

31 March 2008

**CHINA GOLDMINES PLC**  
**(“China Goldmines”, “CGM”, the “Company”, or the “Group”)**

**INTERIM FINANCIAL RESULTS**  
**FOR THE SIX MONTHS TO**  
**31 DECEMBER 2007**

China Goldmines plc (AIM: CGM), the AIM-listed gold miner based in Hunan, China, announces its interim financial results for the six months to 31 December 2007.

**Highlights**

- Strong cash position -- US\$32.1m at 31 Dec 2007
- Net assets of US\$59.3m, with no long term debt or hedging commitments.
- JORC code compliant inferred resource of 1.8 million ounces of gold at the Shenjiaya Project.
- £30m (US\$61.3m) raised in October 2007 through a successful share placement.
- All 8 individual producing gold mines in the Shenjiaya Prospect transferred into the Group’s possession and 100% control, with all mining permits and licences in place, finalised in November 2007.
- Baomuyuan Plant at Shenjiaya Prospect to be in full production in April 2008.

**Post-Period Highlights: activities since 31 December 2007**

- 46% rise in gold price (currently US\$946.75/oz) since operational planning in September 2007 (using gold price at US\$650.00/oz) expected to cover the Group’s costs sooner than planned.
- The costs of the mine development activities continue to progress below budget; positive cash balance of US\$27.5m at the end of February provides the Group with adequate financial resources to continue this progress.

Commenting on the interim results and subsequent development Mr Frank Vanspeybroeck (CEO) said: “In the six months covered by these interim results, China Goldmines has achieved one of its principal strategic objectives, the acquisition of the 8 gold mines in the Shenjiaya Prospect. We are now making good progress towards consolidating the mining operations of the 8 gold mines and starting full scale production from our Baomuyuan processing plant at Shenjiaya in April 2008. Continued strong commodities prices and expanding mining operations place us in a favourable financial position for the 2008 year.”

The Group’s full interim financial results follow, and are also available on the Group’s website, [www.chinagoldmines.com](http://www.chinagoldmines.com).

**Ends**

**For additional information:**

**China Goldmines plc**

|   |                  |
|---|------------------|
| Frank Vanspeybroeck (CEO)                   | +86 731 518 8200 |
| Alec Worrall                                | +44 207 788 7621 |
| Marinko Vidovich (CFO)                      | +61 89 488 8807  |
| Changsha Office                             | +86 731 515 8211 |
| Perth Operations Office (Technical Support) | +61 8 9488 8830  |

**Brewin Dolphin Limited**  
(Nominated Adviser)  
Alan Stewart (Corporate Finance)

+44 141 221 7733

**Parkgreen Communications**  
Justine Howarth  
Erica Nelson

+44 20 7851 7480

## **Notes to Editors**

China Goldmines plc is a UK mining company focussed on gold mining projects in the China Region. The Company listed on AIM on 7 February 2006 as a gold resources Group focussed on the discovery and development of gold projects in the Hunan Province of China.

The Group's Guanzhuang Gold Project, based on an Independent Geological Report, has an estimated inferred resource of 1.8 million ounces within the top 325m from surface and over a strike distance of 1.5km has been identified from its 100% owned/controlled Shenjiaya Prospect.

The Shenjiaya Prospect consists of eight gold mines which the Group plans to consolidate with the aim of having a long life mining production of 150,000 oz Au/pa in the near future. At the same time as mining the existing eight mines, China Goldmines will continue to investigate the potential of the project area that remains under explored.

The drilling information in this report was derived from data compiled by Hunan Westralian Mining Co., Ltd, China and reported by Mr. John Warner B. App. Sc. (App. Geol), MAIG, MGAA. Mr. John Warner is the Group Geology Manager and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to be qualified as a Competent Person as defined by the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve.' Mr. John Warner consents to the inclusion in the report of the matters based on his information in the form and context in which it appears and has reviewed the contents of this announcement.

