# ASIAPHOS LIMITED

*Company Registration Number: 201200335G*

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**Background**

AsiaPhos Limited (the "**Company**"), and together with its subsidiaries, (the "**Group**") was listed on the Catalist Board (the "**Catalist**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 7 October 2013. The initial public offering (the "**IPO**") of the Company was sponsored by United Overseas Bank Limited (the "**Sponsor**"). The Company, incorporated in Singapore under the Singapore Companies Act on 3 January 2012, is the first Singapore-headquartered mineral resources company listed on the SGX-ST which is solely focused on exploring and mining phosphate in the People's Republic of China (the "**PRC**") with the ability to manufacture and produce phosphate-based chemical products.

**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2017**

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | Group | | |
|---|---|---|---|
| | First Quarter Ended 31 March | | |
| | 2017 | 2016 | Change |
| | $'000 | $'000 | % |
| **Revenue** | 12,122 | 1,982 | 512 |
| Cost of sales | (10,450) | (1,489) | 602 |
| Gross profit | 1,672 | 493 | 239 |
| Other income | 98 | 68 | 44 |
| Selling and distribution costs | (321) | (79) | 306 |
| General and adminstrative costs | (1,109) | (1,213) | (9) |
| Finance costs | (218) | (184) | 18 |
| **Profit/(loss) before tax** | 122 | (915) | |
| Taxation | - | - | N.M. |
| **Profit/(loss) for the period** | 122 | (915) | |
| **Other comprehensive income** | | | |
| Items that may be recycled to profit or loss | | | |
| Foreign currency translation gain/(loss) | (1,252) | (1,915) | (35) |
| **Total comprehensive income for the period** | (1,130) | (2,830) | |
| **Profit/(loss) for the period attributable to:** | | | |
| Owners of the Company | 122 | (915) | |
| Non-controlling interest | - | - | |
| | 122 | (915) | |
| **Total comprehensive income for the period attributable to:** | | | |
| Owners of the Company | (1,130) | (2,830) | |
| Non-controlling interest | - | - | |
| | (1,130) | (2,830) | |

"N.M." denotes not meaningful.

Foreign currency translation gain/(loss) represents exchange differences arising from translation of the financial statements of our PRC subsidiaries whose functional currency (Renminbi, "**RMB**") is different from that of the Group's presentation currency (Singapore Dollar, "**SGD**", "**$**"). The Group's net investment in PRC is not hedged as currency positions in RMB are considered to be long-term in nature. Such translation gains/(losses) are of unrealised nature and do not impact current year profit/(loss) unless the underlying assets or liabilities of the PRC subsidiaries are disposed of.

In the first quarter ended 31 March 2017 ("**1Q2017**"), the Group recorded translation loss of $1.3 million due to the strengthening of SGD against RMB.

**1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:**

The Group's profit/(loss) before tax was arrived at after (charging)/crediting the following:

| | Group | | |
|---|---|---|---|
| | First Quarter Ended 31 March | | |
| | 2017 | 2016 | Change |
| | $'000 | $'000 | % |
| Interest income | 5 | 4 | 25 |
| Interest expenses | (213) | (180) | 18 |
| Amortisation and depreciation # | (177) | (302) | (41) |
| Foreign exchange gain/(loss) * | 201 | 258 | (22) |

"N.M." denotes not meaningful.
* Included in general and administrative costs
# Included in selling and distribution costs and general and administrative costs

