ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015

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[1], as at 30 September 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, Griffis and McOuat 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 THIRD QUARTER ENDED 30 SEPTEMBER 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					
	Third Quarter ended 30 September			Nine Months ended 30 September		
	2015	2014	Change	2015	2014	Change
	$'000	$'000	%	$'000	$'000	%
Revenue	9,380	6,348	48	27,666	12,697	118
Cost of sales	(7,668)	(5,331)	44	(22,369)	(10,598)	111
Gross profit	1,712	1,017	68	5,297	2,099	152
Other income	418	471	(11)	1,515	947	60
Selling and distribution costs	(114)	(139)	(18)	(387)	(509)	(24)
General and adminstrative costs	(1,549)	(1,464)	6	(4,837)	(3,162)	53
Finance costs	(330)	(316)	4	(892)	(638)	40
Other expense	(2,429)	-	N.M.	(2,429)	-	N.M.
Profit/(loss) before tax	(2,292)	(431)		(1,733)	(1,263)	
Taxation	(168)	-	N.M.	(367)	-	N.M.
Profit/(loss) for the period	(2,460)	(431)		(2,100)	(1,263)	
Other comprehensive income						
Foreign currency translation gain/(loss)	734	1,004	(27)	1,481	(373)	N.M.
Total comprehensive income for the period	(1,726)	573		(619)	(1,636)	
Profit/(loss) for the period attributable to:						
Owners of the Company	(2,460)	(431)		(2,100)	(1,263)	
Non-controlling interests	-	-		-	-	
	(2,460)	(431)		(2,100)	(1,263)	
Total comprehensive income for the period attributable to:						
Owners of the Company	(1,726)	573		(619)	(1,636)	
Non-controlling interests	-	-		-	-	
	(1,726)	573		(619)	(1,636)	

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 3Q2015, the Group recorded translation gain of $0.7 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:

	Group					
	Third Quarter ended 30 September			Nine Months ended 30 September		
	2015	2014	Change	2015	2014	Change
	$'000	$'000	%	$'000	$'000	%
Interest income	144	471	(69)	1,088	818	33
Fair value gain	150	-	N.M.	150	-	N.M.
Interest expenses	(326)	(309)	6	(884)	(635)	39
Amortisation and depreciation	(668)	(435)	54	(2,046)	(871)	135
Allowance for doubtful debts	-	-	-	-	-	-
Bad debts written off	-	-	-	-	-	-
Write-off for stock obsolecence	-	-	-	-	-	-
Write down of stocks to net realisable value	-	-	-	-	(112)	N.M.
Impairment in value of investments	-	-	-	-	-	-
Write down of property, plant and equipment	-	-	-	-	-	-
Foreign exchange gain/(loss) *	134	(188)	N.M.	108	259	(58)
Termination of pre-existing contract	(2,429)	-	N.M.	(2,429)	-	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	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
	$'000	$'000	$'000	$'000
Non-current assets				
Mine properties	85,832	436	-	-
Land use rights	4,998	1,751	-	-
Property, plant and equipment	40,306	36,183	-	-
Convertible loan note	-	23,077	-	-
Derivative asset	-	13,326	-	13,326
Prepayments	648	5,744	-	-
Other receivables	276	515	-	-
Intangible asset	73	113	-	-
Goodwill	4,394	-	-	-
Investment in subsidiaries	-	-	58,522	33,545
	136,527	81,145	58,522	46,871
Current assets				
Stocks	7,140	8,842	-	-
Trade receivables	3,030	2,498	-	-
Other receivables	1,360	1,878	-	58
Prepayments	1,390	747	72	136
Amounts due from subsidiaries	-	-	16,561	16,452
Cash and bank balances	6,205	4,838	1,708	2,121
	19,125	18,803	18,341	18,767
Total assets	155,652	99,948	76,863	65,638
Current liabilities				
Bank overdraft (secured)	-	447	-	447
Trade payables	2,496	4,403	-	-
Other payables	5,625	6,321	102	170
Advance payments from customers	2,476	340	-	-
Interest-bearing bank loan	6,166	3,664	-	-
Redeemable preference shares	8,050	-	-	-
Provision for taxation	1,235	604	-	-
	26,048	15,779	102	617
Net current assets/(liabilities)	(6,923)	3,024	18,239	18,150
Non-current liabilities				
Other payables	-	117	-	-
Redeemable preference shares	-	8,200	-	-
Deferred tax liabilities	22,669	1,247	-	-
Deferred income	2,505	2,438	-	-
Provision for rehabilitation	182	175	-	-
	25,356	12,177	-	-
Total liabilities	51,404	27,956	102	617
Net assets	**104,248**	**71,992**	**76,761**	**65,021**
Equity attributable to owners of the Company				
Share capital	68,182	56,541	68,182	56,541
Reserves	14,832	15,451	8,579	8,480
	83,014	71,992	76,761	65,021
Non-controlling interest	21,234	-	-	-
Total equity	**104,248**	**71,992**	**76,761**	**65,021**

