

# ASIAPHOS

## ASIAPHOS LIMITED

Company Registration Number: 201200335G

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### UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR FIRST QUARTER ENDED 31 MARCH 2015

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#### Background

AsiaPhos Limited (the “Company”) 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 in SGX-ST which is solely focused on exploring and mining phosphate in the Peoples’ Republic of China (“PRC”) with the ability to manufacture and produce phosphate-based chemical products.

Based on independent technical report<sup>(1)</sup>, as at 21 November 2014, the Group has 30.3 million tonnes of measured and indicated phosphorite resources and 17.9 million tonnes of inferred phosphorite resources.

(1) Technical report issued by Watts, Griffiths and McQuat Limited dated 21 November 2014 prepared in accordance with NI 43-101 relating to the mineral resources (“Independent Technical Report”). The report is available on the Company’s website. Please refer to para 15(d) for further updates.



**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2015**

**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		
	2015	2014	Change
	\$'000	\$'000	%
<b>Revenue</b>	6,278	2,416	160
Cost of sales	(4,702)	(1,780)	164
Gross profit	1,576	636	148
Other income	562	34	1553
Selling and distribution costs	(124)	(151)	(18)
General and administrative costs	(1,765)	(842)	110
Finance costs	(308)	(92)	235
<b>Profit/(loss) before tax</b>	(59)	(415)	
Taxation	(62)	-	N.M.
<b>Profit/(loss) for the period attributable to owners of the Company</b>	(121)	(415)	
<b>Other comprehensive income</b>			
Foreign currency translation gain/(loss)	1,605	(1,264)	(227)
<b>Total comprehensive income for the period attributable to owners of the Company</b>	1,484	(1,679)	

N.M. denotes not meaningful.

Foreign currency translation gain/(loss) represents exchange differences arising from translation of the financial statements of our PRC subsidiary 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 subsidiary are disposed.

In 1Q2015, the Group recorded translation gain of \$1.6 million due to strengthening of RMB against SGD.



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:

	First Quarter Ended 31 March		
	2015	2014	Change
	\$'000	\$'000	%
Interest income	471	23	1948
Interest expenses	(307)	(90)	241
Amortisation and depreciation	(342)	(170)	101
Allowance for doubtful debts	-	-	-
Bad debts written off	-	-	-
Write-off for stock obsolescence	-	-	-
Write down of stocks to net realisable value	-	-	-
Impairment in value of investments	-	-	-
Write down of property, plant and equipment	-	-	-
Foreign exchange gain/(loss) *	(145)	120	N.M.
Over/(under) provision of tax in respect of prior periods	-	-	-
Gain/(loss) on disposal of property, plant and equipment	-	-	-

N.M. denotes not meaningful.

\* included in 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 2015 \$'000	31 December 2014 \$'000	31 March 2015 \$'000	31 December 2014 \$'000
<b>Non-current assets</b>				
Mine properties	415	436	-	-
Land use rights	5,043	1,751	-	-
Property, plant and equipment	37,877	36,183	-	-
Convertible loan note	23,077	23,077	-	-
Derivative asset	13,326	13,326	13,326	13,326
Prepayments	2,749	5,744	-	-
Other receivables	619	515	-	-
Intangible asset	102	113	-	-
Investment in subsidiaries	-	-	33,545	33,545
	<b>83,208</b>	<b>81,145</b>	<b>46,871</b>	<b>46,871</b>
<b>Current assets</b>				
Stocks	6,340	8,842	-	-
Trade receivables	863	2,498	-	-
Other receivables	3,644	1,878	59	58
Prepayments	763	747	116	136
Amounts due from subsidiaries	-	-	17,145	16,452
Cash and bank balances	3,813	4,838	1,109	2,121
	<b>15,423</b>	<b>18,803</b>	<b>18,429</b>	<b>18,767</b>
Total assets	<b>98,631</b>	<b>99,948</b>	<b>65,300</b>	<b>65,638</b>
<b>Current liabilities</b>				
Bank overdraft (secured)	68	447	68	447
Trade payables	2,622	4,403	-	-
Other payables	5,293	6,321	139	170
Advances from customers	323	340	-	-
Interest-bearing bank loan	3,798	3,664	-	-
Provision for taxation	689	604	-	-
	<b>12,793</b>	<b>15,779</b>	<b>207</b>	<b>617</b>
Net current assets	<b>2,630</b>	<b>3,024</b>	<b>18,222</b>	<b>18,150</b>
<b>Non-current liabilities</b>				
Other payables	160	117	-	-
Redeemable preference shares	8,200	8,200	-	-
Deferred tax liabilities	1,292	1,247	-	-
Deferred income	2,528	2,438	-	-
Provision for rehabilitation	182	175	-	-
	<b>12,362</b>	<b>12,177</b>	<b>-</b>	<b>-</b>
Total liabilities	<b>25,155</b>	<b>27,956</b>	<b>207</b>	<b>617</b>
<b>Net assets</b>	<b>73,476</b>	<b>71,992</b>	<b>65,093</b>	<b>65,021</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	56,541	56,541	56,541	56,541
Reserves	16,935	15,451	8,552	8,480
<b>Total equity</b>	<b>73,476</b>	<b>71,992</b>	<b>65,093</b>	<b>65,021</b>



