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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. In order to increase transparency and provide adequate information on its corporate developments, 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 to be 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**

The Company is transforming its business model to build a large-scale business in the precious metals mining industry. The Company (together with its subsidiaries, the “Group”) has developed a strategic plan geared toward accomplishing this objective and has brought on board a highly experienced management team to execute its development plans. To reflect this business focus, “Sino Prosper Holdings Limited中盈控股有限公司” changed its name to “Sino Prosper State Gold Resources Holdings Limited中盈國金資源控股有限公司” (see the Announcement dated 22 December 2009). As previously announced, at the end of April the process of restructuring was further facilitated with the successful completion of a HK\$548,720,000 institutional placement. This capital injection is an important vote of confidence from the investment community, including a number of significant global funds, and provides a foundation for the rapid rollout of the Group’s precious metals mining business.

With this capital in place, the Group completed the acquisition of a 70% stake in Ao Han Qi Xin Rui En Mining Industry Co., Ltd. (AoHanQi), and subsequently obtained approval letter in respect of the capital increase from the relevant local government authorities. The Group have made full contribution of the registered capital as stipulated in the approval letter of the capital increase, so as to ensure the smooth rollout of the relevant projects undertaken by the joint venture company. (As announced on 29 June 2010). On 17 May 2010 Sino Prosper further announced the entering into of the conditional agreement for acquisition of a further 27% interest in Heilongjiang Zhongyi Weiye Economic & Trade Co. Ltd. (Zhongyi), with a view to increasing its equity interest to 92% of Zhongyi. As confirmed in the announcement released today on August 3rd 2010, this transaction has now been completed. The Group has now commenced active exploration and development of these projects as outlined further below.

## **(B) RECONSTRUCTION AND EXPANSION OF AOHANQI MINING PROJECT**

At the time of the acquisition by Sino Prosper of its interest in AoHanQi, the Company disclosed its plans for an expansion in production from the existing mine. Prior to agreeing to acquire AoHanQi, the operation consisted of a processing facility capable of treating approximately 50 tonnes per day (“tpd”) of ore and a mining area capable of bringing approximately 200tpd of ore to surface. As outlined in the Circular released by the Company dated 31 May 2010, a feasibility study conducted by Changchun Gold Design Institute and outlined in the technical report prepared by SRK Consulting China Limited, provided expansion plans to increase the daily production capacity to mine and process ore at the rate of 1,000tpd. Below, is a general discussion of the progress in this regard to-date.

### **Mine Reconstruction and Expansion**

In order to provide adequate raw materials to the processing facility, it is necessary to expand the output capacity of the mine. This involves widening of existing tunnels, construction of additional drifts (horizontal tunnels that follow along the length of a vein or rock formation), widening and construction of additional vertical shafts, mechanization of previous manual ore transportation systems, upgrading and expansion of electrical, mechanical and ventilation systems and other ancillary upgrades to accommodate the transportation of workers, machinery and ore. As at the date of this announcement, these works have made progress.

On commencement of this expansion work, the major vertical shaft #1, which is currently the main hoisting shaft, operated with adits in three sections down to a depth of approximately 200 metres (“m”). The status of existing and new expansion work is as follows:

#### ***Vertical Shaft #1:***

Approximately 2,100m tunnels required reconstruction, including widening of tunnels, and this work has been completed recently. New underground electrical systems, ventilation, and ore transport systems are being put in place.

### ***Inclined Shaft #2***

Inclined shaft #2 currently has 1,200m tunnels, of which approximately 280m of existing drifts required reconstruction and so far is nearly completed. New underground electrical systems, ventilation and ore transport systems are being put in place.

### ***Inclined Shaft #3***

Inclined shaft #3 currently has 1,100m tunnels, of which approximately 50m of existing drifts required reconstruction, which work has been completed. Additionally, a new 200m tunnel for transporting ore between the MaCheGou mine area and Inclined Shaft #3 is under construction.

All the expansion work outlined above are well on track and are substantially near completion, bringing the mine output capacity from the original 200tpd to approximately 600tpd.

To ensure adequate mining capacity, three new major shafts are being constructed. The first phase of these new vertical shafts are being constructed to a depth of 300m. Land use rights, access roads, power systems and water supplies required for construction are in place and first phase construction is expected to be completed within six months. Upon the full completion of these additional mine workings, the total output capacity of the AoHanQi project will be more than 1,500tpd of ore. Prior The Group has begun to stockpile ore feedstock to provide additional feedstock for the processing facility pending completion of the additional mine output capacity.

### **New Ore Bodies**

In the process of expanding the AoHanQi Mine workings, the Group has encountered and identified new hidden ore bodies. As outlined in the Circular dated 31 May 2010, the initial Chinese resource for the AoHanQi license area identified 5 ore-bodies and additional conformational drilling on the Company's behalf by China Non-ferrous Metal Geological Survey Co. Ltd ("CNMGS") identified an additional 26 ore-bodies for a total 31. In the process of expanding the underground workings as outlined above, the Group encountered a number of additional hidden ore-bodies. Although future exploration will be required to fully evaluate the size of the AoHanQi resources, as further discussed below, the total size of the new mineralization encountered has caused the Group's management to re-evaluate their expectations as to the ultimate production potential of the mine. The impact of this is outlined in the next section.