## **CHAIRMAN'S STATEMENT**

Dear Shareholder

In January 2008, China Goldmines announced it had started production at its Guanzhuang Gold Project, achieving a major milestone in its transition from an explorer to a producer. From its initial pouring of 4kg of gold from concentrate, with a further production run of 19kg from concentrate since then, China Goldmines has begun focusing on the consolidation and refurbishment of its eight producing gold mines in its Shenjiaya Prospect in Hunan Province, China. In 2008, the Group aims to achieve its annualised gold production target of 25,000oz.

The consolidation of the gold mines over the course of four years is targeted to achieve about 100,000oz a year by the end of 2010, increasing to about 160,000oz a year once the engineering development is completed in 2011.

Our long-term vision is to make China Goldmines a dominant mining house in South Central China now that we have achieved our short-term goal of our first gold production.

In presenting our interim results for the six months to December 31, 2007, it is clear to the Board that the Group is well on the way to achieving its objectives and returning value to shareholders.

In October 2007, Shareholders approved the placing of 25 million shares in the Company to raise £30 million (US\$61.3m) before expenses (the "Placing"). In November 2007 the Group concluded the acquisition of all eight producing mines which were then successfully transferred into the Group's possession with 100% control. The net proceeds of the Placing have been used for the acquisition of the eight mines and for their consolidation/refurbishment, infrastructure development and mechanised mining.

We believe that a successful combination of technical skills, strong ethics and financial strength will ensure that we continue to play a leading role in the rapidly consolidating gold industry in China.

The Group's management of safety, the environment and community relationships continues to be of the highest standards. We recognise that our strong performance in these areas is crucial to our long-term success in China.

On the financial side, the results outlined herein report a loss of US\$5.4 million for the six months to 31 December 2007, in which no income was generated during the exploration and assessment phase. At the end of the period the Group had US\$32.1million cash and cash equivalents and a net asset position of US\$59.3 million. With the Group's transition from explorer to producer, this will provide cashflow for the Group to assist in undertaking the development of the eight gold mines. In addition, the higher than expected gold price and the fact that China is the world's biggest gold-producing nation gives us great confidence in looking to the future, and we can be proud of our achievements since listing in February 2006.

On behalf of shareholders and management, I thank Chief Executive Officer Frank Vanspeybroeck, who resides in China, for his efforts and success during the past half year. A valuable asset of our Group is the Management team's experience as an explorer, developer and operator of gold mines in China. Our people are integral to this success and their efforts are greatly appreciated.

Clive Donner  
Chairman  
31 March 2008

## **OPERATIONS REVIEW**

### **Review of Operations**

In the six months to 31 December 2007, China Goldmines made strong progress toward its operational targets. A resource estimate on the Guanzhuang Project based on the findings of the Independent Geological Report indicated a JORC code compliant inferred resource estimate containing the gold equivalent of 1.8 million ounces for the Shenjiaya Project.

The Group's main activities in the first 6 months of the financial year were exploration, review and assessment of gold projects, and acquisition of mining licences. Because of these efforts, the Group incurred a loss for the half year of US\$5.4m, and no income arose during the period.

In November 2007, the Group finalised the transfer of all eight producing gold mines in the Shenjiaya Prospect into the Group's possession and 100% control, with all mining permits and licences in place.

In mid December the Group commenced its development plans for the mines which resulted in its first gold pour of 4kg which was announced in January 2008.

In September 2007 when the Group was forecasting its operational performance for the acquisition of the 8 gold mines in the Shenjiaya Project the medium term forecast gold price used was US\$650 per ounce. The current

gold price of US\$946.75 (as at 28 March 2008) is expected to accelerate the time to cash breakeven for the Group.

The Board believes the Group is in a sound financial position, with no debt and no hedging commitments, and that continued strong commodities prices and expanding mining operations place the Group in a favourable financial position for 2008.