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

| | Group | | Company | |
|---|---|---|---|---|
| | As at | | As at | |
| | 31 March 2017 | 31 December 2016 | 31 March 2017 | 31 December 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| | | | | |
| **Non-current assets** | | | | |
| Mine properties | 65,068 | 65,133 | - | - |
| Land use rights | 4,386 | 4,535 | - | - |
| Property, plant and equipment | 37,405 | 38,619 | - | - |
| Prepayments | 521 | 691 | - | - |
| Other receivables | 278 | 285 | - | - |
| Goodwill | 12,249 | 12,249 | - | - |
| Deferred tax asset | 64 | 64 | - | - |
| Investment in subsidiaries | - | - | 78,036 | 72,311 |
| | 119,971 | 121,576 | 78,036 | 72,311 |
| | | | | |
| **Current assets** | | | | |
| Stocks | 5,548 | 7,941 | - | - |
| Trade receivables | 1,634 | 3,975 | - | - |
| Other receivables | 728 | 601 | 47 | 57 |
| Prepayments | 1,445 | 1,108 | 49 | 38 |
| Cash and bank balances | 5,884 | 2,588 | 2,139 | 1,027 |
| Amounts due from subsidiaries | - | - | 6,508 | 4,038 |
| | 15,239 | 16,213 | 8,743 | 5,160 |
| | | | | |
| Total assets | 135,210 | 137,789 | 86,779 | 77,471 |
| | | | | |
| **Current liabilities** | | | | |
| Bank overdraft (secured) | - | 392 | - | 392 |
| Trade payables | 3,285 | 6,022 | - | - |
| Other payables | 4,259 | 5,569 | 206 | 145 |
| Advance payments from customers | 1,634 | 455 | - | - |
| Interest-bearing bank loans | 6,888 | 7,086 | - | - |
| Loan due to a director | - | 1,000 | - | 1,000 |
| Deferred income | 26 | 35 | - | - |
| Provision for taxation | 544 | 556 | - | - |
| Amounts due to subsidiaries | - | - | 3,402 | 1,239 |
| | 16,636 | 21,115 | 3,608 | 2,776 |
| | | | | |
| Net current assets/(liabilities) | (1,397) | (4,902) | 5,135 | 2,384 |
| | | | | |
| **Non-current liabilities** | | | | |
| Redeemable preference shares | - | 5,725 | - | - |
| Deferred tax liabilities | 17,477 | 17,506 | - | - |
| Deferred income | 2,120 | 2,202 | - | - |
| Provision for rehabilitation | 165 | 170 | - | - |
| | 19,762 | 25,603 | - | - |
| | | | | |
| Total liabilities | 36,398 | 46,718 | 3,608 | 2,776 |
| | | | | |
| **Net assets** | **98,812** | **91,071** | **83,171** | **74,695** |
| | | | | |
| **Equity attributable to owners of the Company** | | | | |
| Share capital | 77,022 | 68,151 | 77,022 | 68,151 |
| Reserves | 12,327 | 13,457 | 6,149 | 6,544 |
| | 89,349 | 81,608 | 83,171 | 74,695 |
| Non-controlling interest | 9,463 | 9,463 | - | - |
| **Total equity** | **98,812** | **91,071** | **83,171** | **74,695** |

**(1)(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:**

| | Group | | | |
|---|---|---|---|---|
| | 31 March 2017 | | 31 December 2016 | |
| | Secured | Unsecured | Secured | Unsecured |
| | $'000 | $'000 | $'000 | $'000 |
| Amount repayable | | | | |
| In one year or less, or on demand | 6,888 | - | 7,478 | 1,000 |
| After one year | - | - | - | 5,725 |
| | 6,888 | - | 7,478 | 6,725 |

**Details of collaterals**

As at 31 March 2017, the Group pledged certain land use rights and certain property, plant and equipment of the Group, with net book value of RMB21.6 million (approximately $4.4 million) and RMB74.4 million (approximately $15.1 million) respectively, as collaterals. The Company has also provided a corporate guarantee for a bank loan of RMB24.0 million (approximately $4.9 million).

As at 31 December 2016, the Group pledged certain land use rights and certain property, plant and equipment of the Group, with net book value of RMB21.8 million (approximately $4.5 million) and RMB74.9 million (approximately $15.6 million) respectively, as collaterals. The Company has also provided a corporate guarantee for a bank loan of RMB24.0 million (approximately $5.0 million).

