

## Output Guidance on Track: Sino Gold



SINO Gold Mining expects to produce 210,000-230,000 ounces of gold in 2009

from its two Chinese mines.

The Sydney-based miner said its flagship Jinfeng operation, in southern China's Guizhou Province, continues to perform well and is on track to meet production guidance of 45,000oz of gold in the December quarter. This will bring total gold production to about 150,000oz for the year.

The 82%-owned Jinfeng produced 15,443oz of gold in November at a cash operating cost of \$US369 per ounce.



The company expects Jinfeng's gold production will increase as the processing plant removes a bottleneck and as higher-grade ore from the underground mine increasingly supplements ore from the open pit. Meanwhile, the company said its White Mountain mine continues to be on track to begin commercial gold production in early 2009, with production planned to ramp up over the year.

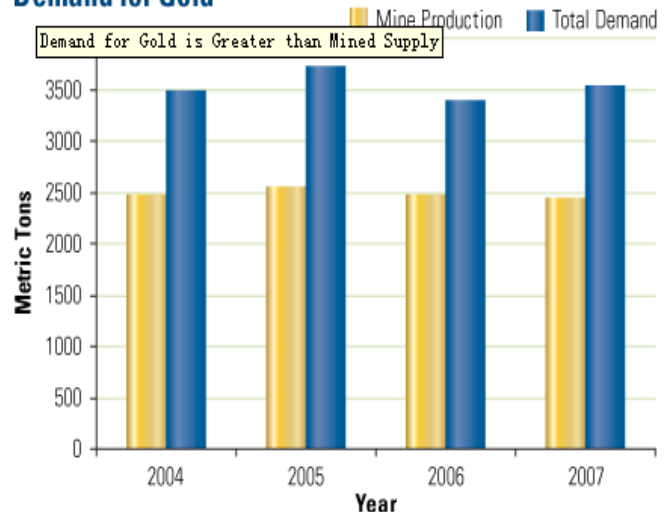
The 95%-owned White Mountain mine, in northeast China's Jilin Province, has ore reserves containing 0.8 million ounces at an average grade of 3.8 grams per tonne gold. In morning trade shares in Sino Gold Mining were up 11% to \$4.33.

## China Gold Demand Now Second Largest in the World

In 2007 China surpassed the USA to become the second biggest retail gold market in the world after India. Total consumer demand in China's mainland, Hong Kong and Taiwan reached 363.3 tons, an increase of 23.5 percent from 2006, the World Gold Council indicated in a research report. To put that figure into perspective 363.3 tons, is equal to 10,596,250 troy ounces of gold, at today's gold price of approximately \$900 US that is \$9,536,625,000 US Dollars worth of gold.

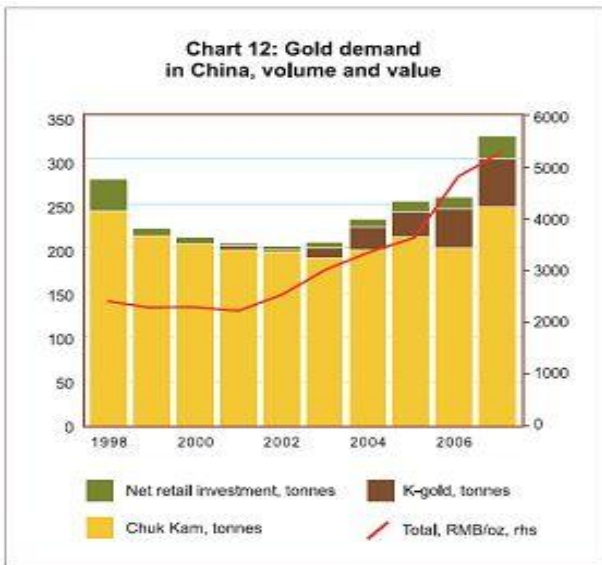
Mainland China gold demand, including gold jewelry and retail gold investment, reached 326 tons, an increase of 26 percent from 2006. This is the first time it has surpassed the 300 ton level. The gold jewelry demand in mainland China reached 302 tons in 2007, a year on year growth of 23.5 percent. Gold Jewelry and other ornaments have always been a form of savings in China since time immemorial. India which has the world's largest gold demand had a gold demand of 773.6 tons in 2007, while the US now in third place had a gold demand of 278.1 tons. "Encouraging civilian reserves of gold has strategic significance and economic value," said a director of the Peoples Bank of China's (China's Central Bank)

