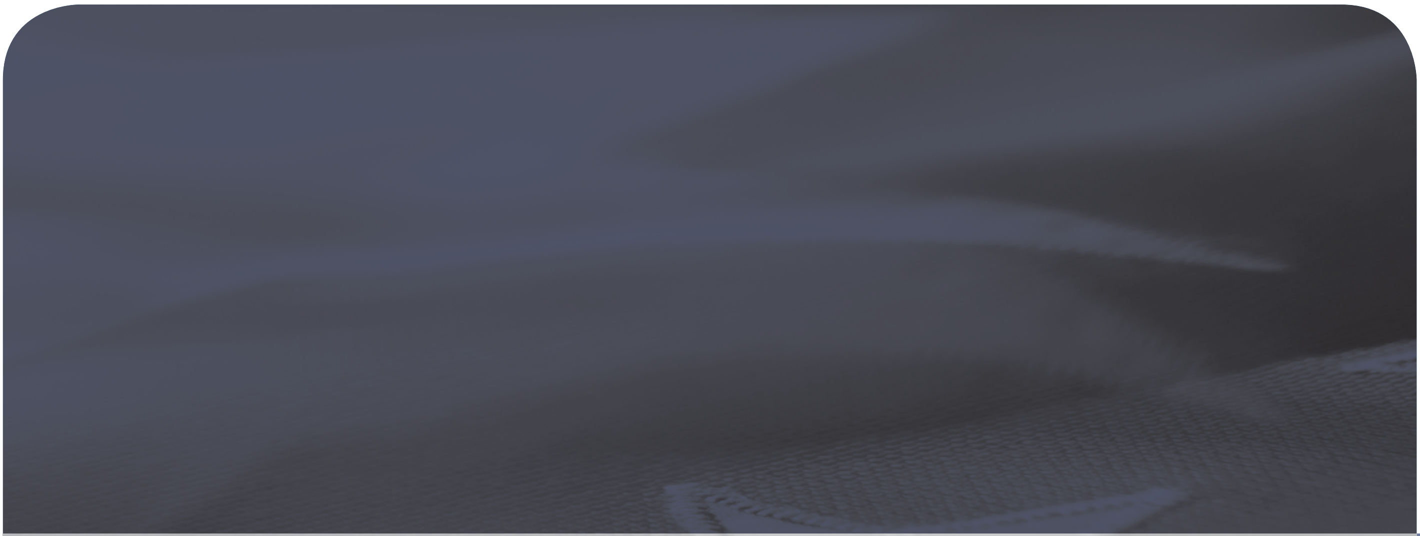

financial report

Consolidated Financial Statements for the year ended 31 December 2006

Contents

The Board of Directors of Sino Gold Mining Limited has pleasure in submitting its report in respect of the financial year ended 31 December 2006.

Directors

The names and details of the company directors in office during the financial year and to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

James Askew – Chairman

B.E.(Mining) Hons, M.Eng.Sci, FAusIMM, MCIMM, MSME

Mr. Askew is a mining engineer with broad international experience as chief executive officer for a wide range of Australian and international publicly listed mining, mining finance and other mining-related companies. In a 20-year tenure as chief executive officer (of which 15 has been in the gold sector) he has been instrumental in founding and growing several companies and overseeing subsequent mergers and acquisitions.

Mr. Askew's most recent full time roles have been as president and chief executive officer of North American listed Golden Star Resources (1999) and Rayrock Resources (1998-1999), which merged with Glamis Gold in 1999 and president and managing director of Golden Shamrock Mines Ltd (1986-1996), which merged with Ashanti Goldfields in 1996.

He is currently chairman of International Mining and Finance Corporation, a Denver-based venture capital group targeting gold and base metal opportunities.

Mr. Askew is currently a non-executive director of Ausdrill Ltd and Golden Star Resources Inc, plus the non-executive chairman of Asian Mineral Resources, Sino Gold Mining Limited and Oceana Gold Ltd. Mr. Askew is a member of the Remuneration and Risk Management Committees of Sino Gold. Mr. Askew was appointed Chairman of Sino Gold Mining Limited in November 2006.

During the past three years Mr. Askew has served as a director of the following public listed companies:

- Climax Mining Ltd (until November 2006)
- AGD Mining Ltd (until August 2005)
- Yamana Gold Inc (until March 2006)

Jacob Klein – President and CEO

BCom(Hons), ACA, DipFinMarkets (Sec Inst)

Mr. Klein was appointed President and CEO of the Company at the time of its formation in June 2000. In this time he has overseen the development of the Company from a single project company into one that holds interests in a number of projects in China including Jinfeng.

He has over 15 years experience in senior finance and managerial positions in both South Africa and Australia. He joined Macquarie Bank in 1991 and in 1995, as an associate director at Macquarie, he participated in the formation of Asia Resource Capital Limited, a joint venture between Macquarie Bank and CNNC. From 1996 to June 2000 he worked for Sino Mining International. During this time he served as a member of Sino Mining International's executive committee and was its executive vice president for the period 1999 to June 2000. Mr. Klein is a non-executive director of Lynas Corporation Ltd and president of the Australia China Business Council NSW Branch.

During the past three years the only other listed company directorship held by Mr. Klein was in Lynas Corporation Limited

Xu Hanjing – Executive Director

Mr. Xu has been involved in the non-ferrous metal industry for more than 17 years and has extensive experience in trading, commercial negotiations and management.

He co-founded Sino Mining International while president of CNIEC. Prior to his three-year presidency of CNIEC, he was a vice president from 1994 to 1996 and its Australian representative from 1989 to 1994. From 1984 to 1989 he was with the Foreign Affairs Bureau of CNNC.

His understanding of the impact of the economic changes taking place in China, and his communication and negotiating skills, have been instrumental in achieving agreements which work for both Chinese owners and Western investors and developers; as well as in orienting Chinese staff and managers towards the requirements of the market economy.

Mr. Xu heads up the group's Business Development unit, which has been instrumental in securing all of Sino Gold's joint venture agreements and positioning the Company for the acquisition of new projects.

Mr. Xu has held no other listed company directorships in the past three years.

Brian Davidson – Non-executive Director

LLB, FAICD

Mr. Davidson was the senior partner of Deacons, a major national law firm, with over 35 years experience in corporate and commercial law, particularly in the natural resources industry. During this time his work included acting for many companies involved in public market takeovers and advising on numerous capital raisings and project financing transactions.

Over the last 30 years Mr. Davidson has served on the board of directors of 12 publicly listed companies, including five as chairman. Most of these companies were involved in the natural resources industries, including gold mining. Currently, he is a director of a number of private companies and the Pain Management Research Institute Ltd, Royal North Shore Hospital, Sydney. Mr. Davidson is chairman of the Audit and Remuneration Committees.

During the past three years Mr. Davidson has served as a director of the following public listed companies:

- Lynas Corporation Limited (until November 2004)
- Southern Pacific Petroleum NL (until February 2004)

Peter Cassidy – Non-executive Director

BSc(Eng), Ph.D., C.Eng, FAusIMM, FIMM

Mr. Cassidy is an experienced and successful senior mining executive with over 35 years exposure to the minerals industry in Australia, Papua New Guinea, Indonesia and the USA, including more than 15 years in the gold industry.

Mr. Cassidy's most recent executive role was as chief executive officer of Goldfields Limited from 1995-2002. Following the merger of Goldfields and Delta Gold Limited to form AurionGold Limited in 2002, he stepped down as chief executive officer and following completion of its acquisition by Placer Dome he resigned as a director of the company.

He is also a non-executive director of Oxiana Limited, Lihir Gold Limited, Energy Developments Limited and Zinifex Limited. Previous major board positions include Goldfields Kalgoorlie Limited (previously Pancontinental Mining Limited) from 1995 to 1999 and RGC Limited from 1990 to 1995. Mr. Cassidy is chairman of the Risk Management Committee and a member of the Remuneration Committee. Mr. Cassidy resigned from the position of Chairman of Sino Gold Mining Limited in November 2006 but continues as an independent non-executive director.

During the past three years Mr. Cassidy has served as a director of the following public listed companies:

- Lihir Gold Limited
- Oxiana Limited
- Zinifex Limited
- Energy Developments Limited
- Aurion Gold Limited (until January 2003)

Zhong Jianguo – Non-executive Director

Mr. Zhong has a teaching and practical background in accounting and finance, with detailed knowledge of the Chinese sector coupled with extensive international experience. He is a Senior Accountant certificated by Finance Ministry of China.

He has been involved with the Chinese accounting and finance sector for more than 22 years and has held a number of senior management positions with China Minmetals Group Corporation and its subsidiaries during the past 16 years. Since March 2004 Mr. Zhong has been vice-president and chief financial officer of Sino Mining International Limited, a wholly owned subsidiary of Minmetals and a significant shareholder in Sino Gold Mining Limited . Sino Mining International's main business is alumina and nickel concentrate trading between Australia and China.

Mr. Zhong joined the Board on 19 March 2004 and is a member of the Audit Committee.

Mr. Zhong has held no other listed company directorships in the past three years.

Peter Housden – Non-executive Director

B.Comm (Hons), FCPA, CFTP, FAICD

Mr. Housden has over 35 years experience in the accounting / finance / commercial fields crossing a number of industries including, manufacturing, resources, chemicals and professional services. During his 14 years as an executive in the resources sector, he was involved with petroleum, gold, coal, base metals, tin and mineral sands.

Mr. Housden's experience is wider than accounting and finance. He has led strategy reviews, managed business units and had responsibility for human resources and information technology. In addition he has continuing interest in corporate reporting and governance through membership of the AICD Reporting Committee.

Executive board experience includes; Director, Australian Chemicals Limited; Finance Director, RGC Limited and CFO / Company Secretary, MIA Group Limited. Peter is currently a non-executive director of Advanced Surgical, Design and Manufacture Limited.

Mr. Housden joined the Board on 22 June 2006 and is a member of the Audit Committee.

Mr. Housden has held the following other listed company directorships in the past three years:

- Kaz Group Limited
- Data Dot Technology Limited

Secretary

Ivo Polovineo

PNA

Mr. Polovineo has been the company secretary for Sino Gold Mining Limited since its formation in 2000. He is also Chief Financial Officer of the Company and has spent over 20 years in senior management roles in the resource sector including over 15 years as company secretary of a number of listed public companies.

Interests in shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Sino Gold Mining Limited were:

	Ordinary Shares	ESIS Shares	Employee Options	ESIS loans *
				$
J Askew	-	-	140,000	-
J Klein	632,178	2,500,000	1,050,000	1,148,897
H Xu	200,000	900,000	475,000	413,603
B Davidson	215,347	-	20,000	-
P Cassidy	23,831	-	140,000	-
J Zhong	-	-	120,000	-
P Housden	10,000	-	-	-

* Loans outstanding pursuant to the terms of the Employee Share Incentive Scheme ("ESIS")

Please refer to note 16(c) for further details of options outstanding.

