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## MINING OPERATIONS – UPDATE ON RENEWAL APPLICATION OF MINE 2 EXPLORATION RIGHT AND ONGOING NEGOTIATIONS WITH THE SICHUAN GOVERNMENT AND OTHER UPDATE ON GROUP’S BUSINESS

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*Capitalised terms used herein, unless otherwise defined, shall have the definitions ascribed to them in the offer document dated 25 September 2013 and registered by the Singapore Exchange Securities Trading Limited acting as agent on behalf of the Monetary Authority of Singapore on 25 September 2013, and the Company’s announcements dated 21 July 2016, 3 March 2017, 24 November 2017, 30 November 2017, 4 December 2017, 24 January 2018, 9 February 2018, 28 February 2018, 28 March 2018, 10 April 2018 and 26 April 2018 (the “Announcements”).*

### 1. INTRODUCTION

On 21 July 2016, the Company announced that exploration right for Mine 2 (which has a land area of 1.28 square kilometres) was renewed for a period of two years from 16 June 2016 to 16 June 2018. The exploration right expired on 16 June 2018.

On 24 November 2017, the Company announced that Mianzhu Norwest was requested to provide a letter of undertaking to, inter alia, vacate and rehabilitate its mining site in respect of Mine 2 and the Fengtai Mine.

On or around 8 June 2018, Mianzhu Norwest submitted an application for the renewal of the Mine 2 Exploration Right. This is a formality as the Group has been advised by its PRC legal advisers that until such time when the Group receives a formal expropriation notice from the Authority, it should submit such application for the renewal of the Group’s exploration permit for the Mine 2 Exploration Right.

### 2. UPDATE ON THE ONGOING NEGOTIATIONS WITH THE SICHUAN PROVINCIAL GOVERNMENT

As set out in the Company’s announcements dated 24 November 2017, 30 November 2017, 4 December 2017, 24 January 2018 and 10 April 2018, the Group has been in discussion with the Sichuan Government (with the most recent meeting held on 15 June 2018) for a settlement in relation to the non-renewal of the mining and exploration rights because of the Panda Park and the Mianzhu Government’s request to provide undertaking to vacate its mining site in the JiuDingshan Nature Reserve.

To date, while the Company has made continuous efforts in good faith to reach an amicable settlement with the Sichuan Government, the parties have been unable to settle the dispute through negotiations. Based on consultations with legal counsel, the Company believes that China’s actions amount to an unlawful expropriation of AsiaPhos’ investments, and breaches China’s obligations to provide fair and equitable treatment and other protections under the China-Singapore BIT and China-ASEAN Investment Agreement.

On 22 June 2018, the Company formally notified the Sichuan Government that due to the lack of progress, the Company intends to work with legal counsel to issue a formal notice of arbitration to the Chinese Government should the Sichuan Government fail to come up with a satisfactory settlement proposal within 30 days. This will start the arbitration process but the issuing of the formal notice of arbitration does not preclude the Company from continuing negotiations with the Chinese Government with a view to settling the matter amicably.



### 3. REFOCUSING OF GROUP'S BUSINESS

Due to unfavourable conditions in the P<sub>4</sub> business because of high material prices as a consequence of the Chinese Government action and low selling prices of P<sub>4</sub>, the Group has shut down its P<sub>4</sub> furnaces for maintenance. The price of P<sub>4</sub> has been impacted by a new round of environmental inspections resulting in shutdowns of some of our P<sub>4</sub> customers during this period of inspection. P<sub>4</sub> is only sold within China as minimum export prices set by the Chinese Government and tax policies make Chinese P<sub>4</sub> uncompetitive. Management will continue to monitor the phosphate rock and P<sub>4</sub> prices to take advantage of opportunities that may open up in the second half of 2018.

Following the completion of the revamping of the Group's supply chain and a review of the production process for STPP and other downstream chemicals to improve cost competitiveness, management will now redirect resources to focus on developing the market for other downstream chemicals. This will increase the utilisation of its polyphosphate plant and mitigate the effects of environmental inspections on P<sub>4</sub> business as these other downstream chemicals are mainly exported to customers overseas.

Shareholders should note that the revenue from the P<sub>4</sub> business accounted for approximately 95.8% of the Group's total revenue for the financial year ended 31 December 2017. Whilst the potential financial effect of the temporary halting of the P<sub>4</sub> business cannot be ascertained as at the date of this announcement (subject to, *inter alia*, successful implementation of the expansion of other downstream chemicals business), the temporary halting of the P<sub>4</sub> business may have material adverse impact on the earnings per share and NTA per share of the Group for the current financial year ended 31 December 2018.

### 4. FURTHER ANNOUNCEMENTS

The Board confirms that, save for information which has not been disclosed with respect to ongoing negotiations with the Sichuan Provincial Government and wherein there is no certainty or assurance on the outcome of the negotiations, all material disclosures, facts and information (including but not limited to disclosures pertaining to, *inter alia*, material operations and business of the Group, mining operations, and mining and exploration rights) have been provided and announced. Save as announced, the Board is not aware of any facts, information or disclosures, the omission of which would make any statement in this Announcement or previous announcements or disclosures misleading in any material respect.

The Company will make such further announcements at the appropriate juncture, as and when there are material developments in relation to the above matters.

Shareholders and potential investors should exercise caution when trading in the Company's shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Simon Ong Eng Hock  
Executive Director  
AsiaPhos Limited

22 June 2018



*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

*This announcement has not been examined or approved by the Exchange and the Exchange assumes 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. Liao H.K.  
Telephone number: 6221 0271*

