This section should be read in conjunction with the audited financial information of the Group, including the notes thereto, as set out in "Appendix I — Accountants' Report" of this prospectus. This prospectus contains certain forward-looking statements relating to the Group's plans, objectives, expectations and intentions, which involve risks and uncertainties. The Group's financial condition could differ materially from those discussed in this prospectus. For factors that could cause or contribute to such differences, please refer to the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

Sino Mining International Limited (the predecessor to the Company) initiated the development of the Jianchaling Gold Mine in 1996. Upon incorporation of the Company on June 28, 2000, the Jianchaling Gold Mine was transferred to the Company in consideration for an issue of shares in the Company to Sino Mining International Limited. The Jianchaling Gold Mine was successfully operated by the Company and its predecessor until its divestment in September 2006. During the Track Record Period, all of the Company's revenues were derived from the Jianchaling Gold Mine. As a result of the depleting nature of the Jianchaling Gold Mine, the Company's production and revenues were in decline during the Track Record Period. Other than interest on funds on deposit, the Company does not have any other source of revenue before the commencement of operation of the Jinfeng Project.

As the Jianchaling Gold Mine matured and the production declined, the Company commenced the development of the Jinfeng Project during the first quarter of 2005. The Company is currently in the final phase of development of the Jinfeng Project and is expected to commence production in the first quarter of 2007. The Jinfeng Project is expected to produce an estimated 180,000 oz p.a. from the open pit operations which is expected to increase to an estimated 300,000 oz p.a. when the underground mine commences production and following required plant expansion. This expanded production, equal to an estimated 300,000 oz p.a., compares favourably to the average annual production of 56,186 oz that the Company produced at the Jianchaling Gold Mine during the eight years of its operation and also to the Group's annual production over the Track Record Period. The annual production at the Jianchaling Gold Mine over the Track Record Period was 42,937 oz, 20,391 oz and 11,312 oz for the years ended December 31, 2004, 2005 and 2006, respectively (the Jianchaling Gold Mine was divested by the Company in September 2006). This demonstrates the significant scale of the Jinfeng Project relative to the Company's historical gold mining operations.

The Company estimates that its average cash operating costs for the Jinfeng Project will be US$220/oz. The average cash operating costs have been estimated by the Group based on its feasibility study on the Jinfeng Project completed in April 2004 and a mine optimisation study completed by the Group in August 2004.

FACTORS AFFECTING THE GROUP'S FINANCIAL RESULTS

The Group's business and historical financial results have been affected by a number of important factors which may also affect its future financial results. The Group's financial results are primarily affected by the following factors:

Gold Price

The revenue of the Company is affected by fluctuations in the price of gold traded on the Shanghai Gold Exchange. The gold price on the Shanghai Gold Exchange has historically been strongly correlated to the international price of gold, which in turn is affected by a number of factors beyond the control of the

Company. These factors include global fabrication and industrial demand, buying and selling of gold by central banks, macro economic factors such as inflation, interest rates and currency exchange rates, and production cost levels in major gold-producing regions.

While the published gold price at the Shanghai Gold Exchange has historically converged with the international price of gold, there can be no certainty that will continue.

Production Volume

The amount of gold produced varies with a number of factors including variations in geological and metallurgical conditions such as ore grade, grade distribution, ore hardness and recovery. In addition, mining production technology, capital expenditures, unexpected maintenance or technical problems, key equipment failures and weather conditions could also affect the Group's production volume.

This variability is evidenced by the production volume of gold dore at the Jianchaling Gold Mine. In October 1998, the Jianchaling Gold Mine was commissioned with a design output of 65,000 oz p.a. The operation was gradually expanded and made more efficient such that, at its peak, it produced approximately 95,000 oz p.a..

Through the development of the Jinfeng Project, the Company estimates its production volume of gold dore from the open-pit operations to be 180,000 oz p.a. with potential for additional future gold production from development of the Jinfeng Project's underground mine.

Production Costs

The key factors impacting the Company's production costs include variations in production volume, cost of power, fuel, labour, explosives, reagents and exchange rate movements.

Exploration Success

In the event that the existence of economically recoverable reserves is not probable, exploration expenditure incurred may need to be written off.

Valuation of Seed Shareholders' Options

Under the Group's accounting policy, the Seed Shareholders' Options are accounted for as derivatives. As such, movements in value of the underlying Shares may have a material impact on the reported results. For further details of these options, please refer to the section headed "Financial Information — Critical Accounting Policies — Share Based Payments" in this prospectus.

Development, Construction and Mining Operations

The future expansion and growth of the Company will be affected by the Group's ability to meet production, timing and cost estimates for potential development projects. Technical considerations, ability to obtain governmental approvals and financing are also important factors that will impact on the outcome of any future projects.

The Company is currently developing the Jinfeng Project. As at December 31, 2006, the total development capital expenditure for the project is estimated to be approximately US$95 million. As at December 31, 2006, the Company had spent approximately US$90 million of the total project capital expenditure and remains on schedule to commence commercial production in the first quarter of 2007.