Principal Activities

The principal activities during the financial year of entities within the group continue to be:

- Mining and processing of gold ore and sale of recovered gold
- Exploration and development of mining properties

Review and Results of Operations

In February 2006 the company completed a share placement with the issue of 18,500,000 ordinary shares at $3.30 per share raising a total of over A$61.0 million. In April 2006 the company issued 752,097 ordinary shares at $3.30 per share pursuant to a Share Purchase Plan which raised $2.48 million.

In addition, during the year a total of 2,365,000 ordinary shares were issued on the exercise of unlisted options details of which are as follows:

- 2,080,000 shares at $1.00 per share
- 180,000 shares at $1.20 per share
- 40,000 shares at $2.00 per share
- 40,000 shares at $1.85 per share
- 25,000 shares at $2.12 per share

At 31 December 2006 Sino Gold Mining Limited had 153,060,727 ordinary shares and 10,946,776 unlisted options on issue.

Significant progress in the development and construction of the group's Jinfeng Gold Project in Guizhou Province PRC was achieved during the year which is scheduled to commence production in the 1st quarter of 2007. The first drawdown on the Jinfeng Project finance facility occurred in April 2006 and at 31 December 2006 the principal value of the facility was fully drawn. Continuing exploration success around the Jinfeng area has to date delineated resources in excess of 4 million ounces including proved and probable reserves of approaching 3 million ounces with the deposit still open at depth and along strike.

On 25 August 2006, the company entered into Share Sale Agreements for the sale of its interests in the Jianchaling Mine. The transaction was completed on 30 September 2006 and the purchaser assumed control of the operation. The Jianchaling Mine produced 11,312 ounces of gold in dore and concentrate during for the 9 months prior to its divestment. A total of 90,217 tonnes of ore were milled at an average head grade of 4.8g/t and with an average recovery of 81.2%.

Exploration at the White Mountain Project continued during the period with drilling extending the known mineralisation along strike and at depth. The interpretation of data from 150 diamond drillholes (totaling 40,615m) completed during 2006 culminated in the White Mountain identified Mineral Resource being significantly upgraded and increased over the December 2005 estimate.

The White Mountain Mineral Resource estimate increased to 7.7 million tonnes at 3.4gpt gold, containing 846,000 ounces.

The company is in a sound financial position at year-end with cash of $21.51 million, total assets of $275.80 million and net assets of $53.91 million, representing $0.35 per share.

Financial Results	GROUP 2006 AUD$'000	GROUP 2005 AUD$'000
Sales revenue	**8,695**	11,024
Loss before depreciation, finance costs, write-down and loss on fair value of vested share options	**(2,379)**	(4,736)
Loss on fair value of vested share options	**(11,421)**	(7,916)
Finance costs	**(6,176)**	(2,503)
Depreciation	**(78)**	(6,320)
Write-down	**-**	(4,735)
Loss before income tax	**(20,054)**	(26,210)
Income tax expense	**-**	-
Net Loss	**(20,054)**	(26,210)

The loss for the year was materially impacted by a recent interpretation by the International Financial Reporting Interpretations Committee (IFRIC) which deems certain share options to be derivative liabilities rather than equity. As such, the fair value of these options is recorded on the balance sheet with movements in the fair value being recorded as a gain or loss.

Previously the Australian parent entity, Sino Gold Mining Limited, had been accounted for as an Australian dollar functional company. The Directors consider that Sino Gold Mining Limited changed from being Australian dollar functional to US dollar functional at the time when the company increased its US dollar exposure through the issue of the US$35 million convertible notes in March 2005.

IFRIC has recently stated that contracts that will be settled by delivering a fixed number of its own equity instruments in exchange for a fixed amount of a foreign currency should be classified as liabilities rather than equity. Given that Sino Gold Mining Limited is considered US dollar functional, all options containing an Australian dollar strike price (other than employee and director options covered under AASB 2 – Share Based Payments) are now accounted for as liabilities rather than equity.

The resulting impact on the income statement is that movements in the fair value of the relevant options are recorded as a gain or loss.

As a result of the appreciation in the company's share price since the vesting of the options the impact of this treatment has resulted in a charge to the 2006 Income Statement of $11.4million and a cumulative net reduction in Shareholders equity of $19.8 million. Upon exercise of these options the liability will be transferred to equity in the Balance Sheet.

Dividends

No dividends have been recommended, declared or paid during the year ended 31 December 2006.

Significant Changes in Affairs

There were no significant changes to the state of affairs of the Company or the Group during the year other than the issue of shares by the Parent company as stated in the Review and Results of Operations.

Significant Event after Balance Date

The following significant events have occurred after 31 December 2006:

- A placement of 6,500,000 shares to Gold Fields Australasia (BVI) Limited ("Gold Fields") at A$5.58 per share was completed on 10 January 2007. This placement is part of the formation of a strategic alliance which combines Sino Gold Mining Limited's operational, development and business capabilities in China with the technical, financial and human resourcing expertise of Gold Fields, the world's fourth largest gold company. Gold Fields own 17.4% of the expanded share capital following this placement.
- On 16 January 2007 the company completed the acquisition of 15,305,604 shares in Golden Tiger Mining NL at a price of A$0.10 per share. This investment represents a 19.9% interest in Golden Tiger Mining NL.
- On 17 January 2007 an extraordinary general meeting of shareholders was held at which the following resolutions were duly passed:

(i) The change of the company's name to Sino Gold Mining Limited. This was required as the company was made aware of another company that is registered in Hong Kong using a name similar to "Sino Gold Limited". To avoid potential difficulties in registering the name of the Company in Hong Kong, it was proposed that the name of the Company be changed to "Sino Gold Mining Limited".

(ii) The ratification of the share placement made to Gold Fields effected on 10 January 2007 of 6,500,000 shares at A$5.58 per share.

Likely Developments and Expected Results

The focus for 2007 will be the successful commissioning of the Jinfeng Gold Mine in Guizhou Province, PRC which is scheduled to commence production in the 1st quarter of 2007. The Jinfeng mine has Mineral Resources containing 4.0 million ounces and Ore Reserves containing 2.9 million ounces and will be the second largest gold mine in China with initial production of 180,000 ounces per annum. Sino Gold is determined to increase gold production to optimal levels as quickly as possible.

In addition at its White Mountain project the Company intends to continue to aggressively explore in the 2007 field season with the aim of further upgrading and expanding the Mineral Resource.

An initial Ore Reserve for White Mountain is planned to be estimated during the March 2007 quarter. Drilling and other fieldwork at White Mountain will recommence in April 2007.

Development of White Mountain may commence in late 2007 if drilling and evaluation work continues to return positive results, as well as required approvals being received expeditiously.

Environmental Regulation and Performance

The group's operating subsidiaries hold permits issued by Provincial Environmental Protection Bureaux of the People's Republic of China ("PRC") which specify limits for discharges to the environment and withholdings within operations as a result of group activities.

These limits are determined by State Environmental Laws and Regulations which are reviewed from time to time. The permits regulate the management of discharges to the air and storm water run-off associated with the mining operations as well as the storage of hazardous materials in the chemical products division.

There have been no significant known breaches of the group's permit conditions during the financial period.

Indemnification and Insurance of Directors and Officers

The Company has arranged Directors & Officers Liability/Company Reimbursement Insurance Policies which cover all the Directors & Officers of the Company and its controlled entities. The terms of the policies prohibit disclosure of details of the amount of the insurance cover, the nature thereof and the premium paid.

Directors' Meetings

The numbers of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Meetings entitled to attend	Meetings attended
P Cassidy	10	10
J Klein	10	10
H Xu	10	9
B Davidson	10	10
J Askew	10	10
J Zhong	10	10
P Housden (appointed 22/06/06)	6	6

Rounding

The amounts contained in this report have been rounded off under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Sino Gold Mining Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Remuneration Report

The Company's remuneration policy is designed to attract, retain and motivate highly talented individuals to ensure the capability of our workforce to deliver the business strategy and to maximize shareholder wealth creation.

The key principles of the remuneration policy are to:

- Set competitive rewards to attract, retain and motivate highly skilled people.

- Implement challenging key performance indicators (KPIs) including financial and non-financial measure of performance through our Performance Management Program.
- Establish short and long-term incentive programs across the organization, for which the following principles apply:

Short term annual cash bonus:

- Individual bonus is earned and not a right;
- Bonus is discretionary and distribution is related to outstanding achievement;
- Bonus is determined according to individual, team and Company performance;
- General labour market conditions for the position will be considered;
- Frequency, timing and quantum of any incentive program must be approved by the CEO and the Board in respect of senior executives and executive directors.

Long term performance based share options:
Senior staff will be offered participation in the Company's approved Executive and Employee Option Plan. The Board will determine the conditions on which options are issued under this Plan. The options are issued at an exercise price being the weighted average sale price of the Company's shares on ASX over the 5 trading days immediately prior to the date of issue of the options.

- Ensure remuneration planning continues to be integrated within the Company's business planning process.
- Total reward levels and performance targets will be set at appropriate levels to reflect the competitive market in which we operate; the prevailing economic environment and the relative performance of comparator companies. We aim to position outstanding performance within the top quartile of the industry.

Our remuneration structure maintains its validity by conducting annual reviews taking into account individual performance, the economic environment, the unique requirement for certain employees to travel to and spend time in China, particularly at mine sites, and relevant job and industry comparisons. The company values the contribution of both individuals and teams in achieving the goals and objectives of the business and through our Performance Management Program our employees understand how their plans and efforts are linked to the organisation's objectives and the interests of the shareholders.

Our remuneration structure further recognises that until the Jinfeng mine becomes fully operational, the Company is in a negative cash flow position and in order to conserve its cash resources, the Company, where appropriate, should issue options under the approved Executive and Employee Option Plan as an integral part of its remuneration policy.

The total number of options over unissued shares that may be issued under the EOP, which added to the number of shares or options issued under all other employee or executive share or option plans of the Company must not exceed 10% of the total number of shares on issue from time to time.

Remuneration of directors and executives

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Cash bonuses paid and numbers of options granted are at the complete discretion of the Board and are based on individual and company performance. There are no specified financial or other conditions that are required to be achieved.

To assist in achieving these objectives, the Remuneration Committee considers the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive and Employee Option Plan which currently provides incentives. The options vest over 3 years and expire in 5 years provided that the employee/director remains as employee/director of the company. There are no performance vesting conditions.

Details of the nature and amount of each element of the remuneration of each director of the company and 5 named executives who receive the highest remuneration are shown overleaf.

