



CEO Jake Klein

Sino Gold delivered on its key growth goals for 2006 as we work towards achieving our vision of becoming the largest and most sustainable cost gold producer in China.

Our progress and achievements have been recognised by the market with Sino Gold's share price doubling during 2006. This increased the Company's market capitalisation to more than A\$1 billion and propelled Sino Gold into the prestigious S&P/ASX 200 Index.

First gold was poured at our flagship Jinfeng Mine in March 2007 and the project is now being ramped up to planned production of 180,000 ounces per annum. With the Jinfeng Mineral Resource totalling 4.0 million ounces, Sino Gold is working towards increasing Jinfeng's gold production to optimal levels as quickly as possible.

Sino Gold's next mine is likely to be White Mountain, where a successful drilling program resulted in the Mineral Resource increasing to 846,000 ounces.

A key challenge for the Company is to secure another major gold project to be developed after Jinfeng and White Mountain. Sino Gold has the largest gold exploration program in China and our exploration portfolio was significantly expanded during 2006 through new joint ventures with Chinese partners and a new strategic alliance with Gold Fields Limited. Acquisitions also continue to be evaluated.

2006 Goal 1: Develop Jinfeng in a timely and cost effective manner

Construction of Jinfeng progressed well during 2006 and the project is being commissioned in early 2007, a few months later than forecast a year ago. However, construction in just two years of this large mine in a remote region of China is a major achievement.

Our team has delivered China's largest and most modern gold processing facility at a low capital cost per ounce of capacity. The final capital cost is estimated to be at least 50% less than currently required to build a similar project internationally as China has considerable input cost advantages.

Drilling and initial mining have continued to confirm our belief that Jinfeng is an outstanding orebody. The planned head grade of more than 5g/t gold will be a key factor in the operation producing low-cost ounces and generating strong cash flow and profits.

2006 Goal 2: Progress Jinfeng towards expansion

A key value driver for Jinfeng is to increase throughput to optimal levels as soon as practical. The processing plant has been designed for expansion and the increase in Ore Reserves to 2.9 million ounces during 2006 provided confidence that expansion of mine output is very likely warranted.

In August 2006, the Company approved the early commencement of underground development at Jinfeng. Pre-production capital expenditure of approximately US\$20 million should enable first ore from the underground mine to be accessed in the March 2008 quarter and provide greater operational flexibility than the original design.

The sale of our Jianchaling Mine in August 2006 was timely as the skills of many Jianchaling employees were required at Jinfeng, particularly for underground mining and development. More than 100 Jianchaling employees have been offered employment at Jinfeng.

“Our team has delivered China’s largest and most modern gold processing facility at a low capital cost per ounce of capacity.”



Jinfeng processing plant – January 2007

Over the course of 2007, Sino Gold plans to assess underground mining conditions encountered and the actual plant performance in order to determine the necessary plant modifications to increase ore throughput to the appropriate level.

Exploration has continued to extend the Jinfeng orebody and confirm the potential of the Jinfeng area for further gold discoveries.

Now that a large, modern processing facility has been built at Jinfeng, Sino Gold is well positioned to quickly turn discoveries in the immediate area into further expansion of gold production.

2006 Goal 3: Progress White Mountain towards development

Rapid progress was made at White Mountain during the year with drilling significantly extending known mineralisation and progressing the project towards becoming our next new mine.

Encouraging exploration results early in the year led to the drilling program being accelerated and more than 40,000 metres of diamond drilling was completed during 2006. This culminated in the White Mountain resource increasing to 846,000 ounces and an initial reserve estimate of 434,000 ounces.

Studies on developing White Mountain into Sino Gold’s next mine were progressed during 2006. Development of White Mountain may commence in late 2007 if drilling and evaluation work continues to return positive results, assuming the required approvals are received expeditiously. Our aim, albeit ambitious, is to bring the project into production in late 2008.

Metallurgical studies indicate that White Mountain ore is predominantly free-milling and the processing plant is likely to be a standard Chinese design, thus reducing development costs. Potential development of White Mountain is also facilitated by its location in an established mining district and proximity to excellent infrastructure.

