ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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 THIRD QUARTER ENDED 30 SEPTEMBER 2016

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					
	Third Quarter Ended 30 September			Nine Months Ended 30 September		
	2016	2015	Change	2016	2015	Change
	$'000	$'000	%	$'000	$'000	%
Revenue	9,240	9,380	(1)	20,828	27,666	(25)
Cost of sales	(7,957)	(7,668)	4	(17,157)	(22,369)	(23)
Gross profit	1,283	1,712	(25)	3,671	5,297	(31)
Other income	102	418	(76)	269	1,515	(82)
Selling and distribution costs	(111)	(114)	(3)	(276)	(387)	(29)
General and adminstrative costs	(1,605)	(1,549)	4	(4,163)	(4,837)	(14)
Finance costs	(222)	(330)	(33)	(603)	(892)	(32)
Other expense	-	(2,429)	N.M.	-	(2,429)	N.M.
Loss before tax	(553)	(2,292)		(1,102)	(1,733)	
Taxation	-	(168)	N.M.	-	(367)	N.M.
Loss for the period	(553)	(2,460)		(1,102)	(2,100)	
Other comprehensive income						
Items that may be recycled to profit or loss						
Foreign currency translation gain/(loss)	312	734	(57)	(2,842)	1,481	(292)
Total comprehensive income for the period	(241)	(1,726)		(3,944)	(619)	
Loss for the period attributable to:						
Owners of the Company	(553)	(2,460)		(1,102)	(2,100)	
Non-controlling interest	-	-		-	-	
	(553)	(2,460)		(1,102)	(2,100)	
Total comprehensive income for the period attributable to:						
Owners of the Company	(241)	(1,726)		(3,944)	(619)	
Non-controlling interest	-	-		-	-	
	(241)	(1,726)		(3,944)	(619)	

"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 third quarter ended 30 September 2016 ("**3Q2016**"), the Group recorded translation gain of $0.3 million due to the weakening 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					
	Third Quarter Ended 30 September			Nine Months Ended 30 September		
	2016	2015	Change	2016	2015	Change
	$'000	$'000	%	$'000	$'000	%
Interest income	3	144	(98)	9	1,088	(99)
Net fair value gain	-	150	(100)	-	150	(100)
Interest expenses	(220)	(326)	(33)	(593)	(884)	(33)
Amortisation and depreciation	(562)	(668)	(16)	(2,674)	(2,046)	31
Foreign exchange gain/(loss) *	(83)	134	(162)	275	108	155
Termination of pre-existing contract	-	(2,429)	N.M.	-	(2,429)	N.M.
Gain on disposal of property, plant and equipment	-	-	-	1	-	N.M.

"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	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	$'000	$'000	$'000	$'000
Non-current assets				
Mine properties	65,542	72,329	-	-
Land use rights	4,474	4,845	-	-
Property, plant and equipment	37,765	39,856	-	-
Prepayments	526	587	-	-
Other receivables	280	297	-	-
Intangible asset	13	57	-	-
Goodwill	12,249	8,271	-	-
Investment in subsidiaries	-	-	72,311	59,022
	120,849	126,242	72,311	59,022
Current assets				
Stocks	4,465	2,728	-	-
Trade receivables	3,232	4,422	-	-
Other receivables	608	481	48	40
Prepayments	1,603	1,063	46	143
Amounts due from subsidiaries	-	-	3,986	17,183
Cash and bank balances	3,695	4,301	1,016	1,018
	13,603	12,995	5,096	18,384
Total assets	134,452	139,237	77,407	77,406
Current liabilities				
Bank overdraft (secured)	984	16	984	16
Trade payables	2,250	4,377	-	-
Other payables	5,604	6,848	643	377
Advance payments from customers	1,520	247	-	-
Interest-bearing bank loan	6,953	-	-	-
Redeemable preference shares	-	8,050	-	-
Amounts due to subsidiaries	-	-	681	-
Provision for taxation	334	1,062	-	-
	17,645	20,600	2,308	393
Net current assets/(liabilities)	(4,042)	(7,605)	2,788	17,991
Non-current liabilities				
Redeemable preference shares	5,725	-	-	-
Deferred tax liabilities	17,834	19,506	-	-
Deferred income	2,238	2,407	-	-
Provision for rehabilitation	166	177	-	-
	25,963	22,090	-	-
Total liabilities	43,608	42,690	2,308	393
Net assets	**90,844**	**96,547**	**75,099**	**77,013**
Equity attributable to owners of the Company				
Share capital	68,151	68,151	68,151	68,151
Reserves	13,230	18,107	6,948	8,862
	81,381	86,258	75,099	77,013
Non-controlling interest	9,463	10,289	-	-
Total equity	**90,844**	**96,547**	**75,099**	**77,013**