Director remuneration for the year ended 31 December 2006

	Annual Emoluments			Long Term Emoluments			
Name	Base Fee	Other*	Bonus	Super-annuation	Amortised value of options granted **	Total	% of remuneration for the year consisting of options
	$		$	$	$	$	
J Askew	94,799	-	-	-	8,467	103,266	8.2%
J Klein	527,969	80,000	150,000	47,031	303,833	1,108,833	27.4%
H Xu	345,559	29,000	125,000	24,440	189,750	713,749	26.6%
B Davidson	85,000	-	-	-	8,467	93,467	9.1%
P Cassidy	131,250	-	-	31,425	8,467	171,142	4.9%
J Zhong	77,982	-	-	7,018	13,200	98,200	13.4%
P Housden	-	-	-	42,500	-	42,500	-
	1,262,559	**109,000**	**275,000**	**152,414**	**532,184**	**2,331,157**	**22.8%**

** Interest benefits under ESIS loans.*

Remuneration of the 5 named executives who receive the highest remuneration for the year ended 31 December 2006

	Annual Emoluments		Long Term Emoluments			
Name	Base fee	Bonus	Super-annuation	Amortised value of options granted **	Total	% of remuneration for the year consisting of options
	$	$	$	$		
P Uttley	221,101	125,000	43,899	122,000	512,000	23.8%
C Johnstone	254,587	60,000	22,913	34,750	372,250	9.3%
I Polovineo	206,304	50,000	43,696	86,283	386,243	22.3%
S Zhang	155,731	40,000	49,269	50,650	295,650	17.1%
D Zhang	169,725	15,000	15,275	40,417	240,417	16.8%
	1,007,448	**290,000**	**175,052**	**334,100**	**1,806,600**	**18.5%**

*** The fair value of options granted have been valued using an option pricing model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. The fair value of these options has not been recorded as an expense in the financial statements. The options granted have a 3 year vesting period and accordingly the benefits are allocated over that vesting period.*

These options were issued pursuant to the Company's Executive and Employee Option Plan approved by the Board on 28 August 2002 – refer Note 16(d).

Employment Agreements

- The Company entered into an agreement ("Employment Agreement") dated 28 August 2002 with Mr. J Klein for the provision of Mr. Klein's services as President and Chief Executive Officer. The Employment Agreement is for a five-year period from the date of Sino Gold Mining Limited's listing on ASX. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

- The Company entered into an agreement ("Employment Agreement") dated 28 August 2002 with Mr. H Xu for the provision of Mr. Xu's services as Executive Director. The Employment Agreement is for a five-year period from the date of Sino Gold Mining Limited's listing on ASX. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

- The Company has entered into an agreement ("Employment Agreement") with Mr. I Polovineo on 1 January 2004 for the provision of his services as CFO and Company Secretary. The Employment Agreement is for a rolling 12 month period. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

Auditor's Independence Declaration
We have obtained the following independence declaration from our auditors, Ernst & Young.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Auditor's Independence Declaration to the Directors of Sino Gold Mining Limited

In relation to our audit of the financial report of Sino Gold Mining Limited for the financial year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Paul Flynn

Paul Flynn
Partner
21st February 2006

The Board of Directors of Sino Gold Mining Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Sino Gold Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's recommendations, the Corporate Governance Statement must contain certain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. Sino Gold Mining Limited's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Encourage enhanced performance
Principle 9.	Remunerate fairly and responsibly
Principle 10.	Recognise the legitimate interests of stakeholders

Sino Gold Mining Limited's corporate governance practices were in place throughout the year ended 31 December 2006 and were fully compliant with the Council's best practice recommendations.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 2.

Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors. In addition, Recommendation 2.2 requires the chairperson of the company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of unfettered and independent judgement.

In accordance with the definition of independence above, and the materiality thresholds set, James Askew, Peter Cassidy, Brian Davidson and Peter Housden are viewed as the 4 independent Directors of the total 7 Directors of Sino Gold Mining Limited directors.

There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
J Askew	4 years
J Klein	6 years
H Xu	6 years
B Davidson	4 years
P Cassidy	4 years
J Zhong	3 years
P Housden	9 months

Performance

The board has functioned efficiently and effectively to achieve its goals during the financial year. The company had measurable and qualitative indicators to assess the performance of key executives for the 2006 financial year.

It is intended that the performance criteria against which directors and executives will be assessed will be aligned with the financial and non-financial objectives of Sino Gold Mining Limited.

Board Committees

Nomination and Remuneration Committee

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 31 December 2006, Sino Gold Mining Limited operated a joint nomination and remuneration committee. The duties and responsibilities typically delegated to such a committee are expressly included in the board's own charter as being the responsibility of the full board. The board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established, as a single unit, a nomination and remuneration committee, comprising three non-executive directors. Members of this committee throughout the year were:

B. Davidson (Chairman)

P Cassidy

J Askew

This Committee convened 3 meetings during the year which was attended by all members.

Audit Committee

The Board has established an audit committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

Recommendation 4.3 deals with the structure of the audit committee and requires independence of the members of the audit committee.

The members of the audit committee during the year were:

B. Davidson (Chairman)

J Zhong

P Cassidy (Appointed 30/05/06, resigned 9/11/06)

P Housden (Appointed 9/11/06)

The Audit Committee convened 2 meetings during the year which were attended by all members entitled to attend.

Qualifications of audit committee members

Mr. Davidson LL.B. (Hons) is Chairman of the audit committee. Mr Davidson is a consultant to Deacons, a major national law firm, having retired as a partner on 30 June 2004. He has over 35 years experience in corporate and commercial law, particularly in the natural resources industry and is a Fellow of the Australian Institute of Company Directors. He has been a director of many listed public companies and is presently a director of a number of private company groups.

Mr. Zhong is the Chief Financial Officer of Sino Mining International Limited and has held a number of senior finance positions with Minmetals Group Limited, Beijing, including Vice General Manager Finance and General Manager Auditing.

Mr. Housden has over 35 years experience in the accounting / finance / commercial fields crossing a number of industries including, manufacturing, resources, chemicals and professional services. During his 14 years as an executive in the resources sector, he was involved with petroleum, gold, coal, base metals, tin and mineral sands. He is a Fellow CPA, a member of the Finance and Treasury Association, a Fellow of the AICD and a member of its Reporting Committee.

Risk Management Committee

The members of the Risk committee during the year were:

P Cassidy (Chairman)

J Askew

B Davidson (Appointed 30/05/06)

The Risk Management Committee convened 2 meetings during the year which were attended by all members.

The group takes a proactive approach to risk management. The Risk Committee is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

Areas of risk which are considered by the Risk management Committee include:

- safety
- the environment
- the community in which the company operates
- minimization of business risk

Income Statement

For the year ended 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Sales revenue	2	**8,695**	11,024	**-**	-
Cost of sales		**(7,803)**	(16,642)	**-**	-
Gross (loss)/profit		**892**	(5,618)	**-**	-
Other income	2	**3,962**	1,333	**19,928**	1,082
Occupancy expenses		**(636)**	(644)	**(636)**	(644)
Staff costs		**(3,382)**	(3,086)	**(3,382)**	(3,086)
Administrative expenses		**(4,255)**	(3,223)	**(3,958)**	(3,223)
Impairment of property & equipment		**-**	(4,735)	**-**	-
Foreign exchange gain/(loss)		**962**	182	**-**	182
Provision for diminution of investments		**-**	-	**-**	(12,286)
Provision for non-recovery of non-current receivables		**-**	-	**-**	(7,300)
		(2,457)	(15,791)	**11,952**	(25,275)
Loss on fair value of vested share options	2	**(11,421)**	(7,916)	**(11,421)**	(7,916)
(Loss)/profit from continuing operations before tax and finance costs		**(13,878)**	(23,707)	**531**	(33,191)
Finance costs	2	**(6,176)**	(2,503)	**(3,705)**	(2,466)
Loss before income tax		**(20,054)**	(26,210)	**(3,174)**	(35,657)
Income tax expense	3	**-**	-	**-**	-
Loss attributable to members of Sino Gold Mining Limited		**(20,054)**	(26,210)	**(3,174)**	(35,657)
Basic earnings per share (cents per share)	27	**(13.7)**	(20.2)		
Diluted earnings per share (cents per share)	27	**(13.7)**	(20.2)		

Balance Sheet

As at 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
CURRENT ASSETS					
Cash and cash equivalents	24(a)	**21,505**	28,769	**19,119**	14,565
Trade and other receivables	4	**2,550**	1,384	**1,735**	676
Inventories	5	**1,412**	2,211	**-**	-
Other	6	**6,967**	438	**6,967**	226
Total Current Assets		**32,434**	32,802	**27,821**	15,467
NON-CURRENT ASSETS					
Receivables	7	**3,067**	4,916	**83,304**	37,931
Other financial assets	8	**-**	-	**55,116**	50,585
Property, plant and equipment	9	**226**	339	**226**	339
Deferred exploration, evaluation and development costs	10	**240,074**	102,868	**-**	-
Total Non-Current Assets		**243,367**	108,123	**138,646**	88,855
TOTAL ASSETS		**275,801**	140,925	**166,467**	104,322
CURRENT LIABILITIES					
Trade and other payables	11	**25,258**	14,008	**7,803**	1,223
Provisions	12	**645**	567	**645**	567
Interest bearing liabilities	13	**9,742**	-	**686**	-
Derivatives	15	**25,205**	-	**25,205**	-
Total Current Liabilities		**60,850**	14,575	**34,339**	1,790
NON-CURRENT LIABILITIES					
Interest bearing liabilities	13	**89,900**	45,883	**41,826**	45,883
Provisions	14	**-**	1,984	**-**	-
Derivatives	15	**71,138**	38,309	**71,138**	38,309
Total Non-Current Liabilities		**161,038**	86,176	**112,964**	84,192
TOTAL LIABILITIES		**221,888**	100,751	**147,303**	85,982
NET ASSETS		**53,913**	40,174	**19,164**	18,340
EQUITY					
Issued capital	16	**168,259**	101,949	**168,259**	101,949
Convertible notes - equity component		**3,228**	3,228	**3,228**	3,228
Other reserves	17	**(87,343)**	(32,243)	**(93,617)**	(31,305)
Accumulated losses		**(64,305)**	(44,251)	**(58,706)**	(55,532)
Total parent entity interest		**19,839**	28,683	**19,164**	18,340
Outside equity interests		**34,074**	11,491	**-**	-
TOTAL EQUITY		**53,913**	40,174	**19,164**	18,340