The Group's reporting currency is A$. The Group conducts operations in the PRC and its critical supplies of goods and services are denominated in a range of currencies, with the majority denominated in RMB. The global market for gold sales is denominated in US$ and the majority of the Group's debt is denominated in US$. The majority of the Group's revenues are denominated in RMB in relation to the gold price achieved, which traditionally has tracked the global market price for gold (denominated in US$), however there is no certainty this will continue. As a result, exchange rate fluctuations may impact the Group's earnings, cashflow and net assets.

CRITICAL ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with IFRS. All of the Company's principal accounting policies are stated in Note 1 to the financial statements as set out in "Appendix I — Accountants' Report" of this prospectus. IFRS requires the Directors to make estimates and assumptions which may have an effect on the reported value or amount of assets, liabilities, revenue and expenses. These estimates are based on the Directors' knowledge of the Company's sector of activity, on historical and current information, on foreseeable future variations and on available information. These estimates and assumptions are subject to change over time.

The following are regarded as critical accounting policies which may require estimates and assumptions from the Directors.

Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Exploration and evaluation costs

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance sheet date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. When the existence of economically recoverable reserves is not probable, provision for impairment is made in respect of the costs carried forward.

Grants and subsidies are offset against costs as incurred.

Costs carried forward in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

Mining operation development costs

Costs incurred in the development and construction of a mining operation are capitalized to the extent that the carrying amount does not exceed recoverable amount. Once production commences the carrying value is transferred to property, plant and equipment and depreciated accordingly.

Derivative Financial Instruments

Forward Gold Hedges

The Group enters into forward gold hedges where it agrees to sell specified ounces of gold at a predetermined gold price. The objective of these hedges is to match the forward agreements with anticipated cash flows from future gold sales and as such are considered "cash flow" hedges under IAS 39 "Financial Investments: Recognition and Measurement". The fair value of all qualifying cash flow hedges is recorded on the balance sheet. Movements in fair value, to the extent the hedges are effective, are recorded as a separate component of equity and released to the profit and loss at the time the hedged transaction occurs.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer, being when the gold leaves the mine site.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Foreign currency translation

Following the issue of the US$ denominated convertible notes in March 2005, the functional currency of the Company was deemed to be US$. Prior to this event the functional currency of the Company was considered to be Australian dollars. The functional currency of overseas subsidiaries is the RMB. The information under the section headed "Financial Information" in this prospectus has been presented in A$.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries is the RMB.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Sino Gold Mining Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Share based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’). The Executive and Employee Option Plan (EOP) is in place to provide these benefits. Options granted under this vest over a three year period and have no attaching market or performance conditions.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black Scholes option pricing model.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects: (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance sheet date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

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

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

Up until March 17, 2005, the functional currency of the Company was A$, therefore, the US$ denominated option was accounted for as a derivative liability. Thereafter, the functional currency of the Company was US$, therefore, all A$ denominated options are accounted for as derivative liabilities from this time.

As the Company is now considered US$ functional, the US$ denominated options are no longer considered as derivative liabilities and the derivative liabilities previously created have been released to the equity reserve of the Company.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

Revenue represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts.

Cost of sales

Cost of sales includes production costs, such as consumables, power, fuel, labour, depreciation and amortisation, as well as other costs.

Other income

Other income principally comprises of interest received, management fees and gains on sale of non-current assets.

Administrative expenses

Administrative expenses primarily consist of salary and benefits paid to staff, rent for properties used for administrative purposes, travel and entertainment expenses, office-related expenses and legal and professional fees.

Other operating expenses

Other operating expenses include gains or losses on gold hedging, impairment of mine property and equipment, exploration and evaluation expenditure written off, fair value movement of option derivatives and net foreign exchange gains or losses.

Finance costs

Finance costs consist of interest on bank loans, unwinding of discount on CJV liabilities and interest on Convertible Notes.

Tax

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group was not liable for income tax in Hong Kong as it did not have assessable income arising in Hong Kong during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets out selected financial data which are extracted from the Company's consolidated financial statements during the Track Record Period as set out in "Appendix I — Accountants' Report" of this prospectus.

Consolidated Income Statement

	Year ended December 31		
	2004	2005	2006
	A$000s	A$000s	A$000s
Revenue	20,044	11,024	8,695
Cost of sales	(24,455)	(16,642)	(7,803)
Gross profit/(loss)	(4,411)	(5,618)	892
Other income	2,389	1,333	3,962
Administrative expenses	(5,598)	(6,953)	(8,243)
Other operating expenses	(11,345)	(12,548)	(10,489)
Finance costs	(373)	(2,503)	(6,176)
Loss before tax	(19,338)	(26,289)	(20,054)
Tax	—	—	—
Loss for the year	(19,338)	(26,289)	(20,054)
Attributable to:			
Equity holders of the parent	(19,338)	(26,289)	(20,054)
Dividends	—	—	—
Loss per share			
— basic (cents per share)	(15.0)	(20.3)	(13.7)
— diluted (cents per share)	N/A	N/A	N/A
Shares			
Weighted average number of ordinary shares on issue during the year used in the basic loss per share calculation	129,176,859	129,474,315	146,168,242
Weighted average number of ordinary shares on issue during the year used in the diluted earnings per share calculation	N/A	N/A	N/A