An amount of $1.0 million of the Company's fixed deposits was also pledged as collateral for bank overdraft facility as at 31 March 2017 and 31 December 2016.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | Group | |
|---|---|---|
| | First Quarter Ended 31 March | |
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Cash flows from operating activities :** | | |
| Profit/(Loss) before taxation | 122 | (915) |
| Adjustments for : | | |
| Depreciation expenses | 607 | 504 |
| Gain on disposal of property, plant and equipment | - | (1) |
| Amortisation expenses | 83 | 74 |
| Interest expense | 207 | 180 |
| Interest income | (5) | (4) |
| Unrealised exchange loss/(gain) | (230) | (271) |
| Amortisation of deferred income | (30) | (9) |
| Operating profit/(loss) before working capital changes | 754 | (442) |
| | | |
| (Increase)/decrease in stocks | 2,195 | (1,153) |
| (Increase)/decrease in receivables | 1,510 | 2,624 |
| Increase/(decrease) in payables | (1,924) | (1,795) |
| Cash generated from/(used in) operations | 2,535 | (766) |
| | | |
| Interest received | 5 | 4 |
| Interest paid | (396) | (820) |
| Tax paid | - | (199) |
| | | |
| Net cash flows generated from/(used in) operating activities | 2,144 | (1,781) |
| | | |
| **Cash flows from investing activities :** | | |
| Payments for property, plant and equipment | (574) | (1,100) |
| Receipt of government grant | - | 58 |
| Proceeds from disposal of property, plant and equipment | - | 1 |
| | | |
| Net cash flows used in investing activities | (574) | (1,041) |
| | | |
| **Cash flows from financing activities :** | | |
| Net proceeds from Rights cum Warrants Issue | 4,158 | - |
| Payments of share issuance expense | (115) | (32) |
| Proceeds from issue of redeemable preference shares | - | 4,000 |
| Redemption of redeemable preference shares | (1,403) | (6,325) |
| Increase in pledged deposits | (1) | (4) |
| Repayment of loan due to a director | (467) | - |
| Proceeds from bank loan | - | 2,144 |
| | | |
| Net cash flows generated from/(used in) financing activities | 2,172 | (217) |
| | | |
| Net increase/(decrease) in cash and cash equivalents | 3,742 | (3,039) |
| Cash and cash equivalents at beginning of period | 1,012 | 3,098 |
| Effects of exchange rate changes on cash and cash equivalents | (54) | (69) |
| Cash and cash equivalents at end of period | 4,700 | (10) |

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

| | Group | |
|---|---|---|
| | As at 31 March | |
| | 2017 | 2016 |
| | $'000 | $'000 |
| Cash and bank balances | 5,884 | 2,009 |
| Less: bank overdraft (secured) | - | (837) |
| Less : pledged deposits | (1,184) | (1,182) |
| Cash and cash equivalents at end of period | 4,700 | (10) |

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| Group | Share capital | Merger reserve | Retained earnings | Foreign currency translation reserve | Safety fund surplus reserve | Total reserves | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2017** | | | | | | | | |
| Balance at 1 January 2017 | 68,151 | 850 | 9,517 | 2,234 | 856 | 13,457 | 9,463 | 91,071 |
| Issue of new ordinary shares | 9,013 | - | - | - | - | - | - | 9,013 |
| Share issuance expenses | (142) | - | - | - | - | - | - | (142) |
| Total comprehensive income for the period | - | - | 122 | (1,252) | - | (1,130) | - | (1,130) |
| Transfer to safety fund surplus reserve | - | - | (14) | - | 14 | - | - | - |
| Utilisation of safety fund surplus reserve | - | - | 24 | - | (24) | - | - | - |
| Balance at 31 March 2017 | 77,022 | 850 | 9,649 | 982 | 846 | 12,327 | 9,463 | 98,812 |
| **2016** | | | | | | | | |
| Balance at 1 January 2016 | 68,151 | 850 | 12,627 | 4,249 | 381 | 18,107 | 10,289 | 96,547 |
| Total comprehensive income for the period | - | - | (915) | (1,915) | - | (2,830) | - | (2,830) |
| Transfer to safety fund surplus reserve | - | - | (48) | - | 48 | - | - | - |
| Balance at 31 March 2016 | 68,151 | 850 | 11,664 | 2,334 | 429 | 15,277 | 10,289 | 93,717 |

| Company | Share capital | Retained earnings | Total reserves | Total equity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **2017** | | | | |
| Balance at 1 January 2017 | 68,151 | 6,544 | 6,544 | 74,695 |
| Issue of new ordinary shares | 9,013 | - | - | 9,013 |
| Share issuance expenses | (142) | - | - | (142) |
| Total comprehensive income for the period | - | (395) | (395) | (395) |
| Balance at 31 March 2017 | 77,022 | 6,149 | 6,149 | 83,171 |
| **2016** | | | | |
| Balance at 1 January 2016 | 68,151 | 8,862 | 8,862 | 77,013 |
| Total comprehensive income for the period | - | (67) | (67) | (67) |
| Balance at 31 March 2016 | 68,151 | 8,795 | 8,795 | 76,946 |

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As at 31 December 2016, the number of issued ordinary shares of the Company (excluding treasury shares) was 901,319,000.

On 24 March 2017, pursuant to the renounceable non-underwritten rights issue (the "**Rights cum Warrants Issue**") of up to 112,664,875 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S$0.08 for each Rights Share, with up to 112,664,875 free detachable and transferable warrants (the "**Warrants**"), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("**New Share**") at the exercise price of S$0.08 for each New Share, on the basis of one (1) Rights Share with one (1) Warrant for every eight (8) existing ordinary shares in the capital of the Company held by the shareholders of the Company , the Company issued 112,664,875 Rights Shares with 112,664,875 Warrants. As such, as at 31 March 2017, the number of issued ordinary shares of the Company (excluding treasury shares) was 1,013,983,875.

