

# Goldletter INTERNATIONAL

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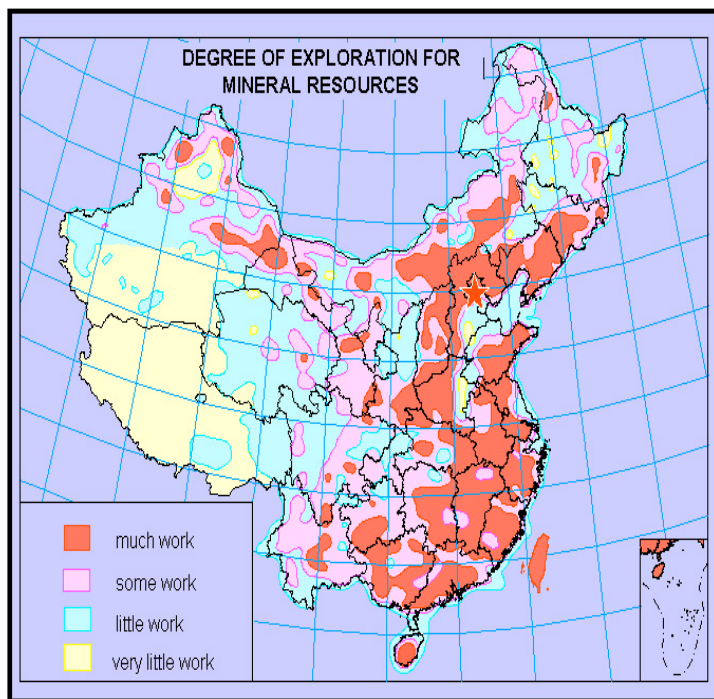
## China has emerged as the world's 4th largest gold producing country

China has been a producer of gold for centuries and also has a history of usage that stretches back to antiquity. The gold industry has depended entirely on State investment since 1949, when the People's Republic of China was founded. Domestic private and foreign investors were excluded from the industry.

Driven by domestic demand the government invested heavily in the mining industry in the 1990's and as a result Chinese gold production has risen significantly to a level where it has overtaken Canada as the world's fourth largest producer since 1998. Official gold production in 2004 was 212.3 tonnes, up 11.75 tonnes or 5.9% year-on-year, although non-official and mostly informal mining, probably means that the total production figure was higher. About 160 tonnes comes from primary gold mines and the remainder from various non-ferrous smelting entities.

According to GFMS, consumption of gold in 2003 was 207 tonnes, making China the fourth-largest gold consumer in the world. Per capita consumption of gold is only 0.16 grams, much lower than the world's average of 0.7 grams. Gold jewellery is the most promising sector in the gold industry. About 250 tonnes of gold was used to make jewellery in China in each of the recent years, which number is expected to soar to 500 tonnes in three to five years.

In the past little has been known about the workings of the Chinese gold industry. Production (and consumption) figures have been shrouded in secrecy. However, with the largely successful change in government policy in switching its planned economic system to a market economy, China's entry in the World Trade organisation and the recent deregulation and reformation on the mining and miners laws in China, foreign investment can be viewed as having less political risk. China has maintained a double-digit economic growth for the last few years and is considered the fastest growing economy in the world.



### Gold occurrence

Advanced stage precious metals and base metals projects exist in China. Large areas of mineral lands with potential exist and, as a result, there has been a steady growth in the number of foreign mining companies doing business in China. Despite the recent surge, the gold industry in China remains fragmented, archaic and under-capitalised.

The China Geological and Mineral Survey Bureau estimates the gold resources of Chinese ten major provinces to be over 11,000 tonnes and the country's prospective gold resources at around 15,000 tonnes.

According to statistics of the China Mining Association, Shandong Province in east China is the richest area (approximately 40% of total proven reserves), followed by Shaanxi, Sichuan, Gansu, Yunnan and Guizhou.

Production today is centred on the eastern provinces of Shaanxi, Shandong, Henan, Hebei, and Liaoning where 70% of known gold deposits are located. However, since 1994 Fujian Province has become a major producer with the opening of the country's largest mine, Zhijinshan, working an epithermal copper-gold deposit.

About 50% of gold in China occurs in quartz-gold vein structures, with another 17% occurring in placer deposits and the remainder is found in polymetallic deposits, often in association with copper.

Most of China's production comes from small, underground mines with little mechanisation. There are thought to be over 1,200 small to medium sized mines in operation throughout the country, equal to approximately 70% of total gold deposits and representing 25-30% of total proven reserves, with the largest mine producing in the region of 100,000 oz annually, although the annual average is closer to 16,000 oz.

Under a 5-year industry plan, the government hopes to form 12 internationally competitive gold conglomerates by 2005.

A joint study by the United States Geological Survey and the Tianjin Geological Academy from 1997 to 2002 identified and reviewed over 160 gold occurrences in China. Within the category of sedimentary hosted gold deposits (a broad category including Carlin style), over 20 million ounces of resources have been identified in China versus over 70 million ounces in Nevada.