Statement of Cash Flows

For the year ended 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**8,695**	11,024	**-**	-
Payments to suppliers and employees		**(14,838)**	(10,172)	**(7,214)**	(5,095)
Interest received		**1,516**	1,019	**1,510**	1,014
Interest paid		**(3,842)**	(1,394)	**(2,671)**	(1,357)
Other receipts		**317**	314	**21**	68
Net Cash Flows (used in)/ from Operating Activities	24 (b)	**(8,152)**	791	**(8,354)**	(5,370)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant and equipment		**(107)**	-	**(107)**	-
Exploration, evaluation and development		**(117,893)**	(57,746)	**-**	-
Net Cash Flows (used in)/from Investing Activities		**(118,000)**	(57,746)	**(107)**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of convertible notes		**-**	45,932	**-**	45,932
Proceeds from employee loan repayments		**394**	18	**394**	18
Repayment of shareholder loans		**-**	(2,564)	**-**	(2,564)
Loans (to)/from related entities		**-**	-	**(51,012)**	(38,355)
Proceeds from share issues		**66,034**	2,800	**66,034**	2,800
Share issue costs		**(3,685)**	(158)	**(3,685)**	(158)
Proceeds from bank loan		**60,640**	-	**-**	-
Hong Kong listing fees prepaid		**(854)**	-	**(854)**	-
Net Cash Flows from/(used in) Financing Activities		**122,529**	46,028	**10,877**	7,673
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,623)**	(10,927)	**2,416**	2,303
Add opening cash brought forward		**28,769**	35,692	**14,565**	11,243
Effects of exchange rate changes on cash		**(3,641)**	4,004	**2,138**	1,019
CLOSING CASH	24 (a)	**21,505**	28,769	**19,119**	14,565

Statement of Changes in Equity

For the year ended 31 December 2006

GROUP	Issued capital $'000	Convertible notes equity component $'000	Retained earnings $'000	Other reserves $'000 (Note 18)	Outside equity interests $'000	Total $'000
Adjusted equity as at 1 January 2005	**96,282**	**-**	**(18,041)**	**(6,692)**	**3,708**	**75,257**
Currency translation differences	-	-	-	3,272	-	3,272
Movement in fair value of cashflow hedges	-	-	-	(21,765)	-	(21,765)
Share issue costs	(158)	-	-	-	-	(158)
Total income / (expense) for the year recognised directly in equity	(158)	-	-	(18,493)	-	(18,651)
Loss for the period	-	-	(26,210)	-	-	(26,210)
Total income / (expense) for the year	(158)	-	(26,210)	(18,493)	-	(44,861)
Exercise of options	5,825	-	-	-	-	5,825
Cost of share based payments	-	-	-	436	-	436
Issue of convertible notes	-	3,228	-	-	-	3,228
Share of Jinfeng construction costs	-	-	-	-	7,783	7,783
Movement in the fair value of share options	-	-	-	(7,494)	-	(7,494)
At 31 December 2005	**101,949**	**3,228**	**(44,251)**	**(32,243)**	**11,491**	**40,174**
Adjusted equity as at 1 January 2006	**101,949**	**3,228**	**(44,251)**	**(32,243)**	**11,491**	**40,174**
Currency translation differences	-	-	-	(3,846)	-	(3,846)
Movement in fair value of cashflow hedges	-	-	-	(52,550)	-	(52,550)
Share issue costs	(3,685)	-	-	-	-	(3,685)
Total income / (expense) for the year recognised directly in equity	(3,685)	-	-	(56,396)	-	(60,081)
Loss for the period	-	-	(20,054)	-	-	(20,054)
Total income / (expense) for the year	(3,685)	-	(20,054)	(56,396)	-	(80,135)
Allotment of new shares	63,531	-	-	-	-	63,531
Exercise of options	6,464	-	-	-	-	6,464
Cost of share based payments	-	-	-	1,296	-	1,296
Share of Jinfeng construction costs	-	-	-	-	22,583	22,583
At 31 December 2006	**168,259**	**3,228**	**(64,305)**	**(87,343)**	**34,074**	**53,913**

Statement of Changes in Equity

For the year ended 31 December 2006

PARENT	Issued capital $'000	Convertible notes Equity component $'000	Retained earnings $'000	Other Reserves $'000 (Note 18)	Total $'000
Adjusted equity as at 1 January 2005	**96,282**	**-**	**(19,876)**	**(2,482)**	**73,924**
Movement in fair value of cashflow hedges	-	-	-	(21,765)	(21,765)
Share issue costs	(158)	-	-	-	(158)
Total income / (expense) for the year recognised directly in equity	(158)	-	-	(21,765)	(21,923)
Loss for the period	-	-	(35,656)	-	(35,656)
Total income / (expense) for the year	(158)	-	(35,656)	(21,765)	(57,579)
Exercise of options	5,825	-	-	-	5,825
Cost of share based payments	-	-	-	436	436
Issue of convertible notes	-	3,228	-	-	3,228
Movement in the fair value of share options	-	-	-	(7,494)	(7,494)
At 31 December 2005	**101,949**	**3,228**	**(55,532)**	**(31,305)**	**18,340**
Adjusted equity as at 1 January 2006	**101,949**	**3,228**	**(55,532)**	**(31,305)**	**18,340**
Currency translation differences	-	-	-	(11,058)	(11,058)
Movement in fair value of cashflow hedges	-	-	-	(52,550)	(52,550)
Share issue costs	(3,685)	-	-	-	(3,685)
Total income / (expense) for the year recognised directly in equity	(3,685)	-	-	(63,608)	(67,293)
Loss for the period	-	-	(3,174)	-	(3,174)
Total income / (expense) for the year	(3,685)	-	(3,174)	(63,608)	(70,467)
Allotment of new shares	63,531	-	-	-	63,531
Exercise of options	6,464	-	-	-	6,464
Cost of share based payments	-	-	-	1,296	1,296
At 31 December 2006	**168,259**	**3,228**	**(58,706)**	**(93,617)**	**19,164**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared in accordance with the historical cost convention except for derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC class order 98/100. The company is an entity to which the class order applies.

(b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 December 2006. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 &AASB 1038]	Amendment arise from the release in August 2005 of AASB *7 Financial Instruments Disclosure*	1-Jan-07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report	1 January 2007
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 132	1-Jan-07	As above	1 January 2007
UIG 7	Applying the Restatement Approach under AASB 129 *Financial Reporting in Hyperinflationary economies*	Addresses the requirement in AASB 129 for financial statements to be stated in terms of the measuring unit current at the reporting date when reporting in the currency of a hyperinflationary economy	1-Mar-06	As the Group has no investments in foreign operations operating in hyperinflationary economies, these amendments are not expected to have any impact on the Group's financial report	1 January 2007

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
UIG 8	Scope of AASB 2 *Share-based Payment*	Clarifies that the scope of AASB 2 includes transactions in which the entity cannot identify specifically some or all of the goods or services received as consideration for the equity instruments of the entity or other share-based payment	1-May-06	Unless the Group enters into share-based payment arrangements unrelated to employee services in future reporting periods, these amendments are not expected to have any impact on the Group's financial report	1 January 2007
UIG 9	Reassessment of Embedded Derivatives	Clarifies that an entity reassesses whether an embedded derivative contained in a host contract must be separated from the host and accounted for as a derivative under AASB 139 only when there is a change in the terms of the contract that significantly modifies the cash flow that otherwise would be required	1-Jun-06	Unless the Group enters into arrangements containing embedded derivatives in future reporting periods, these amendments are not expected to have any impact on the Group's financial report	1 January 2007

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). The financial report also complies with International Financial Reporting Standards (IFRS).

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sino Gold Mining Limited and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The parent entity measures its investment in subsidiaries at cost.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Sino Gold Mining Limited has control.

The minority interests represents the interest in Jinfeng not held by the Group.

(d) Foreign currency translation

Both the functional currency of Sino Gold Mining Limited and its Australian subsidiaries is United States dollars (US$). The presentation currency of the Group is Australian dollars (A$).

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 Renmimbi Yuan ("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.

(e) Property, plant and equipment

Cost and Valuation

Items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

Depreciation

Depreciation is provided on a straight-line basis over the estimated useful life of the asset, other than mine properties and equipment, which are depreciated on a unit of production basis to an estimated residual value.

Major depreciation periods are 5 to 15 years for non-mining plant and equipment or the lease term for leasehold improvements.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(f) Recoverable amount 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.

(g) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(h) Convertible Notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time, is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

The corresponding equity dividends on those shares are charged as a distribution of profit and loss.

Issue costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The estimated costs associated with rehabilitating a mine are generally included in the capital cost of the mine assets. Changes in estimates will be dealt with on a prospective basis.

(j) Share-based payment transactions

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 by an external valuer using a Black Scholes model and amortised over the vesting period.

The fair value of options as at the grant date is expensed to the income statement over the vesting period to the extent that it is expected that that these options will ultimately vest (ie - the sevice and performance conditions will be met). 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 the 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 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.

(k) Revenue

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.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Consumable stores and spares – purchase cost on first-in-first-out basis; and
- Finished goods and work-in-progress – cost of direct material and labour and a proportion of manufacturing overhead based on normal operating capacity.
- Gold in circuit and in transit - cost of direct material and labour and a proportion of manufacturing overhead based on normal operating capacity.
- Ore stockpiles - cost of direct material and labour and a proportion of manufacturing overhead based on normal operating capacity.

(m) Derivative financial instruments

Forward Gold Hedges

The consolidated entity 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 AASB139. 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 & loss at the time the hedged transaction occurs.

As at 31 December 2006, all gold derivatives have been treated as qualifying cash flow hedges.

(n) Income Tax

Tax-effect accounting is applied using the balance sheet method where deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where:

- The deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- The timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

(o) Cash and cash equivalents

Cash in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(p) 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 date reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

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.

(q) 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.

(r) Change in functional currency

Previously the Australian parent entity, Sino Gold Mining Limited, has been accounted for as an Australian dollar functional company. The Directors consider that Sino Gold Mining Limited changed from being Australian dollar functional to US$ functional at the time when it issued a US$35 million convertible note on 17 March 2005. The only material impact relates to the accounting treatment for Australian dollar denominated share options granted to seed investors.

The International Financial Reporting Interpretations Committee (IFRIC) has recently stated that contracts that will be settled by delivering a fixed number of its own equity instruments in exchange for a fixed amount of a foreign currency should be classified as liabilities rather than equity. Given that Sino Gold Mining Limited is considered US$ functional, all options containing an Australian dollar strike price are now accounted for as liabilities rather than equity.

Under AASB 139: Financial Instruments – Recognition and Measurement, these liabilities are recorded at fair value with movements in fair value being recorded in the income statement. However, AASB 139 does not apply to options captured by AASB 2: Share Based Payments.

Under AASB 2, as it applies to the company, the fair value of options on their date of grant is expensed over the vesting period of the option with a corresponding increase in equity reserves. AASB 2 does not apply to options granted to seed shareholders following the vesting date. Therefore, these options are subject to the AASB139. The resulting impact on the income statement is that movements in the fair value of these options post the vesting date is recorded as a gain or loss.

The impact of applying this accounting treatment for the twelve months to 31 December 2005 is as follows:

	As previously reported	Adjustment	Adjusted balance
31 December 2005			
Net assets *	52,559	(12,385)	40,174
Shareholders equity			
- share capital	98,924	3,025	101,949
- reserves	(24,749)	(7,494)	(32,243)
- equity component of convertible notes	3,228	-	3,228
- outside equity interests	11,491	-	11,491
- opening retained earnings	(18,041)	-	(18,041)
- loss for the period (12 months)	(18,294)	(7,916)	(26,210)
	52,559	**(12,385)**	**40,174**

** the impact on net assets represents the fair value of the vested but unexercised options which are now recorded as a non-current liability. There is no impact on total assets or current liabilities.*

(s) Significant accounting estimates

The Group is required to determine the fair value of options granted to employees and seed investors as per the accounting policy note in paragraph (j) above. The fair value is determined using a Black Scholes model with the assumption detailed in Note 16(c).

The Group is also required to determine the fair value of gold derivatives as per the accounting policy note in paragraph (m) above. The fair value is provided to the company by the derivative counterparty.

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

2. PROFIT AND LOSS ITEMS

Profit from ordinary activities is after crediting the following revenues:

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Revenue from operating activities:				
Product sales	**8,695**	11,024	**-**	**-**
Income from non-operating activities:				
Interest Received	**1,516**	1,019	**1,510**	1,014
Management fees	**-**	24	**-**	24
Gain on sale of Jianchaling*	**2,129**	-	**18,397**	-
Other	**317**	290	**21**	44
	3,962	1,333	**19,928**	1,082

** On 25 August 2006, the company entered into Share Sale Agreement for the sale of its interests in the Jianchaling Mine. The consideration was RMB12 million. The transaction was completed on 30 September 2006 and the purchaser assumed control of the operation. As at 31 December 2006, RMB 7 million had been received from the purchaser through the transfer of assets from Jianchaling to Jinfeng. The remaining RMB 5 million is due 180 days after the completion date.*

Profit from ordinary activities is after charging the following expenses:

Depreciation and amortisation:

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Depreciation of:				
- Leasehold improvements	**12**	11	**12**	11
- Plant and equipment	**66**	60	**66**	60
	78	71	**78**	71
Amortisation of:				
- Mine properties	**-**	6,249	**-**	-
Total depreciation and amortisation:	**78**	6,320	**78**	71
Finance costs:				
Interest paid to unrelated persons (Including amortisation of deferred borrowing costs)	**6,176**	2,503	**3,705**	2,466
Other expense items:				
Government mining royalties incurred	**253**	316	**-**	-
Operating lease rental	**250**	263	**250**	263
Impairment of property mine & equipment	**-**	4,735	**-**	-
Share base payment	**1,296**	436	**1,296**	436
Losses on fair value movement of vested seed options*	**11,421**	7,916	**11,421**	7,916

** This loss relates to the movement in the fair value of options granted to seed shareholders. The accounting policy is described in note 1(j) above.*

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

3. INCOME TAX

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense is as follows:

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Accounting loss before income tax	**(20,054)**	(26,210)	**(3,174)**	(35,657)
At the statutory income tax rate of 30% (2005: 30%)	**(6,016)**	(5,488)	**(952)**	(8,322)
Overseas tax rate differential	**-**	625	**-**	-
Capital expenses	**-**	-	**-**	-
Unrealised foreign exchange losses	**-**	-	**-**	-
Deferred tax asset not recognized	**6,016**	4,863	**952**	8,322
Income expense relating to ordinary activities	**-**	-	**-**	-
Deferred tax asset* arising from tax losses and timing differences not brought to account at balance date as realisation of the benefit is not regarded as probable	**10,491**	9,539	**10,491**	9,539

**This deferred tax asset will only be obtained if:*

(a) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised

(b) The conditions for deductibility imposed by tax legislation continue to be complied with

(c) No changes in tax legislation adversely affect the company in realizing the benefit and

(d) the company continues to satisfy either the continuity of ownership test or same business test

4. RECEIVABLES – Current

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Deposits	**-**	10	**-**	-
Amounts due from sale of non-current assets*	**1,315**	544	**1,315**	544
Other	**1,235**	830	**420**	132
	2,550	1,384	**1,735**	676

** This amount relates to sale of Jianchaling in 2006 (A$810,000) and Tianjianshan in 2003 (A$505,000). These receivables are interest free.*

5. INVENTORIES – Current

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Gold in Circuit and in transit - at cost	**-**	248	**-**	-
Ore stockpiles	**145**	491	**-**	-
Consumable stores and spares	**1,267**	1,887	**-**	-
Provision for diminution in value of consumables	**-**	(415)	**-**	-
	1,412	2,211	**-**	-

6. OTHER – Current

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Prepaid and accrued listing costs*	**6,345**	-	**6,345**	-
Other prepayments	**622**	438	**622**	226
	6,967	438	**6,967**	226

** These costs will be transferred to share capital following the company's capital raising pursuant to its listing on the Hong Kong Stock Exchange.*

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

7. RECEIVABLES – Non-Current

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Employee loans*	**2,423**	2,817	**2,423**	2,817
Amounts due from sale of non-current assets**	**644**	1,195	**644**	1,195
Prepaid borrowing costs	**-**	904	**-**	904
Amounts due from controlled entities	**-**	-	**80,237**	40,315
Less: provision for non-recovery***	**-**	-	**-**	(7,300)
	3,067	4,916	**83,304**	37,931

* *Loans to employees pursuant to the terms of the Sino Gold Mining Limited Employee Share Incentive Scheme ("ESIS") – secured only against issued shares – refer note 16(d).*

** *Relates to amounts due from the sale of Tianjianshan in 2003. This amount is interest free and due in annual installments of US$400,000 up to 2009.*

*** *The provision for non-recovery relates to a receivable from the entity holding the interest in Jianchaling. This provision was written back following the sale of the entity.*

8. OTHER FINANCIAL ASSETS – Non-Current

	Interest Held %	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Investments in subsidiaries					
Sino Mining Copper Ltd (a)	100	**-**	-	**-**	-
Sino Mining Guizhou Pty Ltd (b)	100	**-**	-	**-**	-
Sino Mining Sichuan Pty Ltd (b)	100	**-**	-	**-**	-
Sino Gold Jinluo Limited (a)	100	**-**	-	**-**	-
Sino Gold Jindu Limited (a)	100	**-**	-	**-**	-
Sino Gold BMZ Limited (a)	100	**-**	-	**-**	-
Sino Gold HLJ Limited (a)	100	**-**	-	**-**	-
Sino Gold Guoxin Limited (a)	100	**-**	-	**-**	-
Sino Gold Jiaodong Limited (a)	100	**-**	-	**-**	-
Sino Gold Golden Triangle Limited (a)	100	**-**	-	**-**	-
Sino Gold Greatland Limited (a)	100	**-**	-	**-**	-
Sino Gold SPD Limited (c)	100	**-**	-	**-**	-
Sino Gold SEL Limited (c)	100	**-**	-	**-**	-
Sino Guizhou Jinfeng Mining Limited (d)	82	**-**	-	**44,231***	47,606
Investments in subsidiaries					
Sino Guizhou Jinluo Mining Limited (d)	65	**-**	-	**2,527**	816
Sino Gold Jilin BMZ Mining Limited (d)	95	**-**	-	**7,582**	1,329
Shandong Sino Gold Fields Ludi Limited (d)	70	**-**	-	**646***	695
Shandong Sino Gold Fields Zhengyuan Limited (d)	80	**-**	-	**130***	139
Sino Guangxi Golden Triangle Mining Limited (d)	70	**-**	-	**-**	-
		-	-	**55,116**	50,585

* *Movement is due to foreign exchange fluctuation only. All investments are denominated in US$.*

(a) Incorporated in the Cayman Islands

(b) Incorporated in Australia

(c) Incorporated in British Virgin Islands

(d) Incorporated in PRC.

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

9. PROPERTY PLANT & EQUIPMENT

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Leasehold improvements				
At cost	**77**	77	**77**	77
Accumulated depreciation	**(53)**	(41)	**(53)**	(41)
	24	36	**24**	36
Plant & equipment				
At cost	**526**	561	**526**	561
Accumulated depreciation	**(324)**	(258)	**(324)**	(258)
	202	303	**202**	303
Mine properties & equipment				
Recoverable amount	**-**	-	**-**	-
Accumulated depreciation	**-**	-	**-**	-
	-	-	**-**	-
Total Property plant and equipment				
At cost	**603**	638	**603**	638
Accumulated depreciation and amortisation	**(377)**	(299)	**(377)**	(299)
Total net book value	**226**	339	**226**	339

Reconciliation

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial years.

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Leasehold improvements				
Opening balance	**36**	41	**36**	41
Additions	**-**	-	**-**	-
Net foreign currency movements arising from self-sustaining foreign operations	**-**	6	**-**	6
Depreciation for year	**(12)**	(11)	**(12)**	(11)
Net book value	**24**	36	**24**	36

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

9. PROPERTY PLANT & EQUIPMENT *(Continued)*

Plant and Equipment

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Opening balance	**303**	335	**303**	335
Additions	**107**	-	**107**	-
Net foreign currency movements arising from self-sustaining foreign operations	**-**	28	**-**	28
Disposed during the year	**(142)**		**(142)**	
Depreciation for year	**(66)**	(60)	**(66)**	(60)
Net book value	**202**	303	**202**	303

Mine Properties and Equipment

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Opening balance	**-**	9,669	**-**	-
Additions	**-**	-	**-**	-
Impairment of mine assets*	**-**	(4,735)	**-**	-
Net foreign currency movements arising from self-sustaining foreign operations	**-**	1,315	**-**	-
Depreciation for year	**-**	(6,249)	**-**	-
Net book value	**-**	-	**-**	-

** The book value of the Jianchaling mine was written off during 2005 on the basis that the mine would continue to operate on cash break-even basis for its remaining life and uncertainty as to whether there was any residual value. For the purpose of assessing this impairment the entire mine was considered a single cash generation unit.*

10. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Deferred exploration and evaluation costs

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
- Jinfeng	**81,501**	41,199	**-**	-
- Other projects	**23,398**	10,945	**-**	-
	104,899	52,144	**-**	-
Capitalised development costs - Jinfeng	**135,175**	50,724	**-**	-
	240,074	102,868	**-**	-

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

10. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS *(Continued)*

Reconciliation

Reconciliations of the carrying amounts of deferred exploration, evaluation and development costs at the beginning and end of the current and previous financial years.