(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 2015		31 December 2014	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable				
In one year or less, or on demand	3,866	-	4,111	-
After one year	-	8,200	-	8,200
	<u>3,866</u>	<u>8,200</u>	<u>4,111</u>	<u>8,200</u>

#### Details of collaterals

Borrowings of the Group include a short term bank loan of RMB17 million (approximately \$3.8 million). The bank loan was secured by certain land use rights with net book value of approximately RMB8.1 million (approximately \$1.8 million) and certain property, plant and equipment with net book value of approximately RMB100.9 million (approximately \$22.5 million) as at 31 March 2015. As at 31 December 2014 net book value of the land use rights and property, plant and equipment were RMB8.1 million (approximately \$1.8 million) and RMB102.5 million (approximately \$22.1 million) respectively.

An amount of \$1.0 million of the Company's fixed deposits is also pledged as collateral for bank overdraft facility.



**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.**

	<b>Group</b>	
	<b>First Quarter Ended 31</b>	
	<b>March</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities :</b>		
Profit/(Loss) before taxation	(59)	(415)
Adjustments for :		
Depreciation of property, plant and equipment	267	110
Amortisation of mine properties, land use rights and intangible asset	75	60
Interest expense	307	90
Interest income	(471)	(23)
Unrealised exchange loss/(gain)	270	(239)
Operating profit/(loss) before working capital changes	<u>389</u>	<u>(417)</u>
(Increase)/decrease in stocks	2,764	162
(Increase)/decrease in receivables	470	760
Increase/(decrease) in payables	<u>(3,106)</u>	<u>843</u>
Cash (used in)/generated from operations	517	1,348
Interest received	2	17
Interest paid	(88)	(90)
Net cash flows (used in)/generated from operating activities	<u>431</u>	<u>1,275</u>
<b>Cash flows from investing activities :</b>		
Payments for property, plant and equipment	(1,046)	(2,211)
Payment for land use rights	(123)	-
Proceeds from sale of trial products	-	4,038
Payment of deposit	-	(107)
Net cash flows used in/(generated by) investing activities	<u>(1,169)</u>	<u>1,720</u>
<b>Cash flows from financing activities :</b>		
Payments incurred in relation to the IPO	-	(395)
Net cash flows (used in)/generated from financing activities	<u>-</u>	<u>(395)</u>
Net increase/(decrease) in cash and cash equivalents	(738)	2,600
Cash and cash equivalents at beginning of period	3,211	17,431
Effects of exchange rate changes on cash and cash equivalents	86	(311)
Cash and cash equivalents at end of period	<u>2,559</u>	<u>19,720</u>
Cash and bank balances	3,813	20,887
Less: bank overdraft	(68)	-
Less : pledged deposits	<u>(1,186)</u>	<u>(1,167)</u>
Cash and cash equivalents at end of period	<u>2,559</u>	<u>19,720</u>