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Comparison for the years ended December 31, 2006 and December 31, 2005

Revenue. The revenue from the sales of gold is analysed as follows:

	Year ended December 31,	
	2005	2006
Sales quantity (oz)	20,577	11,935
Average selling price (US$/oz)	410	549
Revenue (A$'000s)	11,024	8,695

The Group's revenue decreased by A$2.329 million, or 21.1%, from A$11.024 million for the year ended December 31, 2005 to A$8.695 million for the year ended December 31, 2006. This was primarily due to a reduction in gold sold of 8,642 ounces, or 42.0%, from the Jianchaling Gold Mine as the resource continued to be depleted and the Company divested the mine in September 2006. The effect of the gold production decline was partially offset by an increase in average gold price of 33.9%.

Cost of sales. The Group's cost of sales decreased by A$8.839 million, or 53.1%, from A$16.642 million for the year ended December 31, 2005 to A$7.803 million for the year ended December 31, 2006. This was primarily due to a reduction in depreciation and amortisation costs of A$6.242 million relating to the Jianchaling Gold Mine and the reduction in gold production discussed above. The book value of the Jianchaling Gold Mine was written down to Nil at December 31, 2005 and accordingly no depreciation and amortisation was charged on mine property and equipment for the year ended December 31, 2006.

Gross profit. For the reasons discussed above, the Group's gross profit increased by A$6.510 million, from a loss of A$5.618 million for the year ended December 31, 2005 to a profit of A$0.892 million for the year ended December 31, 2006.

Other income. The Group's other income increased by A$2.629 million, or 197.2%, from A$1.333 million for the year ended December 31, 2005 to A$3.962 million for the year ended December 31, 2006. This was primarily due to the gain on the sale of the Jianchaling Gold Mine of A$2.129 million.

Administrative expenses. The Group's administrative expenses increased by A$1.290 million, or 18.6%, from A$6.953 million for the year ended December 31, 2005 to A$8.243 million for the year ended December 31, 2006. This was principally due to an increase in employee benefits of A$1.371 million, or 29.0%, related predominantly to the impact of the cost of share based payments.

Other operating expenses. The Group's other operating expenses decreased by A$2.059 million, or 16.4%, from A$12.548 million for the year ended December 31, 2005 to A$10.489 million for the year ended December 31, 2006. This decrease was primarily due to a write-off of mine property and equipment at the Jianchaling Gold Mine and higher foreign exchange gains which was offset by higher fair value losses of the Company's option derivatives. At December 31, 2005 the Group wrote down the value of the Jianchaling Gold Mine to Nil by charging an amount of A$4.735 million through the income statement and no such write down was made in 2006. The fair value loss of option derivatives increased by A$3.558 million, or 45.2%. The foreign exchange gain increased by A$0.780 million, or 428.6%.

Finance costs. The Group's finance costs increased by A$3.673 million, or 146.7%, from A$2.503 million for the year ended December 31, 2005 to A$6.176 million for the year ended December 31, 2006. The increase was primarily due to the effect of a full year interest charge on the Convertible Notes which were issued in March 2005 and the impact of interest charged on the Senior Loan Facility for the year ended December 31, 2006. The first drawdown on the facility took place in April 2006. The interest on the Convertible Notes increased by A$0.971 million, or 40.7%, while the interest charge on the Senior Loan Facility was A$2.817 million, for the year ended December 31, 2006 and Nil for the year ended December 31, 2005.

Tax. The Group was not subject to income tax for the year ended December 31, 2005 or the year ended December 31, 2006 as the Group did not generate a profit in either of these year.

Loss for the year. For the reasons discussed above, loss for the year attributable to the equity holders of the Company was reduced by A$6.235 million, or 23.7%, from a loss of A$26.289 million for the year ended December 31, 2005 to a loss of A$20.054 million for the year ended December 31, 2006.

Comparison for the years ended December 31, 2005 and December 31, 2004

Revenue. The revenue from the sales of gold is analysed as follows:

	Year ended December 31,	
	2004	2005
Sales quantity (oz)	42,892	20,577
Average selling price (US$/oz)	344	410
Revenue (A$'000s)	20,044	11,024

The Group's revenue decreased by A$9.020 million, or 45.0%, from A$20.044 million for the year ended December 31, 2004 to A$11.024 million for the year ended December 31, 2005. This was primarily due to a reduction in gold sold of 22,315 ounces, or 52.0%, from the Jianchaling Gold Mine as the resource continued to be depleted. The effect of the gold production decline was partially offset by an increase in average gold price of 19.2%.

