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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 a news blackout prior to release of the Company’s Annual Financial Statements, this current Update covers both the quarters ended 31 March and 30 June 2011.

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 management’s 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. 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 364 km² in contiguous areas; and in the expansion of its resources and production through acquisition of advanced-stage, value enhancing projects.

(B) SHARE PLACEMENT

On 3 May 2011, Sino Prosper completed the placing of 1,100,000,000 shares at the subscription price of HK\$0.38 per share. Samsung Securities (Asia) Limited and CLSA Limited acted as the Placing Agents for the issue. With the proceeds of this Placing and the prior funds in-hand, Sino Prosper currently has cash on hand in excess of HK\$700 million and no debt (other than trade debts arising from ordinary course of business), placing the Company in a strong financial position to execute on its business plans.

(C) 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.

As reported previously, the plant achieved its full processing capability of 500 tpd by the end of December 2010. However, as 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 current construction. In order to test plant equipment and operations, feedstock for the processing plant has been provided from waste rock obtained during expansion of the underground mine workings. Latest test data indicates that this waste material had average grades considerably below expected levels and was highly variable in grade and metallurgy. As such, the lack of adequate grade and metallurgical control led to suboptimal performance in recoveries, costs and ability to operate continuously. The plant operated for a total of 73 days during the last two quarters and operations were suspended effective 5 June. During the month of April, when higher grade (1.84 g/t) waste was being processed, the recovery rate did reach 92% and costs, although elevated, did improve. Because of the start-up costs, low input grade and lack of metallurgical control, operating costs were higher than forecast in the plant feasibility study but not considered representative. A total of only 1,001 oz of gold was produced during the period.

Nonetheless, 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. Access to main ore body is expected to become available by the end of July/early August upon completion of safety upgrades to the mine, after which normal production in accordance with the mining plan is expected to be achieved. 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. Some of the required equipment has been ordered and construction is planned to commence in August. However, as discussed further below, planned construction may be affected by the positive impact expected from the Aohan Banner Regional Cooperation Agreement. The results of reviewing other available processing facilities and other available resources may influence Sino Prosper's plans as it seeks to maximize returns to shareholders.

Simultaneous with the planned expansion, and with the strong backing of the local government, the Company continues to plan the construction of 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.

Currently planned capital costs for the expansion are budgeted at approximately RMB100 million for the expanded processing facility and RMB64 million for the related 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 four new and larger vertical shafts (#2, #3, #6 and #8) have made good progress with the vertical shafts having reached depths of 274 meters, 100 meters, 125 meters and 208 meters, respectively. Planned initial depths of the four shafts are 300 meters each. Upon completion of these vertical shafts, new connecting tunnels will be constructed. Construction of these new shafts and the expanded tunnel system will expand expected mine output capacity to an expected 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 early 2012.

As noted above, access to the mine's main ore body has been restricted during the last few months in order to make significant safety upgrades. The main mine access at Vertical Shaft #1 was significantly improved with the installation of a new mine headframe and lift system. Additionally, safety upgrades have included stabilization of mine tunnels and construction of additional supports and debris protection.



New Headframe at Vertical Shaft #1 – Aohanqi

While the delay in establishing full production because of these enhancements is regrettable, management will always place the safety of its workers above short-term profits. Restoration of access to the main high-grade ore zones and planned production levels is expected to be fully in place by early August.

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 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 end of the fiscal second quarter of 2011 (i.e. the quarter ending 30 September 2011) to allow for collection of further JORC compliant data.

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 exploration, including explosion breccias, a large placer gold area, a potential copper deposit, and the potential for a deep copper/gold porphyry system.

The Company has commenced a new exploration programme commencing in March involving both surface drilling and underground sampling. Currently six drill rigs are on site. The current year programme has completed 22 new holes for a total of 7,211.29 m bringing the total cumulative drilling under Sino Prosper to 70 drill holes for 21,782.12 m. Results from assaying are currently being awaited.

Currently, an active programme of underground sampling is underway with channel samples being undertaken at 4m intervals throughout the underground workings. To date, 1,657 channel samples have been collected from the underground workings, including 833 in the current year. Additional sampling will be undertaken in the new expanded underground workings as they are completed. Additionally, 75 surface samples had been previously collected.

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 2.07 km² to 2.70 km² (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 10 km² (up from a previously reported 6 km²).