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 \$'000	Merger reserve \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Safety fund surplus reserve \$'000	Total reserves \$'000	Total equity \$'000
<b>2015</b>							
Balance at 1 January 2015	56,541	850	10,799	3,802	-	15,451	71,992
Total comprehensive income for the period	-	-	(121)	1,605	-	1,484	1,484
Transfer to safety fund surplus reserve	-	-	(23)	-	23	-	-
Utilisation of safety fund surplus reserve	-	-	15	-	(15)	-	-
Balance at 31 March 2015	56,541	850	10,670	5,407	8	16,935	73,476
<b>2014</b>							
Balance at 1 January 2014	56,541	850	(8,699)	2,476	-	(5,373)	51,168
Total comprehensive income for the period	-	-	(415)	(1,264)	-	(1,679)	(1,679)
Transfer to safety fund surplus reserve	-	-	(15)	-	15	-	-
Utilisation of safety fund surplus reserve	-	-	15	-	(15)	-	-
Balance at 31 March 2014	56,541	850	(9,114)	1,212	-	(7,052)	49,489

Company	Share capital \$'000	Accumulated losses \$'000	Total reserve \$'000	Total equity \$'000
<b>2015</b>				
Balance at 1 January 2015	56,541	8,480	8,480	65,021
Total comprehensive income for the period	-	72	72	72
Balance at 31 March 2015	56,541	8,552	8,552	65,093
<b>2014</b>				
Balance at 1 January 2014	56,541	(4,541)	(4,541)	52,000
Total comprehensive income for the period	-	(229)	(229)	(229)
Balance at 31 March 2014	56,541	(4,770)	(4,770)	51,771



**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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

During the period ended 31 March 2015, there was no change in the Company's issued ordinary share capital. Total number of issued shares was 800,000,000 as at 31 March 2015 and 2014.

As at 31 March 2014, there were no convertible instruments. As at 31 March 2015, the Company may issue up to a maximum of 144,000,000 shares in the Company in relation to the call and put option and redeemable preference shares.

The Company did not hold any treasury shares as at 31 March 2015 and 2014.

**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.**

	Company	
	31 March 2015	31 December 2014
Total number of issued shares (excluding treasury shares)	800,000,000	800,000,000

**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.

**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 2014.

**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 2015. 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	
	2015	2014
Profit/(loss) attributable to owners of the Company (basic) (\$'000)	(121)	(415)
Weighted average number of shares (basic) ('000)	800,000	800,000
Basic earnings/(loss) per share (cents)	<u>(0.02)</u>	<u>(0.05)</u>

The basic and fully diluted loss per share were the same in the first quarter ended 31 March 2014 as there were no dilutive instruments.

As the Group recorded losses for the first quarter ended 31 March 2015, the dilutive instruments were anti-dilutive. The basic and diluted EPS were the same in the first quarter ended 31 March 2015.



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		Company	
	As at		As at	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Net asset value (\$'000)	73,476	71,992	65,093	65,021
Number of ordinary shares ('000)	800,000	800,000	800,000	800,000
Net asset value per ordinary share (cents)	9.18	9.00	8.14	8.13

The net asset value of the Group did not take into account the fair market value of the mining and exploration rights and elemental phosphorous ("P4") plant as these were recorded on the historical cost basis. Note - as at 31 March 2013, the independent valuation of the mining and exploration rights and P4 plant was RMB1.3 billion (approximately S\$284 million at the current exchange rate of \$1: RMB4.577).

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 decimal place.

The Group is organised into business units based on their products and services 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<sub>4</sub>, sodium tripolyphosphate ("STPP") and sodium hexametaphosphate ("SHMP"); and the sale of P<sub>4</sub> by-products, such as slag, sludge and ferrophosphate, produced as a result of such manufacturing process (the "Downstream segment").



## **Profit or loss**

### **Revenue**

	<b>Group</b>		
	<b>1Q2015</b>	<b>1Q2014</b>	<b>Change</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Upstream segment	3,782	2,045	85
Downstream segment	2,496	371	573
<b>Total</b>	<b>6,278</b>	<b>2,416</b>	<b>160</b>

Revenue increased by \$3.9 million, from \$2.4 million for first quarter ended 31 March 2014 ("1Q2014") to \$6.3 million for the same period in 2015 ("1Q2015"). Both segments contributed to the increase in revenue, in particular, revenue from Downstream segment increased by \$2.1 million, from \$0.4 million in 1Q2014 to \$2.5 million in 1Q2015.