As at 31 March 2017, the Company had 112,664,875 outstanding Warrants, exercisable into 112,664,875 New Shares, representing approximately 11.11% of the total number of issued ordinary shares of the Company (excluding treasury shares). As at 31 March 2016, the Company had no outstanding convertible instruments.

As at 31 March 2016 and 31 March 2017, the Company did not hold any treasury shares and there were no subsidiary holdings.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

| | As at | |
|---|---|---|
| | **31 March 2017** | **31 December 2016** |
| Total number of issued shares (excluding treasury shares) | 1,013,983,875 | 901,319,000 |

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable. The figures have not been audited nor reviewed by the auditors.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in Paragraph 5, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the most recently audited consolidated financial statements for the financial year ended 31 December 2016.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and the Company have adopted the new and revised Singapore Financial Reporting Standards ("**FRS**") and Interpretations of Financial Reporting Standards ("**INT FRS**") that are mandatory for the financial period beginning on 1 January 2017. The adoption of these new/revised FRS, INT FRS and amendments to FRS has no material impact on the financial performance or position of the Group and the Company.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**
**(a) based on the weighted average number of ordinary shares on issue; and**
**(b) on a fully diluted basis (detailing any adjustments made to the earnings).**

| | Group First Quarter Ended 31 March | |
|---|---|---|
| | **2017** | **2016 ^** |
| Earnings/(loss) attributable to owners of the Company used in the computation of basic earnings per share ($'000) | 122 | (915) |
| Weighted average number of ordinary shares for basic earnings per share ('000) | 910,082 | 901,319 |
| Basic earnings/(loss) per share (cents) | 0.01 | (0.10) |
| Earnings/(loss) attributable to owners of the Company used in the computation of diluted earnings per share ($'000) | 122 | (915) |
| Weighted average number of ordinary shares for basic earnings per share ('000) | 910,082 | 901,319 |
| Effects of dilution | | |
| - Exercise of Warrants ('000) | 554 | - |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | 910,636 | 901,319 |
| Diluted earnings/(loss) per share (cents) | 0.01 | (0.10) |

^ As at 31 March 2016, there were no dilutive instruments. The fully diluted (loss)/earnings per share was therefore the same as the basic (loss)/earnings per share for the first quarter ended 31 March 2016 ("**1Q2016**").

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

**(a) current financial period reported on; and**
**(b) immediately preceding financial year.**

| | Group As at | | Company As at | |
|---|---|---|---|---|
| | **31 March 2017** | **31 December 2016** | **31 March 2017** | **31 December 2016** |
| Net asset value ($'000) | 98,812 | 91,071 | 83,171 | 74,695 |
| Number of ordinary shares ('000) | 1,013,984 | 901,319 | 1,013,984 | 901,319 |
| Net asset value per ordinary share (cents) | 9.74 | 10.10 | 8.20 | 8.29 |

The net asset value of the Group did not take into account the fair market value of the mining and exploration rights of Mine 1 and Mine 2 and the elemental phosphorous ("**$P_4$**") plant as these were recorded on historical cost basis. Note - as at 31 March 2013, the independent valuation of the mining and exploration rights of Mine 1 and Mine 2 and $P_4$ plant was RMB1.3 billion (approximately S$263 million based on an assumed exchange rate of $1: RMB4.936).

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The figures in this section are approximate figures and where applicable, have been rounded to the nearest one (1) decimal place.

The Group is organised into product units as follows:

(a) upstream segment relates to the business of exploration, mining and sale of phosphate rocks (the "**Upstream Segment**"); and

(b) downstream segment relates to the business of manufacturing, sale and trading of phosphate-based chemicals products such as $P_4$, sodium tripolyphosphate ("**STPP**") and sodium hexametaphosphate ("**SHMP**"); and the sale of $P_4$ by-products, such as slag, sludge and ferrophosphate, produced as a result of such manufacturing process (the "**Downstream Segment**").