(D) AOHAN BANNER REGIONAL COOPERATION AGREEMENT

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.

The Aohan Banner Government has undertaken to supply to SP Minerals exploration areas for gold, copper, jade and gem stone resources, and to provide land use priority regarding its processing facilities. During the stage of project development, the Aohan Banner Government will aim to waive various administrative fees chargeable at the banner level on relevant project companies of SP Minerals, and will coordinate to allow project companies to enjoy the lowest possible administrative fees chargeable at or above municipal level.

The Aohan Banner Government has agreed to assist SP Minerals in project approval, environmental evaluation, mining, development and processing of gold, copper, jade and gem stone resources, and ensure the normal production and smooth operation of the projects undertaken by SP Minerals. The Aohan Banner Government will assist SP Minerals to apply for national project subsidies and ensure that SP Minerals may enjoy preferential policies applicable to industrial enterprises promulgated by the Aohan Banner Government.

SP Minerals may set up project companies (with independent legal person status) in the Aohan Banner to make investments. SP Minerals will utilize its advantages in capital, management and technology to implement the arrangement and to enhance gold, copper, jade and gem stone resource production efficiency by utilizing technology of international level. In the design and operation, SP Minerals (and the relevant project companies) will follow the national industrial policy of the PRC, and will ensure that relevant safety and environmental standards are consistent with the national standards of the PRC.

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 8,300 km² 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. In this regard, and notwithstanding the expansion plans for the Aohanqi Mine outlined above, Sino Prosper will explore other alternatives to the expansion of its existing property. This might include, for example, diversion of mine output to other regional processing facilities (saving planned capital expenditures for processing expansion); larger expansion of the Aohanqi Mine processing facilities than currently planned to handle expanded production from other regional mines; or other permutations that may increase overall production and resources with improved economics.

Sino Prosper is in the process of organizing its regional team to begin to examine data and opportunities provided by the local government. The Company has already been introduced to four projects, each currently treating 500 tpd. Other opportunities and projects are expected to be introduced in the near future. Because of the size of Aohan Banner and scope of its mining operations and potential, Sino Prosper expects a number of opportunities to be generated but expects that systematic analysis and review will be required throughout the coming year.

(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 364.61 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.

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 40,000 m³ exploration trenches, 5,000 m trench logging, 1:10,000 geochemical soil survey over 41.34 km² and 1:10,000 intermediate gradient IP measurement over 19.06 km².

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 4,000 m was completed, some 1,400 samples collected and core and sample analysis is in process.

New exploration work has commenced, although somewhat constrained by earlier flooding on the properties. Currently, four drill rigs are in place and the Company is seeking to obtain services of another four drill rigs during the coming weeks. The current drilling is focussed on PaoShouYingDongShan (砲手營東山) and SanChaLu (三岔路). The Company's objective is to develop PRC standard resource reports on these two projects and apply for mining licenses within the current calendar year and to commence production by the year 2012. New drilling will commence on the other tenements in the spring of 2012.

Sino Prosper is pleased to report that Mr. Zhao Xiao Feng is the geologist appointed by the Company to be on site and supervise the Zhongyi exploration efforts. Mr. Zhao has a degree in Geological Exploration from Zhong Nam Mining University and has more than 25 years of experience in the Chinese mining industry.

(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. Based on a geological report prepared in May 2010 and supplied by the Vendor, the relevant mines contain mineral reserves of some 422 tons of silver and 129,685 tons of manganese, whose total selection and refining recovery rate (選冶總回收率) was reported at 75%.

Sino Prosper is currently undertaking detailed due diligence work on the property. Conformational drilling and sampling on the property has been completed. As well, detailed metallurgical testing is underway and first results are currently being analyzed. The Company expects to receive reports within the next six to eight weeks from the various technical consultants that have been retained to assist with the due diligence and assessment of the project.

Sino Prosper expects to be in a position to make a decision as to proceeding with the acquisition of the project within the next two months. The decision will be made based on the results of the due diligence work, successful negotiations of satisfactory agreements with the Vendor of the project and the Company's assessment of the best deployment of its funds to maximize shareholder returns.

(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 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 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, 26 July 2011

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. Ng Kwok Chu, Winfield, and the independent non-executive Directors of the Company are Mr. Cai Wei Lun, Dr. Leung Wai Cheung, Mr. Zhang Qingkui.

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