(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 2015		31 December 2014	
	Secured	Unsecured	Secured	Unsecured
	$'000	$'000	$'000	$'000
Amount repayable				
In one year or less, or on demand	6,166	8,050	4,111	-
After one year	-	-	-	8,200
	6,166	8,050	4,111	8,200

Details of collaterals

Borrowings of the Group include a short term bank loan of RMB27.5 million, approximately $6.2 million (RMB17 million, approximately $3.7 million as at 31 December 2014). The bank loan was secured by 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 RMB99.2 million (approximately $22.2 million) as at 30 September 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.

	Group			
	Third Quarter ended 30 September		Nine Months ended 30 September	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash flows from operating activities :				
Profit/(Loss) before taxation	(2,292)	(431)	(1,733)	(1,263)
Adjustments for :				
Depreciation of property, plant and equipment	581	376	1,807	693
Amortisation of mine properties, land use rights and intangible asset	87	59	239	178
Interest expense	306	309	831	635
Interest income	(144)	(471)	(1,088)	(818)
Fair value gain	(150)	-	(150)	-
Unrealised exchange loss/(gain)	144	652	276	(265)
Amortisation of deferred income	(34)	(32)	(51)	(32)
Termination of pre-existing contract	2,429	-	2,429	-
Operating profit/(loss) before working capital changes	927	462	2,560	(872)
(Increase)/decrease in stocks	1,164	(1,390)	2,023	(3,474)
(Increase)/decrease in receivables	6,045	1,305	(633)	(832)
Increase/(decrease) in payables	(2,178)	448	1,558	784
Cash (used in)/generated from operations	5,958	825	5,508	(4,394)
Interest received	2	3	9	37
Interest paid	(87)	(90)	(911)	(270)
Tax paid	(138)	-	(259)	-
Net cash flows (used in)/generated from operating activities	5,735	738	4,347	(4,627)
Cash flows from investing activities :				
Payments for property, plant and equipment	(1,766)	(1,037)	(4,549)	(6,018)
Receipt of government grant	20	-	20	-
Payment for land use rights	-	-	(123)	-
Purchase of convertible loan note	-	-	-	(15,000)
Proceeds from sale of trial products	-	-	-	6,532
Payments made in advance for property, plant and equipment	-	(282)	-	(282)
Payment of deposit	-	-	-	(107)
Net cash inflow on acquisition of subsidiary	52	-	52	-
Net cash flows (used in)/generated by investing activities	(1,694)	(1,319)	(4,600)	(14,875)
Cash flows from financing activities :				
Proceeds from bank loan	-	-	2,308	-
Proceeds from issue of redeemable preference shares	-	-	-	7,000
Increase in pledged deposits	-	(1)	-	(1)
Payments incurred in relation to the initial public offering	-	(75)	-	(550)
Payments of share issuance expense	(11)	-	(11)	-
Net cash flows (used in)/generated from financing activities	(11)	(76)	2,297	6,449
Net increase/(decrease) in cash and cash equivalents	4,030	(657)	2,044	(13,053)
Cash and cash equivalents at beginning of period	1,227	5,320	3,211	17,431
Effects of exchange rate changes on cash and cash equivalents	(238)	(283)	(236)	2
Cash and cash equivalents at end of period	5,019	4,380	5,019	4,380
Cash and bank balances	6,205	5,551	6,205	5,551
Less : pledged deposits	(1,186)	(1,171)	(1,186)	(1,171)
Cash and cash equivalents at end of period	5,019	4,380	5,019	4,380

	Group			
	Third Quarter ended 30 September		Nine Months ended 30 September	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Effect of acquition of subsidiary on statement of consolidated cash flow				
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 interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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
2014								
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
Total comprehensive income for the period	-	-	(417)	(113)	-	(530)	-	(530)
Transfer to safety fund surplus reserve	-	-	(63)	-	63	-	-	-
Utilisation of safety fund surplus reserve	-	-	63	-	(63)	-	-	-
Balance at 30 June 2014	56,541	850	(9,531)	1,099	-	(7,582)	-	48,959
Total comprehensive income for the period	-	-	(431)	1,004	-	573	-	573
Transfer to safety fund surplus reserve	-	-	(7)	-	7	-	-	-
Utilisation of safety fund surplus reserve	-	-	7	-	(7)	-	-	-
Balance at 30 September 2014	56,541	850	(9,962)	2,103	-	(7,009)	-	49,532