Cost of sales. The Group's cost of sales decreased by A$7.813 million, or 31.9%, from A$24.455 million for the year ended December 31, 2004 to A$16.642 million for the year ended December 31, 2005. This was primarily due to the reduction in gold production discussed above.

Gross profit. For the reasons discussed above, the Group's gross profit decreased by A$1.207 million, or 27.4%, from a loss of A$4.411 million for the year ended December 31, 2004 to a loss of A$5.618 million for the year ended December 31, 2005.

Other income. The Group's other income decreased by A$1.056 million, or 44.2%, from A$2.389 million for the year ended December 31, 2004 to A$1.333 million for the year ended December 31, 2005. This was primarily due to a reduction in interest received of A$1.057 million, or 50.9%.

Administrative expenses. The Group's administrative expenses increased by A$1.355 million, or 24.2%, from A$5.598 million for the year ended December 31, 2004 to A$6.953 million for the year ended December 31, 2005. This was principally due to increased corporate overheads including travel costs reflecting the commencement of development of the Jinfeng Project, as well as increased activity in other projects.

Other operating expenses. The Group's other operating expenses increased by A$1.203 million, or 10.6%, from A$11.345 million for the year ended December 31, 2004 to A$12.548 million for the year ended December 31, 2005. This was primarily due to write-off of mine property and equipment at the Jianchaling Gold Mine, a write-off relating to the Jinkang Exploration Property and fair value adjustments of the Group's option derivatives. The Company made a write down of the value of the Jianchaling Gold Mine of A$10.865 million and A$4.735 million in 2004 and 2005, respectively. The Group made a write-off of A$2.251 million relating to the Jinkang Exploration Property in 2004. In 2005, the Group had to charge the income statement with A$7.863 million due to the movement in fair value of option derivatives compared to a gain of A$1.618 million in 2004.

Finance costs. The Group's finance costs increased by A$2.130 million, or 571.0%, from A$0.373 million for the year ended December 31, 2004 to A$2.503 million for the year ended December 31, 2005. This was principally due to the impact of interest charges on the Convertible Notes of A$2.388 million.

Tax. The Group was not subject to income tax for the year ended December 31, 2004 or for the year ended December 31, 2005 as the Group did not generate a profit in either of these years.

Loss for the year. For the reasons discussed above, loss for the year attributable to the equity holders of the Company was increased by A$6.951 million, or 35.9%, from A$19.338 million for the year ended December 31, 2004 to A$26.289 million for the year ended December 31, 2005.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

During the Track Record Period, the Group's primary source of working capital and long-term funding has been cash flows from operating and financing activities.

Financing has consisted principally of long-term secured loans from banks, the issuance of convertible notes and the issuance of equity. The Directors confirm that the Company did not experience any liquidity problems during the three years ended December 31, 2004, 2005 and 2006.

As at December 31, 2006, the Group had bank and cash balances, and term deposits of A$21.505 million. The bank and cash balances are required to finance the Group's working capital requirements, as well as part of the Group's expected capital expenditure for its continuing growth and expansion plans. Specific considerations in determining the Group's appropriate cash position include the Group's working capital requirements, capital expenditure requirements and the Group's liquidity ratios. The Group aims to maintain a certain level of excess cash to meet unexpected circumstances and to be able to take advantage of potential business expansion opportunities as they arise.

As at December 31, 2006, the Group had approximately A$59.829 million in available general credit facilities entered into with banks and financial institutions, of which A$56.388 million was drawn down. The interest rates for such credit facilities are primarily determined by reference to US$ LIBOR.

The Company has received an indicative term sheet from HVB (the "Corporate Loan Facility") in the principal amount of US$25 million for funding of general corporate purposes of the Company. The interest rates for this facility is determined by reference to US$ LIBOR and as at the Latest Practicable Date, no amounts have been drawn down under this facility.

The Company has separately entered into the Cost Overrun Facility in relation to the Jinfeng Project in the principal amount of US$3.7 million. The interest rate for this facility is determined by reference to US$ LIBOR and as at the Latest Practicable Date, no amounts have been drawn down under this facility.

The Directors believe that the proceeds of the Global Offering, together with the Group's current bank and cash balances and term deposits, lines of credit and net cash provided by operating activities will be sufficient to meet the Group's material commitments and anticipated cash needs for working capital, capital expenditures, business expansion, investments and debt repayment for at least the next twelve months. The Group's major current development, the Jinfeng Project, is commissioning with commercial production expected in the first quarter of 2007. As at December 31, 2006, the total development capital expenditure for the project is estimated to be approximately US$95 million. As at December 31, 2006, the Company had spent approximately US$90 million of the total project capital expenditure. Thereafter, the Group would finance its operations with net cash generated from its operation and, if required, additional debt or equity financing. There can be no assurance that the Group will be able to raise additional capital on terms acceptable to the Group or at all. The sale of additional equity or equity-linked securities may result in dilution to the Group's shareholders. From time to time, the Group evaluates possible investments, acquisitions, divestments or mergers and may, if a suitable opportunity arises, make an investment, acquisition or divestment or enter into a merger.