Most of the Nevadan ounces were discovered in the 1970's and 1980's post the recognition of this style of mineralization where as the major exploration push in China began even later in the 1980's.

The largest deposits of this style discovered to date in China include Lannigou (> 3.2 million ounces) and Ba-quamiao (> 2.5 million ounces) but exploration has generally been neither well funded nor extensive. Most reserve definition programs are limited.

## **China's national gold industry**

Control and ownership of many of China's largest mines is vested in the State and administrated through the China National Gold Group Corporation (CNGC). First established in 1979 and then reorganised in 1993, GNGC, operating under China Gold Group, controls the major gold mines in seven out of eight main producing provinces. The GNGC officially controls 450 mines. CNGC's assets total 9 billion yuan (US\$ 1.1 billion) with 61 affiliates across China.

In 2004, CNGC produced 42 tonnes, a year-on-year increase of 25%.

The one exception to GNGC's jurisdiction is the most important producing province of Shandong, which accounts for 20-25% of Chinese gold production. In Shandong, the largest gold mine Zhaoyuan has an annual production of approximately 75,000-oz. The Zhaoyuan group consists of nine mines with a total annual output at about 500,000-oz.

In Shandong and elsewhere, all other production is under the control of provincial, regional or local mining companies. Many operations are collective run by townships or villages.

China refines its own gold and many mines have refineries attached to them.

The buying and selling of gold in China has been centralised since 1983 at ministerial level. All gold production in the country had to be sold to the People's Bank of China (PBC), which as the only official institute technically controlled mine purchases and sale of gold to retailers.

As well as being the repository of all Chinese miner gold, the PBC was responsible for setting the price paid to the local miners. From 1995, the Chinese domestic gold price was floated at a discount of 10% below the international price, although since 1999 it has more closely tracked the world price.

The move to bring the local gold price in line with the international price, occurred from recommendations by the World Gold Council (WGC) in 1998 as part of a timetable for deregulation of the market, there motivated by China's acceptance into the World Trade Organisation at the end of 2001.

The official opening of the Shanghai Gold Exchange (SGE) on 30 October 2002 heralded the start of a new era in the gold market in China, and is further evidence of the intention of the Chinese government to deregulate the precious metals markets. Gold trade volume on the Shanghai Gold Exchange amounted to 665.3 tons last year, up 41% from 2003. Its gold trade volume surged by 59% year-on-year to US\$ 8.83 billion.

China Gold Association was formally founded in November 2001, with 70 enterprises as standing directors, and 256 enterprises as directors.

On July 30, 2003 **Zhongjin Gold Co.**, China's flagship gold mine, 88%-owned by GNGC, and the leading gold producer the China Gold Group, became the first listed company in the nation's gold industry after it launched an initial public offering (IPO) on the Shanghai Stock Exchange. The Company issued 100 million shares at a price of 4.05 yuan (US\$ 0.49) per share. The IPO earned 388 million yuan (US\$ 46.7 million) in proceeds, excluding issuance expenses.

Zhongjin Gold, based in North China's Tianjin Municipality, produces 10 tons of gold from its mines, and refines and processes 30 tons of gold a year, and annex a lot of smaller domestic gold mining companies following the listing to become a competitive conglomerate in the short term. The production estimate for 2004 is approximately 1 million ounces of gold. Total assets are US\$ 136 million; net assets US\$ 90 million.

On December 22, 2003, **Fujian Zijin Mining Industry**, based in the eastern Fujian Province, made its debut on the Hong Kong Stock Exchange. The retail tranche of its IPO was 744 times oversubscribed and priced at HK\$ 3.30 per share. Due to the huge investor interest, Zijin lifted the retail portion of its offering to 50% from 10%. Zijin raised HK\$ 1.15 billion (US\$ 147.4 million) by selling 348.3 million shares.

In January 2004, Zijin and Gold Fields announced a strategic partnership by which Gold Fields has purchased a total of approximately 18 million shares out of 318 million issued in the initial IPO of Zijin on the Hong Kong Stock Exchange. This is equal to roughly 5.7% of the float of 27% of the Company and represents a value of US\$ 7.73 million.

The Company changed its official English name to **Zijin Mining Group Co. Ltd.** in June 2004, as its business is not limited to Fujian Province. As China's largest gold producer, Zijin's principle gold operating base consists of four competitive mining operations: Zijinshan gold mine, Shuiqing-dong gold mine in Guizhou Province, Huichun copper-gold mine in Jilin Province, and the Paodaoling gold mine in Anhui Province. In 2003, Zijin Mining Group produced 345,749 oz of gold, jumping 37.7% year-on-year.

Two gold producers in East China's Shandong Province are preparing for listings in Hong Kong. The two companies are **Shandong Laizhou Gold Mining** and **Zhaoyuan Gold**.

Shandong Laizhou Gold Mining was launched in December 2003 with a registered capital of 90 million yuan (US\$ 10.8 million). At present, the Company has an annual production capacity of 2.2 tons.