Company	Share capital $'000	Retained earnings $'000	Total reserve $'000	Total equity $'000
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
2014				
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
Total comprehensive income for the period	-	(296)	(296)	(296)
Balance at 30 June 2014	56,541	(5,066)	(5,066)	51,475
Total comprehensive income for the period	-	(125)	(125)	(125)
Balance at 30 September 2014	56,541	(5,191)	(5,191)	51,350

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.

Changes in the Company's issued ordinary share capital since 30 June 2015 are as follows:

	Number of shares
As at 30 June 2015	800,000,000
Share issued for acquisition of subsidiary	101,319,000
As at 30 September 2015	901,319,000

No shares will be issued for the redeemable preference shares.

The Company did not hold any treasury shares as at 30 September 2014 and 2015.

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	
	30 September 2015	31 December 2014
Total number of issued shares (excluding treasury shares)	901,319,000	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			
	Third Quarter ended 30 September		**Nine Months ended 30 September**	
	2015	**2014**	**2015**	**2014**
Profit/(loss) attributable to owners of the Company used in the computation of basic earnings per share ($'000)	(2,460)	(431)	(2,100)	(1,263)
Weighted average number of ordinary shares for basic earnings per share ('000)	872,685	800,000	824,495	800,000
Basic earnings/(loss) per share (cents)	(0.28)	(0.05)	(0.25)	(0.16)

As the Group recorded losses for the third quarter and nine months ended 30 September 2014 and 2015, the potentially dilutive instruments were anti dilutive.

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	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Net asset value ($'000)	104,248	71,992	76,761	65,021
Number of ordinary shares ('000)	901,319	800,000	901,319	800,000
Net asset value per ordinary share (cents)	11.57	9.00	8.52	8.13

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 elemental phosphorous (“P_4”) 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 of Mine 1 and Mine 2 and P4 plant was RMB1.3 billion (approximately S$286 million at the current exchange rate of $1: RMB4.55).

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 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		
	3Q2015	3Q2014	Change
	$'000	$'000	%
Revenue			
Upstream segment	1,790	1,945	(8)
Downstream segment	7,590	4,403	72
Total	9,380	6,348	48
Cost of goods sold			
Upstream segment	1,124	1,312	(14)
Downstream segment	6,544	4,019	63
Total	7,668	5,331	44
Gross profit margin			
Upstream segment	37%	33%	
Downstream segment	14%	9%	
Overall	18%	16%	

Revenue increased by $3.1 million, from $6.3 million for third quarter ended 30 September 2014 (“3Q2014”) to $9.4 million for the same period in 2015 (“3Q2015”) mainly due to increase in revenue contribution from Downstream segment.

Revenue from Upstream segment decreased by $0.1 million, from $1.9 million in 3Q2014 to $1.8 million in 3Q2015 due to decrease in quantity of phosphate rocks sold of 23,900 tonnes in 3Q2015 as compared to 27,700 tonnes sold in 3Q2014; as well as decrease in average selling price. Revenue from Downstream segment increased by $3.2 million, from $4.4 million in 3Q2014 to $7.6 million in 3Q2015. In 3Q2015, revenue from P_4 and by-products amounted to $7.1 million, representing 94% of revenue from Downstream segment as compared to $3.9 million in 3Q2014, representing 90% of revenue from Downstream segment in 3Q2014. In 3Q2015, the Group sold 2,840 tonnes of P_4 compared to 1,452 tonnes in 3Q2014.

In 3Q2015, approximately 97% of the Group’s revenue was generated within PRC as compared to 94% in 3Q2014.

Cost of goods sold for Upstream segment decreased by $0.2 million, from $1.3 million in 3Q2014 to $1.1 million in 3Q2015, leading to improvement in gross profit margin to 37% in 3Q2015 from 33% in 3Q2014. The improvement in gross profit margin was due to lower production costs as a result of the reduction in mining levy from RMB30 per tonne to RMB8 per tonne. In addition, with the acquisition of LY Resources (“LYR”), the Group no longer needs to pay profit sharing costs to the former co-operation partner, leading to lower production costs.

Cost of goods sold for Downstream segment increased by $2.5 million, from $4.0 million in 3Q2014 to $6.5 million in 3Q2015. The gross profit margin for Downstream segment improved from 9% in 3Q2014 to 14% in 3Q2015 mainly due to lower production costs for P_4.

