

# CHINA GOLDMINES PLC

Company No: 5529561

## INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED  
31 DECEMBER 2007

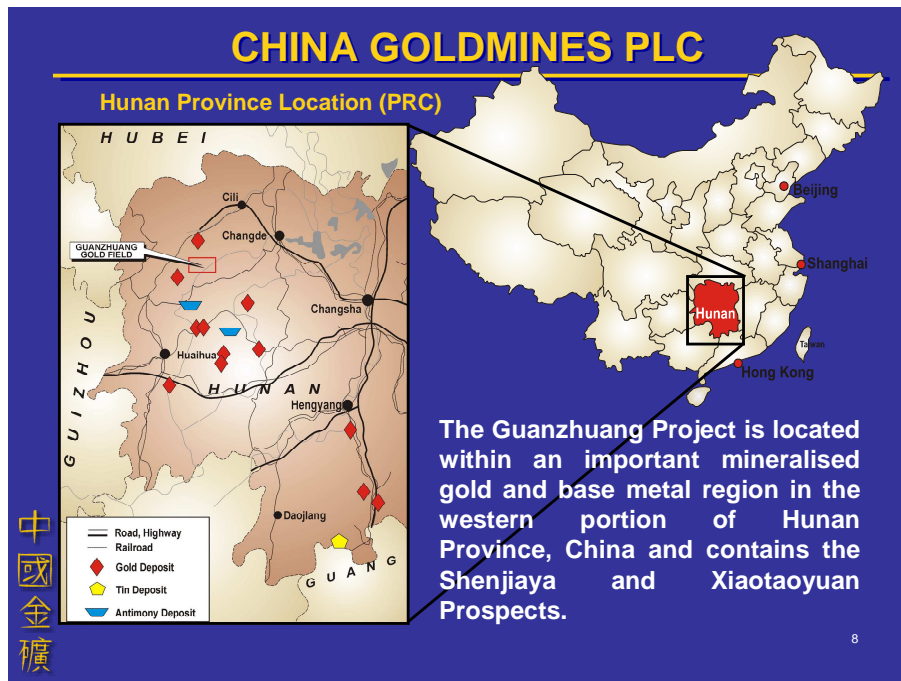
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*China Goldmines plc (AIM : CGM) listed on AIM on the 7<sup>th</sup> February 2006 as a gold resource company focussed on the discovery and development of gold projects in the Hunan Province of China. We are pleased to announce our Interim Results for the six months to 31 December 2007.*



# 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:**

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Hunan Province 419607  
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**Perth Operations Office:**

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West Perth WA 6005  
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**Nominated Adviser and Broker:**

Brewin Dolphin Limited  
48 St Vincent Street  
Glasgow  
G2 5TS

**Auditors**

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

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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:**

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Chongqing  
400012, PRC

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Bristol  
BS99 1XZ

## 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**

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

	Note	Six Months Ended 31 December 2007 US\$ Unaudited	Six Months Ended 31 December 2006 US\$ Unaudited	Year Ended 30 June 2007 US\$ Audited
<b>CONTINUING OPERATIONS</b>				
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)
<b>OPERATING LOSS</b>	3	<b>(4,150,803)</b>	(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
<b>LOSS BEFORE TAX</b>		<b>(5,426,407)</b>	(775,716)	(1,965,779)
Tax	4	-	-	-
<b>LOSS FOR THE PERIOD</b>		<b>(5,426,407)</b>	(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)
		<b>(5,426,407)</b>	(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 31 December 2007	Six Months Ended 31 December 2006	Year Ended 30 June 2007
	US\$ Unaudited	US\$ Unaudited	US\$ Audited
<b>LOSS FOR THE PERIOD</b>	<b>(5,426,407)</b>	<b>(775,716)</b>	<b>(1,965,779)</b>
Exchange differences on translation of foreign operations	<b>(4,769)</b>	<b>(44,847)</b>	<b>(20,012)</b>
<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	<b>(5,219,547)</b>	<b>(789,613)</b>	<b>(1,909,175)</b>
Minority interest	<b>(211,629)</b>	<b>(30,950)</b>	<b>(76,616)</b>
	<b>(5,431,176)</b>	<b>(820,563)</b>	<b>(1,985,791)</b>

## CONDENSED CONSOLIDATED BALANCE SHEET As At 31 DECEMBER 2007

	31 December 2007	31 December 2006	30 June 2007
	US\$	US\$	US\$
Note	Unaudited	Unaudited	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	<b>(653,258)</b>	(406,490)	(637,605)
<b>TOTAL LIABILITIES</b>	<b>(653,258)</b>	(406,490)	(637,605)
<b>NET ASSETS</b>	<b>59,285,703</b>	5,917,174	4,751,078
<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>	5,742,585	4,303,023
Minority interest	9,10 436,426	174,589	448,055
<b>TOTAL EQUITY</b>	<b>59,285,703</b>	5,917,174	4,751,078

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

	Six Months Ended 31 December 2007	Six Months Ended 31 December 2006	Year Ended 30 June 2007
	US\$	US\$	US\$
Note	Unaudited	Unaudited	Audited
<b>Net cash used in operating activities</b>	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
<b>Net cash used in investing activities</b>	(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)	-	-
<b>Net cash from financing activities</b>	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>	32,098,385	4,882,283	2,594,152

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

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	-
<b>At 31 December 2007</b>	<b>919,975</b>	<b>66,161,660</b>	<b>(7,721)</b>	<b>61,344</b>	<b>(8,285,981)</b>	<b>436,426</b>	<b>59,285,703</b>

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

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

# 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