**Profit or loss**

Revenue, cost of goods sold and gross profit

| | Group | | |
|---|---|---|---|
| | 1Q2017 | 1Q2016 | Change |
| | $'000 | $'000 | % |
| Revenue | | | |
| Upstream segment | 2,101 | 1,708 | 23 |
| Downstream segment | 10,021 | 274 | 3,557 |
| Total | 12,122 | 1,982 | 512 |
| | | | |
| Cost of goods sold | | | |
| Upstream segment | 1,379 | 1,286 | 7 |
| Downstream segment | 9,071 | 203 | 4,368 |
| Total | 10,450 | 1,489 | 602 |
| | | | |
| Gross profit margin | | | |
| Upstream segment | 34% | 25% | |
| Downstream segment | 9% | 26% | |
| Overall | 14% | 25% | |

Revenue increased by $10.1 million, from $2.0 million in the 1Q2016 to $12.1 million in 1Q2017.

Revenue from the Upstream Segment increased by $0.4 million, from $1.7 million in 1Q2016 to $2.1 million in 1Q2017 due to increase in both the quantity and average selling price of the phosphate rocks sold in 1Q2017. In 1Q2017, the Group sold 34,700 tonnes of phosphate rocks as compared to 25,800 tonnes in 1Q2016. The inventory of phosphate rocks carried over from the 2016 mining season as well as the commencement of the 2017 mining season enabled the Group to have more phosphate rocks available for sale in 1Q2017. As the Group managed to secure a consistent supply of quality phosphate rocks from an external phosphate rock supplier, it no longer needs to reserve its high quality phosphate rocks for its $P_4$ production.

This enabled the Group to have more high quality phosphate rocks available for sale. Such quality phosphate rocks also generally fetch higher average selling prices.

Revenue from the Downstream Segment increased by $9.7 million, from $0.3 million in 1Q2016 to $10.0 million in 1Q2017, due to the increase in revenue from sale of $P_4$. In 1Q2017, the Group sold 3,700 tonnes of $P_4$. Due to the availability of phosphate rocks for production of $P_4$ and continued demand from the customers, the Group was able to continue with the production of $P_4$ on a limited scale for sale in 1Q2017 as compared to 1Q2016 when the Group did not have any $P_4$ inventory for sale. In the past, the Group typically ceased $P_4$ production in December and only resumed production in late April.

The Group had decided to continue with the production of $P_4$ on a limited scale during 1Q2017 so as to, *inter alia*, clear the backlog of orders to its customers whose delivery were affected by the industrial accident at the Group's $P_4$ production plant in October 2016, build up sufficient inventory to meet its customers' requirements and to also take advantage of the rising average selling prices of $P_4$.

Cost of goods sold for the Upstream Segment increased by $0.1 million, from $1.3 million in 1Q2016 to $1.4 million in 1Q2017. The production costs per tonne in 1Q2017 was lower as compared to 1Q2016 due to the PRC government policy to cease the collection of mining surcharges from the Group's mines with effect from July 2016.

Gross profit margin for the Upstream Segment increased from 25% in 1Q2016 to 34% in 1Q2017 due to the higher average selling price of phosphate rocks, coupled with the lower production costs in 1Q2017.

Cost of goods sold for the Downstream Segment increased by $8.9 million, from $0.2 million in 1Q2016 to $9.1 million in 1Q2017, in line with the increase in revenue from the Downstream Segment. The reduction in gross profit margin for the Downstream Segment from 26% in 1Q2016 to 9% in 1Q2017 was due to change in product mix sold. In 1Q2017, revenue from Downstream Segment was contributed by sales of $P_4$ as compared to contribution from sales of STPP and SHMP in 1Q2016 which had comparably better profit margins.

Consequently, gross profit increased by $1.2 million, from $0.5 million in 1Q2016 to $1.7 million in 1Q2017. Overall gross profit margin decreased from 25% in 1Q2016 to 14% in 1Q2017 due to decrease in gross profit margin for the Downstream Segment.

<u>Other income</u>

Other income remained relatively unchanged at $0.1 million in 1Q2017 and 1Q2016.

<u>Selling and distribution costs</u>

Selling and distribution costs increased by $0.2 million, from $0.1 million in 1Q2016 to $0.3 million in 1Q2017 mainly due to transportation costs incurred on $P_4$ sales made in 1Q2017 as well as increased sales to certain customers in the Upstream Segment.

General and administrative costs

General and administrative costs decreased by $0.1 million, from $1.2 million in 1Q2016 to $1.1 million in 1Q2017 mainly due to reduction in staff costs and depreciation expenses. As the Group continued limited $P_4$ production in 1Q2017, costs incurred by the $P_4$ department were absorbed into cost of sales. In 1Q2016 where there was no $P_4$ production, such costs were included in general and administrative costs.

Finance costs

Finance costs remained relatively unchanged at $0.2 million in 1Q2017 and 1Q2016.