The 55% controlled Zhaoyuan Gold joint venture was set up in May 2004 with a registered capital of 530 million yuan (US\$ 64 million). The Company aims to double its gold output to 31 tons (1 million oz) next year.

China Gold Industry Association last year named Zhaoyuan as "Gold Capital of China". The city now boasts 66 gold mines, 90 gold selection plants and more than 70 enterprises engaged in gold prospecting, mining, processing and their related enterprises.

Zhaoyuan Gold Group owns nearly 300 tons of geographical gold reserves – 10% of China's total reserves.

## **Government investing in gold mining sector**

In the 1980's the Chinese government invested heavily in the gold mining sector. This policy continued and was reinforced under the Eight Five Year Plan from 1991-1995. Government spending increased to US\$ 1.5 billion in 138 specific projects. The aim of this initiative was to restrict the informal and smaller sectors and consolidate small mines into bigger and more efficient operations. The policy was not successful and by the end of the 1990's investment had fallen to US\$ 12 million annually.

The government stance then became tougher and less supportive. In 1999, it deemed small-scale gold mining unproductive and announced a number of mine closures. In 2002, further restrictions were placed on the working of small mines and refineries. The government has abolished its prospecting fund from this year.

## **Government encouraging foreign investment**

One of the specific aims of the 1990's initiatives was to try and attract foreign investment into the Chinese gold mining industry. However, the lengthy and complex approval process, the limited and poor quality of designed exploration projects, coupled with a legal system that was unclear about ownership and without guarantees of tenure, was enough to deter most candidates. In addition, the mining taxation code did not encourage investment. The recent changes in regulation adapted by the Chinese government have encouraged provincial mining bureaus to source capital from mineral exploration companies.

In 1996 China passed the mineral resources law on mineral exploration and development by which The State shall safeguard the national development and utilisation of mineral resources under the responsibility and supervision of the Ministry of Land and Resources (“MLR”).

By this legislation MLR has promised to reform the approval process and the costs associated with securing exploration rights in China, and in doing so to encourage foreign investment in an industry yet to experience the transformation wrought in other sectors of the nation’s economy. The laws and notices issued in 1998 and 2000 clarified the exploration process and the transfer and assignment of exploration rights.

The Chinese Central government has granted Provinces the autonomy to approve Sino – Foreign Joint Ventures for mineral exploration and mining. This provision of the law has attracted a number of mainly Canadian public companies that have been entering into Sino - Foreign Joint Ventures.

The Foreign Investment Industrial Guidance Catalogue (“the Catalogue”) lists various minerals as “encouraged”, “restricted” or “prohibited” and determines the investment vehicle permitted for exploration and exploitation. A mineral’s categorisation and the proposed size of the investment will also set the level of approval required.

For example, restricted minerals, such as precious metals, should be approved at the central government level, or if the project size is below US\$ 30 million, may be approved by the provincial government and registered with the central government.

Various policies to encourage investment in Western China will also have impact on the proposed structure of an exploration vehicle. Projects based in Central or Western China (including Sichuan), although listed as “restricted”, may in fact be treated as “encouraged”. This means that the project attracts preferential treatment such as a 15% income tax rate for three years after any other applicable tax holidays end, exemptions from duties and VAT on imported equipment, and potential exemptions from various exploration-rights use fees.

The exploration right granted will typically only be for a particular mineral in the exploration area, and not for all minerals found at the same site.

Exploration licences can only be granted to qualified, geological exploration work-units registered in China. Foreign investors will either need to obtain this qualification. Subject to any restrictions set out in the Catalogue and the qualification requirements, a foreign investor registered in China as a representative office, equity or co-operative joint venture, including a non-legal person, co-operative joint venture, or a wholly foreign-owned enterprise, may apply for an exploration licence.



At present, the Geological Survey Department of MLR is responsible for reviewing and approving exploration applications. Provincial authorities are entitled to issue exploration rights, but they cannot issue them to foreign-invested enterprises or representative offices.

In 2003, the MLR issued a circular entitled Administrative Measures of Public Tendering and Auction for the Rights of Exploring and Exploiting Mines. The bidding regulations promulgated by the MLR, effective from August 1, 2003, prescribe three approaches for Chinese and foreign mining companies to obtain exploration and mining rights.

In December 2003, the Chinese Government issued a white paper on China’s Policy on Mineral Resources which stresses that China will depend on exploitation of domestic mineral

resources to guarantee the needs of its modernisation drive. In future, China will strengthen mineral surveying, prospecting, exploitation, planning, management and rational utilisation of mineral resources.

The policy also highlights the importance of sustainable development, and Sino-foreign co-operation in the exploration and exploitation of mineral resources will be increased.