### **Post-period Update:**

#### **Operations**

- The Group commenced its development plans for the mines which resulted in its first gold pour in January 2008 of 4kg, with a further production run of 19kg from the concentrate. The Group is focussed on its Baomuyuan Plant at Shenjiaya being in full production in early April 2008, following its commissioning on 12 March.
- The Baomuyuan plant was commissioned with low grade ore (2 g/t) and confirmed the metallurgical test work stating that the ore is free milling and recoveries of over 90% can be achieved through non-complex processing methods.
- The Group is on track (planned for the 2008 calendar year) to commission five plants that have capacity to process 600 tonnes of ore per day.
- Mine development – planned underground development is ahead of schedule, the construction of its central decline (5 metres x 5.5 metres) is planned ahead of time to 2009 with the central 2,000t/day processing plant to be targeted for commissioning by the end of 2009 (6 months ahead of schedule).

#### **Geological Studies**

- Current drilling programme continues to deliver high grade ore.
- The first drill hole results of the year, 300 metres to the east of Xianglu gold mine, confirms the high grade continuity of the ore body. Diamond drill hole SJDD0004 encountered varying degrees of alteration throughout the drill hole. An alteration zone from 251m to 369m depth contained the highest grade 1.20 m at 11.40 gram/ton from 324.8m to 326m depth. SJDD0004 tested down dip extensions of drill hole 'ZK03' (previously reported as intersecting 55.3m @ 5.2 gram/ton from 273.71).

| Hole ID  | Longitude (dec. deg.) | Latitude (dec. deg.) | RL (m) | Total Depth (m) | Azimuth (Degrees Mag) | Dip (Degrees) |
|----------|-----------------------|----------------------|--------|-----------------|-----------------------|---------------|
| SJDD0004 | 111.01415             | 28.55769             | 224.01 | 420             | 174                   | -80           |

| Hole ID  | Au (g/t) | From (m) | To (m) | Thickness (m) | Thickness / grade text        |
|----------|----------|----------|--------|---------------|-------------------------------|
| SJDD0004 | 3.86     | 250      | 251    | 1             | 1.00m @ 3.9gm/t from 250.00m  |
| SJDD0004 | 1.6      | 293.6    | 303    | 9.4           | 9.40m @ 1.6gm/t from 293.60m  |
| SJDD0004 | 3.7      | 306      | 307.15 | 1.15          | 1.15m @ 3.7gm/t from 306.00m  |
| SJDD0004 | 2.3      | 309      | 311.5  | 2.5           | 2.50m @ 2.3gm/t from 309.00m  |
| SJDD0004 | 1.73     | 315      | 316    | 1             | 1.00m @ 1.7gm/t from 315.00m  |
| SJDD0004 | 11.40    | 324.8    | 326    | 1.2           | 1.20m @ 11.4gm/t from 324.80m |

|          |      |     |       |     |                              |
|----------|------|-----|-------|-----|------------------------------|
| SJDD0004 | 1.14 | 331 | 332.4 | 1.4 | 1.40m @ 1.1gm/t from 331.00m |
| SJDD0004 | 1.15 | 361 | 362   | 1   | 1.00m @ 1.2gm/t from 361.00m |

Summary of the SJDD0004 Assay results – all stated widths should be read as apparent widths.

Further drilling from underground and surfaced locations is planned for 2008, with a minimum of 25,000 metres of diamond drilling.

#### Management

- The Group has appointed Mr Pan Dexu as General Manager of Hunan Westralian Mining Co., Ltd, the Group's Chinese Joint Venture Company. Mr Dexu and his team of Chinese mine managers will execute the Group's development plan in consolidating and refurbishing all eight mines in the Shenjiaya Gold Project.

