



21 April 2009

## SINO GOLD APPROVES DEVELOPMENT OF EASTERN DRAGON

Sino Gold Mining Limited (ASX: SGX, SEHK:1862) is pleased to advise that the Company's Board of Directors has approved the US\$65 million development of the Company's third gold mine, the Eastern Dragon Gold Mine in northern China's Heilongjiang Province.

### Eastern Dragon Highlights

- Gold production for the first five years of operation averaging 90,000 ounces per annum at approximately US\$125 per ounce;
- Forecast capital cost of US\$65 million (including contingency) to be funded internally;
- Commissioning to potentially commence in late 2010 and commercial gold production in early 2011.

Sino Gold Chief Executive Officer, Jake Klein, commented:

"The commitment to the development of our third operating mine is a very exciting milestone for Sino Gold.

"As demonstrated through our recent success in developing the White Mountain Gold Mine, we believe that our proposed schedule of commissioning the Eastern Dragon processing plant only eighteen months from now is an achievable stretch target. We have received very strong support from local government authorities and are working with them to ensure all necessary permits can be obtained to meet this schedule.

"The addition of Eastern Dragon will propel the Group's gold production to approximately 350,000 ounces per year from 2011. Importantly, the low-cost ounces from Eastern Dragon will reduce our average cash operating cost of production towards US\$300 per ounce and provide very strong operating cash flows.

"Eastern Dragon is situated in a highly prospective area where there is excellent upside to increase the resource and reserve base."

### Project Overview

Eastern Dragon Lode 5 is a high-grade, gold-silver deposit with an initial Ore Reserve containing 0.5 million ounces of gold and 4.4 million ounces of silver at **average grades of 8.4g/t gold and 70g/t silver**.

The US\$65 million commitment by Sino Gold's Board of Directors announced today enables ordering of long-lead time items to commence. Tenders for the ball mill, the key long lead time item, have already been sent to qualified vendors. The basic engineering design is scheduled to be completed by June 2009.

Construction work at the mine site is anticipated to commence in the September 2009 Quarter when the detailed design has been sufficiently advanced and necessary approvals have been obtained. First commissioning gold production is anticipated in the December Quarter of 2010.

The recently completed Board Feasibility Review (“BFR”) for Eastern Dragon integrated the project’s Chinese Feasibility Study (“CFS”) with other recent studies.

Financial modeling for the project was based on the resource, mining schedule and cost estimates in the BFR and indicates that the project will generate very attractive net present values and a high internal rate of return.

Sino Gold is in a very strong position to fund this US\$65 million development internally from operating cash flows, current cash held on deposit and undrawn loan facilities.

The BFR confirms that Eastern Dragon is potentially a simple operation comprising:

- Open-pit mining to approximately 60m below surface with an underground mine below using the benching mining method;
- Staged construction of a carbon-in-leach (“CIL”) processing plant with overall recoveries of approximately 95% for gold and approximately 80% for silver;
- CIL processing plant initially treating 150,000 tonnes per annum of open-pit ore with a reserve grade of 11.5g/t gold. It is anticipated that the plant will be expanded to 360,000 tonnes per annum;
- **Average cash operating cost (C1) of approximately US\$125 per ounce** (after silver credits) over the first five years of production;
- Current mine life of approximately seven years;
- Total development capital cost of US\$65 million; and
- Construction period of approximately 15 months.

Eastern Dragon is located approximately 45km southeast of the town of Xunke, which is adjacent to the Heilongjiang River that forms the border with Russia. The project site is on public land in lightly forested rolling hills. Winters are severe, with the exploration field season restricted to between April and October each year.

The proposed Eastern Dragon processing plant site is located close to infrastructure. The site is located approximately 8km from a main road and grid power, with water to be primarily sourced from nearby rivers.

### **Project Permitting**

The Xunke County Government, Heihe Municipal Government and Heilongjiang Provincial Government have been very supportive to development of the project.

Various statutory studies based on the CFS such as the Environmental Impact Assessment are in progress. Following approval of these studies by the relevant authorities, Sino Gold can apply for the Project Permit which allows the on-site construction to commence. The aim is to obtain the Project Permit early in the September 2009 Quarter and then commence construction shortly afterwards.

## Ore Reserves and Mineral Resources

The initial Eastern Dragon Mineral Resource and Ore Reserve estimates are summarised in the table below.

	<b>Tonnes (millions)</b>	<b>Gold Grade (g/t Au)</b>	<b>Gold Ounces ('000)</b>	<b>Silver Grade (g/t Ag)</b>	<b>Silver Ounces (millions)</b>
Mineral Resource	3.4	7.1	777	66	7.2
Ore Reserve	2.0	8.4	527	70	4.4

The above Ore Reserve and Mineral Resource estimates were published on 29 January 2009.

Eastern Dragon Lode 5 is a high-grade, low-sulphidation epithermal gold-silver vein deposit. This style of mineralisation tends to form clusters of similar deposits and thus the surrounding area is considered highly prospective.

## Competent Persons

The following individuals take responsibility for the following information in this document:

- Dr John Chen (MAusIMM) takes responsibility for the information relating to the Ore Reserve estimate. He is Sino Gold's Manager – Mining Technical Services and a mining engineer with over 20 years experience in the mining industry.
- Dr Yumin Qiu (MAIG) takes responsibility for the exploration data relating to the Eastern Dragon Mineral Resource estimate. He is a full-time employee of Sino Gold in the capacity of General Manager, China Exploration and JVC. Dr Qiu is a geologist with more than 25 years experience in the mining industry in Australia and China.
- Mr Robin Simpson (MAIG) takes responsibility for the Eastern Dragon Mineral Resource estimate. He is an independent consultant with SRK Consulting and is a geologist with more than 10 years experience in the evaluation of gold deposits.

Each of the above individuals have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("2004 JORC Code") and consent to the publication of this information in the form and context in which it appears.

## About Eastern Dragon

Eastern Dragon Lode 5 is a high-grade, low-sulphidation, epithermal, gold-silver vein deposit located in northern China's Heilongjiang Province. Sino Gold has a 95% equity interest in the Lode 5 Exploration Licence as well as a 60% interest in the entity holding the surrounding 53 km<sup>2</sup> Exploration Licence with a pre-emptive right over a further 35% interest.

The epithermal style of mineralisation at Eastern Dragon tends to form clusters of similar deposits and thus the surrounding area is considered highly prospective.

A Chinese Feasibility Study completed in early 2009 indicates that Eastern Dragon is potentially a simple combined open-pit and underground mining operation with a carbon-in-leach ("CIL") processing plant. Metallurgical testwork indicates that approximately 95% of the gold and 80% of the silver should be recoverable.

The initial Mineral Resource estimate to the JORC Code totals 3.4 million tonnes at 7.1g/t gold and 66g/t silver, containing 0.8 million ounces gold and 7.2 million ounces silver (announced 29 January 2009).

With an initial high-grade Ore Reserve totalling 2.0 million tonnes at 8.4g/t gold and 70g/t silver (containing 0.5 million ounces gold and 4.4 million ounces silver), Eastern Dragon has excellent potential to produce gold at very low cost.

Sino Gold has set an ambitious schedule to bring Eastern Dragon into production as quickly as possible.

**For further information regarding Sino Gold please contact:**

**Investor Enquiries:** Jake Klein, CEO or Roger Howe, Investor Relations  
+61 2 8259 7000, [info@sinogold.com.au](mailto:info@sinogold.com.au)

**Media Enquiries:** Kate Kerrison  
+61 2 6746 3221, [kate@katekerrison.com.au](mailto:kate@katekerrison.com.au)