## Overview of foreign gold exploration companies active in China

April 1, 2005

<b>Canada</b>	<b>Trading Symbol</b>	<b>Recent share price in Cdn\$</b>	<b>H+L 12 months</b>		<b>Net Shares outstanding in million</b>	<b>Market cap. in Cdn\$ million</b>
Southwestern Resources	SWG-TSX	10.20	19.22	8.35	42.9	437.6
Mundoro Mining	MUN-TSX.V	2.85	3.30	1.33	26.3	75.0
SKN Resources	SRL-TSX.V	1.89	2.70	0.35	37.2	70.3
AFCAN Mining**	AFK-TSX	0.36	0.47	0.17	131.7	47.4
Minco Mining & Metals	MMM-TSX	1.35	1.92	1.12	35.0	47.3
Inter-Citic Minerals	ICI-TSX.V	1.00	1.35	0.75	44.0	44.0
Continental Minerals	KMK-TSX.V	1.11	2.25	0.97	35.3	39.2
TVI Pacific	TVI-TSX	0.11	0.26	0.09	342.1	37.6
Jinshan Gold Mines	JIN-TSX.V	0.59	2.02	0.40	48.5	28.6
VVC Exploration	VVC-TSX.V	0.88	1.35	0.74	25.4	22.4
Majestic Gold	MJS-TSX.V	0.75	1.00	0.28	27.1	20.3
Crosshair Expl. & Mining *	CXX-TSX.V	0.54	0.92	0.14	36.7	19.8
China Diamond	CDC-TSX.V	0.09	0.25	0.08	203.0	18.3
Golden China Resources**	AUC-TSX.V	0.36	0.61	0.26	38.3	13.8
Planet Exploration	PXI-TSX.V	0.53	1.10	0.42	25.3	13.4
Silk Road Resources	SIL-TSX.V	0.75	1.35	0.42	17.4	13.1
Maxy Gold	MXD-TSX.V	0.50	1.33	0.38	25.6	12.8
Dynasty Gold	DYG-TSX.V	0.35	0.85	0.33	34.4	12.0
Sparton Resources	SRI-TSX.V	0.16	0.61	0.14	40.1	6.4
Pinnacle Mines	PNL-TSX.V	0.56	0.99	0.48	10.9	6.1
ValGold Resources	VAL-TSX.V	0.29	0.60	0.28	21.0	6.1
Luna Gold	LGC.U-TSX.V	0.23	0.50	0.23	24.4	5.6
Goldrea Resources *	GOR-TSX.V	0.27	0.35	0.13	18.9	5.1
Int. Kirkland Minerals	IKI-TSX.V	0.20	0.48	0.17	22.9	4.6
Orsa Ventures	ORN-TSX.V	0.33	1.55	0.33	12.2	4.0
Fury Explorations	FUR-TSX.V	0.27	0.80	0.27	10.8	2.9
Carlin Gold *	CGD-TSX.V	0.21	0.80	0.20	13.7	2.9
McVicar Resources	MCV-TSX.V	0.45	1.00	0.33	6.1	2.7
Lateegra Resources	LEG-TSX.V	0.07	0.23	0.06	39.0	2.7
New Cantech Ventures	NCV-TSX.V	0.23	0.52	0.17	10.4	2.4

\* this company is individually featured

\*\* this company is individually featured as GoldStock of the Month

## Comments to overview of foreign exploration companies active in China

The suggestion has been made that China does not host any sizeable, continuous gold deposit amenable to commercial production based upon the fact that the largest mine is producing in the region of 100,000 oz annually with the annual average closer to 16,000 oz.

However, missing many of the sophisticated techniques of the western approach including highly sensitive geochemical and geophysical survey as well as high-end interpretation of satellite imagery, China is relatively undiscovered. This offers a high potential for successful exploration.

On the other hand, the Chinese government might be restrictive regarding the merits of the mining rights granted and keep the most promising projects under own control.

Also, the focus at a Chinese mine has often been on higher-grade zones or pods (e.g. 5 grams per tonne gold), ignoring the lower-grade mineralised envelope (e.g., 1.5 grams per tonne) around the zones. As a result, a western-style operation might mine the envelope as well as capturing more ounces at a lower unit cost.

Thus, an operation in China with a resource of 2.5 million ounces at a 5-gram per tonne cut-off, when viewed through a western operator's eyes, becomes a 7 million-ounce resource at a 1.5-gram per tonne cut-off. This makes the mine's mineralization more continuous.

Looking at the market capitalisation of the foreign exploration companies active in China, it is striking that Sino Gold and Southwestern Resources are at least 10 times higher valued than the other exploration companies included in our overview.

Regarding Sino Gold, this can be justified by the company already being a respectable gold producer in China. Since 1998 Sino's Jianchalin operation produced 400,000 ounces of gold, but after the production of 25,998 ounces in the first half year of 2004, only 59,000 ounces of reserves has been left.

This operation will be replaced by Sino Gold's Jinfeng project, with a projected initial gold production of 180,000 ounces of gold in 2006.