(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			
	30 September 2016		31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	$'000	$'000	$'000	$'000
Amount repayable				
In one year or less, or on demand	7,937	-	16	8,050
After one year	-	5,725	-	-
	7,937	5,725	16	8,050

Details of collaterals

As at 30 September 2016, the Group pledged certain land use rights and certain property, plant and equipment of the Group, with net book value of RMB21.9 million (approximately $4.6 million) and RMB100.3 million (approximately $20.9 million) respectively, as collaterals. The Company has also provided a corporate guarantee for a bank loan of RMB24.0 million (approximately $5.0 million).

As at 31 December 2015, the Group pledged certain land use rights with net book value of approximately RMB8.0 million (approximately $1.8 million) and certain property, plant and equipment with net book value of approximately RMB101.1 million (approximately $22.0 million) as collaterals. As at 31 December 2015, the Group did not have any interest-bearing bank loan. As at 30 September 2016, these pledged assets have been released.

An amount of $1.0 million of the Company's fixed deposits was also pledged as collateral for bank overdraft facility as at 30 September 2016 and 31 December 2015.

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			
	Third Quarter Ended 30 September		Nine Months Ended 30 September	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash flows from operating activities :				
Profit/(Loss) before taxation	(553)	(2,292)	(1,102)	(1,733)
Adjustments for :				
Depreciation expenses	501	581	2,185	1,807
Gain on disposal of property, plant and equipment	-	-	(1)	-
Amortisation expenses	61	87	489	239
Interest expense	220	306	593	831
Interest income	(3)	(144)	(9)	(1,088)
Fair value gain	-	(150)	-	(150)
Unrealised exchange loss/(gain)	69	144	(267)	276
Amortisation of deferred income	(37)	(34)	(79)	(51)
Termination of pre-existing contract	-	2,429	-	2,429
Operating profit/(loss) before working capital changes	258	927	1,809	2,560
(Increase)/decrease in stocks	3,529	1,164	(1,935)	2,023
(Increase)/decrease in receivables	2,578	6,045	40	(633)
Increase/(decrease) in payables	(5,468)	(2,178)	(547)	1,558
Cash (used in)/generated from operations	897	5,958	(633)	5,508
Interest received	3	2	9	9
Interest paid	(342)	(87)	(1,241)	(911)
Tax paid	-	(138)	(703)	(259)
Net cash flows (used in)/generated from operating activities	558	5,735	(2,568)	4,347
Cash flows from investing activities :				
Payments for property, plant and equipment	(496)	(1,766)	(2,730)	(4,549)
Receipt of government grant	-	20	58	20
Proceeds from disposal of property, plant and equipment	-	-	1	-
Payment for land use rights	-	-	-	(123)
Net cash inflow on acquisition of subsidiary	-	52	-	52
Net cash flows (used in)/generated by investing activities	(496)	(1,694)	(2,671)	(4,600)
Cash flows from financing activities :				
Proceeds from bank loan	1,652	-	7,082	2,308
Proceeds from issue of redeemable preference shares	-	-	4,000	-
Redemption of redeemable preference shares	-	-	(6,325)	-
Increase in pledged deposits	(2)	-	(7)	-
Payments of share issuance expense	-	(11)	(32)	(11)
Dividends paid	-	-	(901)	-
Net cash flows (used in)/generated from financing activities	1,650	(11)	3,817	2,297
Net increase/(decrease) in cash and cash equivalents	1,712	4,030	(1,422)	2,044
Cash and cash equivalents at beginning of period	(101)	1,227	3,098	3,211
Effects of exchange rate changes on cash and cash equivalents	(84)	(238)	(149)	(236)
Cash and cash equivalents at end of period	1,527	5,019	1,527	5,019

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 30 September 2016 $'000	Group As at 30 September 2015 $'000
Cash and bank balances	3,695	6,205
Less: bank overdraft (secured)	(984)	-
Less : pledged deposits	(1,184)	(1,186)
Cash and cash equivalents at end of period	1,527	5,019

Effect of acquisition of subsidiary on statement of consolidated cash flow:

