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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 its latest quarterly update of 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. 中盈國金資源控股有限公司 (“Sino Prosper” or the “Company”) is a Hong Kong listed precious metals company. Sino Prosper is focused on all aspects of exploration, development, mining and production of precious metals in China. In addition to its existing exploration and production projects, Sino Prosper plans on building a major Chinese precious metals producer through acquisition of producing or near production properties that can result in increasing resources and production per share.

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 square kilometres (km²)) 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 approximately 364 km².

(B) DEVELOPMENT OF AOHANQI MINE, INNER MONGOLIA

1. Ore Processing Plant and Refinery & Smelter

As previously reported, the first phase of the infrastructure of its 500 tonne per day (tpd) Aohanqi Processing Facilities was completed in only four months after acquisition of the project on July 1, 2010. The plant equipment, accessory equipment, and the first-phase tailing pond were installed and completed. The official opening of the Aohanqi Processing Plant was held on 20 November 2010 and was attended by local government dignitaries.



Aohanqi Processing Plant – Official Opening



Aohanqi Processing Plant – inside view

Sino Prosper is pleased to advise that by the end of December the plant had achieved its full rated processing capacity of 500 tpd. Initial quantities of gold alloy and gold concentrates have been produced and are inventoried on site.



Gold Alloy from the Aohanqi Plant



Gold Concentrate from the Aohanqi Plant

Sino Prosper is pleased with the rapid achievement of the processing plant throughput and notes that the plant is expected to achieve planned levels of gold production shortly. Current gold output is limited as access to the main ore body required for planned gold production levels under the Company's mining planning is not possible because of current construction, as outlined below. Access to main ore body is expected to become available in March upon completion of construction of a new headframe for Vertical Shaft #1, after which normal production per the mining plan is expected to be achieved. In the interim, feedstock for the processing plant has been provided from waste rock obtained during expansion of the underground mine workings. Feedstock from the waste pile is believed to have an average grade of approximately 2 grams per tonne (g/t) but any production recoveries or costs from such material are not expected to be representative of the plant operation. Monitoring of operating parameters will commence upon input of normal expected feedstock for which the plant has been configured.

Sino Prosper is pleased to announce that based on progress in exploration and expanding mine output capacity, as discussed below, it has confirmed its plans to expand the Processing Plant capacity to 2,000 tpd. The Company intends to shortly order construction of required equipment in order to ensure delivery in time for earliest possible completion of the plant expansion.

Simultaneous with the planned expansion, and with the strong backing of the local government, the Company is also pleased to announce that it will construct a new Refinery with an ultimate expected annual output capacity in excess of one million ounces of 99.99% pure gold per annum. The application for construction of the plant is currently being processed.

Capital costs for the planned expansion are budgeted at approximately Rmb100 million for the expanded processing facility and Rmb100 million for the Refinery.

2. Expansion of Aohanqi Mining Operations

As previously announced, Stage I work at the Aohanqi Mine (i.e. reconstruction of tunnels and supporting facilities) has been completed and mining capacity was increased from approximately 200 tpd to approximately 600 tpd. Stage II of the mine expansion has advanced considerably. Construction of the four new and larger vertical shafts (#2, #3, #6 and #8) have made good progress with vertical shafts #2, #3, #6 and #8 having reached depths of 117 meters, 75 meters, 32 meters and 95 meters, respectively. Planned first stage, initial depths of the four shafts are 300 meters each. Upon completion of these vertical shafts, new connecting tunnels will also be constructed. Construction of these new vertical shafts and the expanded tunnel system will expand expected mine output capacity to approximately 2,500 tpd and will allow for access to a number of additional identified mineralized zones. This mine expansion is expected to be substantially completed in the third and fourth quarters of the current fiscal year.



Temporary Head-frame of New Vertical Shaft #8

3. Exploration of Aohanqi

As outlined in our previously Quarterly Operation Update, 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 2010 drilling program concentrated on: (1) confirming previous drill and underground sample results, (2) extending known mineralization to depth and along strike, and (3) testing new vein zones identified by surface mapping and sampling. As of this date, 49 diamond holes totalling 14,670m have been drilled within the Aohanqi mining and exploration license areas during the 2010 exploration season utilizing four separate contractors and two different types of equipment. However, much of this geological work were carried out in accordance with the PRC standards prior to implementation of QA/QC protocols required for JORC standards, consequently the issuance of the JORC compliant technical report will be postponed to the second quarter of 2011 to allow for collection of further JORC compliant data.

The Company is making new exploration plans for an expanded drilling programme in the coming spring and summer to advance the preparation of JORC resource reporting and to also explore new geologic mineralization discussed in the previous Quarterly Operation Update. As noted previously, 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.

Currently, an active programme of underground sampling is underway with channel samples being undertaken at 4m intervals throughout the underground workings. To date, 1254 channel samples have been collected from the underground workings, and 481 sample assay results have been received from SGS-CSTC Standards Technical Services Co., Ltd., Tianjin Branch ("SGS"). Additional sampling will be undertaken in the new expanded underground workings as they are completed.

4. Expansion of the Current Mining License Area

First phase of the application for the expansion of the mining license area has been completed. The Aohanqi mining area has now been expanded from the original 2.07 km² to 2.70 km² (Chinese regulations require that each expansion application cannot be 1/3 larger than the current area). Sino Prosper will continue to expand its licensed area with an ultimate goal of a mining license covering 6 km².

(C) DEVELOPMENT OF ZHONGYI-WEIYE HEILONGJIANG MINES

At its Zhongyi-Weiye Project in Heilongjiang Province, Sino Prosper currently has five exploration licenses for poly-metallic gold prospects, which cover an area of 364.61 km². As previously reported, the Company has entrusted Heilongjiang Suihua Jinbo Geology and Mineral Ltd. to perform systemic exploration work, focusing initially 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.

Sino Prosper expects to convert first exploration license to mining license within the current year, with the objective of the earliest possible initial production. A further Announcement in this regard is expected to be provided by the Company shortly.

(D) FURTHER REPORTS

Sino Prosper is very encouraged and proud of its progress to date. Further expansion of the Aohanqi Mine is making good progress, sufficient to allow for the decision to commence the further expansion of our Processing Plant capacity to 2,000 tpd and construction of a related Refinery. Notwithstanding the more-than-expected complexities of converting to JORC, the Company is making significant strides in its exploration programmes at Aohanqi and looks forward to resumption of its surface drilling programme in the spring.

Sino Prosper has also commenced investigation of a number of new projects with a view to continuing to grow resources and production per share as key drivers of shareholder value.

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, 17 February 2011

As at the date of this announcement, the executive Directors of the Company are Mr Leung Ngai Man (Chairman), Mr Sung Kin Man (Chief Executive Officer), Mr Ng Kwok Chu, Winfield and Mr Yeung Kit, and the independent non-executive Directors of the Company are Dr Leung Wai Cheung, Mr Cai Wei Lun and Mr Zhang Qingkui.

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