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Opening balance	**102,868**	37,339	**-**	-
Additions	**121,917**	55,693	**-**	-
Amounts transferred in/(out)	**-**	-	**-**	-
Write-off of relinquished property	**-**	-	**-**	-
Value of exploration license contributed by minority interest partner	**22,583**	7,783	**-**	-
Net foreign currency movements arising from self-sustaining foreign operations	**(7,294)**	2,053	**-**	-
Net book value	**240,074**	102,868	**-**	-

11. PAYABLES - Current

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Trade creditors	**142**	3,299	**-**	-
Amount owing to SJMDC	**-**	504	**-**	-
Other creditors and accruals	**25,116**	10,205	**7,803**	1,223
	25,258	14,008	**7,803**	1,223

12. PROVISIONS - Current

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Employee entitlements - note 22	**645**	**567**	**645**	**567**

13. INTEREST BEARING LIABILITIES

- Current

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Jinfeng Project Loan (b)	**2,061**	-	**2,061**	-
Jinfeng Standby L/C Loan (c)	**6,847**	-	**6,847**	-
Jinfeng Financing Lease (d)	**148**	-	**148**	-
Deferred gold put option premium	**686**	-	**686**	-
	9,742	-	**9,742**	-

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
13. INTEREST BEARING LIABILITIES *(Continued)*				
- Non-current				
Deferred gold put option premium	**1,828**	2,511	**1,828**	2,511
Convertible notes (a)	**41,122**	44,260	**41,122**	44,260
Convertible notes at face value	**376**	1,109	**376**	1,109
Accrued interest	**(1,500)**	(1,997)	**(1,500)**	(1,997)
Un-amortized borrowing costs	**39,998**	43,372	**39,998**	43,372
Jinfeng Project Loan (b)				
Principal	**48,884**	-	**-**	-
Un-amortized borrowing costs	**(1,403)**	-	**-**	-
	47,481	-	**-**	-
- Non-current				
Jinfeng Financing Lease (d)	**593**	-	**-**	-
	89,900	45,883	**41,826**	45,883

(a) In March 2005 the company issued 35,000 convertible notes at an issue price of US$1,000 per note, raising a total of US$35 million. The notes are seven-year convertible notes maturing in March 2012. Interest is payable on the notes at the rate of 5.75% per annum. The price for conversion of the notes into ordinary shares in the Company is $2.89 per share. The fair value of the liability was originally assessed at US$32.5 million. The company also has access to a further US$20 million under the Convertible Note "top facility."

(b) Jinfeng Project Loan - this financing facility is arranged and jointly underwritten by Standard Bank London Limited and Bayeriisch Hypo-und Vereinsbank AG for USD40 million plus USD2 million capitalized interest with a 7 year term including a 2 year grace period. Repayments are made quarterly commencing 31 December 2007. Interest rate is LIBOR plus 3.25% margin pre-financial completion and 2.75% margin after financial completion.

The facility is secured against the following:

- Mortgage on all present and future immovable assets in the project;

- Pledge over all present and future movable equipment in the project;

- Pledge over the projects land use right, mining license, exploration license and operating permits;

- Pledge over all material project contracts.

In addition, the Company and Sino Mining Guizhou Pty Limited has guaranteed until completion of the project construction, a first ranking charge over all shares of the Company in Sino Mining Guizhou Pty Limited and a first ranking pledge of the interest of Sino Mining Guizhou Pty Limited in the Borrower.

At 31 December 2006 the total drawdown amount was USD40.31 million (AUD50.95 million).

(c) Jinfeng Standby L/C loan - The company has secured a standby cash collaterised L/C facility issued by its bankers to secure advances made by China Construction Bank, Guizhou Branch to the Jinfeng Project. The interest rate for this loan is currently 5.814%. The term is 12 months and we intend to extend another 6 months when they expire.

(d) Jinfeng Financing Lease - The contract period is 5 years. Monthly payment of RMB97,000 are made to the lessor.

(e) The Company has entered into a Cost Overrun facility in relation to the Jinfeng Project in the principal amount of US$3.7 million. No amounts have been drawn under this facility.

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

14. PROVISIONS – Non-Current

Restoration and rehabilitation		**-**	1,984	**-**
-				
Movement in provision:				
Carrying Amount at the beginning of the financial year	**1,984**	2,104	**-**	-
Write-back*	**(1,984)**	-	**-**	-
Rehabilitation carried out	**-**	(205)	**-**	-
Foreign currency movement	**-**	85	**-**	-
End of financial year	**-**	1,984	**-**	-

**The restoration and rehabilitation provision was written-back pursuant to the sale of Jianchaling in September 06.*

15. DERIVATIVE LIABILITIES

- Current				
Fair value of non-employee vested share options*	**19,845**	-	**19,845**	-
Fair value of gold forward contracts & options**	**5,360**	-	**5,360**	-
	25,205	-	**25,205**	-
- Non-current				
Fair value of non-employee vested share options*	**-**	12,385	**-**	12,385
Fair value of gold forward contracts & options**	**71,138**	25,924	**71,138**	25,924
	71,138	38,309	**71,138**	38,309

* *Relates to options granted to seed investors that are denominated in Australian dollars. These are treated as derivatives in accordance with the accounting policy detailed in note 1 (j). Refer to comments in the Review and Results of Operations section of the Directors' Report.*

** *The following is a summary of the Company's hedge position at 31 December 2006*

	Fixed Forwards		Bought Put Options	
	Ounces	**US$/oz**	**Ounces**	**US$/oz**
2007	31,827	523	55,638	400
2008	73,548	524	74,184	400
2009	64,612	525	74,178	400
2010	64,612	525	-	-
2011	64,612	525	-	-
2012	35,789	530	-	-
Total	**335,000**	**525**	**204,000**	**400**

Note: A deferred premium averaging US dollars 9/oz is payable on expiry of put options.

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

16. ISSUED CAPITAL

(a) Issued and paid up capital

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
- ordinary shares fully paid (no par value)	**168,259**	101,949	**168,259**	101,949

	2006 Number of shares ('000)	2006 ($'000))	2005 Number of shares ('000)	2005 ($'000)
(b) Movements in ordinary shares on issue				
Beginning of financial year	**131,444**	**101,949**	129,244	96,282
Issued during the year				
- share purchase plan	**752**	**2,481**	-	-
- exercise of options	**2,365**	**6,464**	2,200	5,825
- private placement	**18,500**	**61,050**	-	-
- less share issue and transaction costs	**-**	**(3,685)**	-	(158)
End of financial year	**153,061**	**168,259**	131,444	101,949

(c) Options

The following table illustrates the number and movements in share options during the relevant period

	Year ended 31 December	
	2005 Number of options	2006 Number of options
Outstanding at the beginning of the year	10,621,776	**10,656,776**
Granted during the year	2,485,000	**2,655,000**
Exercised during the year	(2,200,000)	**(2,365,000)**
Forfeited during the year	(250,000)	**-**
Outstanding at end of the year	10,656,776	**10,946,776**
Exercisable at end of the year	8,152,776	**6,371,776**

16. ISSUED CAPITAL *(Continued)*

(b) Options (Continued)

The following unlisted options were on issue at balance-date.

	Number	Date of issue	Exercise price	Expiry	Number vested	Vesting date
Seed investors/ financiers	1,350,000	11/10/2002	$1.00	11/10/2007	1,350,000	N/A
	1,777,776	15/10/2002	US$0.5625	15/10/2007	1,777,776	N/A
	1,350,000	21/10/2002	$1.00	21/10/2007	1,350,000	N/A
	500,000	16/09/2005	$2.53	16/09/2010	500,000	N/A
Directors	840,000	14/10/2002	$1.00	14/10/2007	840,000	N/A
	335,000	31/12/2003	$2.69	31/12/2008	335,000	N/A
	370,000	31/12/2004	$2.00	31/12/2009	-	31/12/2007
	800,000*	31/12/2005	$3.29	31/12/2010	-	31/12/2008
Employees	75,000	31/12/2002	$1.20	31/12/2007	75,000	N/A
	144,000	31/12/2003	$2.69	31/12/2008	144,000	N/A
	150,000	15/10/2004	$2.06	15/10/2009	-	15/10/2007
	25,000	27/10/2004	$2.12	27/10/2009	-	27/10/2007
	80,000	15/12/2004	$2.08	15/12/2009	-	15/12/2007
	315,000	31/12/2004	$2.00	31/12/2009	-	31/12/2007
	980,000	31/12/2005	$3.29	31/12/2010	-	31/12/2008
	150,000*	06/03/2006	$3.81	06/03/2011	-	06/03/2009
	40,000*	03/06/2006	$4.88	03/06/2011	-	03/06/2009
	1,665,000*	31/12/2006	$6.50	31/12/2010	-	31/12/2009
	10,946,776				**6,371,776**	

** The following options were granted during the year:*

- *800,000 options – fair value per option is $1.47 (share price on issue date was $3.50)*
- *150,000 options – fair value per option is $1.39 (share price on issue date was $3.66)*
- *40,000 options – fair value per option is $1.85 (share price on issue date was $4.75)*
- *1,665,000 options – granted at 31/12/06 and not yet valued. (share price on issue date was $7.30)*

The assumptions used in determining the fair value of options are:

	2005	2006
Expected volatility	40%	**45%**
Risk free interest rate	5.7%	**6.5%**
Expected life of options (years)	5	**5**

16. ISSUED CAPITAL *(Continued)*

The following options were exercised during the year:

Number	Date exercised	Exercise price	Share price at date of exercise
1,700,000	10 /01/06	$1.00	$3.33
15,000	10 /01/06	$1.20	$3.33
120,000	27/01/06	$1.00	$3.70
260,000	02/03/06	$1.00	$3.75
165,000	02/03/06	$1.20	$3.75
40,000	03/05/06	$2.00	$5.75
40,000	03/05/06	$1.85	$5.75
25,000	11/07/06	$2.12	$5.50
2,365,000			

(d) Employee Share and Option Schemes

The Company has established the Employee Share Incentive Scheme ("ESIS") and Executive and Employee Option Plan ("EOP"). On 28 August 2002 the Directors resolved that no further Shares would be issued under the ESIS and all further employee incentives would be granted under the EOP.

EOP - Pursuant to the EOP, no money is payable for the issue of the options and the exercise price is the weighted average price of the company's shares on ASX over the five trading days prior to the date of offer of the options. The options expire five years after they are issued and may only be exercised three years after they are issued or such other period as the Board may determine. Senior staff will be offered participation in the EOP and the Board will determine the conditions on which options are issued under this plan.

The total number of options over unissued shares that may be issued under the EOP, which added to the number of shares or options issued under all other employee or executive share or option plans of the Company must not exceed 10% of the total number of shares on issue from time to time.

ESIS - The company has on issue 5,374,226 shares under the ESIS at 31 December 2006, which rank equally with all other shares and has granted loans to recipients of shares under the ESIS.

The total loans outstanding pursuant to the ESIS at balance date is $2.4 million. No interest is payable on the loans, each loan is for 10 years and the outstanding balance of the loan to each Director or non-Director is payable within three months of a transfer of the shares issued under the ESIS or the date the Director or non-Director ceases to be an employee of the company. The ESIS shares rank equally with ordinary shares in respect to dividend entitlements with half of all cash dividends declared by the company being credited towards repaying the loans.

No further Shares will be issued under the Scheme.