### **CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

|  |   | Six Months Ended<br>31 December 2007<br>US\$<br>Unaudited | Six Months Ended<br>31 December 2006<br>US\$<br>Unaudited | Year Ended<br>30 June 2007<br>US\$<br>Audited |
|--|---|---|---|---|
| CONTINUING OPERATIONS                    |   |   |   |   |
| Salaries and employee benefits expense   |   | (571,718)   | (219,010)   | (619,758)                                     |
| Office expenses and professional fees    |   | (2,248,359)   | (451,180)   | (1,063,710)                                   |
| Consulting expenses                      |   | (966,061)   | (458,837)   | (634,132)                                     |
| Travel and accommodation expenses        |   | (325,589)   | (158,911)   | (325,371)                                     |
| Other expenses                           |   | (39,076)  | (33,155)  | (68,425)                                      |
| OPERATING LOSS                           | 3 | (4,150,803)   | (1,321,093)   | (2,711,396)                                   |
| Foreign currency gains and losses        |   | (1,605,820)   | 437,443   | 563,648                                       |
| Finance revenue                          |   | 330,216   | 107,934   | 181,969                                       |
| LOSS BEFORE TAX                          |   | (5,426,407)   | (775,716)   | (1,965,779)                                   |
| Tax                                      | 4 | -   | -   | -   |
| LOSS FOR THE PERIOD                      |   | (5,426,407)   | (775,716)   | (1,965,779)                                   |
| Attributable to:                         |   |   |   |   |
| Equity holders of the parent             |   | (5,214,778)   | (744,766)   | (1,889,163)                                   |
| Minority interest                        |   | (211,629)   | (30,950)  | (76,616)                                      |
|  |   | (5,426,407)   | (775,716)   | (1,965,779)                                   |
| Basic and diluted loss per share (cents) | 5 | (15.9)  | (3.3)   | (8.4)   |

### **CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

|   | Six Months Ended<br>31 December 2007<br>US\$<br>Unaudited | Six Months Ended<br>31 December 2006<br>US\$<br>Unaudited | Year Ended<br>30 June 2007<br>US\$<br>Audited |
|---|---|---|---|
| LOSS FOR THE PERIOD                                       | (5,426,407)   | (775,716)   | (1,965,779)                                   |
| Exchange differences on translation of foreign operations | (4,769)   | (44,847)  | (20,012)                                      |
| <b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b> | <b>(5,431,176)</b>  | <b>(820,563)</b>  | <b>(1,985,791)</b>                            |
| Attributable to:  |   |   |   |
| Equity holders of the parent                              | (5,219,547)   | (789,613)   | (1,909,175)                                   |
| Minority interest   | (211,629)   | (30,950)  | (76,616)                                      |
|   | <b>(5,431,176)</b>  | <b>(820,563)</b>  | <b>(1,985,791)</b>                            |

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

|  | Note | 31 December 2007<br>US\$<br>Unaudited | 31 December 2006<br>US\$<br>Unaudited | 30 June 2007<br>US\$<br>Audited |
|--|------|---------------------------------------|---------------------------------------|---------------------------------|
| <b>NON-CURRENT ASSETS</b>                                  |      |                                       |                                       |                                 |
| Intangible assets  | 7    | 24,576,063                            | 1,039,240                             | 2,229,976                       |
| Property, plant and equipment                              | 7    | 1,648,414                             | 215,081                               | 240,264                         |
| Long term receivable                                       | 7    | 500,000                               | -                                     | -                               |
| Other financial asset                                      |      | 143,641                               | 133,615                               | 143,641                         |
|  |      | <b>26,868,118</b>                     | <b>1,387,936</b>                      | <b>2,613,881</b>                |
| <b>CURRENT ASSETS</b>                                      |      |                                       |                                       |                                 |
| Inventories  |      | 789,712                               | -                                     | -                               |
| Trade and other receivables                                |      | 182,746                               | 53,445                                | 180,650                         |
| Cash and cash equivalents                                  |      | 32,098,385                            | 4,882,283                             | 2,594,152                       |
|  |      | <b>33,070,843</b>                     | <b>4,935,728</b>                      | <b>2,774,802</b>                |
| <b>TOTAL ASSETS</b>  |      | <b>59,938,961</b>                     | <b>6,323,664</b>                      | <b>5,388,683</b>                |
| <b>CURRENT LIABILITIES</b>                                 |      |                                       |                                       |                                 |
| Trade and other payables                                   |      | (653,258)                             | (406,490)                             | (637,605)                       |
| <b>TOTAL LIABILITIES</b>                                   |      | <b>(653,258)</b>                      | <b>(406,490)</b>                      | <b>(637,605)</b>                |
| <b>NET ASSETS</b>  |      | <b>59,285,703</b>                     | <b>5,917,174</b>                      | <b>4,751,078</b>                |
| <b>EQUITY</b>  |      |                                       |                                       |                                 |
| Issued capital   | 8,10 | 919,975                               | 390,151                               | 390,151                         |
| Share premium account                                      | 8,10 | 66,161,660                            | 6,725,683                             | 6,725,683                       |
| Foreign exchange reserve                                   | 10   | (7,721)                               | (27,787)                              | (2,952)                         |
| Other reserves   | 10   | 61,344                                | 61,344                                | 61,344                          |
| Retained earnings  | 9,10 | (8,285,981)                           | (1,406,806)                           | (2,871,203)                     |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b> |      | <b>58,849,277</b>                     | <b>5,742,585</b>                      | <b>4,303,023</b>                |
| Minority interest  | 9,10 | 436,426                               | 174,589                               | 448,055                         |
| <b>TOTAL EQUITY</b>  | 10   | <b>59,285,703</b>                     | <b>5,917,174</b>                      | <b>4,751,078</b>                |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

