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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 (中盈國金資源控股有限公司, “Sino Prosper” or the “Company”) is pleased to provide its latest quarterly update of operations and programs. Due to anticipation in the market of receipt of updates on the operating status of our plant and exploration programs, this update is being released earlier than normal.

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.

(A) CURRENT STATUS

Sino Prosper State Gold Resources Holdings Ltd. is a Hong Kong listed precious metals company. Sino Prosper is focused on various 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 mining projects 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. which holds a mining license covering 2.70 square kilometres (km²)); on the expansion and consolidation of operations in the Aohan Banner in Inner Mongolia through its Regional Cooperation Agreement with the local government; on the development and early production at its 92% owned Heilongjiang Zhongyi-Weiye Economic & Trade Co. Ltd. (Zhongyi) which holds five exploration licenses covering approximately 364km² in contiguous areas; and in the expansion of its resources and production through acquisition of advanced-stage, value enhancing projects. The Company has also been undertaking due diligence regarding a potential acquisition of up to an 85% interest in silver and manganese mines located in Zhuolu County, Hebei province (河北省涿鹿縣), the PRC pursuant to the Framework Agreement signed 7 April 2011.

(B) SHARE BUYBACK

Since 27 July 2011 and through 14 October 2011 the Company has repurchased for cancellation 79,420,000 shares for an aggregate consideration of HK\$13,656,835 of which 60,400,000 shares have been cancelled and the remainder are in the process of being cancelled. As at 14 October 2011 and after cancellation of all shares repurchased, the pro forma current shares outstanding are 7,780,424,971.

(C) AOHANQI MINE, INNER MONGOLIA

1. Ore Processing Plant and Refinery

As previously reported, the first phase of the construction 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.



Figure 1 – Dore Gold Bars (right) produced from physical gold amalgam at Aohanqi Plant

As reported previously, the plant achieved its full processing capability of 500tpd by the end of December 2010. However, as mentioned in our previous Quarterly Operation Update and further elaborated below, current gold output has been limited as access to the main ore body required for planned gold production levels under the Company's mining planning was not possible because of remedial construction and safety upgrades. In order to test plant equipment and operations, since January feedstock for the processing plant had been provided from waste rock obtained during expansion of the underground mine workings. The Company is pleased to report that this remedial construction and safety upgrades have been completed effective 12 August 2011 at a total cost of approximately Rmb5 million. Work completed included rehabilitation of tunnel support systems, roadway reconstruction, improved ventilation, equipment upgrades and so on. The processing plant restarted production on 20 September 2011, with a ramp-up time of about three to four weeks before daily production capacity of 500tpd is reached. Construction is also underway for the upgrading and expansion of office buildings, tailing pond and other ancillary facilities.



Figure 2 – Expanding Aohanqi Plant Facilities

However, because of other on-going underground construction in the mine, as outlined below, access to deeper parts of the high-grade zones is still limited and mine output capacity is reduced to about 350tpd from the ultimate existing capacity of 600tpd. Until planned completion of this other construction, mine output will continue to be blended with waste rock to produce an expected average head grade to the plant of about 3g/t. Completion of this additional tunnel construction, resulting in full access and upgraded mine output capacity, should result in restoration of normal head grades within the first half of 2012.

In view of these delays and because of alternative processing and mining options resulting from the previously announced Aohan Banner Regional Cooperation Agreement, as discussed further below, the previously announced expansion of the processing plant has been postponed. On a similar basis, the previously announced Rmb100 million refinery construction has also been postponed as this analysis continues.

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 ultimate mining capacity was increased from approximately 200tpd to approximately 600tpd. Stage II of the mine expansion has advanced considerably. Construction of four new and larger standard specification vertical shafts (#2, #3, #6 and #8), each with seven sub-levels planned, have made good progress with the vertical shafts having reached depths of 320 meters (m), 120m, 160m and 270m, respectively. Furthermore, as of the end of August, approximately 800m of new underground tunnels have been constructed for a current total of about 8,000m of existing underground tunnels. Upon completion of these vertical shafts and related connecting tunnels, expected mine output capacity will be approximately 2,000tpd and will allow for access to a number of additional identified mineralized zones. This mine expansion is expected to be substantially completed in early 2012.



