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## **Hengxing Gold Holding Company Limited**

### **恒興黃金控股有限公司**

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

**(Stock Code : 2303)**

## **Operational Updates of Gold Mountain Mine for the Third Quarter of 2016**

This is a voluntary announcement made by Hengxing Gold Holding Company Limited (“Hengxing Gold” or the “Company”, including its subsidiaries, the “Group”).

The board (the “Board”) of directors (“Directors”) of the Company announces the operational updates for the third quarter of 2016 of its Gold Mountain Mine (as defined in the prospectus dated 19 May 2014 of the Company). Gold Mountain Mine, wholly owned and operated by the Company, is the largest operating gold mine in Xinjiang region of China in terms of JORC resources, annual ore processing capacity and gold production volume at full production level. Xinjiang Gold Mountain Mining Co., Ltd (新疆金川礦業有限公司) (“Jinchuan Mining”), incorporated in China, is an indirectly wholly owned subsidiary of the Company.

### **Production Updates of Gold Mountain Mine**

Based on the unaudited operational data of the Group and information currently available to the Company, the Group’s Gold Mountain Mine crushed and processed 1,484,242 tonnes of ore during the third quarter of 2016, with a year-on-year growth of 21%. The average head grade increased from 0.73 g/t to 0.92 g/t compared to that of the same time last year. The Yelmand prospect and the Mayituobi prospect has achieved a stripping volume of 582,894 m<sup>3</sup> and 127,093m<sup>3</sup>, and a mining volume of 1,265,128 tonnes and 222,714 tonnes respectively. As at 30 September 2016, the average strip ratio for Gold Mountain Mine of 2016 is 0.9. (Since mining commission up to 30 September 2016, the accumulative average strip ratio is 2.07).

The Gold Mountain Mine produced gold doré equivalent to a total of 19,796 ounces (equivalent to approximately 615.73 kg) of gold in the third quarter of 2016, approximately 26% higher than the corresponding figures for the same period last year.

As disclosed in the previous announcements, the Company has begun to develop the Kuangou prospect, and completed the initial stripping of 1,917,017 m<sup>3</sup> in the third quarter of 2016. In order to shorten the ore hauling distance from Kuangou prospect to the plant and save the costs of transportation, the company has started to construct a haulage adit in the Kuangou prospect in September 2016, and it is scheduled to be completed by the end of 2017.

In view of the substantial increase in gold production and the implementation of several cost control measures, the all-in gold production cost (cash operation cost plus amortization and depreciation) in the third quarter of 2016 was US\$624/oz, with a drop of 27% compared to USD 858/oz recorded in the third quarter of 2015.

### **Technical Upgrade of Gold Mountain Mine**

As disclosed in the previous announcements, after in-depth studies and tests on various crushers, the decision of using high-pressure grinding roller was made in June 2016. The final particle size is expected to meet the designed size and the leaching rate can be further increased by about 8%. The company signed the equipment procurement contract with the supplier of high-pressure grinding rollers in July 2016, and has carried out the construction of a new workshop. The high-pressure grinding rollers will be mobilized to the site by the end of October 2016, and are expected to be installed and testing by the end of 2016 and formally put into production in 2017, the gold recovery rate will be further improved at that time.

The company has completed the construction of a new carbon recovery workshop and the installation of high-temperature carbon activation equipment and corollary equipment as a part of gold adsorption process in September 2016. It will help to realize the recycling of activated carbon and save costs. So far, the equipment is still on testing and is expected to be put into production in the fourth quarter of 2016.

### **Other Updates of Gold Mountain Mine**

As disclosed in the previous announcements, the Company is cooperating with Western Region Gold Ili Company Limited (西部黄金伊犁有限责任公司) in exploration in the Bohogou (薄荷沟) prospect. The exploration drilling plan is in design and expected to be finalised within 2016. To increase resources, the company performed infill drilling and supplementary drilling at edges to the Jingxi-Balake prospect, consisting of 1,205.95 meters in 7 holes in the third quarter of 2016. The drilling results is in line with expectations and demonstrate the gold deposits.

As disclosed in the previous announcements, the Company is still waiting for the final decision to be issued by Xiamen Arbitration Commission on the arbitration between Jinchuan Mining and Trio China Ltd.

The Company will update shareholders and potential investors from time to time on the status of production, technical upgrade and exploration progress.

*This announcement is made based on the Board's preliminary review of the unaudited operational data of the Group and the information currently available to the Board, and it is not based on any figures and information which have been audited or reviewed by the Group's auditors. The references to the gold production, gold price or unit operating cash cost do not constitute, represent or indicate the full picture of the Group's total revenue or financial performance and the information contained in this announcement may be subject to change and adjustment.*

*Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Company's securities.*

By order of the Board  
**Hengxing Gold Holding Company Limited**  
**KE Xiping**  
Chairman

Xiamen, the PRC, 20 October 2016

*As at the date of this announcement, the executive directors of the Company are Mr. KE Xiping, Mr. CHEN, David Yu and Mr. Albert Fook Lau HO, and the independent non-executive directors of the Company are Ms. WONG, Yan Ki Angel, Mr. XIAO Wei and Dr. Tim SUN.*