**Southwestern Resources ( SWG – TSX )** in our opinion is a highly speculative promotional play. This because exploration results at the Boka Gold project can not be translated yet into a reliable resource figure of at least 50 million tonnes grading 3.0 g/t (5.0 million ounces), as is suggested by some broker reports, to justify its current market capitalization of Cdn\$ 550,0 million. In this respect one should bear in mind, that Southwestern Resources has spent an aggregate of just Cdn\$ 8.3 million since it acquired a 97% interest in Boka Gold in September 2002. At that time the share price traded at Cdn\$ 2.00 (before a 2 for 1 stock split), representing a market capitalisation of just Cdn\$ 33 million. While presenting its main objective to maximise shareholders wealth with the least amount of risk, Southwestern Resources has written off more than Cdn\$ 11 million in 2001 and 2002, including Cdn\$ 8.8 million in Peru, Cdn\$ 2.2 million on the Hayoya Project in China and Cdn\$ 0.45 million in Chile. At the end of 2002, as a result of an accumulated deficit of Cdn\$ 56.9 million, shareholders' equity amounted to just Cdn\$ 24.4 million. This valuation has been increased by new financings to Cdn\$ 81 million by the end of June, 2004.

Apart from Boka Gold as its principle property, Southwestern Resources owns several resource properties in Peru, of which the Liam Gold-Silver Project, located about 190 kilometres northwest of the city of Arequipa, is the main property. Total assets in Peru are valued at Cdn\$ 9.7 million, for a grand total including the Chinese properties of Cdn\$ 18.3 million.

As such, we believe that the shares of Southwestern Resources are overvalued from a fundamental point of view, and many of the shares included in our list of exploration companies active in China are offering a significantly higher gearing.

### **Sino Gold, China's largest foreign gold producer**

Sino Gold (SGX-ASX) from Australia, has been active in China since 1996 and is China's largest foreign gold producer. The company operates the Jianchaling underground mine, located in the central Chinese Shaanxi Province, and plans to develop a new gold mine at its Jinfeng deposit in Guizhou Province of which it owns 82%. In 2003, Sino Gold sold its interest in the Tanjianshan project to Canadian African Mining in which it acquired a 16.6% share interest.

In the half year ended 30 June 2004, Jianchaling generated a cash operating surplus of A\$ 3.3 million through the production of 25,998 ounces from 167,445 tonnes milled at a feed grade of 5.8 g/t gold at an average cash cost of A\$ 317/oz or US\$ 235/oz.

In June, the Jianchaling operation produced its 400,000th ounce of gold since 1998.

With reserves of only 59,000 ounces, and little more than one more year of mine life, Jianchaling holds little value for Sino Gold compared to the Jinfeng project.

In August 2004, Sino Gold announced that it was proceeding with the development of its Jinfeng Project. Ore reserves of 2.1 million ounces contained gold have been estimated and production is scheduled for 12 years. Cash operating costs are estimated US\$ 183/oz (A\$ 244/oz).

Pre-production capital is estimated at US\$ 70 million (A\$ 94 million).

The total resource estimated contains 20.9 million tonnes at 5.1 g/t for 3.5 million ounces of gold. Regulatory permitting applications are underway and detailed design of the site infrastructure and open cut mine has begun. Construction work is scheduled to begin in early 2005, with initial gold production from the 180,000 ounces per annum operation expected during 2006.

Exploration results included 2 m @ 11.05 gpt and 6 m @ 4.2 gpt, increasing the Company's confidence that these splay structures will add important new tonnage to the open pit resource.

Sino Gold is continuing to study a scenario that allows the underground development to be accelerated with the plant being upgraded to between 1.8 and 2.0 million tonnes per annum, thereby resulting in approximately 300,000 ounces per annum of gold production. Final technical reviews for the US\$ 40 million project financing facility are being completed.

## CANADA

### ➤ **Mundoro Mining ( MUN - TSX.V )**

Mundoro Mining has the right to a 79% interest in the Maoling gold deposit in Liaoning Province through a Sino-Foreign co-operative joint venture with the corporate arm of the Liaoning provincial government, by having funded exploration requirements for a total of US\$ 1.8 million and providing any additional exploration and development funds required to bring the projects into production.

### ➤ **Minco Mining & Metals ( MMM – TSX )**

Minco Mining & Metals is already active in China since 1996 and has various, Chinese properties. For the Changking Gold property in Guangdong Province the Company is in the process to obtain the business licences to a Sino-foreign joint venture company. The joint venture partner, the Guandong Geological Exploration and Development Corp., is also a subsidiary of the Guandong Geological Exploration Bureau. Minco has rights to earn a 51% equity interest in the joint venture by contributing approximately Cdn\$ 8.5 million over 3.5 years.

Other properties include the Fuwan Silver project in Guangdong Province with Minco to spend approximately Cdn\$ 3.5 million over 3.5 years to earn a 70% equity interest; the Anba Gold project in Gansu Province with Minco to spend approximately Cdn\$ 4 million over 5 years to earn a 40% interest in White Silver Mountain joint venture on the 3 million oz Anba gold property, three gold properties on the Yangshan Extension in Gansu Province; and a 75% interest in the BYC joint venture in Inner Mongolia by contributing approximately Cdn\$ 2.4 million over 4 years.

Minco has earned a 54% interest in the fully licensed joint venture company for the Gobi project located in the Tianshan Belt, a remote desert area of north-western China, by spending approximately Cdn\$ 1.4 million and can earn up to a 75% interest with a total contribution of approximately Cdn\$ 2.8 million.