|  | Six Months Ended<br>31 December 2007<br>US\$<br>Unaudited | Six Months Ended<br>31 December 2006<br>US\$<br>Unaudited | Year Ended<br>30 June 2007<br>US\$<br>Audited |
|--|---|---|---|
| Net cash used in operating activities                            | 11 (4,887,882)  | (1,068,856)   | (2,330,530)                                   |
| <b>INVESTING ACTIVITIES</b>                                      |   |   |   |
| Purchase of unquoted equity investment                           | -   | (133,615)   | (143,641)                                     |
| Purchases of property, plant and equipment                       | (98,202)  | (132,465)   | (192,902)                                     |
| Purchase of intangible assets                                    | (52,844)  | (455,134)   | (1,661,454)                                   |
| Purchase of gold mines and associated mining licences and rights | 7 (24,142,267)  | -   | -   |
| Interest received  | 330,216   | 107,934   | 181,969                                       |
| Net cash used in investing activities                            | (23,963,097)  | (613,280)   | (1,816,028)                                   |
| <b>FINANCING ACTIVITIES</b>                                      |   |   |   |
| Share issue  | 529,824   | -   | -   |
| Premium on shares issued   | 63,417,004  | -   | -   |
| Legal and professional fees of placing                           | (3,981,027)   | -   | -   |
| Net cash from financing activities                               | 59,965,801  | -   | -   |
| Net increase/(decrease) in cash and cash equivalents             | 31,114,822  | (1,682,136)   | (4,146,558)                                   |
| Cash and cash equivalents at the beginning of the period         | 2,594,152   | 6,197,074   | 6,197,074                                     |
| Net foreign exchange difference                                  | (1,610,589)   | 367,345   | 543,636                                       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>        | <b>32,098,385</b>   | <b>4,882,283</b>  | <b>2,594,152</b>                              |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: GENERAL INFORMATION

The information for the year ended 30 June 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

### NOTE 2: ACCOUNTING POLICIES

The interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) with the exception of IAS 34 which is not mandatory for AIM listed businesses.

The same accounting policies and methods of computation are followed in the interim financial report as published in the annual financial report dated 20 December 2007 which is available on the Group's website on [www.chinagoldmines.com](http://www.chinagoldmines.com).

Further to the accounting policies noted above stock is recorded in this interim report at cost, with provision when necessary to bring stock to be held at the lower of cost and net realisable value.

**NOTE 3: SEGMENT INFORMATION**

All of the reported revenue and operational results for the period derive from the Group's continuing gold mine exploration and mining operations.

**NOTE 4: TAXATION**

No liability to tax is expected to have arisen during this period.

**NOTE 5: LOSS PER SHARE**

The calculation of the loss per share is based on the following data:

|   | Six Months Ended<br>31 December 2007<br>US\$<br>Unaudited | Six Months Ended<br>31 December 2006<br>US\$<br>Unaudited | Year Ended<br>30 June 2007<br>US\$<br>Audited |
|---|---|---|---|
| Loss  |   |   |   |
| Loss used in calculating basic and diluted loss per share for the period attributable to the equity holders of the parent | (5,214,778)   | (744,766)   | (1,889,163)                                   |
| Number of shares  |   |   |   |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share                            | 32,755,316  | 22,549,995  | 22,549,995                                    |

The above figures are not affected by any dilutive share options as no share options have been issued.