	Group			
	Third Quarter Ended 30 September		Nine Months Ended 30 September	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Total consideration for 100% equity interest acquired	-	50,673	-	50,673
Less non-cash consideration	-	(33,523)	-	(33,523)
Consideration settled in cash	-	17,150	-	17,150
Less cash and cash equivalents of subsidiary acquired	-	(52)	-	(52)
Less amount paid in prior periods	-	(17,150)	-	(17,150)
Net cash inflow on acquisition of subsidiary	-	52	-	52

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
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
Total comprehensive income for the period	-	-	366	(1,239)	-	(873)	-	(873)
Dividends paid	-	-	(901)	-	-	(901)	-	(901)
Adjustment to fair value of net identifiable assets acquired	-	-	-	-	-	-	(826)	(826)
Transfer to safety fund surplus reserve	-	-	(250)	-	250	-	-	-
Utilisation of safety fund surplus reserve	-	-	155	-	(155)	-	-	-
Balance at 30 June 2016	68,151	850	11,034	1,095	524	13,503	9,463	91,117
Total comprehensive income for the period	-	-	(553)	312	-	(241)	-	(241)
Transfer to safety fund surplus reserve	-	-	(127)	-	127	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	(32)	(32)	-	(32)
Balance at 30 September 2016	68,151	850	10,354	1,407	619	13,230	9,463	90,844
2015								
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
Total comprehensive income for the period	-	-	481	(858)	-	(377)	-	(377)
Transfer to safety fund surplus reserve	-	-	(123)	-	123	-	-	-
Utilisation of safety fund surplus reserve	-	-	14	-	(14)	-	-	-
Balance at 30 June 2015	56,541	850	11,042	4,549	117	16,558	-	73,099
Shares issued for acquisition of subsidiary	11,652	-	-	-	-	-	-	11,652
Share issuance expense	(11)	-	-	-	-	-	-	(11)
Total comprehensive income for the period	-	-	(2,460)	734	-	(1,726)	-	(1,726)
Acquisition of subsidiary	-	-	-	-	-	-	21,234	21,234
Transfer to safety fund surplus reserve	-	-	(12)	-	12	-	-	-
Utilisation of safety fund surplus reserve	-	-	44	-	(44)	-	-	-
Balance at 30 September 2015	68,182	850	8,614	5,283	85	14,832	21,234	104,248

Company	Share capital	Retained earnings	Total reserves	Total equity
	$'000	$'000	$'000	$'000
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
Total comprehensive income for the period	-	(104)	(104)	(104)
Dividends paid	-	(901)	(901)	(901)
Balance at 30 June 2016	68,151	7,790	7,790	75,941
Total comprehensive income for the period	-	(842)	(842)	(842)
Balance at 30 September 2016	68,151	6,948	6,948	75,099
2015				
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
Total comprehensive income for the period	-	6	6	6
Balance at 30 June 2015	56,541	8,558	8,558	65,099
Shares issued for acquisition of subsidiary	11,652	-	-	11,652
Share issuance expense	(11)	-	-	(11)
Total comprehensive income for the period	-	21	21	21
Balance at 30 September 2015	68,182	8,579	8,579	76,761

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 third quarter ended 30 September 2016, there was no change in the Company's issued ordinary share capital. Total number of issued ordinary shares of the Company (excluding treasury shares) was 901,319,000 as at 30 September 2016.

As at 30 September 2015 and 30 September 2016, the Company had no outstanding convertible instruments.

As at 30 September 2015 and 30 September 2016, the Company did not hold any treasury shares.

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	
	30 September 2016	**31 December 2015**
Total number of issued shares (excluding treasury shares)	901,319,000	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.

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.

For the current financial year ending 31 December 2016 ("**FY2016**"), the Group changed its accounting policy for amortisation of mining properties from straight-line method to unit-of-production ("**UOP**") method. Under the UOP method, the Group's mining properties are amortised over the estimated proved and probable reserves and measured resources of the mines whereas under the straight-line method, the mining properties are depreciated based on estimated useful lives.

Under the UOP method, the Group recognised amortisation expense relating to mining properties of $0.35 million in the nine months ended 30 September 2016 ("**9M2016**"). No amortisation expense relating to mining properties was recognised in 3Q2016. The effect of the change in amortisation method is a decrease of $0.32 million and $0.61 million of amortisation expense in 3Q2016 and 9M2016, respectively.