On the White Silver Mountain joint venture, Minco has earned a 61% equity interest in the fully licensed joint venture by spending approximately Cdn\$ 3.7 million. Minco can earn up to 80% through a total expenditure of approximately Cdn\$ 6.3 million.

### ➤ **Continental Minerals ( KMK – TSX.V )**

Continental Minerals has acquired the right to earn a 60% interest in the Xietongmen Gold-Copper Property in Tibet. Continental will pay a total of US\$ 2.0 million and incur expenditures totalling US\$ 5.90 million over a 24-month period in order to earn a 50% interest in the property from China Net TV Holdings.

### ➤ **Inter-Citic Minerals ( ICI - TSX.V )**

Inter-Citic Minerals has a co-operative JV Contract with the Qinghai Geological Survey Institute by which it can earn up to a 90% interest in the Dachang Gold project in Qinghai Province by investing Cdn\$ 5.3 million over 3 years.

### ➤ **AFCAN Mining ( AFK - TSX.V )**

AFCAN Mining, through the acquisition of TJS has a 85% equity interest in Qinghai Dachaidan Mining Limited ("QDML") to develop the Tanjianshan Project in the north-west Qinghai Province.

- **TVI Pacific ( TVI – TSX )**  
TVI Pacific has a Wholly Owned Foreign Enterprise (“WOFE”) operating vehicle, Hunan Pacific Geological Exploration, focusing on the Shuikoushan Gold Project in Hunan Province.  
The WOFE is acquiring new gold and copper properties in five provinces in China: Hunan, Henan, Heilongjiang, Inner Mongolia and Xinjiang.
- **Jinshan Gold Mines ( JIN - TSX.V )**  
Jinshan Gold Mines earned a 55% interest in the 217 Gold project (Chang Shan Hao) in Inner Mongolia and has the right to acquire a further 41,5% through scheduled payments totalling US\$ 2.75 million. Jinshan and Ivanhoe Mines share a 50/50 joint venture in this project.
- **SKN Resources ( SRL - TSX.V )**  
SKN Resources has a 100% interest in the Tuobuka Gold Project in Yunnan Province and received a business licence for Henan Found Mining Co. (“HFMC”), the joint venture company with a subsidiary of the Provincial Governmental Geological Bureau (“HPGGB”) to acquire a 77.5% interest in the “”) to acquire a 77.5% interest in the “YING” silver-gold project in Henan Province.
- **China Diamond ( CDC – TSX.V )**  
China Diamond is the largest diamond producer in China and also holds the licence to develop the Hui-zian gold and copper mine, located in Zouping County, Shandong Province.
- **VVC Exploration ( VVC – TSX.V )**  
VVC Exploration has signed a joint venture agreement with Chen Er Gold Mine in the Shaanxi Province. To acquire a 50% interest it will be required to carryout US\$ 4 million exploration work on the property.
- **Golden China Resources (AUC – TSX.V )**  
Golden China Resources (formerly Apac Minerals) holds two properties in China, the Nibao Gold project in Guizhou Province and the Beyinhar Gold project in Inner Mongolia.
- **Planet Exploration ( PXI - TSX.V )**  
Planet Exploration signed a formal agreement with China National Gold Group Corporation (“CNGGC”), represented by its subsidiary Jinyou Geological Exploration, to acquire an 80% interest in the Wulanbulang gold property, located in the Jiuyan district of Baotou. The agreement includes three mining licences and a mill located within the property.
- **Majestic Gold ( MJS - TSX.V )**  
Majestic Gold has an agreement with the Xinjiang Bureau of Geology and Mineral Resources (“XBGMR”) in the Province of Xinjiang to earn a 90% interest in a Joint Venture by funding all exploration and development of the Sawayaerdun gold project.  
To earn its interest, Majestic is required to invest minimum cumulative exploration expenditures of US\$ 2 over 4 years. In addition, Majestic Gold has three joint ventures with Muping Gold Mines (2), Fushan Gold Mines (1), all three in Shandong Province.
- **Maxy Gold ( MXD - TSX.V )**  
Maxy Gold holds the rights to acquire a 80% interest in the Luchun Gold project and a 75% interest in the Midu Gold project, both located in Yunnan Province. Under the terms of the Co-operative Joint Venture Contracts Maxy Gold will contribute US\$ 2.0 million over 3 years to earn a 80% in the Sino-Foreign Co-operative Joint Venture company ‘Si-Mai’ for the Luchan Gold project and US\$ 750,000 over 2 years to earn a 70% interest in the Joint Venture Company “Yunxin” for the Midu Gold Project.
- **Dynasty Gold ( DYN - TSX.V )**  
Dynasty Gold, in partnership with Xinjiang Non-Ferrous Metals Group, is exploring in Xinjiang Autonomous Region and has gold projects in the Xinjiang, Qinghai and Gansu Provinces. In May 2004, the Company started a \$ 1.8 million exploration program on the Hatu Project (Xinjiang Province)



- **Carlin Gold ( CGD - TSX.V )**  
Carlin Gold, through Aurelius Financial, is a party to a co-operative agreement with Yunnan Geology Mineral Resources (“YGMR”) to acquire a 80% interest in the Naeng Gold project, located in the Naeng area, Tuning County, Yunnan Province.  
Carlin has thereby acquired all of Aurelius’ rights and interests in the Project, in exchange for 7.0 million shares of Carlin.
  
