



sino gold risk management



Safety meeting at a drilling site

The delivery of sustainable benefits for all key stakeholders is a guiding value for Sino Gold's activities. It is an area in which the Company has developed a strong reputation and track record and one that will become increasingly important in China.

Our approach reflects both the country in which we operate, being the sovereign jurisdiction of China, and also the source of our capital, being international investors which do not differentiate on environment, health and safety standards between different jurisdictions.

Sino Gold develops and manages operations in a manner that ensures the health and safety of its staff, effectively controls and minimises pollution, strives to protect the environment and takes into account local cultural sensitivities and community expectations.

Appropriate policies are developed for each stage of our business and systems are implemented to identify, assess and minimise health, safety and environmental risks. The Company now has significant experience in implementing these policies for operating mines, development projects and exploration projects.

The Risk Management Committee of Sino Gold's Board met on one occasion during the year to review the Company's performance in workplace health and safety, environmental matters and community relationships.

Incidents are recorded at all sites. This practice forms an integral part of procedures recording safety, environmental and community incidents and provide a primary tool for improving the Company's risk management performance.

Sino Gold classifies all incidents, including potential incidents, as either "Minor", "Moderate", "Significant", "Major" or "Catastrophic" based on defined severity consequences. The latter three classifications are rated as "serious" and are reported to senior management, including the CEO within 24 hours. Incidents of lesser

classification are reported in the site weekly and monthly reports. All incidents are reported to the Board and the Risk Management Committee.

Significant Incidents for Sino Gold Group

| | 2005 | 2006 |
|---------------------------|------|------|
| Safety – Lost Time Injury | 4 | 4 |
| – Other Reportable | 9 | 9 |
| Environment | 6 | 2 |
| Community | 0 | 1 |

Note: No incidents classified as Major or Catastrophic occurred during 2005 and 2006.

Safety

China is a challenging place to operate to an appropriate level of safety, particularly during construction when multiple contractors are working on a site. The Group's overall safety performance for 2006 was pleasing given the sizable construction workforce at Jinfeng.

In April 2006, Jinfeng passed the milestone of 2,000,000 man-hours worked without sustaining a Lost Time Injury ("LTI"). Jinfeng maintained a low Lost Time Injury Frequency Rate ("LTIFR") of 1.0 per million man-hours worked in 2006 and 1.1 since the commencement of the project.

At White Mountain, over 40,000 metres of drilling was completed during 2006 without an LTI.

The Jianchaling operation maintained an admirable focus on safety during 2006 as the final 465 days of Sino Gold's ownership of Jianchaling passed without an LTI. As an underground mining operation, this safety record is very commendable.

Jianchaling's safety programs provided a model for other mines in the region to follow and were recognised by a number of awards during Sino Gold's ownership.

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Local Buyi women near Jinfeng



Safety signs at drilling site

rising gold star

Environment

No reportable environmental incidents occurred during 2006 and we are pleased that there was a material reduction in significant incidents.

Environmental management is a key area of differentiation for Sino Gold in China. Our environmental management at Jianchaling is widely recognised as being a model for the local industry.

The commencement of operations at Jinfeng provides us with an ideal opportunity to showcase our environmental management. During 2006, a significant effort went into developing management systems that will allow us to monitor the operation's impact on the environment.

We recognise that our reputation is built during the early stages of a project. Therefore, at the White Mountain Project, the team has made a concerted effort to minimise the environmental impact of the major drilling and exploration program carried out during 2006.

White Mountain is located in lightly forested public land and most drilling was carried out around a steeply sloping hill. In order to minimize disturbance to vegetation, no access roads for vehicles were constructed and drill rigs were hand carried from pad to pad. The drill pads were progressively rehabilitated with pine trees planted on completed drill pads and access paths.

Community – Jinfeng

Jinfeng aims to maximise employment and procurement sourced from the communities surrounding the project.

Our Jinfeng training facility provided locals with the opportunity to learn the skills required for employment at the mine. The programs blended skills and knowledge in safety, treatment operations, mining, maintenance,

and administrative processes. A total of 364 local people completed the general training course during 2005 and 2006, among which Buyi ethnic minority accounts for 70%. Approximately half of these people then went on to complete the more specialised training programs offered.

By the end of 2006, the Jinfeng workforce of 378 permanent employees included 197 (52%) employees from Guizhou Province, of which 83 (22%) employees are from the local county. As the project commences operations in 2007, we aim to increase the number of employees from local communities and provide further training opportunities.

A number of programs aimed at improving the lifestyle of the local community were completed in 2006. These include the relocation of a market place, establishing drinking water supply systems, upgrading access to nearby villages and constructing of a new primary school. In addition, a program for school children has been implemented to improve their road safety awareness and prevent road accidents.

Primary school attendance in the local area has increased by 90% since 2004. Enhanced skills and education are amongst the most important benefits that can be provided to a community. Given the long-term nature of the Jinfeng Mine, we have the opportunity to impact at least one whole generation, and most likely more, of school children. It is an area we particularly look forward to making a difference.