Gross profit increased by $0.7 million, from $1.0 million in 3Q2014 to $1.7 million in 3Q2015. Gross profit margin increased from 16% in 3Q2014 to 18% in 3Q2015 due to reasons stated above.

Other income

Other income decreased by $0.1 million, from $0.5 million in 3Q2014 to $0.4 million in 3Q2015, mainly due to decrease in interest income related to convertible loan note from $0.5 million in 3Q2014 to $0.1 million in 3Q2015. The convertible loan note was converted into the equity of LYR in July 2015. The decrease in other income was partially offset by fair value gain of $0.2 million, which arose from the decrease in fair value of redeemable preference shares. Redeemable preferences shares, which were valued at $8.2 million as at 31 December 2014, will be redeemed in 2016 at $8.05 million.

Other expense

Other expense of $2.4 million in 3Q2015 arose due to the termination of the pre-existing profit sharing arrangement with the co-operation partner. With the acquisition of LYR, the Group acquired the economic benefit of the profit sharing arrangement from the former co-operation partner. As announced on 4 August 2015, in compliance with *FRS 103 Business Combination*, a portion of the purchase consideration for LYR was deemed to be incurred for the settlement of the pre-existing arrangement. Accordingly the Group recognised a one-off accounting charge in 3Q2015 in relation to this arrangement.

Taxation

The Group recognised tax expense of $0.2 million for 3Q2015 as certain expenses were not tax deductible and the losses incurred by a Singapore subsidiary cannot be used to set off against profit earned by a subsidiary in PRC.

Balance sheet

Non-current assets

Non-current assets increased by $55.4 million, from $81.1 million as at 31 December 2014 to $136.5 million as at 30 September 2015, mainly due to increases in mine properties, land use rights, property, plant and equipment and goodwill.

The increase in the mining properties from $0.4 million as at 31 December 2014 to $85.8 million as at 30 September 2015 was due to the consolidation of LYR. The independent valuation of the mining properties in LYR group was RMB382.2 million as at 31 December 2014. Increase in property, plant and equipment was mainly due to favourable translation differences and consolidation of LYR. Goodwill of $4.4 million represents the excess of purchase consideration over the net assets of LYR acquired.

The above increases were partially offset by reduction in derivative asset, convertible loan note and prepayments. Derivative asset and convertible loan note and a portion of prepayment ($2.2 million) were included in the purchase consideration of LYR. Reduction in prepayments was also due to the transfer of prepayment to land use rights in 1Q2015. The Group received the approval for its Phase 2 land in 1Q2015.

Current assets

Current assets increased by $0.3 million, from $18.8 million as at 31 December 2014 to $19.1 million as at 30 September 2015, mainly due to increase in trade receivables and prepayments. Included in trade receivables as at 30 September 2015 were note receivables of $2.7 million ($2.1 million as at 31 December 2014). Note receivables are promissory notes that are issued by financial insituitions in PRC that we receive from our customers. These notes can either be discounted to obtain cash or held to maturity when it is redeemed for cash. The notes can be used to settle balances with our suppliers. Increase in prepayments was mainly due to increase in prepayments made for electricity, raw materials and mining related services.

The above increases were partially offset by decrease in stocks and other receivables. Reduction in other receivables was mainly due to the reduction in cash and deferred interest receivable from convertible loan note. Deferred interest receivable was included in the purchase consideration of LYR. With the acquisition of LYR, the cash interest receivable from LYR was eliminated at consolidation.

Current liabilities

Current liabilities increased by $10.2 million, from $15.8 million as at 31 December 2014 to $26.0 million as at 30 September 2015, mainly due to increase in advance payments from customers, interest-bearing bank loan, redeemable preference shares and provision for tax. In 2Q2015, the Group drew down an additional RMB10.5 million of interest-bearing bank loan.

With the completion of acquisition of LYR, the redeemable preference shares have to be redeemed within six months from the completion date (27 July 2015). Accordingly, the redeemable preference shares have been reclassified as current liabilities. Redeemable preferences shares, which were valued at $8.2 million in December 2014, will be redeemed in 2016 at $8.05 million.

The above increases were partially offset by reduction in trade and other payables due to payments made to suppliers during the period. In addition, with the acquisition of LYR, the amount payable to the former co-operation partner is eliminated at consolidation.

As at 30 September 2015, the Group recorded negative working capital of $6.9 million mainly due to the reclassification of redeemable preference shares.