**Demand for Gold**

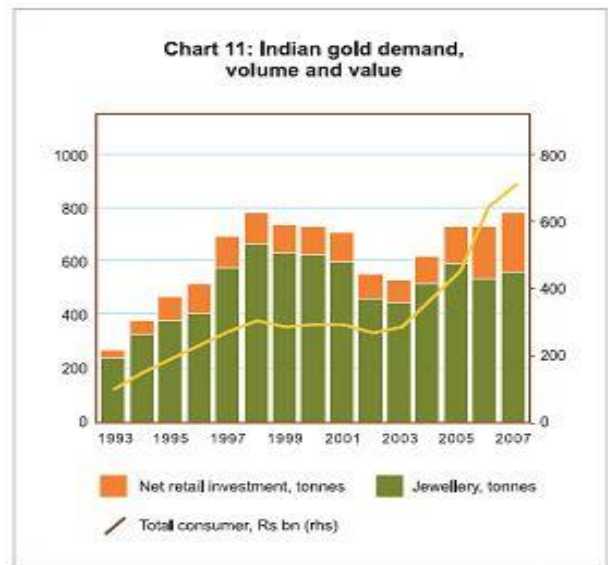


official news vehicle back in 1998 when gold was around \$300US. Can you imagine the US Federal Reserve Bank giving such a recommendation and what it would do to the gold price?

The article went on to say "If there are problems with the U.S. dollar, there will be an international catastrophe." "Reducing reliance on the dollar and maintaining greater diversification in foreign exchange reserves is the only way to reduce the risk," it said. "As a result, an increase in our country's gold reserves is necessary." It looks like the Chinese people have been taking notice of the advice from their central bank to buy gold. China's mainland gold demand rose 18% percent from 2006 level to 94.3 tons during the 4th quarter. This was when the gold price rocketed from the breakout area of around \$730US to around \$900US.



Source: GFMS Ltd, WGC



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Consider this, the U.S. possesses 262 million ounces of gold for its nearly equal population. Were China to achieve the same financial gold backing, it would require 1.2 billion ounces of gold. The same amount of ounces of gold owned by all the world's central banks and more than ten years of global gold mining production. However, China is now the world's largest gold producer, surpassing South Africa in 2007.

According to the Peoples Bank of China, China's foreign exchange reserves as of the end of 2007 were \$1.53 trillion. If their central bank were to have 10% of these reserves (\$153 billion) in gold they would need 168.3 million ounces of gold at the current gold price. The Chinese central bank currently has 19.29 million ounces of gold leaving them 149 million ounces of gold short. China could buy all of the IMF's gold, and they still would not have 10% of their reserves in gold.

China's Gold demand is likely to continue to increase and put significant upward pressure on gold prices for many years to come, particularly if the US Dollar continues to decline in purchasing power as many analysts are predicting it will do. If China's new sovereign wealth fund decides to purchase gold, expect significantly higher gold prices.

## **China National Gold Wins Rights to Country's Largest Gold Concession**

In a two-day tender, China National Gold outbid Zijin Mining, Shandong Gold Mining and Zhaojin Mining Industry Co. for exploration rights for what is believed to be China's largest gold deposit.

State-owned China National Gold Group, the country's largest gold producer, has won a bid for exploration rights to China's largest gold deposit for 2.18 billion yuan (\$318 million), a source familiar with the situation and a company source said on Friday.

The company prevailed over the parent companies of Shandong Gold-Mining Co (600547.SS), Zijin Mining Group Co (2899.HK) (601899.SS) and Zhaojin Mining Industry Co (1818.HK) in a two-day tender that started on Wednesday, they said. "The China National Gold Group offered the highest bid, and it was also ahead of other bidders in areas such as governance and technology," one of the sources said. China's mining rules give

the owner of a deposit's exploration rights priority in obtaining mining rights. Rising spot gold prices, which doubled from the beginning of 2006 to a record \$1,030.80 per ounce on March 17 this year, are encouraging miners to secure more reserves to boost profits. The spot gold price was around \$910 on Friday.