Figure 3 – New Vertical Shaft #2



Figure 4 – New Vertical Shaft #8

While the delay in establishing full production because of these enhancements is regrettable, management will always place the safety of its workers and long-term sustainable operation above short-term profits.

3. Exploration of Aohanqi Project

As noted in our previous 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. However, much of this geological work was carried out in accordance with the PRC standards prior to implementation of QA/QC protocols required for JORC standard.

The Company has commenced a new exploration programme in March involving both surface drilling and underground sampling. Currently 7 drill rigs are on site. The current year program has completed 50 new holes for a total of 16,000m. To date, more than 3,000 samples have been collected. As additional required drilling is yet to be completed, the issuance of the JORC compliant technical report will be further postponed to the first quarter of calendar year 2012, to allow for collection of further required data.

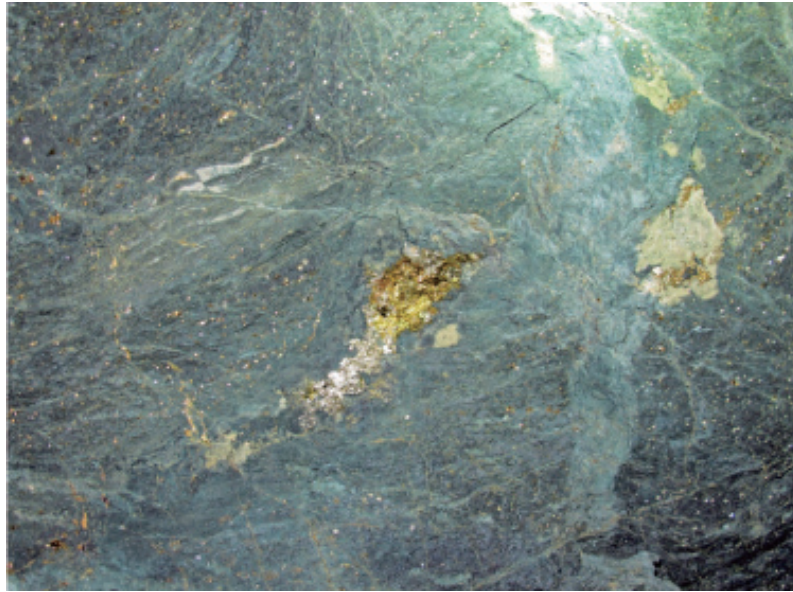


Figure 5 - Newly Discovered Highly Mineralized Vein

4. Expansion of the Current Mining License Area

As noted in our previous Operation Update, the first phase of the application for the expansion of the mining license area has been completed. The Aohanqi mining area was expanded from the original 2.07km² to 2.70km² (Chinese regulations require that each expansion application cannot be 1/3 larger than the current area). Sino Prosper has also been granted the right to additional license areas contiguous with its property and will now continue to expand its licensed area with an ultimate goal of a mining license covering 10km² (up from a previously reported 6km²).

5. Management Team Upgrade

The Company has considered the results to-date as unsatisfactory and the Board decided to make significant changes to the Aohanqi Mine local project management team over the past few months. As of the end of August, a total of 6 senior managers have been replaced and upgraded. The Board of Sino Prosper expects that these changes in the Aohanqi Mine management will improve performance and project delivery going forward.