Revenue from Upstream segment increased by \$1.8 million, from \$2.0 million in 1Q2014 to \$3.8 million in 1Q2015. Increase in revenue is due to increase in quantity of phosphate rocks sold of 47,000 tonnes in 1Q2015 as compared to 27,700 tonnes in 1Q2014; as well as increase in average selling price. Average selling price of phosphate rocks in 1Q2015 was RMB372 per tonne (1Q2014: RMB356).

	<b>Group</b>		
	<b>1Q2015</b>	<b>1Q2014</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
P <sub>4</sub> and by-products	2,177	29	7407%
STPP	187	289	-35%
SHMP	79	53	49%
Others #	53	-	N.M.
	<b>2,496</b>	<b>371</b>	<b>573%</b>

# Others represents trading revenue from other phosphate based chemicals including red phosphorus.

Revenue from Downstream segment was mainly contributed by sale of P<sub>4</sub>. In 1Q2015, revenue from P<sub>4</sub> and by-products amounted to \$2.2 million, representing 87% of revenue from Downstream segment. In 1Q2015, the Group sold 780 tonnes of P<sub>4</sub>, with average selling price of RMB12,907 per tonne. In 1Q2014, revenue of P<sub>4</sub> and by-products were contributed by ferrosphosphate, a by-product of P<sub>4</sub>. Although the Group also sold P<sub>4</sub> in 1Q2014, the P<sub>4</sub> that was sold in 1Q2014 was produced under trial production and the revenue and related costs were not included in the profit and loss statement of the Group but were adjusted against the carrying value of the plant and equipment.

Revenue from STPP reduced from \$0.3 million in 1Q2014 to \$0.2 million in 1Q2015; while revenue from SHMP was \$0.1 million for both periods. In 1Q2015, 110 tonnes of STPP were sold at average selling price of RMB7,731 (1Q2014; 170 tonnes at average selling price of RMB8,055



per tonne). In addition, 40 tonnes of SHMP were sold at average selling price of RMB8,762 in 1Q2015 (1Q2014: 30 tonnes at average selling price of RMB8,852 per tonne).

In 1Q2015, approximately 95% of the Group's revenue was generated within China.

#### Gross profit

Gross profit increased by \$1.0 million, from \$0.6 million in 1Q2014 to \$1.6 million in 1Q2015. Gross profit margin reduced marginally from 26% in 1Q2014 to 25% in 1Q2015 due to change in sales mix. Upstream segment generally has higher margins than Downstream segment.

#### Other income

Other income was \$0.6 million in 1Q2015, mainly due to interest income (\$0.5 million) related to convertible loan notes. There was no interest income from convertible loan notes in 1Q2014.

#### Selling and distribution costs

Selling and distribution costs reduced marginally by \$0.1 million, from \$0.2 million in 1Q2014 to \$0.1 million in 1Q2015, mainly due to reduction in sales of STPP in 1Q2015.

#### General and administrative costs

General and administrative costs increased by \$1.0 million, from \$0.8 million in 1Q2014 to \$1.8 million in 1Q2015, mainly due to:

- Fixed electricity costs of \$0.3 million incurred by the P<sub>4</sub> plant. As there were no P<sub>4</sub> production in 1Q2015, the fixed electricity costs incurred by the plant was recorded in general and administrative costs. The Group obtained a special exemption from fixed electricity in 1Q2014;
- Increase in maintenance and depreciation expenses by \$0.1 million due to increase in property, plant and equipment;
- Increased in salary and related costs by \$0.1 million due to increase in staff strength; and
- Exchange loss of \$0.1 million in 1Q2015 compared to exchange gain of \$0.1 million for 1Q2014.

#### Finance costs

Increase in finance costs by \$0.2 million, from \$0.1 million in 1Q2014 to \$0.3 million in 1Q2015, mainly due to interest expense (\$0.2 million) related to redeemable preference shares.



## Taxation

There was a tax charge in 1Q2015 for the Group despite the loss before tax because the loss incurred by a Singapore subsidiary cannot be used to set off against profit earned by the subsidiary in China.

## **Balance sheet**

### Non-current assets

Non-current assets increased by \$2.1 million, from \$81.1 million as at 31 December 2014 to \$83.2 million as at 31 March 2015, mainly due to increases in:

- Land use rights by \$3.3 million. The Group received the approval for its Phase 2 land in 1Q2015; and
- Property, plant and equipment by \$1.7 million due to additions in plant and equipment and translation differences.