Under the terms of the government-arranged bid, Jinchuan Group Ltd, China's largest nickel miner and based near the deposit in western China's Gansu province, will pay 40 percent of the bid amount to the winner and will help to develop the deposit, the sources said.

China National Gold Group is expected to receive about 870 million yuan from Jinchuan under this provision, they added. The two companies will form a joint venture for the project, after which they will determine the total amount to be invested. The gold deposit, in Yangshan in southern Gansu province, has proven reserves of 308 tonnes, making it the largest Carlin-type deposit in Asia and the sixth-largest in the world.

### **China's gold output expected to reach 285-300 tons in 2008, expert**

China's gold output in 2008 is anticipated to hit 285-300 tons, according to Zhang Bingnan, vice director of the China Gold Association.



China has accelerated gold production since 2003 with annual growth at 6.5 percent, said Zhang, and China's gold output in 2007, at 270.49 tons, for the first time ranks first in the world. The gold reserves have also increased year with the newly added reserves exceeding 650 tons in 2006 and hitting 700 tons in 2007. The number of gold enterprises, however, has shrunk to 700 from 1,211 at the beginning of 2003 due to the industrial integration.

### **Gold deposit discovered in Xinjiang**

Chinese geological workers have discovered a gold deposit with an estimated reserve of 24 tons in Qitai County of the Xinjiang Uygur Autonomous Region.

The deposit is located at northeast of Qitai, which covers a hilly area of 787 square kilometers. The geological workers have spent 18.51 million yuan on the exploration since 2003. The exploration work is scheduled for completion by the end of 2009.

### **China National Gold wins Yangshan Gold Mine bid for US\$318 mln**

China National Gold Group Corp, the country's largest gold producer, has won exploration rights for Yangshan Gold Mine, the largest prospected gold deposit in China, said a source close to the situation Friday.

The company beat Zijin Mining Group Co, Zhaojin Mining Industry Co and Shandong Gold-mining Co by offering the highest bid, plus its more advanced technology and management expertise, the source said.

But neither the company nor the Gansu provincial government, which was responsible for evaluating exploration bids, could be reached for comments.

China's largest nickel miner Jinchuan Group Ltd will form a JV with China National Gold and pay 40% of the bid amount, and will also help develop the gold mine.



Yangshan Gold Mine, founded in 2007 in northwest China's Gansu province, is also the largest Carlin-type gold mine in Asia and the sixth largest in the world. It is estimated to have deposits equivalent to at least 308 tons of gold, in the high grade "96" vein ore. The value of these deposits works out to over US\$9.93 billion on the basis of spot gold price of US\$910 per ounce on Friday. The JV will earn an annual output of 2 to 5 tons, with an estimated profit of RMB 300 million each year, according to analysts.

## ***New gold mine unveiled***

A new gold mine, the Gold Ace Reward, is preparing to open six miles south of Beatty, in the mountains directly behind the ruins of a never-finished cement plant locals mistakenly refer to as "Carrara." General Manager Ken Mann, along with Mike Worley, attended the Oct. 8 Beatty Town Advisory board meeting to give a presentation on the project to the board and a much larger than usual audience.

The mine is currently in the permitting process, and the beginning of operations will have to wait until that is completed. Mann projects a life of six to seven years for the mine, including reclamation at the end.

Actual mining of ore will take about four years, with a year or more of residual processing after that.

The company, CR Reward Corp., of Colorado, will lease water rights from Barrick, but will not use any of Barrick's wells, which are too far away to be practical.

A test well near the mine site has already proven out, and the company will apply for a change in point of diversion to use the leased water rights. A new power line will also be built to the site.

Mann said exploratory drilling has been done on the site by different companies over the last 30 years and the low-grade ore body has been well identified. He said the mine was deemed feasible when gold was at \$425 an ounce and of course it is much higher now.

Using a modernized heap leach process, the company expects to extract approximately 117,000 ounces of gold from the mine. They project capital costs of some \$24 million and operating costs of \$479 million.

For the most part, the mine pits will not be visible from the highway side of the mountains, although some waste piles will be on that side. They will be contoured and replanted during reclamation. The plan also calls for backfilling the first portions of the pit.

The mine will employ a work force of 70-75 people during the height of its operations.

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