The Group is of the view that the UOP method is a better reflection of the expected consumption pattern of the future economic benefits embodied in the mining properties. The UOP method is also the more appropriate and more commonly used method of amortisation in the mining industry. Based on the current mining plan, the estimated useful life of the mines are expected to be longer than the licensed life and the management does not foresee any significant obstacle to renew the mining licenses as and when they expire. As such, using the UOP method in accordance with the production plans and the proved and probable reserves and measured resources of the mines is a better reflection of the expected consumption of future economic benefits. The change in amortisation policy will be applied prospectively from 1 January 2016.

Except as disclosed above and 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 2015 ("**FY2015**").

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 2016. 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.

The Group has also changed its accounting policy for amortisation of mining properties, details as set out in Paragraph 4.

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			
	Third Quarter Ended 30 September		**Nine Months Ended 30 September**	
	2016	**2015**	**2016**	**2015**
Loss attributable to owners of the Company used in the computation of basic earnings per share ($'000)	(553)	(2,460)	(1,102)	(2,100)
Weighted average number of ordinary shares for basic earnings per share ('000)	901,319	872,685	901,319	824,495
Basic loss per share (cents)	(0.06)	(0.28)	(0.12)	(0.25)

As at 30 September 2016 and 30 September 2015, there were no dilutive instruments. The fully diluted loss per share was therefore the same as the basic loss per share for 9M2016, 9M2015, 3Q2016 and 3Q2015.

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	
	30 September 2016	**31 December 2015**	**30 September 2016**	**31 December 2015**
Net asset value ($'000)	90,844	96,547	75,099	77,013
Number of ordinary shares ('000)	901,319	901,319	901,319	901,319
Net asset value per ordinary share (cents)	10.08	10.71	8.33	8.54

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$271 million based on an assumed exchange rate of $1: RMB4.801).

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		
	3Q2016	**3Q2015**	**Change**
	$'000	**$'000**	**%**
Revenue			
Upstream segment	1,232	1,790	(31)
Downstream segment	8,008	7,590	6
Total	9,240	9,380	(1)
Cost of goods sold			
Upstream segment	929	1,124	(17)
Downstream segment	7,028	6,544	7
Total	7,957	7,668	4
Gross profit margin			
Upstream segment	25%	37%	
Downstream segment	12%	14%	
Overall	14%	18%	

Revenue decreased by $0.2 million, from $9.4 million in the third quarter ended 30 September 2015 ("**3Q2015**") to $9.2 million in 3Q2016.

Revenue from the Upstream Segment decreased by $0.6 million, from $1.8 million in 3Q2015 to $1.2 million in 3Q2016 due to the lower quantity and quality of phosphate rocks sold and lower average selling prices. The Group retained the higher quality phosphate rocks for P_4 production and sold only the lower quality phosphate rocks, leading to lower average selling prices. In 3Q2016, the Group sold 23,000 tonnes of phosphate rocks as compared to 23,900 tonnes in 3Q2015. Revenue from the Downstream Segment increased by $0.4 million, from $7.6 million in 3Q2015 to $8.0 million in 3Q2016, due to the increase in revenue from sale of P_4 arising from higher quantity of P_4 sold. In 3Q2016, the Group sold 3,670 tonnes of P_4 as compared to 2,840 tonnes in 3Q2015. The increase in revenue from increase in quantity sold was partially offset by reduction in average selling price. Revenue from sale of P_4 was also impacted by production and transport restrictions imposed before and during the G20 Summit in Hangzhou, PRC. This resulted in deferred deliveries to some orders secured in 3Q2016 from the Group's customers and consequently the revenue from sales of P_4 in 3Q2016.

Cost of goods sold for the Upstream Segment decreased by $0.2 million, from $1.1 million in 3Q2015 to $0.9 million in 3Q2016, in line with the decrease in revenue for this segment. Gross profit margin for the Upstream Segment decreased from 37% in 3Q2015 to 25% in 3Q2016 due to the lower average selling prices of phosphate rocks in 3Q2016 as the rocks sold were of lower quality. The reduction in gross profit margin for the Upstream Segment due to lower average selling prices was partially mitigated by lower production costs in 3Q2016.

Cost of goods sold for the Downstream Segment increased by $0.5 million, from $6.5 million in 3Q2015 to $7.0 million in 3Q2016, in line with the increase in revenue from the Downstream Segment. The reduction in gross profit margin for the Downstream Segment from 14% in 3Q2015 to 12% in 3Q2016 was due to lower average selling prices, which was partially mitigated by lower production costs in 3Q2016.