**NOTE 6: DIVIDENDS**

No dividends were declared in the period or prior periods

**NOTE 7: PURCHASE OF MINING LICENSES, MINE INFRASTRUCTURE AND ASSOCIATED PROPERTY PLANT AND EQUIPMENT AND LONG-TERM GOVERNMENT BONDS**

In November 2007 the purchase and transfer into the Group's possession and 100% control of all 8 individual producing gold mines in the Shenjiaya Prospect was finalised, together with all mining permits and licences in place.

The Group is currently performing a detailed engineering assessment of the assets acquired which is ongoing at the time of the interim report. On a provisional basis the Directors have estimated the initial values allocated to the assets acquired as property plant and equipment of \$1.3m, long term bonds of \$0.5m and mining licences \$22.3m. The total consideration paid was \$24.1m.

**NOTE 8: ISSUED CAPITAL**

On 7 August 2007, 900,000 shares of £0.01 (\$0.02) each were placed at a premium of £1.39 (\$2.84) each.

On 22 October 2007 the authorised share capital of the company was increased to £550,000 by the creation of an additional 31,000,000 shares of £0.01 (\$0.02) each.

On 23 October 2007, 25,025,416 shares of £0.01 (\$0.02) each were placed at a premium of £1.19 (\$2.43) each.

Legal and professional fees arising from the placing of \$3,981,027 have been set against the share premium reserve.

**NOTE 9: CONTRIBUTION OF EQUITY**

During the period ended 31 December 2007, China Goldmines has provided a further \$1,000,000 of equity to Hunan Westralian Mining Co. Ltd which is not specific to the mining licences and gold mines acquired in the period to help fund the ongoing operations and exploration costs. This is in addition to the amount required under the Joint Venture agreement and does not increase the 80% shareholding held in the company.

No contribution of equity was made by the other Joint Venture holder Brigade 407 and in line with the Joint Venture Agreement Brigade 407 continue to have a 20% shareholding after this additional funding was paid. Accordingly to reflect the continuing minority interests held by Brigade 407 \$200,000 has been transferred from the profit and loss reserve to the minority interest's balance to reflect the percentage of the net assets held by Brigade 407 in Hunan Westralian Mining Co., Ltd at 31 December 2007.

**NOTE 10: RECONCILIATION OF EQUITY**

|   | Issued capital | Share Premium account | Foreign exchange reserve | Other reserves | Retained earnings | Minority interests | Total equity |
|---|----------------|-----------------------|--------------------------|----------------|-------------------|--------------------|--------------|
| At 1 July 2007  | 390,151        | 6,725,683             | (2,952)                  | 61,344         | (2,871,203)       | 448,055            | 4,751,078    |
| Issue of shares   | 529,824        | 63,417,004            | -                        | -              | -                 | -                  | 63,946,828   |
| Expenses on issue of shares                               | -              | (3,981,027)           | -                        | -              | -                 | -                  | (3,981,027)  |
| Loss for the period attributable to equity shareholders   | -              | -                     | -                        | -              | (5,214,778)       | -                  | (5,214,778)  |
| Loss for the period attributable to minority interests    | -              | -                     | -                        | -              | -                 | (211,629)          | (211,629)    |
| Exchange differences on translation of foreign operations | -              | -                     | (4,769)                  | -              | -                 | -                  | (4,769)      |
| Transfer between reserves (note 9)                        | -              | -                     | -                        | -              | (200,000)         | 200,000            | -            |
| At 31 December 2007                                       | 919,975        | 66,161,660            | (7,721)                  | 61,344         | (8,285,981)       | 436,426            | 59,285,703   |

