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**SINO PROSPER STATE GOLD RESOURCES HOLDINGS LIMITED**  
**中盈國金資源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 766)

**VOLUNTARY ANNOUNCEMENT**

**QUARTERLY OPERATION UPDATE**

Sino Prosper State Gold Resources Holdings Limited (“Sino Prosper” or the “Company”) is pleased to provide a quarterly update of its operations and programs, which however does not contain financial information. It is the Company’s intention to provide periodic updates on its progress and plans for the Company’s various operations and exploration programs. These updates are intended to be an overview and may not be complete. The Company intends to focus on what management considers material developments of interest to its shareholders, subject to limitations due to confidentiality, level of relevance and competitive or trade secrets. The technical steps and developments outlined below are, in managements’ view, important developments and lay the foundation for expansion of production, the obtaining of relevant licensing, preparation of international standard Joint Ore Resources Committee (JORC) compliant mineral resources/reserves and further project development (including the potential development of additional future production).

**(A) CURRENT STATUS**

Sino Prosper State Gold Resources Holdings Ltd. (“Sino Prosper” or the “Company”) has completed the transformation of its business model to strictly a focus on the precious metals mining industry. Consistent with this, the Company completed the disposal of its last non-core asset, a 95% interest in an oil and gas distribution business operated through Sino Prosper Gas Limited (See Announcement dated September 30th 2010).

Sino Prosper is now focusing on the expansion of production and resources at its AoHanQi project (Sino Prosper holds 70% equity interests in Inner Mongolia AoHanQi XinRuiEn Mining Co., Ltd. and has a mining license covering 2.07 sq. km) and on the development and early production at its 92% owned Heilongjiang Zhongyi Weiye Economic & Trade Co. Ltd. (Zhongyi) and its five contiguous exploration licenses covering 364 sq. km.

## **(B) DEVELOPMENT OF AOHANQI INNER MONGOLIA MINE**

In only four months since the completion of the acquisition of the 70% interest in AoHanQi XinRuiEn Mining Co., Ltd. by the Company, Sino Prosper has made the following significant progress:

### **1: Ore Processing Plant and Accessory Facilities**

The first phase of the infrastructure of its planned Processing Facilities at AoHanQi is now completed and construction of the 500 tonne per day (tpd) ore processing plant has been completed. The plant equipments and accessory equipments have been installed, and the accessory facilities such as the flotation circuit and the first-phase tailing pond have been completed. To facilitate the smooth ramp-up of production, equipment test-runs and pilot production will be conducted in the plant in the following weeks. The plant is expected to achieve the planned capacity sometime during December 2010 to January 2011. Recruitment and training of new staff in each department have been successfully implemented. The Company maintains its development objective and, as, exploration progresses further in the following months to expand resources and a related larger scale mining plan is developed to ensure smooth plant operation, the expansion of the facility to a capacity of up to 2,000 tpd will be the Company's key operating objective in the second half of 2011.

#### ***Pictures of the Construction Development of the Processing Plant***



August 9

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August 27

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September 9

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October 29

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November 4

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## 2: Refining and Smelting Facility

In addition, the planned construction of the refining and smelting facility has now been suspended until the second quarter of next year due to the cold weather. However, if, in the following months, it is decided to expand the capacity to 2,000 tpd, management may determine to build a new large refining and smelting facility to meet the larger demand from the higher capacity processing.

## 3: Expansion of Mining System

Stage I work of AoHanQi project (i.e. reconstruction of tunnels and supporting facilities) has been successfully completed and is performing well to date. The current output capacity of the mine is approximately 600 tpd. Stage II expansion of the mine is now underway with the construction of four new vertical shafts: No.2, No.3, No.6 and No.8, which are larger than the existing shafts and will provide expanded access capacity. The first phase of construction of these new vertical shafts will be to a depth of 300m. The mining capacity of the AoHanQi Mine is expected to exceed 2,000 tpd upon completion of current mine expansion planned for the first half of next year.

#### **4: Exploration of AoHanQi**

The Company has entrusted China Non-ferrous Metal Geological Survey Co. Ltd (CNGS), Chifeng Huaxia Engineering Geological Investigation Co., Ltd. and Sichuan Huafeng Drilling Company to undertake exploration work at AoHanQi, and also retained Beijing Kewen Minerals Consulting Limited to provide professional technical advice and training to the exploration team. The Group has also retained Behre Dolbear Asia, Inc. as consultants for the preparation of an independent JORC-compliant technical report.