2006 Goal 4: Add quality properties to exploration portfolio

Our exploration portfolio was significantly expanded during 2006 by the addition of five new joint ventures with Chinese partners and the alliance with Gold Fields Limited.

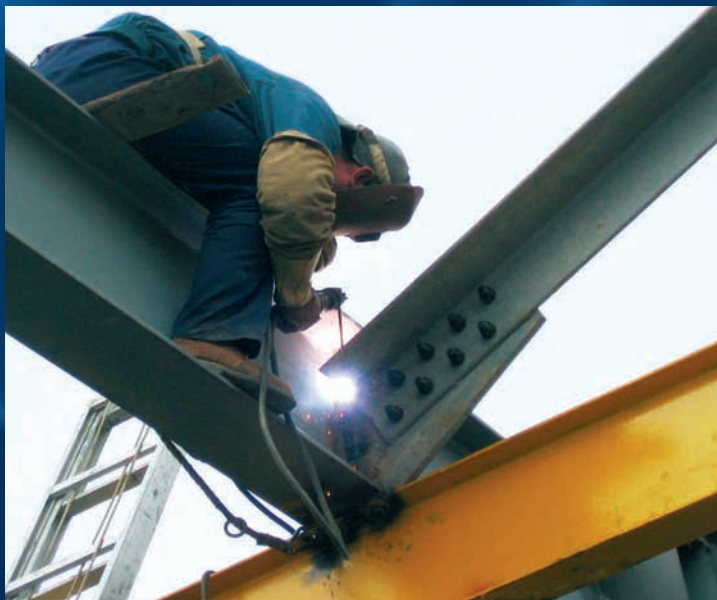
Potential Chinese and western partners have been attracted by our reputation and track record of successfully exploring and mining gold in China. Chinese gold brigades holding prospective tenement areas view Sino Gold as a potential joint venture partner who can deliver on agreed targets for mutual benefit. Potential western partners view Sino Gold as having “cracked the code” of exploring and mining gold in China and approach us with potential opportunities.

Sino Gold’s Project Generation group is comprised of three regional teams – Golden Triangle, Northern China and Shandong Province. These teams explore our existing tenements and also evaluate further acquisitions in each region. This regional approach develops the local knowledge and relationships which are key to effectively exploring in China.

The formation of a strategic alliance with Gold Fields Limited is tremendously exciting. Gold Fields has chosen Sino Gold to be its exploration and development vehicle in China through this 50:50 owned and equally funded group. This alliance is additional to Sino Gold’s existing exploration programs and its purpose is to discover gold deposits containing more than 5 million ounces.



Geologist Chen Maohong



Construction at Jinfeng

rising gold star

The alliance combines Sino Gold's proven and recognised operational, development and business capabilities in China with the technical, financial and human resources expertise of Gold Fields.

Gold Fields is a cornerstone shareholder in Sino Gold. As part of forming the strategic alliance, Gold Fields increased its shareholding to 17% of the Company. This long-term relationship with Gold Fields provides an indication of their belief in the quality of our people, gold assets and strategy in China.

Goals for 2007

Sino Gold's key business goals for 2007 are to:

- Commission Jinfeng successfully and establish the operation as a major, low-cost gold mine;
- Progress White Mountain into development by obtaining required approvals; and
- Advance another property towards development by making a significant discovery or acquisition.

Sino Gold is well positioned to achieve these goals with a strong team in place and a strong balance sheet.

Our cash position of \$21.5 million at 31 December 2006 has been bolstered by completion in January 2007 of a \$36.3 million placement to Gold Fields and more than \$130 million raised in relation to the Hong Kong listing in March 2007.

Sino Gold has substantial funding in place to:

- develop Jinfeng into a major, long-life operation;
- develop White Mountain into our next mine;
- accelerate exploration of our quality prospects; and
- take advantage of acquisition opportunities.

In summary, Sino Gold has the people, cultural experience, projects and funding in place to deliver over the coming few years on our growth target of becoming a 500,000 ounce per annum gold producer in China.

Jake Klein
CEO