The above increases were partially offset by reduction in prepayments by \$3.0 million. The prepayment relating to advance payments made for phase 2 land use rights had been transferred to land use rights upon receipt of the approval.

### Current assets

Current assets decreased by \$3.4 million, from \$18.8 million as at 31 December 2014 to \$15.4 million as at 31 March 2015, mainly due to:

- Reduction in stocks by \$2.5 million;
- Reduction in trade receivables by \$1.6 million due to collections from trade debtors and redemption of note receivables; and
- Reduction in cash and bank balances by \$1.0 million due to payments made during the period.

The above reduction was partially mitigated by increase in other receivables by \$1.8 million due to increase in interest receivable relating to the convertible loan notes and payments of \$0.5 million made in advance for certain property, plant and equipment.



### Current liabilities

Current liabilities decreased by \$3.0 million, from \$15.8 million as at 31 December 2014 to \$12.8 million as at 31 March 2015, mainly due to:

- Reduction in bank overdraft by \$0.4 million;
- Reduction in trade and other payables by \$2.8 million due to repayments made during the period. Reduction in other payables was partially mitigated by increase in interest payable relating to redeemable preference shares.

The above reductions were partially offset by increase in interest-bearing bank loan and provision for taxation totaling \$0.2 million.

### Non-current liabilities

Non-current liabilities increased by \$0.2 million, from \$12.2 million as at 31 December 2014 to \$12.4 million as at 31 March 2015, mainly due to increase in deferred income, deferred tax liabilities and provision for rehabilitation totaling \$0.1 million as a result of translation differences.

### Cash flow statement

Operating profit before working capital changes was \$0.4 million for 1Q2015. Changes in working capital was \$0.1 million due to decrease in stocks and receivables of \$2.8 million and \$0.5 million respectively, and partially offset by decrease in payables of \$3.1 million. The above led to net cash flow generated from operating activities was \$0.4 million for 1Q2015.

Net cash flows used in investing activities was \$1.2 million due to payments made for property, plant and equipment and land use rights for Phase 2 land of \$1.0 million and \$0.1 million respectively.

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

Not applicable.



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**

The Group mined approximately 25,900 tonnes of phosphate rocks in 1Q2015, which is 42% higher than the 17,600 tonnes mined in 1Q2014. This is a strong start for FY2015 and the Management intends to build on this impetus to drive growth for the year.

The Group is still awaiting the approval for the renewal of the exploration licence for Mine 2 of 1.28 km<sup>2</sup> and will provide further updates as and when they become available. For the avoidance of doubt, the Group holds the mining licence for Mine 2 of 2.0237 km<sup>2</sup> which it continues to operate.

#### **Update on the acquisition of LY Resources Pte Ltd (“LYR”)**

To complete the acquisition of LYR, the Group is currently seeking regulatory approvals for the listing of the shares to be issued.

Upon completion of the acquisition, in accordance with the requirements of FRS 103 *Business Combinations*, the Group is expected to recognise approximately RMB10.9 million (approximately S\$2.4 million) as an accounting charge to its profit or loss statement as a portion of the purchase consideration relating to the Dashan profit sharing arrangement which is deemed to be a settlement of the pre-existing relationship. However, this expected accounting charge should also be viewed in conjunction with the \$20.2 million fair value gain reported in the 2014 fourth quarter results announced on 16 February 2015. The Group will benefit from improved cash flows as it no longer needs to pay Dashan its share of profit.

#### **Downstream Segment**

The price outlook for P<sub>4</sub> in 2015 is expected to remain challenging. On the other hand, the Group has engaged independent experts to review the P<sub>4</sub> production process and the management team in China has implemented changes and improvements to it. As production will only resume in May 2015 because of the lower electricity tariff then, it is currently not possible to quantify the likely positive impact of these changes and improvements. The management will continue to monitor the situation and will take steps to ensure that P<sub>4</sub> are produced economically.

The strength of the RMB continues to pose a challenge to the Group’s effort to develop the export market for its downstream chemicals. However, changes to export tax rebates at the beginning of the year have mitigated the effects of the strong RMB and enabled the Group to attract certain export customers. The management will continue to develop and expand the downstream business in FY2015.