<u>Non-current liabilities</u>

Non-current liabilities increased by $13.2 million, from $12.2 million as at 31 December 2014 to $25.4 million as at 30 September 2015, mainly due to increase in deferred tax liabilities as a result of consolidation of LYR, offset by reduction in other payables and redeemable preference shares which were classified as current liabilities as at 30 September 2015.

<u>Equity attributable to owners of the Company</u>

Increase in share capital by $11.7 million, from $56.5 million as at 31 December 2014 to $68.2 million as at 30 September 2015 due to issuance of 101,319,000 shares at issue price of $0.115 each as part of the purchase consideration for acquisition of LYR.

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

<u>Cash flow statement</u>

Operating profit before working capital changes was $0.9 million for 3Q2015. Changes in working capital was $5.0 million. Payments for interest expense and corporate tax in 3Q2015 amounted to $0.2 million. The above contributed to net cash flow generated from operating activities of $5.7 million for 3Q2015.

Net cash flows used in investing activities was $1.7 million due to payments for property, plant and equipment, partially mitigated by net cash inflow from acquisition of LYR.

Net cash flows used in financing activities of $0.01 million was payment for share issuance expense.

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 early arrival of the rainy season caused mining activities to cease from late June 2015 to late September 2015. With mining activities resuming in late September 2015, management expects the FY2015 mining output to exceed the output achieved in FY2014 and the expansion of the Group's mining output to continue in FY2016. This expected higher output, as well as a reduction in the production cost of rock due to (i) decline in mining levy from RMB30 per tonne to RMB8 per tonne and (ii) cessation of payments to the previous co-operation partner after the completion of the acquisition of LYR will positively impact the Group's operating cash flows in the future.

Update on the acquisition of LY Resources Pte Ltd ("LYR")

The Group has announced on 4 August 2015 that it has completed the acquisition of LYR and that LYR has become a wholly owned subsidiary of the Group.

Upon completion of the acquisition, in accordance with the requirements of FRS 103 *Business Combinations*, the Group recognised $2.4 million as an accounting charge and expensed it off to the income statement. This amount reflects the portion of the purchase consideration for LYR which was deemed to be incurred for the settlement of the pre-existing profit-sharing arrangement.

This accounting charge is a one off non cash expense item and will only affect the results for the FY2015, impacting mainly the results for 3Q2015. Ignoring the impact of the accounting charge, operationally 3Q2015 was also a decent quarter for the Group as it recorded higher revenues, higher gross margins, and higher profits and also enjoyed an increase in cash flows generated from operations. Management has laid a strong foundation for the Group and it should be able to meet the challenges of a slowing world economy and volatile market conditions. The Group expects to capitalise on this and build on the momentum to increase value for all stakeholders.

The Group is building up its cash and also in negotiation with our bankers for a line of credit to enable it to meet its obligation to redeem the redeemable preference shares that were issued to finance the acquisition of LYR.

Downstream Segment

The Group has successfully managed to bring down the production cost of P_4. However, the price outlook for P_4 in 2015 is expected to remain challenging and the management will continue to monitor the situation for the rest of the year. It will take steps to ensure the economic production and profitability of P_4.

With the successful stabilisation of the P_4 operation, management has turned its focus on developing the export market for the other downstream phosphate chemicals and this should also contribute positively to the Group's bottomline.

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 third quarter ended 30 September 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:

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	(2,849)	5,651
Financing the balance of Phase 1			
and Phase 2 of the Rebuilding Programme	11,499	(8,274)	3,225
Working capital	1,553	(7,815)	(6,262)
Net proceeds	21,552	(18,938)	2,614

Out of the $7.8 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 $7.6 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	533
Expenditure on mining related infrastructure and purchase of equipment	55
	588

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	4,604	1,014
Expenditure on mining related infrastructure and purchase of equipment	52	11
	4,656	1,025

* based on exchange rate of RMB4.539 : S$1.00

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	-	-	533	(533)
Expenditure on mining related infrastructure and purchase of equipment	-	-	55	(55)
	-	-	588	(588)

* based on exchange rate of RMB4.539 : S$1.00

The Group made payments for certain works which were completed in 2Q2015 after completing verification in 3Q2015.

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 third quarter ended 30 September 2015 to be false or misleading in any material aspects.

On behalf of the Board of Directors,
Ong Eng Hock Simon
Executive Director
9 November 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 person for the Sponsor is Mr Khong Choun Mun, Managing Director, Equity Capital Markets who can be contacted at 80 Raffles Place #03-03 UOB Plaza 1 Singapore 048624, telephone: +65 6533 9898.