Details of movements of shares issued pursuant to the ESIS are as follows:

	Number of shares	Consideration received $'000	Loans outstanding $'000
Balances at beginning of financial year	6,050,226		2,817
Issued during the year	-	-	-
Loan repayments	(676,000)	-	(394)
Balances at end of financial year	**5,374,226**	**-**	**2,423**

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

17. RESERVES

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Foreign currency translation reserve	**(4,784)**	(938)	**(11,058)**	-
Share based payments	**2,070**	774	**2,070**	774
Vested share options	**(7,494)**	(7,494)	**(7,494)**	(7,494)
Derivatives – cashflow hedges	**(77,135)**	(24,585)	**(77,135)**	(24,585)
	(87,343)	(32,243)	**(93,617)**	(31,305)

Foreign currency translation reserve:

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share based payments reserve:

The share based payments reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

Vested share options:

This reserve is used to record the value of foreign currency denominated options granted to seed investors from the date such options are granted to their vesting date.

Derivatives – cashflow hedges:

This reserve is used to record the effective component of the fair value of all qualifying cash flow hedges at period end.

18. EXPENDITURE COMMITMENTS

Operating leases

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Within one year	**260**	298	**260**	298
After one year but not more than 2 years	**278**	72	**278**	72
After 2 years but not more than 5 years	**901**	-	**901**	-
Later than 5 years	**78**	-	**78**	-
Aggregate lease expenditure contracted for at balance date but not provided for	**1,517**	370	**1,517**	370

The above commitments relate to a lease for office premises with an expiry date of 1 April 2012.

Capital Commitments

Development and construction of the group's Jinfeng Gold Project in Guizhou Province PRC commenced in 2005 and the constructions were on-going during the year. Accordingly the Company has entered into contracts and commitments in relation to the construction of the project. As at 31 December 2006, U$90 million (A$119.4 million) had been spent. Total capital expenditure estimate for the processing plant, infrastructure and open-pit mine is estimated at U$95 million (A$126.1 million).

Hedge commitments

Details of hedge commitments are set out in note 15.

19. RELATED PARTY DISCLOSURES

a) The directors of Sino Gold Mining Limited during the financial year were:

J Askew B Davidson

J Klein P Cassidy

H Xu P Housden

J Zhong

b) The following related party transactions occurred during the financial period:

(i) Transactions with related parties in wholly owned group.

- Interest free funding by the parent entity to wholly owned entities mainly relating to payment for offshore acquisitions of equipment and consumables (refer note 7).

(ii) Transactions with director – related entities.

- Interests in equity instruments held by directors and their related entities at balance date.

Key Management Personnel Option Holdings

	Balance 1 Jan 06	Granted as Remuneration	Options Exercised	Net Change Other	Balance 31 Dec 06	Vested at 31 Dec 06
J Askew	140,000	-	-	-	140,000	140,000
J Klein	550,000	500,000*	-	-	1,050,000	400,000
H Xu	375,000	300,000*	(200,000)	-	475,000	275,000
B Davidson	140,000	-	(120,000)	-	20,000	20,000
P Cassidy	140,000	-	-	-	140,000	140,000
J Zhong	120,000	-	-	-	120,000	-
P Housden	-	-	-	-	-	-
P Uttley	300,000	300,000*	-	-	600,000	-
I Polovineo	270,000	125,000*	(75,000)	-	320,000	25,000
C Johnstone	-	450,000*	-	-	450,000	-
	2,035,000	**1,675,000**	**(395,000)**	**-**	**3,315,000**	**1,000,000**

The following options were granted during the year:

- 500,000 options – exercise price $3.29, fair value per option $1.47, share price on issue date $3.50
- 300,000 options – exercise price $3.29, fair value per option $1.47, share price on issue date $3.50
- 300,000 options – exercise price $6.50, granted at 31/12/06 and not yet valued, share price on issue date $7.30
- 125,000 options – exercise price $6.50, granted at 31/12/06 and not yet valued, share price on issue date $7.30
- 150,000 options out of 450,000 for Mr. C Johnstone – exercise price $3.81, fair value per option $1.39, share price on issue date $3.66
- 300,000 options out of 450,000 for Mr. C Johnstone – exercise price $6.50, granted at 31/12/06 and not yet valued, share price on issue date $7.30

19. RELATED PARTY DISCLOSURES *(Continued)*

Key Management Personnel Shareholdings

	Balance 1 Jan 06	Acquisitions	Disposals/ Options Exercised	Balance 31 Dec 06
J Askew	-	-	-	-
J Klein	3,127,630	4,548	-	3,132,178
H Xu	950,000	-	150,000	1,100,000
B Davidson	92,315	3,032	120,000	215,347
P Cassidy	22,315	1,516	-	23,831
J Zhong	-	-	-	-
P Housden	-	10,000	-	10,000
P Uttley	-	-	-	-
I Polovineo	202,315	-	5,000	207,315
C Johnstone	-	-	-	-
	4,394,575	**19,096**	**275,000**	**4,688,710**

Employee Share Incentive Scheme ("ESIS") loans
Loans are outstanding pursuant to the terms of the ESIS, refer to note 16(d). At balance date outstanding loans were held by J Klein and H Xu for $1,148,897 and $413,603, respectively. This was the highest amount the loans were during the reporting period.

(iii) Employment Agreements

- The Company entered into an agreement ("Employment Agreement") dated 28 August 2002 with Mr. J Klein for the provision of Mr. Klein's services as President and Chief Executive Officer. The Employment Agreement is for a five-year period from the date of Sino Gold's listing on ASX. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

- The Company entered into an agreement ("Employment Agreement") dated 28 August 2002 with Mr. H Xu for the provision of Mr. Xu's services as Executive Director. The Employment Agreement is for a five-year period from the date of Sino Gold's listing on ASX. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

- The Company has entered into an agreement ("Employment Agreement") with Mr. I Polovineo on 1 January 2004 for the provision of his services as CFO and Company Secretary. The Employment Agreement is for a rolling 12 month period. There are no other benefits under the Agreement including termination benefits other than normal redundancy provisions. The remuneration under the Agreement is subject to review on an annual basis. There are no contractual entitlements to any bonuses.

20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Company's remuneration policy is designed to attract, retain and motivate highly talented individuals to ensure the capability of our workforce to deliver the business strategy and to maximize shareholder wealth creation.

The key principles of the remuneration policy are to:

- Set competitive rewards to attract, retain and motivate highly skilled people.
- Implement challenging key performance indicators (KPIs) including financial and non-financial measure of performance through our Performance Management Program.

20. COMPENSATION OF KEY MANAGEMENT *(Continued)*

- Establish short and long-term incentive programs across the organization, for which the following principles apply:

Short term annual cash bonus:

- Individual bonus is earned and not a right;
- Bonus is determined according to pre-set targets, but ultimately is discretionary and distribution is related to outstanding achievement;
- Bonus is determined according to individual, team and Company performance;
- General labour market conditions for the position will be considered;
- Frequency, timing and quantum of any incentive program must be approved by the CEO and the Board in respect of senior executives and executive directors.

Long term performance based share options:

Senior staff will be offered participation in the Company's approved Executive and Employee Option Plan. The Board will determine the conditions on which options are issued under this Plan. The options are issued at an exercise price being the weighted average sale price of the Company's shares on ASX over the 5 trading days immediately prior to the date of issue of the options.

- Ensure remuneration planning continues to be integrated within the Company's business planning process.
- Total reward levels and performance targets will be set at appropriate levels to reflect the competitive market in which we operate; the prevailing economic environment and the relative performance of comparator companies. We aim to position outstanding performance within the top quartile of the industry.

Our remuneration structure maintains its validity by conducting annual reviews taking into account individual performance, the economic environment, the unique requirement for certain employees to travel to and spend time in China, particularly at mine sites, and relevant job and industry comparisons. The company values the contribution of both individuals and teams in achieving the goals and objectives of the business and through our Performance Management Program our employees understand how their plans and efforts are linked to the organisation's objectives and the interests of the shareholders.

Our remuneration structure further recognises that until the Jinfeng mine becomes fully operational, the Company is in a negative cash flow position and in order to conserve its cash resources, the Company, where appropriate, should issue options under the approved Executive and Employee Option Plan as an integral part of its remuneration policy.

Remuneration of directors and executives

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Cash bonuses paid and numbers of options granted are at the complete discretion of the Board and are based on individual and company performance. There are no specified financial or other conditions that are required to be achieved.

To assist in achieving these objectives, the Remuneration Committee considers the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive and Employee Option Plan which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow, share price growth and environmental performance. The options vest over 3 years and expire in 5 years provided that the employee/director remains as employee/director of the company. There are no performance vesting conditions.

20. COMPENSATION OF KEY MANAGEMENT *(Continued)*

The following table sets out details of compensation of key management personnel:

	Short Term			Post Employment	Share- based Payment	Total	% of remuneration for the year consisting of options
Name	Salary and Fees	Other	Cash Bonus	Super-annuation	Options		%
	$	$	$	$	$	$	
J Askew Chairman (non-executive)							
2006	**94,799**	**-**	**-**	**-**	**8,467**	**103,266**	**8.2%**
2005	75,000	-	-	-	8,467	83,467	10.1%
J Klein Chief Executive Officer							
2006	**527,969**	**80,000***	**150,000**	**47,031**	**303,833**	**1,108,833**	**27.4%**
2005	510,033	80,000*	75,000	44,967	42,333	752,333	5.6%
H Xu Director (executive)							
2006	**345,559**	**29,000***	**125,000**	**24,440**	**189,750**	**713,749**	**26.6%**
2005	326,881	29,000*	60,000	23,119	31,750	470,750	6.7%
B Davidson Director (non-executive)							
2006	**85,000**	**-**	**-**	**-**	**8,467**	**93,467**	**9.1%**
2005	71,904	-	-	3,096	8,467	83,467	10.1%
P Cassidy Director (non-executive)							
2006	**131,250**	**-**	**-**	**31,425**	**8,467**	**171,142**	**4.9%**
2005	108,325	-	-	3,508	8,467	120,300	7.0%

20. COMPENSATION OF KEY MANAGEMENT *(Continued)*

Name	Short Term Salary and Fees	Other	Cash Bonus	Post Employment Super-annuation	Share- based Payment Options	Total	% of remuneration for the year consisting of options %
	$	$	$	$	$	$	
J Zhong Director (non-executive)							
2006	**77,982**	**-**	**-**	**7,018**	**13,200**	**98,200**	**13.4%**
2005	68,807	-	-	6,193	13,200	88,200	15.0%
P Housden Director (non-executive, appointed in June 06)							
2006	**-**	**-**	**-**	**42,500**	**-**	**42,500**	**-**
2005	-	-	-	-	-	-	-
P Uttley Chief Geologist							
2006	**221,101**	**-**	**125,000**	**43,899**	**122,000**	**512,000**	**23.8%**
2005	198,180	-	50,000	41,820	48,500	338,500	14.3%
C Johnstone Chief Operating Officer (appointed in March 06)							
2006	**254,587**	**-**	**60,000**	**22,913**	**34,750**	**372,250**	**9.3%**
2005	-	-	-	-	-	-	-
I Polovineo Chief Financial Officer							
2006	**206,304**	**-**	**50,000**	**43,696**	**86,283**	**386,283**	**22.3%**
2005	196,974	-	40,000	23,026	28,033	288,033	9.7%
Totals							
2006	**1,944,551**	**109,000**	**510,000**	**262,922**	**775,217**	**3,601,690**	**21.5%**
2005	1,556,104	109,000	225,000	145,729	189,217	2,225,050	8.5%

** Interest benefits under ESIS loans*

21. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2006.