- **Silk Road Resources ( SIL – TSX.V )**  
Silk Road Resources has entered into a joint venture contract with a wholly-owned subsidiary of the Gansu Bureau of Geology Mineral Exploration and Development (“BGMED”) to form a joint venture company (70% Silk Road) to explore properties covering approximately 2,000 square kilometres for gold and other precious metals in the Gannan Prefecture of the Gansu Province. Under the terms of the JV, Silk Road is obliged to spend at least US\$ 5 million over the next 3 years on exploration on the properties.
  
- **Sparton Resources ( SRI - TSX.V )**  
Sparton Resources has entered into a Joint Venture Agreement with Yunnan Nuclear Geological Exploration Brigade 201 in western Yunnan Province in September 2003 and owns 80% of the Luxi Gold project (“Brigade 201” 20%), including an agreement with Luxi Gold Mine Company Ltd. (“LGMCL”) to explore and evaluate the area within and beneath the Guanlingpro Gold Mine, owned and operated by LGMCL.  
Sparton has to spend US\$ 1.5 million over a 3-year period.
  
- **Pinnacle Mines ( PNL - TSX.V )**  
Pinnacle Mines has signed a Minerals Exploration Licence Transfer Contract with the Yunnan Geology & Mineral Resources Co. (“YGM”), pursuant to which Pinnacle has agreed to purchase 100% of the Yang Wen Chong gold property in the south-east Yunnan Province for the equivalent of Cdn\$ 4.32 million.
  
- **ValGold ( VAL – TSX.V )**  
Valgold Resources entered into an agreement with the 7th team of Qinghai Non-Ferrous Metals Geological Exploration Bureau in September 2004 under which ValGold may earn up to an 90% interest in the Tongchongou copper-gold mine (the “TCG”) located in the Qinghai Province. The Company will form a co-operative joint venture and make \$ 800,000 in exploration expenditures on the TCM mine property and \$ 165,000 in cash payments within a 4-year period to earn an initial 80% joint venture interest.
  
- **Orsa Ventures ( ORN - TSX.V )**  
Orsa Ventures entered into a Joint Venture with “Yunnan Geology” in November 2003 to form a company named Yunnan Orsa Mining, which will undertake the Boka/Dongchuan Gold project in Yunnan Province as the primary operator. To earn a 70% interest, Orsa Ventures must contribute US\$ 2.0 million to the Joint Venture.
  
- **Luna Gold ( LGC – U-TSX.V )**  
Luna Gold entered into two formal co-operative agreements with Yunnan Nonferrous Mining and Geology (“YNMG”) in Yunnan Province. The Company will invest, at its option, a total of US\$ 3.05 million over 3 years to earn an 80% interest in the Gongguo Project.
  
- **Fury Explorations ( FUR - TSX.V )**  
Fury Explorations has entered into a Sino-Foreign Co-operative Joint Venture Agreement with Hainan Exploration Institute” and “Jindafeng” to form the Sanya Joint Venture Company to carryout exploration and development of the Sanya Gold Project in Hainan Province. The Company has incurred initial acquisition costs of approximately \$ 275,000 to the joint venture company and is required to advance an aggregate amount of US\$ 3.0 million over a 3-year period.
  
- **Int.Kirkland Minerals ( IKI – TSX.V )** Int. Kirkland Minerals has optioned the advanced stage Xuefiing Gold Property in Hunan Province in south central China and plans to incur up to Cdn\$ 1.4 million in property payments and field work to December 31, 2004.

➤ **Lateegra Resources ( LEG - TSX.V )**

Lateegra Resources entered into an agreement with an arms length party to acquire an initial 70% interest in the Jingishan (Golden Pheasant Mountain) Mine, in the territory of Louning County of Henan Province. An amount of US\$ 2,0 million before this year-end has to be funded into the joint venture.

➤ **McVicar Resources ( MCV - TSX.V )**

McVicar Resources has signed a letter of intent (“LOI”) with Northwest Sichuan Geological Team (“NSGT”) to acquire three gold exploration properties (Langgai project) in north-west Sichuan Province in which it can earn an 80% interest by spending US\$ 1.5 million over a 3-year period.

➤ **GoldRea Resources ( GOR – TSX.V )**

GoldRea Resources has entered into a co-operative joint venture with China Rushan to explore areas located on the east and west sides of the Shandong Day Mine in Shandong Province.

➤ **New Cantech Ventures ( NCV – TSX.V )**

New Cantech Ventures can earn a 51% interest in Minco Mining & Metals’ BYC project in Inner Mongolia by spending Cdn\$ 2.4 million over 3 years.