Capital Expenditures

During the Track Record Period, the Group's principal capital requirements have been in relation to the capital expenditures for the Jinfeng Project.

The following table sets forth the Group's total capital expenditures for the years indicated:

Capital Expenditures Summary

	Year ended December 31		
	2004	2005	2006
	A$000s	A$000s	A$000s
Purchase of items of property, plant & equipment	(4,681)	—	(107)
Payments for exploration, evaluation and development costs	(13,124)	(57,746)	(117,893)
Total capital expenditure	(17,805)	(57,746)	(118,000)

The Group's planned future capital expenditures, after achieving commercial production of the open-pit at the Jinfeng Project, mainly include:

- the development of the underground mine at the Jinfeng Project at an estimated pre-production capital cost of US$20 million;
- the planned expansion at the Jinfeng Project, in order to accommodate the proposed acceleration of production from the open-pit and underground operations at an estimated capital cost of US$18.2 million. This planned expansion is designed to expand the operating capacity of the Jinfeng Project from an estimated 180,000 oz p.a. to an operating capacity capable of processing an estimated 300,000 oz p.a;
- costs in relation to the feasibility studies relating to the White Mountain Project at an estimated cost of US$5 million; and
- exploration expenditure on the Group's projects.

The Group expects to fund these expenditures with cash flow from its operations and the net proceeds from the Global Offering. A mine development of the White Mountain Project, which is still subject to pre-feasibility and feasibility studies, could require additional funding requirements for the Group.

Summarised Cash Flow

The following table summarises the Group's cash flows during the years indicated:

	Year ended December 31		
	2004	2005	2006
	A$000	A$000	A$000
Net cash inflow/(outflow) from operating activities	(5,028)	791	(8,152)
Net cash outflow from investing activities	(17,805)	(57,746)	(118,000)
Net cash inflow from financing activities	794	46,028	122,529

Cash Flows from Operating Activities

The Group's net cash outflow from operating activities in the year ended December 31, 2006 was A$8.152 million, although the Group incurred a loss after tax for such year of A$20.054 million. The difference was primarily attributable to non cash expense items of A$8.682 million and a positive impact from a change in net working capital of A$3.220 million. The non cash expense items include a fair value loss of option derivatives of A$11.421 million and equity settled share option expenses of A$1.296 million which was partially offset by a reversal on provision for restoration and rehabilitation of A$1.984 million and profit on sale of non-current assets of A$2.129 million.

The Group's net cash inflow from operating activities in the year ended December 31, 2005 was A$0.791 million, although the Group incurred a loss after tax for such period of A$26.289 million. The difference was primarily attributable to depreciation and amortisation of A$6.320 million, impairment of mine property and equipment of A$4.735 million, movement in fair value of option derivatives of A$7.863 million and a positive impact from a change in net working capital of A$7.594 million.

The Group's net cash outflow from operating activities in the year ended December 31, 2004 was A$5.028 million although the Group incurred a loss after tax for such period of A$19.338 million. The difference was primarily attributable to depreciation of A$7.224 million, exploration expenditure write off of A$2.251 million, impairment of mine property and equipment of A$10.865 million which was partially offset by a negative impact from a change in net working capital of A$5.265 million.

Cash Flows from Investing Activities

The Group's net cash outflow from investing activities was A$17.805 million, A$57.746 million, and A$118.000 million for the years ended December 31, 2004, 2005 and 2006, respectively.

The Group's net cash outflow from investing activities primarily reflects expenditure for exploration, feasibility studies and construction of the Jinfeng Project. Expenditure was also incurred on the Group's other exploration projects and on sustaining capital incurred at the ageing Jianchaling Gold Mine.

Cash Flows from Financing Activities

The Group's net cash inflow from financing activities was A$0.794 million, A$46.028 million and A$122.529 million for the years ended December 31, 2004, 2005 and 2006, respectively.

The net cash inflow provided by financing activities in the year ended December 31, 2006 comprised of the proceeds of share issues of A$66.034 million and the proceeds from bank loans of A$60.640 million.

The net cash inflow provided by financing activities in the year ended December 31, 2005 comprised of an issuance of the Convertible Notes raising A$45.932 million and the proceeds from share issues on the exercise of options of A$2.642 million (net of share issue costs) and proceeds from employee ESIS Loans of A$0.018 million. This was partially offset by repayments of shareholder loans of A$2.564 million.

The net cash inflow provided by financing activities in the year ended December 31, 2004 comprised of proceeds from employee ESIS Loans of A$0.219 million and the proceeds from share issues on the exercise of options of A$0.575 million (net of share issue costs).

INDEBTEDNESS

Borrowings and Debt Securities

As at January 31, 2007, the Group had total outstanding interest-bearing debt of approximately A$120.763 million, including A$40.999 million in subordinated convertible notes, A$76.424 million in secured bank loans, A$2.576 million in deferred option premium and A$0.764 million in finance lease liability.