- 11. If a decision regarding dividend has been made:**
- (a) Whether an interim (final) ordinary dividend has been declared (recommended); and**
- None.
- (b)(i) Amount per share**
- Not applicable.
- (b)(ii) Previous corresponding period**
- None.
- (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) The date the dividend is payable.**
- Not applicable.
- (e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**
- Not applicable.
- 12. If no dividend has been declared (recommended), a statement to that effect.**
- No dividend has been declared or recommended for first quarter ended 31 March 2015.
- 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.

On 21 June 2013, Dr Ong Hian Eng (Chief Executive Officer and Executive Director), Mr Ong Kwee Eng (an associate of Dr Ong Hian Eng), and key executives Mr Wang Xuebo and Mr Chia Chin Hau 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. No fees were paid or benefits given to the above-mentioned individuals in connection with the deed of indemnity. Please refer to the Group's offer document dated 25 September 2013 under the section Interested Person Transactions – Present and Ongoing Interested Period Transactions" (Page 191) for details.

The indemnity given in connection with certain land use rights which may be required in connection with Mianzhu Norwest's Mining Operations has expired on 7 April 2015.





Other than the above interested person transaction which was deemed approved by Shareholders, there were no other interested person transactions during the financial period under review.

**14. Use of IPO proceeds.**

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

<b>Description</b>	<b>Amount allocated (as disclosed in the Offer Document)</b>	<b>Amount utilised as at the date of this announcement</b>	<b>Balance of net proceeds as at date of this announcement</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Development and financing of our Mining Operations	8,500	(2,474)	6,026
Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme	11,499	(8,274)	3,225
Working capital	1,553	(7,531)	(5,978)
<b>Net proceeds</b>	<b>21,552</b>	<b>(18,279)</b>	<b>3,273</b>

Out of the \$7.5 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 \$7.5 million from the IPO proceeds for working capital to fund (i) the purchases of materials and supplies; (ii) the production of rocks and P<sub>4</sub>; (iii) repayment of bank borrowings and (iv) credit extended to customers for sale of rocks and P<sub>4</sub>. The Group has received the land use certificate for Phase 2 land and is relooking at the resumption of the Phase 2 Rebuilding Programme.

The Company will make periodic announcements on the use of the proceeds as and when the funds are materially disbursed.

**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:**

	<b>Actual</b>
	<b>\$'000</b>
Further mining and exploration activities	748
Expenditure on mining related infrastructure and purchase of equipment	21
	<b>769</b>



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	6,906	1,543
Expenditure on mining related infrastructure and purchase of equipment	78	17
	<b>6,984</b>	<b>1,560</b>

\* based on exchange rate of RMB4.577 : S\$1.00

The mining and exploration activities for 2Q2015 currently includes the following:

- Mine well (adit) construction for the mines and repairs and improvement to infrastructure; and
- Purchase of equipment for the adits and mining levels for both mines and implementation of safety features.

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

The Board confirms that to the best of their knowledge, nothing has come to their 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	2,302	514	748	(234)
Expenditure on mining related infrastructure and purchase of equipment	92	21	21	-
	<b>2,394</b>	<b>535</b>	<b>769</b>	<b>(234)</b>

\* based on exchange rate of RMB4.577 : S\$1.00

The variance in expenditures in 1Q2015 was mainly due to higher expenditures for tramway for certain wells.



**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 announcements dated 24 November 2014 and 24 December 2014, the Group has no material updates on the phosphate resources as set out in the Independent Technical Report.

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

**16. Negative confirmation pursuant to Rule 705(5)**

The Board of Directors of the Company, do hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the first quarter ended 31 March 2015 to be false or misleading in any material aspects.

On behalf of the Board of Directors,  
Ong Eng Hock Simon  
Executive Director  
29 April 2015

*This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of 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 SGX-ST. The Sponsor and 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 persons for the Sponsor are Mr Khong Choun Mun, Managing Director, Corporate Finance and Mr Low Han Keat, Senior Director, Corporate Finance, who can be contacted at 80 Raffles Place #03-03 UOB Plaza 1 Singapore 048624, telephone: +65 6533 9898.*