Consequently, gross profit decreased by $0.4 million, from $1.7 million in 3Q2015 to $1.3 million in 3Q2016. Overall gross profit margin reduced from 18% in 3Q2015 to 14% in 3Q2016 due to reduction in gross profit margin from both the Upstream Segment and the Downstream Segment.

<u>Other income</u>

Other income decreased by $0.3 million, from $0.4 million in 3Q2015 to $0.1 million in 3Q2016, mainly due to the absence of interest income from the convertible loan note in 3Q2016 as such convertible loan note was converted into the equity of LY Resources Pte. Ltd. ("**LYR**") in July 2015.

Other income in 3Q2015 also included fair value gain of $0.2 million which arose from the decrease in fair value of the redeemable preference shares issued on 30 April 2014 ("**2014 RPS**"). There was no such fair value gain in 3Q2016.

<u>Selling and distribution costs</u>

Selling and distribution costs remained relatively unchanged at $0.1 million in 3Q2016 and 3Q2015.

<u>General and administrative costs</u>

General and administrative costs remained relatively unchanged at $1.6 million in 3Q2016 and 3Q2015.

<u>Finance costs</u>

Finance costs decreased by $0.1 million, from $0.3 million in 3Q2015 to $0.2 million in 3Q2016, mainly due to the decrease in interest expense on redeemable preference shares ("**RPS**").

Other expense

Other expense of $2.4 million in 3Q2015 arose due to an accounting charge following the the termination of the pre-existing profit sharing arrangement with a former co-operation partner in 2015. With the acquisition of LYR in 3Q2015, the Group acquired the economic benefit of the profit-sharing arrangement and recognised an one-off accounting charge.There was no such accounting charge in 3Q2016.

Taxation

No provision for tax was made in 3Q2016. There was a tax charge in 3Q2015 despite the loss position as the loss incurred by a Singapore subsidiary could not be used to set off against the profit earned by a PRC subsidiary.

Balance sheet

Non-current assets

Non-current assets decreased by $5.4 million, from $126.2 million as at 31 December 2015 to $120.8 million as at 30 September 2016.

The reduction in the mine properties by $6.7 million and the increase in goodwill of $3.9 million was due to the finalisation of the purchase price allocation exercise in 2Q2016 with respect to the acquisition of LYR in 2015 and amortisation expense for 9M2016. Based on the preliminary independent valuation of the mine properties of LYR group of RMB322 million, the Group recognised its share of LYR group's mine properties of RMB261 million and provisional goodwill of $8.3 million at the date of acquisition. Based on the finalised independent valuation of mine properties of LYR group of RMB293 million, the Group's share of LYR group's mine properties was reduced to RMB237 million and the Group's goodwill increased from $8.3 million to $12.2 million. Goodwill represents the excess of purchase consideration over the fair value of the net identifiable assets of LYR acquired.

The decrease in land use rights and property, plant and equipment arose from translation differences, amortisation and depreciation expenses for 9M2016.

Current assets

Current assets increased by $0.6 million, from $13.0 million as at 31 December 2015 to $13.6 million as at 30 September 2016, mainly due to increase in stocks, other receivables and prepayments. The Group resumed its mining and P_4 operations in March 2016 and May 2016, respectively, leading to increase in inventories level and prepayments to certain suppliers.

Such increases were partially offset by the decreases in trade receivables and cash and bank balances. The decrease in trade receivables was due to redemption of bill receivables in 9M2016.

Current liabilities

Current liabilities decreased by $3.0 million, from $20.6 million as at 31 December 2015 to $17.6 million as at 30 September 2016 mainly due to reduction in trade and other payables, redeemable preference shares and provision for tax. The decrease in trade and other payables and provision for tax was mainly due to payments made during the period. In January 2016, the Group had redeemed the 7,000,000 2014 RPS.

The decreases were partially offset by increase in advances from customers, bank overdraft (secured) and interest-bearing bank loan. The Group drew down bank borrowings of RMB34 million in 9M2016. The bank borrowings will mature in 2017.

As at 30 September 2016, the Group recorded negative working capital of $4.0 million compared to a negative working capital of $7.6 million as at 31 December 2015 mainly due to the redemption of the 2014 RPS in January 2016 using the Group's internal resources. Notwithstanding that there is a net current liabilities position as at 30 September 2016, the Group believes that it is able to meet its short term obligations as and when they fall due.