Taxation

No provision for taxation was made in 1Q2017 as certain exchange loss recognised in the profit or loss statement by a subsidiary and allowed as a tax deduction and which, was adjusted to equity at Group level in accordance with the requirement of the FRS 21 *The Effects of Changes in Foreign Exchange Rates*.

## Balance sheet

Non-current assets

Non-current assets decreased by $1.6 million, from $121.6 million as at 31 December 2016 to $120.0 million as at 31 March 2017, mainly due to decreases in mine properties, land use rights and property, plant and equipment which arose from currency translation differences, amortisation and depreciation expenses for 1Q2017.

Current assets

Current assets decreased by $1.0 million, from $16.2 million as at 31 December 2016 to $15.2 million as at 31 March 2017, mainly due to decreases in stocks and trade receivables. Such decreases were partially offset by the increases in other receivables, prepayments and cash and bank balances.

Current liabilities

Current liabilities decreased by $4.5 million, from $21.1 million as at 31 December 2016 to $16.6 million as at 31 March 2017, mainly due to decreases in trade and other payables, bank overdraft (secured) and loan due to a director ("**Dr. Ong Loan**") arising from payments made, as well as decrease in bank loans due to currency translation difference. The decreases were partially offset by increase in advance payments received from customers.

Negative working capital

As at 31 March 2017, the Group recorded negative working capital of $1.4 million compared to a negative working capital of $4.9 million as at 31 December 2016. The improvement in negative working capital was mainly due to

i) net cash inflows generated from operating activities of $2.1 million in 1Q2017; and
ii) proceeds received from the Rights cum Warrants Issue completed in March 2017. After completing the redemption of the redeemable preference shares (the "**RPS**") and repayment of the Dr. Ong Loan, the Group received net cash proceeds of $2.3 million from the Rights cum Warrants Issue.

The cash generated from the above contributed to the repayment of trade and other payables and the Dr. Ong Loan, which resulted in decrease in current liablities by $4.5 million.

The directors believe that the Group is able to pay its debt as and when it falls due.

Non-current liabilities

Non-current liabilities decreased by $5.8 million, from $25.6 million as at 31 December 2016 to $19.8 million as at 31 March 2017, mainly due to redemption of the RPS.

Equity attributable to owners of the Company

Non-controlling interest represents the 45% equity interest in a subsidiary which is not owned by the Group.

**Cash flow statement**

Operating profit before working capital changes was $0.8 million for 1Q2017. Cash inflow due to changes in working capital was $1.8 million mainly due to decreases in stocks and receivables, partially offset by decrease in payables. Payments for interest expense in 1Q2017 amounted to $0.4 million. The above contributed to net cash inflows from operating activities of $2.1 million for 1Q2017.

Net cash flows used in investing activities was $0.6 million due to payments for property, plant and equipment.

Net cash flows generated from financing activities of $2.2 million was due to proceeds from the Rights cum Warrants Issue, partially offset by payments made for share issuance expenses, redemption of RPS and the repayment of the Dr. Ong Loan.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Group's unaudited consolidated financial results for 1Q2017 as set out in this announcement is in line with the profit guidance set out in the announcement made by the Company on 12 April 2017.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

**Upstream Segment**

As disclosed in the Group's announcement dated 3 March 2017, the Group has received the approval for the renewal of its mining license for Mine 1, which is now valid until 28 February 2018.

The Group plans to increase its rock output in the financial year ending 31 December 2017 ("**FY2017**"). Following its move to secure a consistent supply of quality rocks from an external supplier for its in-house production of $P_4$, the Group intends to unlock the value of its rock inventory by selling more of its higher quality rocks to third parties, which were previously reserved for its in-house $P_4$ production. Barring unforeseen circumstances, this is expected to contribute positively to the Group's results and cash flows in FY2017.

The Group expects phosphate rock prices to remain stable for the rest of the year.

**Downstream Segment**

In 1Q2017, the Group continued with the production of $P_4$ on a limited scale. The Group has since resumed full production of $P_4$.

Average selling prices for $P_4$ sold in April were higher than that in 1Q2017. This was because of continued high demand for $P_4$, due in part to (i) the recovery in the pesticide market and (ii) tight supply of $P_4$ because several $P_4$ producers in other provinces in the PRC were undergoing environmental and safety inspections and were unable to produce during the inspection period.

Management expects the pace of $P_4$ price increase to moderate when more $P_4$ supply enters the market in the second half of 2017. The Group will continue to build up the $P_4$ business and monitor production efficiencies to improve the Group's bottomline.

