



CFO Ivo Polovineo

Sino Gold's finance activities during 2006 reflect the Company's growth phase of bringing Jinfeng into production, drilling White Mountain and actively exploring China. The Company expects to return to profitability in the second half of 2007 on the basis that Jinfeng operates to planned levels of gold production.

### 2006 Financial Result

Sino Gold recorded a net loss of \$20.1 million for the year ended 31 December 2006. The loss included an \$11.4 million non-cash expense relating to an adjustment for the fair value of vested options and after \$6.2 million in finance costs.

Net cashflow utilised by operating activities was \$2.4 million after interest payments of \$3.8 million for the year. The sale of the Company's interests in the Jianchaling Mine was completed on 30 September 2006 and a small profit was recorded.

Investment activities during 2006 absorbed \$115.4 million, primarily towards the development of the Company's Jinfeng Project and on exploration activities.

### Funding

The US\$40 million Jinfeng Project Finance Facility was fully drawn over the course of 2006. The facility has a seven-year term and the initial quarterly repayment is scheduled for December 2007.

In February 2006, the Company raised \$61.1 million by a placement to institutional investors, issuing 18.5 million shares at \$3.30 per share. The purpose of the placement was to accelerate the expansion of Jinfeng, increase exploration activity and other general business and development opportunities. At the same time as the placement, a Share Purchase Plan provided all eligible shareholders with the opportunity to acquire shares at the same or better price than the placement.

During the year, the Company allotted 2.4 million shares on the conversion of options, raising \$6.5 million.

At 31 December 2006, Sino Gold was in a sound financial position with cash of \$21.5 million, total assets of \$275.8 million and net assets of \$53.9 million.

The Company entered into a strategic alliance with Gold Fields Limited in late 2006, which included the issue 6.5 million shares at \$5.58 per share. This placement was settled in January 2007 and raised \$36.3 million.

### Hedging

A gold hedging program was required by lenders as part of the Jinfeng Project Finance Facility.

A total 539,000 ounces were hedged (335,000 ounces of committed forwards with the balance in put options) at 31 December 2006, with Sino Gold's attributable share comprising a total of 424,000 ounces (including 256,000 ounces of committed forwards). The contracts are not subject to margin calls by counterparty banks.

At 31 December 2006, the mark-to-market value of the total gold hedge book was negative US\$62.5 million, based on a spot gold price of US\$635 per ounce. It is the Board of Directors' intention not to enter into any further committed gold hedging contracts. At year end, the Company did not have any foreign exchange contracts, interest rate contracts or other financial derivatives in place.