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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 IRON CONCENTRATE
PRODUCTION AT THE YANJIAZHUANG MINE AND
THE PROGRESS OF THE GABBRO-DIABASE MINING**

AND

PROFIT WARNING

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

The Board is pleased to announce that the Group resumed the stripping activities and started commissioning of the No.1 dry magnetic cobbing system and the No.1 processing facility, and trial production at the Yanjiazhuang Mine around end of November 2012. The Group will continue to monitor the progress of trial production and tackle any upcoming challenges to smooth out its production and operation at the Yanjiazhuang Mine.

Notwithstanding the Group’s effort to achieve the goal of beginning gabbro-diabase mining at the Yanjianzhuang Mine in 2012, the mining and production of gabbro-diabase products have yet to commence at the date of this announcement pending, among others, the completion of remaining stripping and preparation works in the First Quarry and the issuance of requisite permits and approvals necessary for production. The Board anticipates that the Group could commence normal production of gabbro-diabase products in the first half of 2013.

Despite the trial production of iron concentrates at the Yanjiazhuang Mine in the fourth quarter of 2012, the Group is expected to record a loss for the year ending 31 December 2012 as compared to the profit for the corresponding period in 2011, which is mainly due to the suspension of iron concentrate production for most of 2012 and the absence of foreign exchange gains during 2012.

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

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

Reference is made to the business update announcements dated 21 October 2011 and 27 July 2012 (the “**Business Update Announcements**”), the interim results announcement for the six months period ended 30 June 2012 dated 30 August 2012 (the “**2012 Interim Results Announcement**”) and the 2012 interim report as published on 25 September 2012 (the “**2012 Interim Report**”) by the Company.

Business Update

Progress of Iron Concentrate Production

The board of directors of the Company (the “**Board**”) is pleased to announce that the Group resumed the stripping activities and started commissioning of the No.1 dry magnetic cobbing system and the No.1 processing facility, and trial production at the Yanjiazhuang Mine around end of November 2012.

As stated in the 2012 Interim Report, the infrastructure and safety measures of the New Tailings Storage Facility had been constructed pending further inspection and issuance of the relevant safety production permit by the Safety Authority. Meanwhile, the Group is preparing an application for safety production permit for the New Tailings Storage Facility. Once the Safety Authority is satisfied with the conditions for tailings discharge, it will issue a safety production permit to the Group. The Board expects that the mining and iron concentrate production at the Yanjiazhuang Mine will gradually resume to normal thereafter.

The Group will continue to monitor the progress of trial production and tackle any upcoming challenges, through active communication with relevant authorities and parties, to smooth out its production and operations at the Yanjiazhuang Mine. Further announcement will be made after normal production is resumed.

Progress of Gabbro-diabase Business

Notwithstanding the Group’s effort to achieve the goal of beginning gabbro-diabase mining at the Yanjiazhuang Mine in 2012, the mining and production of gabbro-diabase products have yet to commence at the date of this announcement. Throughout 2012, the Group had made good progress in site formation, and stripping and preparation works at the First Quarry, and the access road to the First Quarry had been constructed. Apart from the infrastructure construction, the Group had also received the permit for mining gabbro-diabase resources at the Yanjiazhuang Mine and is in the process of applying for other requisite permits to enable its production of gabbro-diabase products at the mine site. The Group will continue to work towards obtaining requisite permits and other regulatory approvals necessary for its planned production and will simultaneously and regularly monitor and review the progress of the remaining stripping and preparation works at the First Quarry. The Board anticipates that the Group could commence normal production of gabbro-diabase products in the first half of 2013, which would contribute to the Group’s revenue.

The Company will continue to monitor the development of its gabbro-diabase mining business at the Yanjiazhuang Mine and will announce further updates as and when appropriate.

Profit Warning

As announced by the Company in the 2012 Interim Results Announcement and the 2012 Interim Report, the Group recorded an unaudited consolidated net loss of approximately RMB15,518,000 for the six months ended 30 June 2012.

Despite the trial production of iron concentrates at the Yanjiazhuang Mine in the fourth quarter of 2012, the Board wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary estimate and assessment made by the Board according to the latest unaudited consolidated management accounts of the Group and other information currently available to the Company, the Group is expected to record a loss for the year ending 31 December 2012 as compared to a profit for the corresponding period in 2011. The estimated loss is mainly attributable to:

1. the suspension of iron concentrate production at the Yanjiazhuang Mine from October 2011 to November 2012 for the reasons stated in the Business Update Announcements; and
2. the absence of foreign exchange gains arising from the appreciation of the Renminbi against the Hong Kong dollar and the United States dollar during 2012, as compared to such gains as recorded in the corresponding period in 2011.

Notwithstanding the foregoing, the Board is of the view that the estimated loss for the financial year ending 31 December 2012 is not expected to have a material adverse effect on the liquidity and working capital position of the Group.

As the annual results of the Group for the year ending 31 December 2012 have not yet been finalized, the information contained in this announcement represents a preliminary estimate and assessment by the Board with reference to the latest unaudited consolidated management accounts of the Group and other information currently available to the Company, and is not based on any figures or information that have been audited or reviewed by the auditors of the Company. Shareholders and potential investors are advised to read carefully the audited consolidated annual results of the Group for the year ending 31 December 2012, which are expected to be released in March 2013.

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

On behalf of the Board
Newton Resources Ltd
Cheng Kar Shun
Chairman and Non-Executive Director

Hong Kong, 28 December 2012

As at the date of this announcement, the executive directors of the Company are Ms. Yu Shuxian, Mr. Jiao Ying and Mr. Li Yuelin; the non-executive directors of the Company are Dr. Cheng Kar Shun, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny.