

General Announcement::UPDATE ON MINE 1, MINE 2 AND THE FENG TAI MINE

Issuer & Securities

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UPDATE ON MINE 1, MINE 2 AND THE FENG TAI MINE

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 ("SGX-ST") acting as agent on behalf of the Monetary Authority of Singapore on 25 September 2013 (the "Offer Document").

The Board of Directors (the "Board") of AsiaPhos Limited (the "Company") refers to the Company's announcements on 28 June 2017 and 2 November 2017 in relation to the halting of mining operations for Mine 2 and the Feng Tai Mine (collectively, the "Relevant Mines").

1. MINE 2 AND FENG TAI MINE

The Board wishes to announce that on or around 21 November 2017, the Group became aware of the request to provide a letter of undertaking (the "Request for Undertaking") to, *inter alia*, vacate and rehabilitate its mining sites in respect of Mine 2 (which has an approved production scale of 200,000 tonnes per year) and the Feng Tai mine. The Relevant Mines are located within the Jiudingshan Nature Reserve. Pursuant to the Request for Undertaking, the Group must complete its vacation of the Relevant Mines by 30 November 2017 and may be entitled to compensation for such vacation. The Board has been advised by its legal advisers that the Request for Undertaking is not an official request from the Department of Land and Resources of Sichuan Province (the "Sichuan Provincial Authority"), the relevant authority which issued the Group's mining and exploration licences. Notwithstanding the foregoing, the Request for Undertaking may be a prelude to formal negotiations on the withdrawal of the mining and exploration licences of the Relevant Mines (the "Licence Withdrawal"), and the compensation amount due to the Group. As at the date of this Announcement, the Group does not intend to sign the Request for Undertaking.

According to the Notice of Mianzhu Forestry Bureau on Carrying Out Ecological Rehabilitation of Mining Enterprises in Jiudingshan Nature Reserve (绵竹市林业局关于开展九顶山自然保护区内矿山企业生态修复的通知), rehabilitation of the Relevant Mines must be completed by 25 November 2017, and the estimated cost of rehabilitation for the Group is approximately RMB2.2 million. This amount will be deducted from the compensation due, if any, to the Group if it does not complete the rehabilitation works by 30 November 2017. The Company is of the view that the likelihood of completing the said rehabilitation on or before 30 November 2017 is low. As such, it is likely that the sum of RMB2.2 million will be deducted from the compensation amount due to the Group, if any.

2. MINE 1

Mine 1 is located outside the Jiudingshan Nature Reserve. The Company's mining licence for Mine 1 (which has an approved production scale of 50,000 tonnes per year) is valid until February 2018. In the Company's application to renew the mining licence for Mine 1, the Company was advised by the Sichuan Provincial Authority that the area covered by the mining licence for Mine 1 could be inside an area earmarked for a proposed panda reserve. As at the date of this Announcement, the Group has not received any updates or formal notification in respect of the withdrawal of the mining licence for Mine 1.

As at the date of this Announcement, there is still no access to Mine 1 as the work stoppage ordered in June 2017 halted repairs to the haulage roads. This in turn has affected the resumption of operations for Mine 1.



3. CURRENT POSITION

Since July 2017, the Group has been in discussions with the local and provincial governments to resume its mining operations for the Relevant Mines. As the mining and exploration licences are still in force, the Group is in the process of (i) trying to assess the implication of the Mianzhu City Government's decision to withdraw its mining and exploration licences; and (ii) ascertaining the amount of compensation that the Group will receive. As at the date of this Announcement, the Group has not received any formal notification from the Sichuan Provincial Authority on the Licence Withdrawal, or details relating to any compensation that it may receive. The Group will continue to explore and discuss with the local and provincial governments to achieve an amicable settlement and a satisfactory financial outcome for the Group.

Whilst the Group recognises that the People's Republic of China ("PRC") has the sovereign right to expropriate assets in its territory, it has been advised that, *inter alia*, such rights must be exercised in accordance with due process of the law and accompanied by compensation that is prompt, adequate and effective.

As at 23 November 2017, the Group has sufficient inventories of phosphate rocks and yellow phosphorous to cover its operational needs up to 31 March 2018. To mitigate the impact of the loss of its raw material source and as part of the Group's current supply chain strategy, the Group has also commenced sourcing and will continue to source rocks from other suppliers. This is to ensure the Group's access to its feedstocks and the continuation of its profitable downstream operation.

The Board is of the view that even if the mining licences of the Relevant Mines are withdrawn, the Group will be able to continue operating its downstream business effectively, which will mitigate the effects of the downturn as a result of the Licence Withdrawal. If an amicable settlement is reached, the Group will use the compensation proceeds it receives to, *inter alia*, invest and strengthen the Group's financial position to enable it to meet the future challenges and needs of the Group. All remaining proceeds after meeting the Group's needs will, to the extent permissible under the relevant laws and regulations, be distributed back to the Shareholders.

In the event that no amicable settlement is reached, the Group will commence arbitration proceedings. The Group has sought legal advice on the recourse that may be available to the Group under the Bilateral/Multilateral Investment Treaties between the PRC, and Singapore/ASEAN, which were signed in 1985 and 2009 respectively. Due to the potential high cost of arbitration, the Group is currently in discussions with companies that provide funding for such international arbitrations. A final decision by the Arbitration Tribunal is however expected to take a number of years.

4. FINANCIAL EFFECTS

The Group has terminated the services of employees in its mining department. The estimated cost of the said termination, which amounted to approximately S\$0.1 million, will be recognised in the last quarter of 2017 (the "**Employees' Termination**").

Save for the Employees' Termination, it is not possible, as at the date of this Announcement, to provide an estimate of the potential impact of the Licence Withdrawal on the earnings per share or net tangible assets per share of the Group for FY2017. This is because the compensation amount, which is subject to negotiations and PRC laws, cannot be determined with certainty for the reasons set out above. Upon receipt of further information from the relevant authorities such as the Sichuan Provincial Authority, the Group will carry out an assessment on the financial impact of the Licence Withdrawal.



5. FURTHER ANNOUNCEMENTS

The Board confirms that 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 for trading of the Company's shares to continue. 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 this matter.

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

24 November 2017

This Announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Asian Corporate Advisors Pte Ltd. (the "Sponsor"), for compliance with the relevant rules of the SGX-ST. The 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 SGX-ST and the SGX-ST 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.