Non-current liabilities

Non-current liabilities increased by $3.9 million, from $22.1 million as at 31 December 2015 to $26.0 million as at 30 September 2016, mainly due to the issuance of new RPS in January 2016 (the "**2016 RPS**"). The 2016 RPS were issued to (i) three (3) investors of the 2014 RPS who have agreed to re-invest in the Group, (ii) the Group's Chief Executive Officer and Executive Director, Dr. Ong Hian Eng ("**Dr. Ong**") and (iii) 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. The 2016 RPS will mature in January 2021.

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 $0.3 million for 3Q2016. Cash inflow due to changes in working capital was $0.6 million. Payments for interest expense in 3Q2016 amounted to $0.3 million. The above contributed to net cash inflows from operating activities of $0.6 million for 3Q2016.

Net cash flows used in investing activities was $0.5 million due to payments for property, plant and equipment.

Net cash flows generated from financing activities of $1.7 million was mainly due to proceeds from bank loan.

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

There has been a decrease in the revenue from sale of phosphate rocks in 3Q2016 as the Group used the higher quality rocks for its P_4 production and had lesser high quality phosphate rocks available for sale, leading to lower average selling prices.

Mining activities ceased in late 2Q2016 because of the rainy season and only resumed in late October 2016. This will impact the rocks output and the quantity available for sale in the fourth quarter ending 31 December 2016.

Downstream Segment

Since the resumption of P_4 production in May 2016, Management has steadily increased its P_4 output and this has allowed the Group to build up a customer base in PRC outside Sichuan Province, PRC. In August 2016, the PRC government reduced the minimum export price for P_4, from US$3,000 per tonne to US$2,700 per tonne. This has increased the competitiveness of the P_4 produced in PRC as compared to P_4 produced in Vietnam. The Group will continue to actively expand the customer base in PRC and export markets.

Due to the production and transport restrictions before and during the G20 Summit held in Hangzhou, PRC in September 2016, some orders secured in September will only be delivered in October and November 2016 which led to lower revenue and profit in 3Q2016.

There has been an increase in P_4 price in October 2016 mainly in response to the increase in the price of coking coal. The P_4 price is expected to remain volatile going into the next financial year.

As announced by the Company on 26 October 2016, an industrial accident ("**Accident**") occurred during a routine discharge of slag from one of the two furnaces in the Group's P_4 production plant ("**Plant**") on 24 October 2016. Production of P_4 had ceased since the Accident as a precautionary measure and yet to resume till date. The Group has been working closely with the relevant PRC authorities to determine the cause of the Accident, the rectification works required for the Plant and the expected time required for resumption of P_4 production. To mitigate the financial impact to the Group from the ceasing of P_4 production, the Group has been making arrangements to sell the phosphate rocks that were originally reserved for P_4 production.

The Company will keep Shareholders updated on this matter, and make further announcements as and when there are material developments in relation thereto.

Debt management

Notwithstanding that there is a net current liabilities position of $4.0 million as at 30 September 2016, the Group believes that it is able to meet its short term obligations as and when they fall due.

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 third quarter ended 30 September 2016.

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, Dr. Ong (Chief Executive Officer and Executive Director of the Company), Mr Ong Kwee Eng (an associate of Dr. Ong), 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 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.

For the period ended 30 September 2016, interest expense relating to the 2016 RPS paid and payable to Dr. Ong and Astute Ventures (a company in which two (2) of the directors, Mr Ong Eng Hock Simon and Mr Ong Eng Siew Raymond each have equity interest of not less than 20%) amounted to $217,000.

As at the date of this announcement, the Group has repaid S$300,000 of the interest-free loan of S$400,000 extended by Dr. Ong to the Group in 2Q2016 for its working capital purposes. The balance amount will be repaid when funds are received from the Group's PRC subsidiary.

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:

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.

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:

	Actual
	$'000
Further mining and exploration activities	806
Expenditure on mining related infrastructure and purchase of equipment	43
	849

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	5,759	1,200
Expenditure on mining related infrastructure and purchase of equipment	356	74
	6,115	1,274

* based on exchange rate of RMB4.801 : S$1.00

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	-	-	806	(806)
Expenditure on mining related infrastructure and purchase of equipment	-	-	43	(43)
	-	-	849	(849)

* Based on an assumed exchange rate of RMB4.801 : S$1.00

Certain expenditure incurred in 2Q2016 were paid in 3Q2016 upon completion of verification.

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 15 March 2016, 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 9 March 2016.

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 third quarter ended 30 September 2016 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
8 November 2016

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.