(D) AOHAN BANNER REGIONAL COOPERATION AGREEMENT

As outlined in our previous Quarterly Operations Update, on 10 April 2011, the People's Government of Aohan Banner ("Aohan Banner Government") and Sino Prosper Minerals Investment Limited ("SP Minerals", a wholly owned subsidiary of the Company) signed a Framework Cooperative Agreement ("Aohan Agreement") to allow the Company to conduct preliminary exploration of unencumbered areas with gold and copper mineral prospects within the Aohan Banner region. Additionally, the parties agreed to cooperate in the consolidation of gold and copper resource assets in such areas, and exploration and development of jade and gem stone resources. SP Minerals may set up production facilities for gold, copper, jade and gem stone resources.

Sino Prosper is very pleased with the opportunity presented by the Aohan Agreement. The Aohan Agreement offers Sino Prosper the potential to be a significant consolidator within this 8,300km² prolific mining region. The Banner is home to over 40 state-owned mines. Among these are 17 operating large and small state-owned gold mines, of which 15 are located near Sino Prosper's project on the southeast side of Aohanqi.

Management believes this is a significant opportunity for the Company offering the opportunity to not only consolidate its operation at its Aohanqi Mine with others in the area resulting in both potential expansions of resources and production but also improved project economics and more effective use of the Company's existing resources.

Sino Prosper has organized its regional team to begin to examine data and opportunities provided by the local government. Also, due to severe monetary tightening in the PRC, a large number of small to medium-scale mining and processing plants are available for sale, as such there is a great opportunity to acquire better quality resources and processing plants, and to make better use of current cash on hand. As a result of the potential from these new opportunities, the planned expansion of the Aohanqi processing facilities has been postponed as the Sino Prosper considers "in-production" projects introduced by the government.

The Company expects to make decisions on potential acquisitions and plant expansion in the first half of 2012.

(E) ZHONGYI-WEIYE HEILONGJIANG MINES

At its Zhongyi-Weiye Project in Heilongjiang Province, Sino Prosper currently has five exploration licenses for poly-metallic (including gold and copper) prospects, which cover an area of 364.61km². 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.

Systematic geophysical and geochemical survey has been conducted on the five exploration tenements, with new systemic trench testing based on the previous work. Drill testing on the mineralization zone controlled by trenching has also been undertaken. Cumulatively work has consisted to date of some 40,000m³ exploration trenches, 5,000m trench logging, 1:10,000 geochemical soil survey over 41.34km², 1:10,000 intermediate gradient IP measurement over 19.06km² and over 4,000m of drilling.

Last year, due to unusual weather conditions and local flooding during the summer drill season, exploration work was delayed and drilling work was adversely affected. Nonetheless, drilling of about 4,000m was completed, some 1,400 samples collected. Assay results from this programme were not satisfactory with relatively lower than expected grades and quantities.

However new high potential targets have been identified and a newly designed drilling program totalling 3,000m is under way. Currently, 4 drill rigs are in place and expected to complete the first phase of drilling by the end of 2011. The Company's objective is to develop PRC standard resource reports, apply for mining licenses and to commence initial production by the end of 2012.

(F) SILVER MINE ACQUISITION

On 7 April 2011, Sino Prosper State Gold HK Limited, a wholly-owned subsidiary of the Company, entered into a Framework Agreement for the acquisition of up to 85% of an independent PRC company that is the holder of a mining license and an exploration license in respect of silver and manganese mines located in Zhuolu County, Hebei province (河北省涿鹿縣), the PRC. The Professional Consultants hired by Sino Prosper have now completed detailed due diligence work on the property. However, as the due diligence results have not met the Company's expectations, Sino Prosper has decided not to proceed with this project.

(G) FURTHER REPORTS

Sino Prosper continues to seek to improve its performance and capabilities. The Company looks forward to the imminent normalized operation of the Aohanqi processing facility and completion of the safety and expansion of the Aohanqi Mine. The Company also looks forward to reporting on its exploration efforts at Aohanqi and Zhongyi over the course of the coming year.

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

As one of a very few junior mining companies in Hong Kong and given current market conditions, Sino Prosper management considers that proper allocation and preservation of scarce capital resources, together with building long term sustainable operations, is key to the Company's long term success.

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 October 2011

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

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