The Company has received an indicative term sheet from HVB, the Corporate Loan Facility, in the principal amount of US$25 million for funding of general corporate purposes of the Company. The interest rate for this facility is determined by reference to US$ LIBOR and as at the Latest Practicable Date, no amounts have been drawn down under this facility.

The Company has separately entered into the Cost Overrun Facility in relation to the Jinfeng Project in the principal amount of US$3.7 million. The interest rate for this facility is determined by reference to US$ LIBOR. The Company can draw down on this facility, provided the Company provides a matching amount to share equally in satisfying the cost overrun. In addition, if any draw down is made in the amount of US$500,000, the Company agrees to issue 200,000 SBBH Options at a 30% premium to the volume weighted average market price of Shares during the 30-day period proceeding the issue of the SBBH Options.

The Convertible Notes, issued on March 15, 2005, are seven-year notes maturing in March 2012. The Senior Loan Facility, entered into on September 16, 2005, has a seven-year term with a two-year grace period. The first drawdown on this facility occurred in April 2006.

Security and Charges

As at January 31, 2007, the Senior Loan Facility was secured by:

- the Company granting security over the shares held by it in SG Guizhou and over shareholder loans owing by SG Guizhou to the Company;

- SG Guizhou granting security over all its assets, an equity pledge over its interests in the Jinfeng CJV, comprising not less than an 82% interest, and security over relevant bank accounts as required under the Senior Loan Facility;

- the Jinfeng CJV granting security over mining titles, equipment, relevant project contracts and other assets of the Jinfeng CJV connected with the project and over relevant bank accounts; and

- the Company and SG Guizhou providing guarantees in relation to moneys owed by the Jinfeng CJV, as borrower, to the lenders under the Senior Loan Facility. In the case of the Company, the guarantee for the Senior Loan Facility does not apply to liabilities arising after completion (being the date on which the "Lender Completion Test" for the Jinfeng Project is satisfied) except in respect of certain limited items.

As at January 31, 2007, the Jinfeng CJV obtained a bank loan from the China Construction Bank for A$22.764 million. The loan is secured over cash placed in term deposit accounts by Sino Gold Mining Limited.

As at January 31, 2007, the Jinfeng CJV has also granted a second ranking security to SG Guizhou as security for the subordinated shareholder loans from SG Guizhou to the Jinfeng CJV. For more details of these loans, please refer to "Appendix VI — Statutory and General Information — Material Contracts" of this prospectus.

Capital Commitments

As at December 31, 2006, the Group had future minimum lease payments under a non-cancellable operating lease commitment of A$1.446 million, in which A$0.267 million is payable within one year, A$0.566 million is payable after one year but not more than two years and A$0.613 million is payable after two years but not more than five years.

The Group has entered into contracts and commitments in relation to the construction of the Jinfeng Project. As at December 31, 2006, the capital cost estimate for the project was estimated to be approximately US$95 million, of which approximately US$90 million had been incurred.

On November 22, 2006, the Company agreed to acquire 15,305,604 ordinary shares in Golden Tiger at a price of A$0.10 per share, the then prevailing market price. The placement shares comprise 19.9% of the issued shares in Golden Tiger as at the date of the agreement. The placement shares were issued on January 16, 2007.

On November 22, 2006, the Company entered into an agreement to form a new strategic alliance with Gold Fields Australasia. Under the strategic alliance the Company agreed to:

- issue 6.5 million shares, at a price of A$5.58 per share to Gold Fields Australasia. The 6.5 million shares were issued to Gold Fields Australasia on January 9, 2007; and

- create an alliance for the joint development of gold mining projects in the PRC, particulars of are set out in the section headed "Business — Recent Developments — Heads of Agreement" in this prospectus.

In addition, the Group has entered into several CJV agreements in relation to exploration of gold mines located in the PRC. As at December 31, 2006, the Group's capital commitment in these CJV agreements was US$8.1 million.

The Company plans to fund all of its capital commitments as at December 31, 2006 through cash flows from operating activities, existing financial resources, loan facilities and the estimated proceeds of the Global Offering.

Contingent Liabilities

As at the close of business on December 31, 2006, the Group had no material contingent liabilities.

Disclaimer

Save as otherwise disclosed herein and apart from intra-group liabilities, the Company did not have any mortgages, charges, debentures or other loan capital or bank overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding at the close of business on December 31, 2006.

The Directors, save as otherwise disclosed herein, have confirmed that there have been no material changes in the commitments and contingent liabilities of the Group since December 31, 2006 and there have been no material changes in the indebtedness of the Group since January 31, 2007.

WORKING CAPITAL

The Directors confirm that the Group's existing credit lines, together with cash flows from operating activities, existing bank and cash balances and time deposits and the estimated proceeds from the Global Offering will be sufficient to finance the Group's working capital for its present requirements, and for the period ending 24 months from the date of this prospectus.