The Company has successfully implemented the appropriate Quality Assurance/Quality Control (QA/QC) procedures for sampling, sample handling and security, chain of custody, analytical procedures and reporting. The drilling currently in operation has encountered significant new mineralization, which will require further exploration. Current drilling has focused on the main controlling fault with a depth of approximately 500 meters and has consisted of a total of 28 drill holes for a total of approximately 8,000 meters. Approximately 1,000 samples were collected and have been submitted to SGS Labs in Tianjin for analysis. The Company completed 1:2,000 topographic mapping over 6.9 sq-km, 1:10,000 high resolution magnetic surveys, 1:10,000 intermediate gradient IP surveys, 1:10,000 geochemical soil surveys over 6.5 sq-km, and other comprehensive geophysical and geochemical analysis. Since the previous geological work was carried out in accordance with the PRC standards which are not compliant with the requirements of JORC standards than we had expected, new exploration work is required (including redrilling and re-sampling) in compliance with JORC standards. Consequently the issuance of an initial JORC compliant technical report is expected to be completed in the second quarter of 2011. To assist in meeting this objective, the Company has instituted a winter drill programme and has retained the services of Sichuan Huafeng Drilling Company utilizing their Longyear LF-70 drill.

The Company has continued to gain new understanding and knowledge of the highly mineralized regional geologic setting for the AoHanQi project area. Within the project area and surrounds, the geologic setting is varied and highly complex. The Company has identified at least four geologic events that appear to have resulted in gold and other mineral deposition in the area. Beyond the vein type system, which has been the historic focus of the property, Sino Prosper's team has identified a number of targets for future exploration, including explosion breccias, a large placer gold area, a potential copper deposit, and the potential for a deep copper/gold porphyry system.



## **(C) DEVELOPMENT OF HEILONGJIANG MINES**

At our project in Heilongjiang Province, Sino Prosper currently has five exploration licenses for poly-metallic gold prospects which cover an area of 364.61 sq.km. At present, the Company has entrusted Heilongjiang Suihua Jinbo Geology and Mineral Ltd. to perform systemic exploration work, focusing initially on three tenements: PaoShouYingDongShan (砲手營東山), SanChaLu (三岔路) and XiNanCha (西南岔). During this initial exploration work, the focus will be on developing resources based on the prevailing relevant PRC standards, with an aim to obtain mining permits as soon as possible. To the extent as permitted under the relevant circumstance, appropriate QA/QC and other procedures were implemented to allow for future JORC compliant mineral resource exploration and calculations.

Systematic geophysical and geochemical survey has been conducted on the five exploration tenements, with new systemic trench testing based on the previous work and drill testing on the mineralization zone controlled by trenching has also being undertaken. Cumulatively work has consisted to date of approximately 40,000 cubic meters exploration trenches, 5,000 meters trench logging, 1:10,000 geochemical soil survey over 31 sq-km and 1:10,000 intermediate gradient IP measurement over 19.06 sq-km. Due to unusual weather conditions and resultant local flooding during the summer drill season, exploration work was delayed and drilling work were severely impacted. Nonetheless, drilling of approximately 4,000 meters was completed, some 1,000 samples collected and core and sample analysis is in process. The Company believes that the results will be sufficient to issue the PRC standard resource report by the end of the year, allowing for application for a mining license in the first quarter of 2011 and to commence production by the end of next year.

## **(D) FURTHER REPORTS**

Sino Prosper is very encouraged and proud of its progress to date. The completion of the first stage expansion of the AoHanQi Mine and Processing Plant in only four months is a source of pride to management. Notwithstanding the more-than-expected complexities of converting to JORC, the Company is making significant strides in its exploration programmes and looks forward to continuing to improve and expand its exploration and development programmes. The Company is pleased to provide this update report and intends to provide at least quarterly updates in the future as appropriate.

By order of the Board  
**Sino Prosper State Gold Resources Holdings Limited**  
**Sung Kin Man**  
*Chief Executive Officer and Executive Director*

Hong Kong, 12th November 2010

*As at the date of this announcement, the executive Directors of the Company are Mr Leung Ngai Man, Mr Sung Kin Man, Mr Yeung Kit and Mr Ng Kwok Chu, Winfield, and the independent non-executive Directors of the Company are Mr Cai Wei Lun and Dr Leung Wai Cheung.*