**NOTE 11: NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

|  | Six Months Ended<br>31 December 2007<br>US\$<br>Unaudited | Six Months Ended<br>31 December 2006<br>US\$<br>Unaudited | Year Ended<br>30 June 2007<br>US\$<br>Audited |
|--|---|---|---|
| Operating loss from continuing operations                | (4,150,803)   | (1,321,093)   | (2,711,396)                                   |
| Adjustments for:   |   |   |   |
| Depreciation of property, plant and equipment            | 31,719  | 23,998  | 61,221  |
| Amortisation of intangibles                              | 7,357   | 15,000  | 19,029  |
| Operating cash flows before movements in working capital | (4,111,727)   | (1,282,095)   | (2,631,146)                                   |
| (Increase)/decrease in receivables                       | (2,096)   | 146,234   | 2,104   |
| Increase in inventories                                  | (789,712)   | -   | -   |
| Increase in payables                                     | 15,653  | 67,005  | 298,512                                       |
| Net cash from operations                                 | (4,887,882)   | (1,068,856)   | (2,330,530)                                   |

Cash and cash equivalents (which are presented on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

#### **NOTE 12: CONTINGENCIES**

There were no material contingent liabilities of the Group at 31 December 2007.

#### **NOTE 13: SUBSEQUENT EVENTS**

No matter or circumstance has arisen since 31 December 2007, which has significantly affected, or may significantly affect the operations of the group, the result of those operations, or the state of affairs of the group in subsequent financial years.

## **AUDITORS' INDEPENDENT REVIEW REPORT TO CHINA GOLDMINES PLC**

We have been engaged by the company to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 31 December 2007 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Recognised Income and Expense, the Condensed Consolidated Cash Flow Statement and related notes 1 to 13. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

#### **Directors' responsibilities**

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

#### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the interim financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
Newcastle  
31 March 2008

## **CORPORATE DIRECTORY**

### **Directors:**

Clive Donner (*Non-Executive Chairman*)  
Frank Vanspeybroeck (*Chief Executive*)  
Marinko Vidovich (*Finance Director*)  
Lance Browne CBE (*Non-Executive Director*)  
Alex Worrall (*Non-Executive Director*)  
Karl Eric Watkin MBE (*Non-Executive Director*)  
Evan Kirby (*Non-Executive Director*)

### **Company Secretary:**

Alex Worrall

### **Registered Office:**

Sandgate House  
102 Quayside  
Newcastle-upon-Tyne  
NE1 3DX

### **Chinese Offices:**

**Changsha**  
Room 1607 & 1608

### **Auditors**

Deloitte & Touche LLP  
Gainsborough House  
34-40 Grey Street  
Newcastle-upon-Tyne  
NE1 6AE

### **Auditors in China:**

Deloitte Touche Tohmatsu CPA Ltd  
Shenzhen Branch

### **Auditors in Australia:**

Rothsay Chartered Accountants  
Level 1, 21 Barrack Street  
Sydney NSW 2000  
Australia

### **Solicitors to the Company:**

**China:**  
Chongqing Senswins Law Firm  
77 Qingnian Road

South Jiasheng-Aomeicheng Building  
262 West Laodong Road  
Changsha, Hunan 410015  
P.R. of China

**Guanzhuang Town**

Gan Fa Hotel  
Xia Jie  
Guanzhuang Town  
Yuanling County  
Hunan Province 419607  
P.R. of China

**Perth Operations Office:**

1st Floor  
24 Outram Street  
West Perth WA 6005  
Australia

**Nominated Adviser and Broker:**

Brewin Dolphin Limited  
48 St Vincent Street  
Glasgow  
G2 5TS

Chongqing  
400012, PRC

***United Kingdom's Solicitors:***

Ward Hadaway  
Sandgate House  
102 Quayside  
Newcastle-upon-Tyne  
NE1 3DX

***Public Relations:***

Parkgreen Communications  
Pegasus House  
37-43 Sackville Street  
London  
W1S 3EH

**Registrars:**

Computershare Investor Services PLC  
Corporate Actions  
PO Box 859 The Pavilions  
Bridgwater Road  
Bristol  
BS99 1XZ