**Debt Management**

The successful completion of the Rights cum Warrants Issue has (i) provided additional working capital which the Group can utilise to increase output and further improve its bottomline; and (ii) reduce the gearing of the Group. This will translate to lower interest on the Group's borrowings. The early redemption of the RPS will also result in interest savings of approximately $0.3 million in FY2017. This also means that the Group need not be overly reliant on bank financing, thereby overcoming one of the key financial constraints holding back growth.

**Going forward**

In line with the Group's strategy to grow in a sustainable and responsible manner, the Group has invested carefully to build up and grow the business. It has been successful in growing its mines' rock output, increasing its $P_4$ output, and building up its customer base.

The change in strategy, to realise the value of its inventory of higher quality phosphate rocks by selling to third parties, is expected to improve cash flow and increase the contribution from the Upstream Segment, thereby strengthening another pillar of income stream for the Group.

The Group will examine ways to further improve efficiency and profitability. To further enhance the future value of the Group, the management is exploring with strategic partners to establish complementary businesses, both horizontally and vertically, in view of the potential market demand and applications for black phosphorus and lithium ion phosphate ($LiFePO_4$) battery.

**11. Dividend**

**(a) Current Financial Period Reported On**: Any dividend declared for the current financial period reported on?

Nil.

**(b) Corresponding Period of the Immediately Preceding Financial Year**: Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) Date payable**

Not applicable.

**(e) Books closure date.**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for the first quarter ended 31 March 2017.

**13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No IPT mandate has been obtained from shareholders of the Company.

On 21 June 2013, Chief Executive Officer and Executive Director of the Company, Dr. Ong Hian Eng ("**Dr. Ong**"), Mr Ong Kwee Eng (an associate of Dr. Ong), and key executives Mr Wang Xuebo and Mr Chia Chin Hau (collectively, the "**Indemnitors**") signed a deed of indemnity, under which they have jointly and severally undertaken, *inter alia*, to indemnify and hold harmless the Group against losses in connection with certain land use rights and certain licences, permits and approvals for the Group's PRC operations (the "**Indemnity**"). No fees were paid or benefits given to the above-mentioned individuals in connection with the deed of indemnity. Please refer to the Company's offer document dated 25 September 2013 ("**Offer Document**") under the section entitled "Interested Person Transactions – Present and Ongoing Interested Period Transactions" (Page 191) for further details. Such indemnity against losses in connection with the abovementioned land use rights had expired on 7 April 2015. On 20 February 2017, the Company and the Indemnitors entered into a supplemental deed, pursuant to which it was agreed that the Indemnity shall terminate upon the occurrence of (i) any transaction or series of transaction resulting the Indemnitors and their associates (as defined in the Catalist Rules) collectively holding less than 51.0% of the total issued and paid-up share capital of the Company; and (ii) Dr. Ong, Mr Ong Eng Hock Simon, Mr Ong Eng Siew Raymond and Ms Ong Bee Pheng, and any relative (including by marriage) of Dr. Ong from time to time, no longer collectively constituting a majority representation on the Board.

On 26 January 2016, the Group issued the RPS to certain investors, including Dr. Ong and a controlling shareholder of the Company, Astute Ventures Pte. Ltd. ("**Astute Ventures**"). Two (2) of the Company's directors, Mr Ong Eng Hock Simon and Mr Ong Eng Siew Raymond, each holds no less than 20% equity interest in Astute Ventures. For 1Q2017, interest expense relating to the RPS paid and payable to Dr. Ong and Astute Ventures amounted to $79,000. As at 31 March 2017, the RPS were fully redeemed.

On 22 December 2016, the Dr. Ong Loan of $1.0 million was extended on an interest-free and unsecured basis for a duration of six (6) months.  As at 31 March 2017, the Group has fully repaid the Dr. Ong Loan.

**14. Use of proceeds from the IPO and the Rights cum Warrants Issue.**

As of the date of this announcement, the utilisation of the Group's IPO net proceeds is set out below:

| Description | Amount allocated (as disclosed in the Offer Document) | Amount utilised as at the date of this announcement | Balance of net proceeds as at date of this announcement |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| | | | |
| Development and financing of | | | |
| our Mining Operations | 8,500 | (2,969) | 5,531 |
| Financing the balance of Phase 1 | | | |
| and Phase 2 of the Rebuilding Programme | 11,499 | (8,498) | 3,001 |
| Working capital | 1,553 | (9,093) | (7,540) |
| | | | |
| Net proceeds | 21,552 | (20,560) | 992 |

Out of the $9.1 million utilised as working capital, an amount of $0.2 million was in relation to the listing expenses incurred in addition to the estimated expenses of $2.8 million as disclosed in the Offer Document.

