



**Enquiry into Australia's Trade and Investment
Relations with Asia, The Pacific and Latin America**

**Submission
Of
Sino Gold Mining Ltd
to the
Joint Standing Committee on Foreign Affairs, Defence and Trade**

April 2009



Introduction

Sino Gold Mining Ltd is an ASX-listed company that has been successfully involved in gold mining in China for 14 years. This submission will reflect some of the key observations of Sino Gold regarding the Australia-China trade and investment relationship. The Joint Standing Committee is already well versed with the statistics surrounding the economic rise of China and its trade significance to Australia, so we will not repeat those statistics here. Instead, we will comment a few of the lessons that we have learned in China and reflect on why we think that these lessons are important for Australia.

Relevant facts regarding Sino Gold and its China operations:

- Sino Gold is listed in Australia and in Hong Kong, with a market capitalization of \$ 1.5 billion, making it the third largest ASX-listed gold company by market cap.
- Sino Gold's headquarters are located in Sydney and engages numerous Australian consulting firms to provide technical services for its mines in China.
- Sino Gold became the first international company to operate a gold mine in China in 1997 and today is the only Australian company mining gold in China.
- Sino Gold's asset base in China exceeds \$1.2 billion.
- There are only three gold mines in China operated by foreign companies – Sino Gold operates two of these mines.
- Sino Gold is Australia's largest investor in China's resource sector and the largest international investor in the gold sector.
- Sino Gold operates two gold mines in China, producing an estimated 210-230,000 ounces of gold in 2009.
- China has produced more gold than Australia since 2006 and is now the largest gold producing country in the world.
- Sino Gold employs over 1,500 people in China.
- Sino Gold won the China Mining Congress Development of the Year Award in 2007 for its Jinfeng Project and again in 2008 for its White Mountain Project; the first company to receive the award twice.



- Sino Gold received the Miner of the Year Award from Australia's Gold Mining Journal in December 2008.
- Sino Gold is an industry leader in China in health, safety, environmental protection and community development.
- Sino Gold management, Jake Klein (CEO) and Kevin Hobgood-Brown (Group Executive and General Counsel) have been active leaders in the bilateral business relationship.

Observations:

1. As exemplified by Sino Gold, it is possible for Australian companies to be successful in China.
2. China's legal and regulatory system has developed rapidly over the past 30 years and in many respects reflects accepted international standards. Governmental bureaucracy is under extreme stress, but generally performs well. Many parts of the government are devoting substantial efforts to training officials and improving transparency.
3. China's reform process, which aims to create an internationally integrated and competitive economy has many supporters, but is under constant pressure from domestic protectionist forces. In the mining sector, these protectionist forces seek to limit international ownership of mining assets. It is in Australia's national interest to support China's reform efforts.
4. China's economy presents a huge range of opportunities to Australian companies in addition to our well-known commodities trade, but we need to do much more in order to capitalize on these opportunities. The opportunities for Australian service providers, in particular, are immense.
5. Many of Australia's best opportunities in China exist outside of the super cities of Beijing, Shanghai and Guangzhou. Although Austrade has reasonable coverage in many of the provincial centres of China, our diplomatic representation is relatively sparse and Australia needs to ramp up its diplomatic representation by opening consulates in some of the regional centres of China, such as Sichuan.



6. Australian diplomats have been instrumental in helping assure that the Australian business sector has access to opportunities in China. In particular, our current ambassador and his team have been very effective in raising the profile of Australian companies in China.

7. A comprehensive free trade agreement between Australia and China will be of immense benefit to both countries. The elimination of protectionism in the bilateral relationship will strengthen both economies.

8. Many Australian companies are not “China savvy” and are poorly prepared for competing in the China market.

9. Australia, as a country, and Australian businesses will benefit for decades to come by increasing the teaching of Chinese in Australian schools and universities. Australia needs to become much more “China literate”.

10. China’s mining regulatory system has radically changed during the past 15 years. There remain systemic issues which result in substantial inefficiency and uncertainty, but these issues tend to equally impact domestic as well as international players in China. While we have been able to operate effectively, we strongly support the Chinese government’s efforts to further reform the system.