Inventory

The following table shows a summary of the average inventory turnover days for the years indicated:

	For the year ended December 31		
	2004	2005	2006
	(days)	(days)	(days)
Average inventory turnover (days)[(1)]	34	49	85

(1) Average inventory is the inventory at the beginning of the period plus the inventory at the end of the period with the sum divided by two; average inventory turnover (days) is average inventory divided by cost of sales times the number of days in the accounting period.

Between 2005 and 2006, the Group's turnover of average inventory days increased from 49 days to 85 days. This increase was primarily due to the sale of the Jianchaling Gold Mine in September 2006 resulting in relatively low production volumes and cost of sales in 2006. The decrease in cost of sales of 53.1% between December 31, 2005 and December 31, 2006 did not result in a corresponding decrease in the Group's inventory. The Group's average consumable stores and spares, representing 89.7% of average inventory in 2006, only decreased by 32.9% between December 31, 2005 and December 31, 2006.

Between 2004 and 2005, the Group's turnover of average inventory days increased from 34 days to 49 days. This increase was primarily due to the slow down in mining and processing operations at the Jianchaling Gold Mine.

Trade Receivables

The turnover in average trade receivables days in the Track Record Period is Nil as the purchasers of the gold dore and gold concentrate from the Jianchaling Gold Mine made full provisional payment, i.e. the purchasers paid for the gold prior to delivery. The Company expects that the sale of gold dore from the Jinfeng Project will be on similar terms with provisional payments by the purchasers to be made prior to delivery.

Trade Payables

The following table shows a summary of the average trade payables turnover days for the years indicated:

	For the year ended December 31		
	2004 (days)	2005 (days)	2006 (days)
Average trade payables turnover (days)[1]	17	13	10

(1) Average trade payables equals trade payables at the beginning of the period plus trade payables at the end of the period with the sum divided by two. Turnover of average trade payables in days equals average trade payables divided by cost of sales for the relevant period multiplied by the number of days in the accounting period.

The trade payables turnover days during the Track Record Period have reduced period by period. This is primarily due to the reduced requirements for input materials, resulting in declining trade payables, as the production at the Jianchaling Gold Mine progressively declined during the Track Record Period. The reduction in trade payables is disproportionate to the reduction in cost of sales which is primarily due to cost of sales including a high level of staff costs, depreciation and amortisation and other costs not procured by trade credit facilities.

Other Payables

Other payables increased gradually during the Track Record Period mainly due to the advancement and development of exploration in the Jinfeng Project. In addition, the accrued listing costs of A$6.345 million were included in the balance sheet as at December 31, 2006.

MARKET RISKS

The Group is exposed to various types of market risk, relating primarily to fluctuations in gold prices as well as interest rates, foreign exchange rates and inflation.

Gold Price

The market price for gold has a significant effect on the Group's results of operation and the market price of the Shares. Gold prices have historically fluctuated widely and may be influenced by numerous factors and events that are beyond the control of the Group. Please also refer to the section headed "Risk Factors — Risks Relating to the Business of the Group — Fluctuations in the Market Price for Gold Could Materially and Adversely Affect the Share Price of the Company and the Group's Business and Results of Operations" in this prospectus.

The Group is involved in gold hedging transactions as required by the Senior Loan Facility. Certain hedging transactions may eliminate or limit additional revenues that the Group would otherwise receive from any future increases in the gold price. Similarly, certain hedging transactions will also protect the Group's exposure to adverse movements in gold prices. The Group does not anticipate putting in place any further gold hedging. Please refer to the section headed "Business — Hedging Activities" in this prospectus for a detailed description of the hedging transactions of the Group.

Interest Rate

The Group is exposed to interest rate risk resulting from fluctuations in interest rates on its bank loans of A$56.388 million as at December 31, 2006. The Group's outstanding bank loans and facilities are subject to floating rates of interest that is linked to US$ LIBOR. As a result, interest rate fluctuations may impact the Group's earnings, cashflow and net assets.

The Group was not, and is not currently, party to any interest rate risk management transactions.

Foreign Exchange

The Group's reporting currency is A$. The Group conducts operations in the PRC and its critical supplies of goods and services are denominated in a range of currencies, with the majority denominated in RMB. The global market for gold sales is denominated in US$ and the majority of the Group's debt is denominated in US$. The majority of the Group's revenues are denominated in RMB in relation to the gold price achieved, which traditionally has tracked the global market price for gold (denominated in US$), however there is no certainty this will continue. As a result, exchange rate fluctuations may impact the Group's earnings, cashflow and net assets.

The Group was not, and is not currently, party to any exchange rate risk management transactions.

Inflation

In recent years, the PRC has not experienced significant inflation, and therefore inflation has not had a significant effect on the Group's business during the Track Record Period. According to the Bureau of Statistics, the PRC's overall national inflation rate, as represented by the general consumer price index, was approximately 3.9%, 1.8% and 1.5% in 2004, 2005 and 2006, respectively.