### **Processing Facility and Ancillary Facilities**

As outlined in the Circular dated 31 May 2010, plans had called for the construction of a new processing facility to take throughput from a current 50tpd to 1,000tpd. An initial site for the processing facility had been identified and prepared. However, given the expectations for a larger resource, the initial plant site was deemed unsuitable, as it provided no room for future production expansion. A new site has been identified, and relevant preparation such as clearance of the site,

connecting the temporary water and electricity supply and road connection to the site has been completed. The new processing plant will have the potential to expand the future processing capacity to 2,000tpd. Foundation and infrastructure construction work of the new processing plant are under construction. Acquisition of the land for the tailings pond is completed and construction work has commenced. All required equipment has been ordered, constructed and will be delivered shortly. New water and power transmission system networks have been constructed. Though the moving of the site has necessitated some small delays, completion of the plant for initial production at 500tpd is expected by mid to late September, pending completion of further construction in the following months.

Because of the planned future expansion in throughput, Sino Prosper management has determined that a much larger and more expensive refining and smelting facility will ultimately be required. As such, the Company has decided to build a smaller smelting facility initially, the construction of which will be undertaken at the same time as that of the processing plant. On expansion of the processing operations in the future, new plans are anticipated for construction of a much larger refining and smelting plant capable of handling much higher levels of gold output.

On completion of the mine refitting and processing plant, employment at AoHanQi is expected to have increased from the initial 62 to approximately 624 employees. Hiring and training is well underway and the current staff complement stands at over 300 employees.

#### **(C) EXPLORATION OF AOHANQI PROPERTY**

Sino Prosper is planning an extensive new JORC compliant exploration programme at AoHanQi this year. All historic data is being converted into international standards required for the preparation of JORC compliant mineral resource statements. Additional geological work, geo-chemical and geophysical analysis is in progress. Geophysical testing and magnetic surveys in the area have been completed.

During the year, the Company has entrusted CNMGS to undertake systemic drilling and exploration work, which will be based on JORC standard. The Group is establishing the appropriate Quality Assurance/Quality Control (“QA/QC”) procedures for sampling, sample handling and security, chain of custody, analytical procedures and reporting. Currently six drill rigs are in operation. This drilling have encountered additional ore bodies (excluding the 31 ore-bodies already certified) which will be further delineated and reported as part of JORC compliant resource report intended to be released by the start of the winter and to do periodic updates to this resource The Company is also developing new geologic model for the area and new understanding of the historic geologic processes to assist in focusing its development of what it believes is an area of significant additional potential.

## **(D) EXPLORATION OF ZHONGYI WEIYE**

At its Zhongyi Weiye project, Sino Prosper has the five exploration licenses for poly-metallic gold prospects which cover an area of 364.61 sq.km. The Company has entrusted Heilongjiang Suihua Jinbo Geology and Mineral Ltd. to perform systemic exploration work, focusing initially three tenements: PaoShouYingDongShan (炮手營東山), SanChaLu (三岔路) and XiNanCha (西南岔). During this initial exploration work, the focus will be on developing resources based on the 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 will be put in place to allow for future JORC compliant mineral resource calculations

The five exploration projects are currently subject to systemic geophysical and geochemical exploration, while systemic trench testing on the previous work and drill testing on the mineralization zone controlled by trenching are also being undertaken.

### **PaoShouYingDongShan**

Based on last year's initial exploration work by the Heilongjiang Geological Survey Team ("HGST"), Suihua Jinbo Geology and Mineral Ltd. of Heilongjiang ("SJGM") is performing a more systemic exploration program has begun. To date, the teams on a cumulative basis have completed 19,140.75m<sup>3</sup> of trenching, a 1:10,000 scale soil geochemical survey, a 1:10,000 scale survey grid of 21.5km<sup>2</sup>, a profile survey across 45.76km, a 1:10,000 scale medium-gradient IP survey over 4.58km<sup>2</sup>, and sample analysis. Initial trenching has revealed a fine-vein silica alteration zone with a length of 500m and a width of 100-150m. Silica, sericite, chlorite and pyrite alteration were noted. Three rigs are currently deployed and initial drill core and other samples are being processed.

### **XiNanCha**

Based on last year geochemistry testing work by HGST, initial trenching was conducted by SJGM on a targeted area with the completion on a cumulative basis of 5,271.46m<sup>3</sup> of trenching, a profile survey across 48.7km, 1:10,000 scale medium-gradient IP survey over 2.16km<sup>2</sup>, plus various sampling tests. Similar to PaoShouYingDongShan, a fine-vein silicide alteration zone was encountered, with a length of 150m and width of 40.98m, and containing silica, sericite, chlorite, and pyrite. Drill testing on the mineralization zone will commence very soon.

SanChaLu and other tenements are all currently subject to systemic geophysical and chemical exploration and trench testing.

**(E) FURTHER REPORTS**

Sino Prosper is very encouraged with the results of exploration and development work to date. The Company is pleased to provide this update report and intends to provide regular operation 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, 3 August 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, Mr Wong Wa Tak and Mr Ng Kwok Chu, Winfield, and the independent non-executive Directors of the Company are Mr Chan Sing Fai, Mr Cai Wei Lun and Dr Leung Wai Cheung.*