiting or acquiring the assets of a GFS Scale Deposit in the PRC within the term of the Heads of Agreement, unless it is within the Excluded Area or through the formed alliance.

If a GFS Scale Deposit is approved by the Company and Gold Fields Australasia for exploiting under the alliance, the Heads of Agreement provides for the formation of a special purpose company ("SPV"), in which the Company and Gold Fields Australasia will each hold a 50% interest. The SPV would in turn hold an interest in a CJV formed for the purpose of exploiting and developing the GFS Scale Deposit.

Subject to the Company's due diligence being satisfactory and to all necessary consents and approvals being obtained, Gold Fields Australasia agrees to sell the interest of Gold Fields Australasia in two CJVs to the Company. The consideration for the acquisitions will be a number of Shares in the Company equivalent to the value of the interest of Gold Fields Australasia in the CJV (as agreed by the parties or determined by an independent qualified valuer if the parties are unable to agree on the value). If the Company is precluded from issuing shares in consideration for the purchase of the interest of Gold Fields Australasia in a CJV, then the acquisition consideration will be paid as a credit towards the funding obligations of Gold Fields Australasia to the alliance and any SPVs formed pursuant to the alliance.

Pursuant to the Heads of Agreement, each of the Company and Gold Fields Australasia will hold a 50% interest in any SPVs. Each party will be required to contribute equally to the capital of an SPV. The amount of equity capital and debt capital required to fund an SPV will be dependent on the size and nature of the project to be developed by the SPV.

Details of the two CJVs to be sold by Gold Fields Australasia are as follows:

- all of the issued shares in Gold Fields Fujian BVI Ltd, a company which is entitled to a 60% interest in Fujian Gold Fields Zijin Mining Company Limited. Fujian Gold Fields Zijin Mining Company Limited is a CJV formed by a subsidiary of Gold Fields Limited and Fujian Zijin Investment Co Limited. The CJV was formed for the purpose of exploring for copper-gold deposits in the Fujian province, PRC; and

- all of the issued shares in Gold Fields China (BVI) Ltd, a company which is entitled to a 70% interest in Heilongjiang Golden Dragon Mining Company Limited. Heilongjiang Golden Dragon Mining Company Limited is a CJV formed by a subsidiary of Gold Fields Limited and The Sixth Mineral Exploration Institute of Heilongjiang Province. The CJV was formed for the purpose of exploring for copper-gold deposits in the Heilongjiang Province, PRC.

The acquisitions of the two CJVs are subject to the following:

- the results of the Company's due diligence being satisfactory to the Company (acting reasonably);

- all necessary third party and regulatory consents and approvals being obtained;

- waiver of any rights of pre-emption in favour of joint venture parties; and

- the consents of any financiers.

Completion of the acquisition of a CJV is to occur on the date 20 days after the last of the conditions precedent specified above are satisfied or waived in respect of the relevant CJV.

Pursuant to the Heads of Agreement, the management of an SPV will be vested in its board of directors. The Heads of Agreement sets out the following principles concerning the board of directors:

- each shareholder may appoint up to two directors;
- each director has one vote, all decisions are decided by simple majority vote, and the chairman will have a casting vote as well as any deliberative vote he or she may have;
- if Gold Fields Australasia is a shareholder, Gold Fields Australasia will be entitled, from time to time, to appoint or replace the chairman. Otherwise, the directors will amongst themselves appoint one of their number as the chairman; and
- the quorum for a board meeting is two directors, including one director appointed by each shareholder.

Gold Fields Australasia was incorporated in May 1999 and is a company associated with Gold Fields Limited. Gold Fields Australasia invests in exploration projects in Australia, Indonesia and China and is responsible for management of Gold Fields Limited's exploration and growth activities in the Australasian region.

Gold Fields Limited is one of the world's largest unhedged gold producers, with annual gold production of approximately 4.1 Moz from mines in South Africa, Ghana, Australia and Venezuela, as well as a developing mine at Cerro Corona in Peru. Gold Fields Limited has ore reserves of 65 Moz and mineral resources of 179 Moz. It has its primary listing on the Johannesburg Securities Exchange and secondary listings on the New York Stock Exchange, the Dubai International Financial Exchange, the London Stock Exchange, Euronext in Paris and Brussels, and on the Swiss Exchange. Additional information is available on the Gold Fields website at www.goldfields.co.za.

While Gold Fields Australasia continues to hold equal to or greater than 17,600,000 Shares, it has the right to nominate one nominee for election to the Board of the Company (as at the Latest Practicable Date, such right has not been exercised) and to participate, pro rata to its then shareholding in the Company, in any issue by the Company of further Shares or securities convertible into Shares. The latter right does not apply in respect of:

- any grant of securities under an employee share incentive scheme;
- any issue of securities in consideration for the acquisition of assets, discharge of liabilities, as part of a commercial transaction on an arms length basis, or in connection with the take over of another corporation or entity; or
- any issue of securities as part of the Company's proposed listing on the Stock Exchange.

In addition, Gold Fields Australasia agreed to subscribe for 6,500,000 ordinary Shares in the capital of the Company at a price of A$5.58 per Share, calculated on the basis of the Company's volume weighted average price on the ASX for the ten trading days immediately preceding the Heads of Agreement plus a premium equal to 7.5%, subject to Gold Fields Australasia obtaining all necessary consents, approvals or waivers from the South African Reserve Bank, the Australian Foreign Investment Review Board and any of its significant financiers. The 6,500,000 Shares were issued to Gold Fields Australasia on January 9, 2007.

Share Placement In Golden Tiger Mining NL

On November 22, 2006, the Company entered into a placing agreement ("Placement Agreement") with Golden Tiger Mining NL ("Golden Tiger"). Golden Tiger is a company listed on the ASX whose business is the exploration and development of gold projects in the Guangxi Province.

Golden Tiger's main focus is exploration and development of projects with potential for medium and large gold deposits. Its interests are situated in three separate regions of Guangxi Province in Southern PRC including an exclusive area of more than 15,500 sq.km. in the Dayaoshan region. Additional information is available on Golden Tiger's website at www.goldentiger.com.au.

Prior to the entry into the Placement Agreement, there was no relationship between Golden Tiger and the Group or its gold projects.

Under the terms of the Placement Agreement, Golden Tiger agreed to issue 15,305,604 ordinary shares to the Company at a price of A$0.10 per share, the then prevailing share price. The placement shares comprise 19.9% of the issued shares in Golden Tiger as at the date of the Placement Agreement. The date of issue of the placement shares was January 16, 2007.

The Placement Agreement provides that the Company, after the allotment of the placement shares, has the right:

- to participate, pro-rata to its then shareholding in Golden Tiger, in any future issue of shares by Golden Tiger;
- to nominate one director to the board of Golden Tiger (as at the Latest Practicable Date, such right has not been exercised); and
- to participate on a priority basis with Golden Tiger in connection with any acquisition, disposal, operation or exploitation of any current or future assets of Golden Tiger.

The Greatland Project

On October 26, 2006, SG Greatland entered into a CJV agreement with Brigade 105 to establish the Greatland CJV in relation to the Greatland Project. For further details on the CJV agreement, please refer to the sections headed "Business — Information on CJV Agreements" and "Business — Summary of CJV Agreements" in this prospectus. For further details on the Greatland Project, please refer to the section headed "Business — Projects Pending Governmental Approval as at the Latest Practicable Date — Greatland Project" in this prospectus.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, none of the members of the Group is a party to any legal or administrative proceedings, and no proceedings are known by any member of the Group to be contemplated by government authorities or third parties, which, if adversely determined, would materially and adversely affect the Group.