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements

The aggregate employee entitlement liability is comprised of:
Provisions:

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
- Long service leave	**287**	310	**287**	310
- Annual leave	**358**	257	**358**	257
	645	567	**645**	567

Superannuation Commitments

The Parent Company and Subsidiaries within the Group contribute to a superannuation fund, which exists to provide benefits for employees and their dependants in retirement, disability or death.

All Australian employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide defined contributions by reference to accumulated contributions plus income from funds contributed. Contributions by the Group of up to 9% of Australian employees wages and salaries are legally enforceable in Australia.

During the year the average number of employees in the economic entity was 524 (2005: 516).

23. SEGMENT INFORMATION

The group operates entirely in the mining industry and in the sole geographical area of China. The operations comprise the mining and processing of gold ore and the sale of extracted gold.

24. STATEMENT OF CASH FLOWS

Employee Entitlements

(a) Reconciliation of Cash

Cash balance comprises

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
- Cash on hand	**61**	29	**3**	4
- Cash at bank	**9,444**	28,740	**7,116**	14,561
- Restricted cash*	**12,000**	28,740	**12,000**	14,561
	21,505	28,769	**19,119**	14,565

**Restricted cash relates to cash held in term deposits as security for the Jinfeng Standby L/C loan (refer note 13 (c)).*

	Group 2006 $'000	Group 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
24. STATEMENT OF CASH FLOWS *(Continued)*				
Employee Entitlements				
(b) Reconciliation of operating loss after tax to net cash flows from operations				
Operating (loss)/profit after tax	**(20,054)**	(26,210)	**(3,174)**	(35,657)
Non cash items:				
Depreciation of non-current assets	**78**	6,320	**78**	71
Write off of property, mine & equipment	**142**	4,735	**142**	-
Provision for rehabilitation	**(1,984)**	-	**-**	-
Share options expensed	**12,717**	8,352	**12,717**	8,352
Loss/(Profit) of disposal subsidiaries	**(2,129)**	-	**(18,397)**	12,286
Provision for non-recovery of non-current receivables	**-**	-	**-**	7,300
Changes in assets and liabilities:				
Receivables	**(5,551)**	1,656	**(6,477)**	1,579
Inventories	**799**	59	**-**	-
Trade and other payables	**7,752**	5,819	**6,679**	639
Provision for employee entitlements	**78**	60	**78**	60
Net Cash Flows from/(used in) Operating Activities	**(8,152)**	791	**(8,354)**	(5,370)
25. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:				
- audit or review of the financial report of the entity and any other entity in the group	**104,000**	90,000	**40,250**	35,000
- other services in relation to the entity and any other entity in the group:				
Taxation services	**-**	69,617	**-**	69,617
Assurance related	**-**	3,000	**-**	3,000
Hong Kong Initial Public Offering costs	**467,000**	-	**467,000**	-
	571,000	162,617	**507,250**	107,617

26. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other loans and cash at banks. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and trade and others payables, which arise directly from its operations.

26. FINANCIAL INSTRUMENTS *(Continued)*

The Group also enters into gold derivative transactions, including principally forward contracts and purchased put options. Gold derivatives are used to partly mitigate the Group's exposure to gold price movements. It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and commodity price risk. The Directors reviews and approves policies for managing each of these risks and they are summarised below:

(i) Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses from bank balances and other interest-bearing loans. The Group's policy is to obtain the most favourable interest rates available. The Group has not used any derivatives to mitigate its interest rate risk exposure.

(ii) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of other interest-bearing loans. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures the availability of bank credit facilities to address any short term funding requirements.

The Group's surplus funds are also managed centrally by placing them with reputable financial institutions.

(iii) Credit risk

Credit risk arises mainly from the risk that counterparties defaulting on the terms of their agreements. The carrying amounts of cash and cash equivalents and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group minimise concentration of credit risk to trade receivables by implementing strict receivable policies when undertaking transactions with customers operating within its industry, also by selling directly to a number of large institutions.

All gold derivatives have been taken out pursuant to the Company's approved project financing facility. The counterparty for all gold derivatives is Standard Bank Plc.

As at 31 December 2006, there was no significant concentration of credit risk.

(iv) Commodity price risk

The Group is exposed to future movements in the price of gold. As part of its project financing for the Jinfeng mine, the Group was required to enter into gold forwards and options as set out in note 15.

26. FINANCIAL INSTRUMENTS *(Continued)*

Interest Rate Risk

Category	Interest Bearing (Floating Rate) $'000	Non Interest Bearing $'000	Total carrying amount as per the balance sheet $'000	Weighted average effective interest rate
Financial assets				
Cash	21,444	61	21,505	2.9%
Employee loans	-	2,423	2,423	-
Other receivables	-	3,194	3,194	-
Total financial assets	**21,444**	**5,678**	**27,122**	
Financial liabilities				
Trade creditors and accruals	-	25,258	25,258	-
Derivatives	-	96,343	96,343	-
Convertible note	39,998	-	39,998	7.0%
Deferred option premium	2,514	-	2,514	7.0%
Jinfeng Project Loan	49,542	-	49,542	8.6%
Standby L/C loan	6,847	-	6,847	5.8%
Financing lease	741	-	741	6.0%
Total financial liabilities	**99,642**	**121,601**	**221,243**	

27. EARNINGS PER SHARE

	2006	2005
Basic earnings per share (cents per share)	**(13.7)**	(20.2)
Diluted earnings per share (cents per share)	**(13.7)**	(20.2)
Earnings used in calculating basic and diluted earnings per share	**$(20,054,360)**	$(26,209,560)
Weighted number of ordinary shares on issue used in calculation of basic earnings per share	**146,168,242**	129,474,315
Effect of dilutive securities	**-**	-
Number of potential ordinary shares that are not dilutive and not used in the calculation of diluted earnings per share	**5,764,086**	5,563,051
Weighted number of ordinary shares on issue used in calculation of diluted earnings per share	**146,168,242**	129,474,315

28. SUBSEQUENT EVENTS

The following significant events have occurred after 31 December 2006:

- A placement of 6,500,000 shares to Gold Fields Australasia (BVI) Limited ("Gold Fields") at A$5.58 per share was completed on 10 January 2007. This placement is part of the formation of a strategic alliance which combines Sino Gold Mining Limited's proven and recognised operational, development and business capabilities in China with the technical, financial and human resourcing expertise of Gold Fields, the world's fourth largest gold company.
- On 16 January 2007 the company completed the acquisition of 15,305,604 shares in Golden Tiger Mining NL at a price of A$0.10 per share. This investment represents a 19.9% interest in Golden Tiger Mining NL.
- On 17 January 2007 an extraordinary general meeting of shareholders was held at which the following resolutions were duly passed:
    - The change of the company's name to Sino Gold Mining Limited. This was required as the company was made aware of another company that is registered in Hong Kong using a name similar to "Sino Gold Limited". To avoid potential difficulties in registering the name of the Company in Hong Kong, it was proposed that the name of the Company be changed to "Sino Gold Mining Limited".
    - The ratification of the share placement made to Gold Fields effected on 10 January 2007 of 6,500,000 shares at A$5.58 per share.

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Directors Declaration

For the year ended 31 December 2006

In accordance with a resolution of the directors of the company, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company and the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board

J Askew
Chairman

J. Klein
CEO

Sydney
21 February 2007

Independent Audit Report

For the year ended 31 December 2006

ERNST & YOUNG

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Australia

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Independent audit report to members of Sino Gold Mining Limited

Scope

The financial report, and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Sino Gold Mining Limited (the company) and the consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion the financial report of Sino Gold Mining Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of Sino Gold Mining Limited and the consolidated entity at 31 December 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Paul Flynn

Paul Flynn
Partner
Sydney
Date: 21 February 2007

ASX Additional Information

For the year ended 31 December 2006

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 March 2007.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary shares	
	Number of holders	**Number of shares**
1 - 1,000	1,646	653,940
1,001 - 5,000	875	2,215,051
5,001 - 10,000	195	1,467,032
10,001 - 100,000	168	4,531,015
100,001 and over	51	171,471,377
	2,935	**180,338,415**
The number of shareholders holding less than a marketable parcel of shares are:	34	865

(b) Distribution of options

The number of holders, by size of holding, in each class of unlisted options are:

	$1.00 11/10/07	**$1.00 21/10/07**	**$2.53 16/9/10**	**Various Directors**	**Various Employees**
1 - 1,000					
1,001 - 5,000					
5,001 - 10,000					
10,001 - 100,000					23
100,001 and over	1	1	1	6	12
Total	**1**	**1**	**1**	**6**	**35**

(c) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Gold Fields Australasia (BVI) Limited	30,088,757	16.7%
2	HKSCC Nominees Limited	20,869,000	11.6%
3	Westpac Custodian Nominees Limited	18,263,019	10.1%
4	National Nominees Limited	16,443,048	9.1%
5	ANZ Nominees Limited	13,479,244	7.5%
6	Citicorp Nominees Pty Limited	11,003,319	6.1%
7	Sino Mining International	10,020,805	5.6%
8	HSBC Custody Nominees	9,995,574	5.5%
9	JP Morgan Nominees Australia	9,169,086	5.1%
10	Citicorp Nominees Pty Limited	5,249,863	2.9%
11	HSBC Custody Nominees	4,521,348	2.5%
12	Equity Trustees Limited	2,781,213	1.5%
13	Mr Jacob Klein	1,653,831	0.9%
14	Cogent Nominees Pty Limited	1,594,979	0.9%
15	HSBC Custody Nominees	1,540,754	0.9%
16	Merrill Lynch (Australia) Nominees Pty Limited	1,366,677	0.8%
17	Mr Nicholas Anthony Curtis	1,301,516	0.7%
18	Citicorp Nominees Pty Limited	1,300,000	0.7%
19	HSBC Custody Nominees	1,015,258	0.6%
20	Hanjing Xu	800,000	0.4%
		162,457,291	**90.1%**

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of shares
Gold Fields Limited	20,019,946
Merrill Lynch & Co Inc	24,355,425
JP Morgan Chase & Co	11,836,045
Commonwealth Bank of Australia	10,122,582
Sino Mining International Limited	10,020,805
Indus Capital Partners LLC	9,219,116

(e) Voting rights

All ordinary shares carry one vote per share without restriction.