Pending the deployment of proceeds for the allocated amount for Mining Operations and Phase 2 of the Rebuilding Programme, the Group has utilised $8.9 million from the IPO proceeds for working capital to fund (i) the purchases of materials and supplies; (ii) the production of rocks and $P_4$; (iii) repayment of bank borrowings and (iv) credit extended to customers for sale of rocks and $P_4$. The Group has received the land use certificate for Phase 2 land and is relooking at the resumption of the Phase 2 Rebuilding Programme.

As of the date of this announcement, the utilisation of the net proceeds raised from the Rights cum Warrants Issue is set out below:

| Description | Amount allocated | Amount utilised as at the date of this announcement | Balance of net proceeds as at date of this announcement |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| | | | |
| Redemption of the RPS | 5,725 | (5,725) | - |
| Repayment of the Dr. Ong Loan | 1,000 | (1,000) | - |
| Working capital | 1,987 | (295) | 1,692 |
| | | | |
| Net proceeds | 8,712 | (7,020) | 1,692 |

The above utilisation of the net proceeds from the Rights cum Warrants Issue is consistent with the intended uses as disclosed in the Company's offer information statement dated 1 March 2017 in relation to the Rights cum Warrants Issue.

**15. Additional disclosure required for Mineral, Oil and Gas companies**

**15 (a) Rule 705(6)(a) of the Catalist Listing Manual**
**i. Use of funds/cash for the quarter:**

| | Actual |
|---|---|
| | $'000 |
| | |
| Further mining and exploration activities | 790 |
| Expenditure on mining related infrastructure and purchase of equipment | - |
| | |
| | 790 |

**ii. Projection on the use of funds/cash for the next immediate quarter, including principal assumptions:**

| | Projected | |
|---|---|---|
| | RMB'000 | $'000 |
| | | |
| Further mining and exploration activities | 1,416 | 287 |
| Expenditure on mining related infrastructure and purchase of equipment | - | - |
| | | |
| | 1,416 | 287 |

**15 (b) Rule 705(6)(b) of the Catalist Listing Manual**

The board of directors (the "**Board**") of the Company hereby confirms that to the best of its knowledge, nothing has come to its attention which may render the above information provided to be false or misleading in any material aspect.

**15 (c) Rule 705(7) of the Catalist Listing Manual**

**Details of exploration (including geophysical surveys), mining development and/or production activities undertaken by the Group and a summary of the expenditure incurred on those activities including explanations for any material variances with previous projections, for the period under review. If there has been no exploration development and/or production activity respectively, that fact must be stated.**

| | Projected | | Actual | Variance |
|---|---|---|---|---|
| | RMB'000 | $'000* | $'000 | $'000 |
| | | | | |
| Further mining and exploration activities | - | - | 790 | (790) |
| Expenditure on mining related infrastructure and purchase of equipment | - | - | - | - |
| | | | | |
| | - | - | 790 | (790) |

* Based on an assumed exchange rate of RMB4.936 : S$1.00

Certain expenditure incurred in the fourth quarter ended 31 December 2016 were paid in 1Q2017 upon verification of work done.

**15 (d) Rule 705(7)(b) of the Catalist Listing Manual**

**Update on its reserve and resources, where applicable, in accordance with the requirements set out in Practice Note 4C, including a summary of reserves and resources as set out in Appendix 7D.**

Save for the information provided in the announcement dated 20 March 2017, the Group has no material updates on its phosphate reserves and resources as set out in the qualified person report issued by Watts, Griffis and McOuat Limited dated 17 March 2017.

The Group will provide updates should there be any material change to the estimates.

**16. Negative confirmation pursuant to Rule 705(5) of the Catalist Listing Manual**

The Board hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the first quarter ended 31 March 2017 to be false or misleading in any material aspects.

**17. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual**

The Company hereby confirms that it has procured signed undertakings from all its Directors and the relevant executive officers in the format as set out in Appendix 7H of the Catalist Listing Manual in accordance with Rule 720(1) of the Catalist Listing Manual.

On behalf of the Board,
Ong Eng Hock Simon
Executive Director
26 April 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement and has not drawn on any specific technical expertise in its review of this announcement.*

*The announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr Lim Hoon Khiat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, telephone: +65 6533 9898.*