

vision To be the largest and most profitable sustainable producer of gold in China.

values Ensure our colleagues are healthy and safe.
Look after and strive to protect the environment.
Respect and contribute to the community in which we operate.
Operate in a lawful, honest and open manner.
Achieve our goals by sharing our knowledge and experience as a team.
Recognise, respect and learn from our differences.

highlights In 2006, Sino Gold again delivered on its key goals and growth targets.

JINFENG

- First gold poured in March 2007
- Large, modern processing facility constructed
- Received inaugural China "Development of the Year" award
- Underground mine development commenced
- Ore Reserves increased 38% to 2.9 million ounces
- Jinfeng deposit remains open down plunge and at depth
- Deepest drillhole intercepted 56 metres at 6.1g/t gold

WHITE MOUNTAIN

- Initial Ore Reserves of 434,000 ounces
- Mineral Resources increased to 846,000 ounces
- Progressed towards becoming Sino Gold's next mine

EXPLORATION

- Sino Gold Fields Alliance adds to exploration firepower
- Five new exploration joint ventures formed
- Largest gold exploration program in China

CORPORATE

- First ASX-listed company to list on Hong Kong Stock Exchange
- Substantial cash on hand to fund growth

Sino Gold has the people, values, projects and funding in place to become a major, profitable gold producer in China.





sino^{gold}

chairman's report



Chairman Jim Askew

Over the past year, Sino Gold consolidated its position as the leading foreign gold company in China. China is already the world's fourth largest gold producer and may ultimately become the largest gold producing country if recent trends continue.

There could not be a better time to be bringing a major new gold mine into production – the gold price is strong and China is increasingly being acknowledged as an acceptable mining destination by the international investment community.

The Jinfeng mine is the largest investment in China's mining industry by a foreign company and will soon be China's second largest gold mine. Jinfeng is an outstanding orebody with robust gold grade, excellent geological continuity and further exploration potential, and will provide the platform for the Company's continued growth.

Our ability to advance exploration prospects into development is being demonstrated at White Mountain where the project is being rapidly progressed and management's objective is for gold production to commence by late 2008.

Sino Gold's quality assets and competitive, strategic position in China is being recognised by investors with the share price doubling during 2006 and the Company's market capitalisation increasing to more than A\$1 billion.

Flowing on from our growth in China, the Company's investor base is being expanded in early 2007 by becoming the first ASX-listed company with a secondary listing on the Hong Kong Stock Exchange.

Our ability to successfully explore and mine in China has been increasingly recognised over the past year, as evidenced by:

- A strategic alliance being formed with Gold Fields Limited (world's fourth largest gold company) whereby Sino Gold will become the sole vehicle for Gold Fields to explore in China. Gold Fields is also Sino Gold's single largest shareholder with a 17% holding.
- Jinfeng being awarded the inaugural "Development of the Year Award" at the China Mining Congress in Beijing.
- Chinese and foreign companies approaching Sino Gold with business proposals, resulting in five major exploration joint ventures being formed.

During 2006, Sino Gold spent US\$12 million on exploration and completed approximately 90,000m of diamond drilling – the largest gold exploration program in China. Continued drilling success led to gold resources under the Company's control (on a 100% basis) increasing to 4.9 million ounces. These quality, high-grade resources form the foundation for strong growth in gold production over the coming years.

Our approach is to develop gold mines in a manner which provides long-term benefits to all stakeholders and optimises the returns from the gold resources. The Company's management of safety, the environment and community relationships continues at the highest standards and we recognize that our continuing performance in these areas is crucial to our long-term success in China.

These issues are also increasingly important to China's government, which recognizes their importance to the country's health, stability and economic growth. The government is actively encouraging consolidation of the gold sector and the closure of unsafe, environmentally challenged, smaller mines.

“Jinfeng is an outstanding orebody that will provide the platform for the Company’s continued growth.”



Mining at Jinfeng



Geologists at Bannian

rising gold star

Sino Gold’s successful combination of strong emphasis on the cultural interface, technical skills and financial strength has led to the Company being viewed as a partner of choice regarding opportunities in the country. This will help ensure that we continue to be well placed to play a leading role in the rapidly consolidating gold industry and allow us to continue to expand our exploration portfolio and evaluate potential acquisition opportunities in China.

On the financial side, the Company reported a loss of \$20.1 million. This loss included a non-cash expense of \$11.4 million relating to an adjustment for the fair value of vested options. The relevant accounting standard requires this adjustment to be a function of Sino Gold’s share price and the expense becomes larger as Sino Gold’s share price increases.

In November 2006, Dr. Peter Cassidy stood down as a Chairman of the Company, but remains on the Board as a non-executive Director. On behalf of shareholders and management, I thank Peter for his guidance, particularly over the past year in relation to the development of Jinfeng. Peter and I have been together as Board members of Sino Gold since the Company listed on the ASX, thus the continuity of governance has been seamless.

I also thank Jake Klein and his management team for their efforts and success during the year and welcome Cobb Johnstone as Chief Operating Officer, a new role in the Company reflecting our growth and evolution as a significant mining company.

A valuable asset of the Company is the team’s experience as an explorer, developer and operator of gold mines in China. Our people are integral to this success and their efforts are greatly appreciated.

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

Sino Gold has “come of age” in 2006 and now has the ingredients to create further value for our shareholders over the coming year. We look forward to your continuing support as shareholders as we turn this to account and share with you the fruits of the success gained from our twelve years of China resource experience. 2007 will be a landmark year for Sino Gold Mining Limited.

A handwritten signature in black ink, appearing to read 'Jim Askew', is shown on a white background.

Jim Askew
CHAIRMAN