<b>Australia</b>	<b>Trading Symbol</b>	<b>Recent share price in A\$</b>		<b>H+L 12 months</b>	<b>Net shares issued in million</b>	<b>Market cap. in A\$ million</b>
Sino Gold	SGX-ASX	1.76	2.85	1.68	129.2	227.4
Michelago Limited	MIC-ASX	0.07	0.12	0.06	700.7	49.0
Leyshon Resources	LRL-ASX	0.35	0.48	0.23	131.5	46.0
Crescent Gold	CRE-ASX	0.14	0.17	0.10	114.6	16.0
Tianshan Goldfields**	TGF-ASX	0.16	0.34	0.14	62.7	10.0
NGM Resources	NGM-ASX	0.10	0.25	0.10	20.0	2.0
<b>United Kingdom</b>	<b>Trading Symbol</b>	<b>Recent share price in pence</b>		<b>H+L 12 months</b>	<b>Net shares outstanding in million</b>	<b>Market cap. in £ million</b>
Griffin Mining	GFM-AIM	30.75	38.00	16.00	135.2	41.6
Caledon Resources**	CDN-AIM	4.50	10.00	3.63	213.4	9.6
<b>United States</b>	<b>Trading Symbol</b>	<b>Recent share price in US\$</b>		<b>H+L 12 months</b>	<b>Net shares outstanding in million</b>	<b>Market cap. in US\$ million</b>
Linux Gold	LNXGF-OTCBB	0.18	0.35	0.12	60.3	0.1

\*\* this company is individually featured as GoldStock of the Month

## Australia

➤ **Oxiana ( OXI – ASX )**

Oxiana, currently the third largest Australian based gold company on the Australian Stock Exchange (ASX), entered into a joint venture with the Yunnan Geology and Mineral Resources Company (YGMR) for gold exploration in Yunnan Province in April 2004. Yunnan, the most southwestern province of China, is geologically contiguous with Laos where Oxiana has strong technical and operating experience. Oxiana is currently producing gold at its Sepon project in Laos and is also developing the Khanong Copper project at the same site. The copper mine, which will come into production in 2005, will be one of the world’s lowest cost copper producers.

➤ **Michelago ( MIC –ASX )**

Michelago has been granted a Wholly Foreign Owner Enterprise (WFOE) in the Xinjiang Autonomous Region to carry out gold and base metal exploration in Western China.

➤ **Crescent Gold ( CRE – ASX )**

Crescent Gold (formerly Apollo Gold) is reviewing gold projects opportunities in Xinjiang Province of western China and has signed Co-operative Joint Venture Agreements on two projects through the acquisition of RAB Projects Pty Ltd., a Chinese focused resource company with several gold and base metal projects.

➤ **Tianshan Goldfields ( TGF – ASX )**

Tianshan Goldfields has been granted an exploration license for its Gold Mountain project in Xinjiang Province. The Company can earn a 60.6% and 69.2% interest in the Jinxi (including Yelmand and Jinshan) gold prospects respectively by spending US\$ 4.5 million.

➤ **Leyshon Resources ( LRL – ASX )**

Leyshon Resources established earlier this year the Sino-Foreign Joint Venture Company Black Dragon Mining with the Heilongjiang Bureau of Geology and Mineral Resources (HLJ-BGMR) in the Heilongjiang Province in northeast China. Leyshon is earning 70% of Black Dragon and has the right to increase its equity to 90% and has commenced on the first two projects, the Zheng Guang gold and the Duobaoshan porphyry copper projects.

Both are located within the eastern extension of the Tien Shan mobil belt that hosts world-class gold and copper deposits.

## United Kingdom

➤ **Griffin Mining ( GFM – AIM )**

Griffin Mining, through two joint ventures, has a controlling interest in mining and exploration licences over 67 square metres in the Caijiaying Zinc Gold Project, located on the south-east edge of the Mongolian Plateau in Hebei Province.

In January 2003, a new 2-year exploration licence for the Hebei Hua-Ao Joint Venture was granted, in which Griffin holds a 60% equity interest. In January 2004, a second contractual joint venture (“Hebei Anglo”) was formed in which Griffin has a 90% interest.

➤ **Caledon Resources ( CDN – AIM )**

Caledon Resources has acquired interests in four joint ventures in Guanxi Province, notably 85% in the China National Golden Guanxi Corporation Joint Venture; the right to earn a 81% equity interest in both the Longtoushan gold project; and the Gaolong and Badu gold projects (including the Gaolong gold mine); a 70% equity interest in the Hengzian Gold Mine Joint Venture; and in addition a 70% equity interest in Mojiang Mining, the largest gold producer in Yunnan Province.

## United States

➤ **Linux Gold ( LNXGF – OTC-BB )**

Linux Gold has the option to earn a 100% interest in a private company that has an 85% interest in a Co-operative Joint Venture with Bo Lu Nuo (BNL) Wang Yuan Gold Mine Company of Hebei Province. The Company has to spend a total of Cdn\$ 500,000 in a three-phase work program.