DISCLOSURE UNDER THE LISTING RULES

The Directors confirm that, as of the Latest Practicable Date, and to their best knowledge, there have been no other matters which would cause the Group to make a disclosure under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIVIDEND POLICY

The Directors currently wish to take advantage of the rapidly emerging opportunities in the PRC and are seeking to maximise the growth and development of the Group by reinvesting the cash flows generated back into the business. The Directors did not declare or pay a dividend for the year ended December 31, 2006. The Directors will review the dividend policy on an annual basis.

Except as permitted by the Corporations Act, no dividend is payable otherwise than out of profits of the Company.

The Directors may determine that a dividend is payable and fix:

- the amount;
- the time of the payment; and
- the method of payment.

The Company in general meeting may determine a dividend, but may do so only if the Directors have recommended a dividend. A dividend determined by the Company in general meeting must not exceed the amount recommended by the Directors.

The Directors, when paying or declaring a dividend, may direct payment of the dividend wholly or partly by distribution of specific assets, including fully-paid shares in, or debentures of, the Company and any other corporation.

All dividends declared but unclaimed may be invested by the Directors as they think fit for the benefit of the Company until claimed. The Company incurs a debt when a dividend is declared. A Shareholder's entitlement to recover an unclaimed dividend would lapse six years after the date on which the dividend is declared.

DISTRIBUTABLE RESERVES

As at December 31, 2006, the Company had no reserves available for distribution to Shareholders under section 254T of the Corporations Act.

The Company's accumulated losses as at December 31, 2006 amounted to A$64.385 million, equity component of convertible note amounted to A$3.228 million and other reserves amounted to negative A$87.938 million. Except as permitted by the Corporations Act, no dividend is payable otherwise than out of profits of the Company. In light of the recent trading history of the Company and its reserve status, the Company will not be able to pay a dividend until the Company has profits out of which a dividend can be declared.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects since December 31, 2006, being the date of the Group's latest audited financial statements as set out in "Appendix I — Accountants' Report" of this prospectus.

ADJUSTED NET TANGIBLE ASSETS

The following illustrative statement of the Group's unaudited pro forma adjusted net tangible assets is based on the audited consolidated net assets as of December 31, 2006 as set out in "Appendix I — Accountants' Report" of this prospectus and is adjusted as described below:

	Audited consolidated net tangible assets attributable to the equity holders of the Group as at December 31, 2006(1)	Estimated net proceeds from this Global Offering(2)	Unaudited pro forma adjusted net tangible assets(3)	Unaudited pro forma adjusted net tangible assets per Share(4)	Unaudited pro forma adjusted net tangible assets per Share(5)
	A$000s	A$000s	A$000s	A$	(HK$ equivalent)
Based on an indicative Offer Price of HK$55.00 per share.	19,839	155,282	175,121	0.97	6.00

(1) The net tangible assets of the Group as of December 31, 2006 as set out in "Appendix I — Accountants' Report" of this prospectus:

	A$000s
Audited net assets as set out in Appendix I.	53,913
Less: Minority interests	(34,074)
Net assets attributable to equity holders of the Group.	19,839
Less: Intangible assets	0,000
Net tangible assets attributable to equity holders of the Group.	19,839

(2) The estimated net proceeds from the Global Offering assumes an indicative Offer Price of HK$55.00 per Share after deduction of underwriting fees and estimated expenses payable by the Company in connection with the Global Offering. The actual Offer Price may be more or less than the indicative Offer Price. The translation of estimated proceeds from Hong Kong dollar into A$ was at HK$1.00 to A$0.1616, as at the Latest Practicable Date.

(3) The unaudited pro forma adjusted net tangible assets are calculated without taking into account any Shares that may be allotted and issued upon exercise of the Over-allotment Option, every option that may be granted under the EOP, the SBBH Options, the Convertible Notes, the convertible bond under the Corporate Loan Facility and the Seed Shareholders' Options.

(4) The pro forma adjusted net tangible assets value per Share is based on a total of 180,338,415 Shares expected to be on issue immediately after, and assuming the completion of the Global Offering, without taking into account any Shares that may be allotted and issued upon exercise of, the Over-allotment Option, every option that may be granted under the EOP, the SBBH Options, the Convertible Notes, the convertible bond under the Corporate Loan Facility and the Seed Shareholders' Options.

(5) The translation of unaudited pro forma adjusted net tangible asset per Share from A$ to Hong Kong dollar was at HK$1.00 to A$0.1616, as at the Latest Practicable Date.

(6) The property interests of the Group as of December 31, 2006 have been valued by Knight Frank Petty, an independent property valuer, and the relevant property valuation report is set out in "Appendix III — Property Valuation" of this prospectus.

PROPERTIES

Particulars of the Group's property interests are set out in "Appendix III — Property Valuation" of this prospectus. The Property Valuation was prepared by Knight Frank Petty Limited, an independent property valuer, who valued the property interests of the Group as at December 31, 2006 at RMB40,180,000 (equivalent to approximately A$6,567,000).