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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 Fourth 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 fourth 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 1,259,310 tonnes of ore during the fourth quarter of 2016, up 9% year-on-year. The average head grade increased from 0.77 g/t to 0.95 g/t compared to that of the same period last year. The Yelmand prospect and the Mayituobi prospect achieved stripping volumes of 1,006,229 cubic meters and 22,979 cubic meters respectively, and mining volumes of 1,176,007 tonnes and 106,820 tonnes respectively. As of 31 December 2016, the average overall strip ratio for Gold Mountain Mine of 2016 is 1.22 (since the commissioning of the mine, the accumulative average strip ratio is 2.14).

For the fourth quarter of 2016, Gold Mountain Mine produced gold doré equivalent to a total of 11,280 ounces (equivalent to approximately 350.84 kg) of gold, approximately 9.6% lower than the corresponding figures for the same period last year. The reduction was mainly due to the temporary deferred gold extraction during the upgrading process of desorption-electrolysis equipment.

As for the Kuangou prospect, the initial stripping in the fourth quarter of 2016 amounted to 1,232,310 cubic meters. Construction of haulage adit to the plant has reached 80 meters long and will be extended to the designed length of 1,139 meters. The Company plans to commence mining activity in Kuangou prospect in the fourth quarter of 2017.

Owing to the substantial increase in gold production for the full year of 2016 and the implementation of many cost control measures, the all-in gold production cost (cash operating costs plus amortization and depreciation) for the full year of 2016 was remarkably reduced by 28% to US\$609/oz, as compared to USD850/oz recorded in 2015.

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

As disclosed in the previous announcements, the Company has started to install the high-pressure grinding roller to enhance the gold recovery rate at Gold Mountain Mine. The workshop construction is recently completed and the high-pressure grinding roller is expected to be installed and tested in the first quarter of 2017.

As part of the Company's ongoing cost reduction initiatives, high-temperature carbon activation equipment is in operation from October 2016. It will enable the recycling of activated carbon and reduce the use of activated carbon by 84 tonnes each year leading to further cost cutting. The Company also updated desorption-electrolysis equipment in October 2016, leading to the achievement of above 99% desorption rate.

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

The Company has completed infill drilling and supplementary drilling at the boundary of the Jingxi-Balake prospect. As at 31 December 2016, 12 holes totalling 3,110 meters in depth have been drilled. The mineral resource estimate will be updated to reflect both increase in the resources amount and the average grade of the Jingxi-Balake prospect.

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 January 2017

*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.*