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新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1231)

**BUSINESS UPDATE ON THE YANJIASHUANG MINE
AND
THE IRON ORE AND GABBRO-DIABASE MINING BUSINESSES**

This announcement is made by Newton Resources Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the prospectus of the Company dated 21 June 2011 (the “**Prospectus**”) and the interim report of the Company dated 29 August 2011 (the “**Interim Report**”). Unless stated or the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

The board of directors (the “**Directors**”) of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors about the construction progress of the expansion plan at the Yanjiazhuang Mine and the development of the iron ore and gabbro-diabase mining businesses.

Construction Progress of the Expansion Plan at the Yanjiazhuang Mine and Commercial Production of Iron Concentrate

Notwithstanding the persistent effort of the Group in pursuing the timely completion of the construction works for the Phase Two expansion plan, there have been several recent incidents of disputes arising from land expropriation works in the surrounding areas of the Yanjiazhuang Village, leading to the slow progress in the land expropriation and the construction works for the iron ore mining business. These incidents have created tension between local villagers and mining and manufacturing companies in the area, including us. Owing to these unforeseen incidents, the progress of the land expropriation and the subsequent construction works (including the construction of the new dry magnetic cobbing system, the water supply system and the new tailings storage facility) have experienced unexpected delays, which in turn affects the time for resuming the normal commercial production of iron concentrate.

As reported in the Interim Report, the Group has engaged in active communication with the local government and local villagers in order to resolve the previous differences with the aim of resuming normal commercial production at the Yanjiazhuang Mine as soon as possible. Through such communication, the land expropriation works on certain parcels of land have achieved breakthrough and progress. As a result, the Group has resumed the construction works for the new tailings storage facility (as part of the Phase Two expansion plan) as at the date of this announcement.

Pursuant to the Phase Two expansion plan as stated in the Prospectus, a new tailings storage facility will be constructed to discharge the tailings from production. Due to the aforesaid construction delay caused by the land expropriation works, the new tailings storage facility would not be ready for service as originally scheduled. On the other hand, the existing tailings storage facility is approaching its capacity limit that allows the Group to safely discharge the production tailings. Being a socially responsible business organisation and as a precautionary measure to mitigate any potential hazards to the surrounding area, the Board has decided to temporarily suspend the production of iron concentrate at the Yanjiazhuang Mine until the new tailings storage facility is duly constructed and ready for use. The Board expects that, save for unforeseen circumstances, the construction of the new tailings storage facility and the water supply system will be completed in the beginning of the second quarter of 2012 and the production of iron concentrate will gradually resume to normal thereafter. Since 1 January 2011, the Group has produced and sold over 45,000 tonnes of iron concentrate. Accordingly, the Board anticipates that the production volume of iron concentrate for the financial year 2011 will not reach the originally envisaged production target of 200,000 tonnes.

Commercial Production of Gabbro-diabase Products

The Group will be in a position to commence commercial production of gabbro-diabase products as soon as the relevant permits and approvals are obtained.

As reported in the Interim Report, application for such permits and approvals is in its final stage, and the relevant government authorities are in the process of ascertaining the resource fees in respect of the reserves and resources of gabbro-diabase of the Group.

Up to the date of this announcement, the Group has devoted more time than expected to provide the required information and documents to the relevant government authorities for assessing the resources fees. The Group will continue to work closely with the relevant government authorities to follow up the progress of the grant of the relevant permits and approvals. The Board expects that the required permits and approvals for the commercial production of gabbro-diabase products will be issued in the next two months upon payment of the required resource fees. The Board currently anticipates that the commercial production of gabbro-diabase products will commence in the first quarter of 2012.

Based on the current strong financial position of the Group, the Board expects that the delay in completing the Phase Two expansion plan and commencing the commercial production of gabbro-diabase products will not have any material adverse effect on the liquidity and the working capital position of the Group.

The Company will by way of further announcements to keep its shareholders and potential investors informed of further development regarding the aforesaid matters as and when appropriate and necessary.

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

By Order of the Board of

Newton Resources Ltd

Yao Zanzun

Executive Director and Chief Executive Officer

Hong Kong, 21 October 2011

As at the date of this announcement, the executive Directors are Mr. Yao Zanzun, Ms. Yu Shuxian, Mr. Li Yuelin, Mr. Jing Zhiqing, Mr. Lin Zeshun and Mr. Liu Yongxin; the non-executive Directors are Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny.