ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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 PRC with the ability to manufacture and produce phosphate-based chemical products.

Based on independent technical report(1), as at 31 December 2013, the Group has 23.1 million tonnes of measured and indicated phosphorite resources and 18.8 million tonnes of inferred phosphorite resources. The Group undertook a restructuring exercise whereby the Company acquired the entire shareholding interest in Norwest Chemicals Pte. Ltd. (“Norwest Chemicals”) from Eastcomm Pte. Ltd. (“Eastcomm”) and became the holding company of the Group (“Restructuring Exercise”). Please refer to the Company’s offer document dated 25 September 2013 (the “Offer Document”) for further details on the Restructuring Exercise.

Prior to the completion of the Restructuring Exercise, the Group’s financial statements have been presented as if the Group had been in existence for all periods presented and the assets and liabilities are brought into the consolidated financial statements at the existing carrying amounts. The share capital of the Group represented the issued and paid up share capital of the Company and Norwest Chemicals. Subsequent to the completion of the Restructuring Exercise on 16 September 2013, the issued share capital of the Group represented the post-IPO share capital of the Company.

(1) Technical report issued by Watts, Griffis and McOuat Limited dated 28 March 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.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2014

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		
	2014	2013	Change
	$'000	$'000	%
Revenue	2,416	1,310	84
Cost of sales	(1,780)	(865)	106
Gross profit	636	445	
Other income	34	8	325
Selling and distribution costs	(151)	(87)	74
General and adminstrative costs	(842)	(1,105)	(24)
Finance costs	(92)	(10)	820
Profit/(loss) before tax	(415)	(749)	
Taxation	-	-	-
Profit/(loss) for the period attributable to owners of the Company	(415)	(749)	
Other comprehensive income/(loss)			
Foreign currency translation gain/(loss)	(1,264)	365	N.M.
Total comprehensive profit/(loss) for the period attributable to owners of the Company	(1,679)	(384)	

N.M. denotes not meaningful.

Foreign currency translation gain/(loss) represents exchange differences arising from translation of the financial statements of our People's Republic of China ("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 1Q2014, the Group recorded foreign currency loss of $1.3 million due to the strengthening of SGD against RMB.

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

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

	First Quarter Ended 31 March		
	2014	2013	Change
	$'000	$'000	%
Other income :			
- interest income	23	1	2200
- subsidy income [(1)]	6	1	500
Interest on interest-bearing bank loan	(90)	(9)	900
Amortisation and depreciation	(170)	(136)	25
Allowance for doubtful debts	-	-	-
Bad debts written off	-	-	-
Write-off for stock obsolecence	-	-	-
Impairment in value of investments	-	-	-
Foreign exchange gain/(loss) *	120	60	100
Over/(under) provision of tax in			
respect of prior periods	-	-	-
Gain/(loss) on disposal of property			
plant and equipment	-	(1)	N.M.
Listing expenses *	-	(437)	N.M.

N.M. denotes not meaningful.
* included in general and administrative costs

Note:
(1) There are no unfulfilled conditions or contingencies attached to the subsidy recognised.

(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 2014	31 December 2013	31 March 2014	31 December 2013
	$'000	$'000	$'000	$'000
Non-current assets				
Mine properties	520	571	-	-
Land use rights	1,672	1,721	-	-
Property, plant and equipment	31,447	32,033	-	-
Prepayments	4,166	4,267	-	-
Deposits	249	148	-	-
Intangible asset	145	162	-	-
Investment in subsidiary	-	-	33,545	33,545
	38,199	38,902	33,545	33,545
Current assets				
Stocks	5,104	5,375	-	-
Trade receivables	3,022	398	-	-
Other receivables	1,916	9,591	7	*
Prepayments	927	808	172	181
Amounts due from subsidiary	-	-	8,440	3,239
Cash and bank balances	20,887	18,602	10,236	15,966
	31,856	34,774	18,855	19,386
Total assets	70,055	73,676	52,400	52,931
Current liabilities				
Trade payables	3,565	4,409	-	-
Other payables	5,615	6,967	629	931
Advances from customers	1,565	1,075	-	-
Interest-bearing bank loan	5,569	5,704	-	-
Provision for taxation	405	-	-	-
	16,719	18,155	629	931
Net current assets	15,137	16,619	18,226	18,455
Non-current liabilities				
Deferred tax liabilities	1,351	1,797	-	-
Deferred income	2,331	2,387	-	-
Provision for rehabilitation	165	169	-	-
	3,847	4,353	-	-
Total liabilities	20,566	22,508	629	931
Net assets	**49,489**	**51,168**	**51,771**	**52,000**
Equity attributable to owners of the Company				
Share capital	56,541	56,541	56,541	56,541
Reserves	(7,052)	(5,373)	(4,770)	(4,541)
Total equity	**49,489**	**51,168**	**51,771**	**52,000**

* denotes amounts less than $1,000.

(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 2014		**31 December 2013**	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	$'000	**$'000**	**$'000**	**$'000**
Amount repayable				
In one year or less, or on demand	5,569	-	5,704	-
After one year	-	-	-	-
	5,569	-	5,704	-

Details of collaterals

Borrowings of the Group as at 31 March 2014 and 31 December 2013 consisted of a short term bank loan of RMB27.5 million (approximately $5.6 million) which is secured by land use rights with net book value of approximately RMB8.3 million (approximately $1.7 million) and certain property, plant and equipment with net book value of approximately RMB124.8 million (approximately $25.3 million) as at 31 March 2014. Net book value of secured land use rights and property, plant and equipment as at 31 December 2013 were RMB8.3 million (approximately $1.7 million) and RMB122.8 million (approximately $25.5 million) respectively.

An amount of $1.0 million of the Company's fixed deposits is also pledged as collateral for bank overdraft facility. As at 31 March 2014 and 31 December 2013, the bank overdraft facility was not utilised.

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

	Group	
	First Quarter ended 31 March	
	2014	2013
	$'000	$'000
Cash flows from operating activities :		
Profit/(Loss) before taxation	(415)	(749)
Adjustments for :		
Depreciation of property, plant and equipment	110	91
(Gain)/loss on disposal of property, plant and equipment	-	1
Amortisation of mine properties, land use rights and intangible asset	60	45
Interest expense	90	9
Interest income	(23)	(1)
Unwinding of discount for provision for rehabilitation	-	1
Listing expenses	-	437
Unrealised exchange gain	(239)	-
Operating profit/(loss) before working capital changes	(417)	(166)
(Increase)/decrease in stocks	162	(312)
(Increase)/decrease in receivables	760	(210)
Increase/(decrease) in payables	843	(853)
Cash (used in)/generated from operations	1,348	(1,541)
Interest received	17	1
Interest paid	(90)	(9)
Net cash flows (used in)/generated from operating activities	1,275	(1,549)
Cash flows from investing activities :		
Purchase of property, plant and equipment	(2,211)	(2,296)
Proceeds from sale of trial products	4,038	538
Payment of deposit	(107)	-
Net cash flows (used in)/generated from investing activities	1,720	(1,758)
Cash flows from financing activities :		
Proceeds from bank loan	-	984
Proceeds from issue of new shares	-	1,200
Payments incurred in relation to the initial public offering	(395)	(296)
Net cash flows (used in)/generated from financing activities	(395)	1,888
Net increase/(decrease) in cash and cash equivalents	2,600	(1,419)
Cash and cash equivalents at beginning of period	17,431	4,613
Effects of exchange rate changes on cash and cash equivalents	(311)	(179)
Cash and cash equivalents at end of period	19,720	3,015
Cash and bank balances	20,887	3,177
Less : pledged deposits	(1,167)	(162)
Cash and cash equivalents at end of period	19,720	3,015

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	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2014							
Balance at 1 January 2014	56,541	850	(8,699)	2,476	-	(5,373)	51,168
Total comprehensive income/(loss) 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
2013							
Balance at 1 January 2013	32,548	-	(5,032)	1,093	-	(3,939)	28,609
Total comprehensive income/(loss) for the period	-	-	(749)	365	-	(384)	(384)
Issue of new shares	1,846	-	-	-	-	-	1,846
Transfer to safety fund surplus reserve	-	-	(13)	-	13	-	-
Utilisation of safety fund surplus reserve	-	-	13	-	(13)	-	-
Balance at 31 March 2013	34,394	-	(5,781)	1,458	-	(4,323)	30,071

For the purpose of the preparation of the consolidated financial statements, the share capital of the Group prior to the completion of the Restructuring Exercise on 16 September 2013 represented the issued and paid up share capital of the Company and Norwest Chemicals. Pursuant to the completion of the Restructuring Exercise, the issued share capital of the Group represented the pre-IPO share capital of the Company.

Company	Share capital	Accumulated losses	Total reserve	Total equity
	$'000	$'000	$'000	$'000
2014				
Balance at 1 January 2014	56,541	(4,541)	(4,541)	52,000
Total comprehensive income/(loss) for the period	-	(229)	(229)	(229)
Balance at 31 March 2014	56,541	(4,770)	(4,770)	51,771
2013				
Balance at 1 January 2013	*	(1,738)	(1,738)	(1,738)
Total comprehensive income/(loss) for the period	-	(1)	(1)	(1)
Balance at 31 March 2013	*	(1,739)	(1,739)	(1,739)

* denotes amounts less than $1,000.

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.

	2014		2013	
	Number of shares issued	Paid-up capital ($)	Number of shares issued	Paid-up capital ($)
As at 1 January and 31 March	800,000,000	56,540,997	2	2

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 2014	31 December 2013
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 computations 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 2013.

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 2014. 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	
	2014	**2013**
Profit/(loss) for the period attributable to owners of the Company ($'000)	(415)	(749)
Number of ordinary shares ('000) [1]	702,400	702,400
Earnings per share (cents)		
- Basic and fully diluted	(0.06)	(0.11)
Number of ordinary shares ('000) [2]	800,000	800,000
Earnings per share (cents)		
- Basic and fully diluted	(0.05)	(0.09)

Notes:
(1) Earnings per share ("EPS") of the Group for first quarter ended 31 March 2014 and 2013 have been computed based on pre-IPO share capital of 702,400,000 ordinary shares.
(2) EPS of the Group for first quarter ended 31 March 2014 and 2013 have been computed based on post-IPO share capital of 800,000,000 ordinary shares.

The EPS on the weighted average number of ordinary shares in issue and the EPS on a fully diluted basis were the same as there were no potentially dilutive instruments as at 31 March 2014 and 2013.

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 2014	31 December 2013	31 March 2014	31 December 2013
Net asset value ($'000)	49,489	51,168	51,771	52,000
Number of ordinary shares ('000) (1)	702,400	702,400	702,400	702,400
Net asset value per ordinary share (cents)	7.05	7.28	7.37	7.40
Number of ordinary shares ('000) (2)	800,000	800,000	800,000	800,000
Net asset value per ordinary share (cents)	6.19	6.40	6.47	6.50

Notes:
(1) Net asset value per share of the Group and the Company as at 31 March 2014 and 31 December 2013 have been computed based on pre-IPO share capital of 702,400,000 ordinary shares.
(2) Net asset value per share of the Group and the Company as at 31 March 2014 and 31 December 2013 have been computed based on post-IPO share capital of 800,000,000 ordinary shares.

The net asset value of the Group does not account for the fair market value of the mines and the P_4 plant as the mines and P_4 plant were recorded at historical costs.

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.

Our Group is organised into business units based on their products and services as follows:

a) upstream segment relates to our business of exploration, mining and sale of phosphate rocks (the “Upstream segment”); and

(b) downstream segment relates to our 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 by-products, such as slag, sludge and ferrophosphate, produced as a result of such manufacturing process (the “Downstream segment”).

Profit or loss

Revenue

	Group		
	1Q2014	**1Q2013**	**Change**
	$'000	**$'000**	**%**
Upstream segment			
Phosphate rocks	2,045	969	111
Downstream segment			
STPP	289	279	4
SHMP	53	62	(15)
Ferrophosphate	29	-	N.M.
	371	341	
Total	2,416	1,310	84

N.M. denotes not meaningful

Revenue for the Group increased by $1.1 million or 84% to $2.4 million for first quarter ended 31 March 2014 ("1Q2014"), from $1.3 million for the same period in 2013 ("1Q2013"). The increase in revenue from Upstream segment contributed significantly to the overall increase in revenue.

	1Q2014			1Q2013		
	Quantity	**Average selling price**		**Quantity**	**Average selling price**	
	Tonnes	**RMB**	**$ (1)**	**Tonnes**	**RMB**	**$ (2)**
Upstream Segment						
Phosphate rocks	27,700	356	74	12,200	405	80
Downstream Segment						
STPP	170	8,055	1,670	190	7,666	1,509
SHMP	30	8,852	1,835	40	8,724	1,717
Ferrophosphate	140	1,026	213	-	-	-

Notes:
(1) based on exchange rate of RMB4.824: S$1.00
(2) based on exchange rate of RMB5.081: S$1.00

Revenue from sale of phosphate rocks increased by 111% due to increase in quantity of phosphate rocks sold by 127% in 1Q2014. As at 31 December 2013, we had over 39,000 tonnes phosphate rocks in our inventory and as we resumed our mining operations in March 2014 and mined 17,600 tonnes (1Q2013: 16,600 tonnes), we had more quantities available for sale in 1Q2014. Increase in revenue from the increase in quantity of phosphate rocks sold was partially offset by lower average selling price. The lower average selling price was mainly due to the spill over effect from the lower market prices in last quarter of 2013.

Revenue from sale of STPP increased by 4% due to increase in average selling prices by 5% in 1Q2014 mainly due to sales made to certain customers where we were able to command a pricing premium. Quantity of STPP sold in 1Q2014 was lower than that in 1Q2013.

Revenue from SHMP decreased by 15% due to a decrease in quantity sold in 1Q2014. Reduction in quantity sold was partially offset by an increase in average selling prices.

Ferrophosphate is one of the by-products of P_4 production. The other 2 by-products are slag and sludge. Since we started trial production of P_4 in May 2013, we had been progressively selling the by-products. In 1Q2014, we sold 140 tonnes of ferrophosphate, contributing $0.02 million to the total revenue.

Gross profit

Gross profit increased by 43%, to $0.6 million in 1Q2014 from $0.4 million in 1Q2013 in line with the increase in revenue for 1Q2014. Total gross profit margin, however, reduced to 26% in 1Q2014 from 34% in 1Q2013 mainly due to reduction in gross profit margin from Upstream segment as revenue from sales of phosphate rocks represented 85.0% of total revenue in 1Q2014.

	Group		
	1Q2014	**1Q2013**	**Change (%)**
Gross profit ($'000)			
Upstream segment	560	380	47
Downstream segment	76	65	17
Total	636	445	
Gross profit margin (%)			
Upstream segment	27	39	
Downstream segment	21	19	

Gross profit margin for Upstream segment reduced to 27% in 1Q2014, from 39% in 1Q2013, due to the lower average selling prices in 1Q2014.

Gross profit margin for Downstream segment increased slightly to 21% in 1Q2014, from 19% in 1Q2013 mainly due to increase in average selling prices of both STPP and SHMP. In addition, the sale of ferrophosphate in 1Q2014 contributed positively to the gross profit margin for the Downstream segment.

Other income

Other income increased by $0.02 million or 325% to $0.03 million in 1Q2014, from $0.01 million in 1Q2013 mainly due to increase in interest income earned on fixed deposits.

Selling and distribution costs

Selling and distribution costs increased by $0.06 million or 74% to $0.2 million in 1Q2014, from $0.1 million in 1Q2013 mainly due to general increase in selling costs like transportation and export related costs.

General and administrative costs

General and administrative costs decreased by $0.3 million or 24% to $0.8 million in 1Q2014, from $1.1 million in 1Q2013 mainly due to the absence of non-recurring expenses like listing expenses of $0.4 million as well as reduction in general repairs and maintenance costs by $0.1 million.

The reduction was partially offset by increases in

a) Professional fees such as geologist fees by $0.1 million as the Group incurred costs for the annual update of technical report; and
b) Corporate and office expenses such as continuing sponsorship fees and directors fees by $0.2 million as the Group incurred costs as a result of being a listed entity in 1Q2014.

Finance costs

The increase in finance costs by $0.08 million or 820% to $0.09 million in 1Q2014, from $0.01 million in 1Q2013 was mainly due to interest expense incurred on the interest-bearing bank loan of RMB27.5 million. In 1Q2013, the Group had interest-bearing bank loan of RMB5 million.

Taxation

In 1Q2014 and 1Q2013, the Group had no taxable income and did not make provision for income tax.

Balance sheet

Non-current assets

Non-current assets decreased slightly from $38.9 million as at 31 December 2013 to $38.2 million as at 31 March 2014. This was mainly due to decrease in property, plant and equipment by $0.6 million, mainly a result of unfavourable translation difference and depreciation. Reduction in prepayments by $0.1 million due to unfavourable translation difference also contributed to the reduction in non-current assets.

The above reduction was partially offset by an increase in deposits of $0.1 million paid to the government in respect of the Group's rehabilitation obligations upon closure of mines in future.

Current assets

Current assets decreased from $34.8 million as at 31 December 2013 to $31.9 million as at 31 March 2014 mainly due to decreases in:

a) stocks by $0.3 million mainly due to sales made in 1Q2014 and unfavourable translation difference; and
b) other receivables by $7.7 million mainly due to :
    i. proceeds from sale of P_4 produced as part of the trial production of the P_4 plant of $5.9 million. As at 31 December 2013, the Group recognised $6.6 million in other receivables as estimated net sale proceeds from the sale of the 2,500 tonnes of P_4 produced under trial production for the P_4 plant. In 1Q2014, after obtaining the necessary license in March 2014, the Group sold 1,950 tonnes of P_4. The proceeds from the sold trial production batches of P_4 were reduced from other receivables. The revenue and corresponding costs from the sale of these trial production batches were not recognised in the profit and loss, instead the proceeds from sale of these P_4 batches were recognised in trade receivables or cash and bank balances, where applicable; and
    ii. receipt of the environmental grant of $1.7 million (RMB8 million) from the PRC government. As at 31 December 2013, the Group had fulfilled its obligations for the grant and had recognised the grant as other receivables.

Reduction in current assets was partially offset by increases in

a) trade receivables by $2.6 million mainly due to increase in note receivables from the sale of P_4 mentioned above; and
b) cash and bank balances by $2.3 million.

Current liabilities

Current liabilities decreased from $18.2 million as at 31 December 2013 to $16.7 million as at 31 March 2014 mainly due to decreases in:

a) trade payables by $0.8 million mainly due to payments made to our suppliers and contractors as well as lower mining and production activities in 1Q2014; and
b) other payables by $1.4 million mainly due to payments made for our property, plant and equipment;

The above decreases were partially offset by increase in advances from customers and provision for taxation by $0.5 million and $0.4 million respectively. As at 31 March 2014, advances from customers include advances received from our rocks, STPP and P_4 customers. At 31 December 2013, the Group recognised deferred tax liability for the tax exposure arising from the environmental grant. As the grant had been received in 1Q2014, deferred tax liability related to the grant was transferred to provision for taxation.

Non-current liabilities

Non-current liabilities decreased from $4.4 million as at 31 December 2013 to $3.8 million as at 31 March 2014 due to transfer of deferred tax liability of $0.4 million to provision for taxation.

Cash flow statement

Net cash flows generated from operating activities was $1.3 million for 1Q2014. The Group recorded negative operating profit before working capital changes of $0.4 million. Changes in working capital of $1.8 million were due to:

a) reduction in stocks of $0.2 million;
b) reduction in receivables of $0.8 million arising from the receipt of environment grant of $1.7 million (RMB8 million) and partially offset by increase in trade receivables; and
c) increase in payables of $0.8 million arising from the receipt of advances from customers and deposits received from mining and transportation contractors.

Net cash flows generated from investing activities was $1.7 million for 1Q2014, including payments made for plant and equipment and deposit paid to the PRC government in respect of the Group's rehabilitation obligations of $2.2 million and $0.1 million respectively. The above payments were offset by receipts of $4.0 million from sale of the trial production batches of P_4 in 1Q2014.

Net cash flows used in financing activities was $0.4 million for 1Q2014 due to payments made in relation to the IPO in 2013.

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.

Despite a shorter mining season in FY2013, the Group achieved a rock output of 128,300 tonnes. In FY2014, the Group intends to build on this momentum to improve on FY2013's production by increasing the number of producing adits and purchasing equipment to ramp up our mining activities. In 1Q2014, the Group's mining output was 17,600 tonnes in 13 days of mining as compared to output of 16,600 tonnes in 27 mining days in 1Q2013. This was achieved despite the late resumption of the mining season in 2014. The average daily mining output was 1,350 tonnes in 1Q2014 as compared to 620 tonnes in 1Q2013. Despite the steady phosphate prices seen in January and February 2014, the price of phosphate rocks is expected to be volatile for the rest of the financial year 2014. Nevertheless, the Group does not expect significant impact on its business. After obtaining the requisite approvals for P_4 production and the update of its business license in 1Q2014, the Group will begin commercial production of P_4 in 2Q2014, and a higher proportion of the rocks mined will be used to produce P_4, resulting in a smaller proportion of rocks available for sale.

As at the date of this announcement, the Group has sold its entire inventory of P_4 produced during the trial production carried out in FY2013. The sale of these batches of P_4 did not contribute to our revenue and profitability. However cash proceeds from their sale improved our working capital. The Group expects to commence commercial production of P_4 in 2Q2014. Revenue from sale of the commercially produced P_4 is expected to contribute positively to the Group's performance.

As announced on 22 April 2014 and 30 April 2014, the Group has commenced the process of acquiring the economic benefits of certain existing cooperation agreements and expanding its exploration area by entering into agreements with LY Resources Pte Ltd ("LYR") and 罗勇 (Luo Yong) (the "Proposed LYR Transactions"). The Group, through its newly incorporated subsidiary, AsiaPhos Resources Pte. Ltd. ("APR"), has subscribed for notes amounting to $15 million issued by LYR. The subscription monies for the LYR notes was funded by internal sources and the issue of redeemable preference shares amounting to $7 million by APR ("APR redeemable preference shares") to third party investors. When the due diligence is satisfactorily completed and the Group decides to exercise its call option to acquire LYR shares, the Group will cease the payment of the cooperation partner's share of profit (which was recognised as cost of production). Such costs amounted to approximately RMB3.6 million for FY2013.

In addition, upon the exercise of the call option to acquire the LYR shares, the Group will gain access to an exploration area that is approximately 4.8 times the size of the existing area covered by the Group's mining license. As this plot of land is located in the vicinity of the Group's existing mines, the Group believes that there is likely to be phosphate and other valuable deposits present in the area. The Group intends to, once the relevant approvals required are received, explore for phosphate in this area and the close proximity may also allow the Group to leverage on existing production facilities to achieve savings in operating costs and capital expenditures, resulting in economies of scale and operational synergies if phosphate resources of significant quantity is found.

The Group has engaged geologists to conduct geological survey to obtain the phosphate resource estimates for the exploration area and will engage independent valuer to value LYR.

Prior to the completion of the Proposed LYR Transaction, the Group will enjoy the benefit of interest income from the notes issued by LYR, net of interest payable on the APR redeemable preference shares issued to third party investors.

Further to the announcement on 10 April 2014, the Group is still awaiting the approval of its application to expand its Mine 1 exploration area. Thereafter, the Group intends to convert the exploration rights to mining rights. The Group has also commenced preparation for its application to renew its exploration license for Mine 2 exploration area which is valid till June 2014.

The recent weakening of the RMB has provided some relief for the Group's STPP business as weaker RMB makes our STPP prices more competitive for the export market. However, the gross profit margin of STPP is affected by the reprocessing cost of the existing STPP inventory. Due to the small sales volume of STPP, it is not expected to contribute significantly to the Group's financial performance in FY2014. Nonetheless, the Group expects its STPP business segment to gain traction over time as it works towards a vertically-integrated operation.

Outlook

Commercial production of P_4 is expected to commence in 2Q2014. To this end, the Group will be building up its phosphate rock inventory in preparation for the P_4 production, in particular for 2Q2014, as a portion of the phosphate rocks mined will be reserved for commercial production instead of being sold.

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 the first quarter ended 31 March 2014.

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 (our Chief Executive Officer and Executive Director), Mr Ong Kwee Eng (an associate of Dr Ong Hian Eng), and our 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 under the section Interested Person Transactions – Present and Ongoing Interested Period Transactions" (Page 191) for details.

Other than the above interested person transaction which has been deemed approved by our 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	(1,105)	7,395
Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme	11,499	(4,607)	6,892
Working capital	1,553	(1,167) (1)	386
Net proceeds	21,552	(6,879)	14,673

(1) Out of the $1.2 million utilised as working capital as at the date of this announcement, an amount of $0.2 million was in relation to listing expenses incurred in addition to the estimated expenses of $2.8 million as disclosed in the Offer Document.

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	98
Expenditure on mining related infrastructure and purchase of equipment	305
	403

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	3,682	746
Expenditure on mining related infrastructure and purchase of equipment	585	118
	4,267	864

* based on exchange rate of RMB4.938 : S$1.00

Our exploration plans for 2Q2014 will include the following activities:

a) Mine well (adit) construction for our 2 Mines and repairs and improvement to infrastructure; and

b) Purchase of equipment for the adits and mining levels for both mines and implementation of safety features.

Our mining operations have inherent risks as fully explained in the Group's Offer Document.

15(b) **Rule 705(6) 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	1,335	270	98	172
Expenditure on mining related infrastructure and purchase of equipment	2,145	434	305	129
	3,480	704	403	301

* based on exchange rate of RMB4.938 : S$1.00

Our actual expenditure for mining and exploration activities were lower than the amount projected due to the late resumption of exploration activities in 1Q2014 arising from the late end to the winter season

Our activities in 1Q2014 included the following:-

a) Mine well (adit) construction for our 2 Mines and repairs and improvement to infrastructure;
b) implementation of safety features and purchase of related equipment for the adits and mining levels for both mines

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.

The Group has no material updates on our phosphate resources as set out in the Independent Technical Report.

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 2014 to be false or misleading in any material aspects.

On behalf of the Board of Directors,

Ong Eng Hock Simon
Executive Director
9 May 2014

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 6539 1177.