

**FOR IMMEDIATE RELEASE**

## AsiaPhos announces results for 3Q2016

Summary of financial results for the third quarter ended 30 September:

| S\$ million   | 3Q2016 | 3Q2015 | + / (-) % |
|---|--------|--------|-----------|
| <b>Revenue</b>  |        |        |           |
| - <i>Upstream</i>                                     | 1.2    | 1.8    | (31)      |
| - <i>Downstream</i>                                   | 8.0    | 7.6    | 6         |
| <b>Total</b>  | 9.2    | 9.4    | (1)       |
| <b>Gross profit</b>                                   | 1.3    | 1.7    | (25)      |
| <b>(Loss) before tax</b>                              | (0.6)  | (2.3)  | n.m.      |
| <b>Net loss attributable to owners of the Company</b> | (0.6)  | (2.5)  | n.m.      |

n.m. denotes not meaningful

**SINGAPORE – 8 November 2016 – AsiaPhos Limited (“AsiaPhos” or the “Company”, and together with its subsidiaries, the “Group”)**, a Singapore-headquartered mineral resources company focused on exploring and mining phosphate with a vertically-integrated business model, reported stable revenue for the third quarter ended 30 September 2016 (“**3Q2016**”).

The Group recorded revenue of S\$9.2 million in 3Q2016 compared to S\$9.4 million in the corresponding period last year (“**3Q2015**”), driven by higher revenue contribution from the Group’s downstream operations (“**Downstream Segment**”), which was partially offset by the lower revenue from its upstream operations (“**Upstream Segment**”).

The Upstream Segment, which accounted for 13% of the Group’s revenue in 3Q2016, saw a 31% decrease in revenue to S\$1.2 million, from S\$1.8 million in 3Q2015. This was mainly due to the lower quantity and quality of phosphate rocks sold as the Group retained the higher quality phosphate rocks for its in-house production of P<sub>4</sub>, and sold only the lower quality rocks

which consequently led to lower average selling prices. The Group sold 23,000 tonnes of phosphate rocks in 3Q2016 compared to 23,900 tonnes in 3Q2015.

The Downstream Segment, which relates to the business of manufacturing, sale and trading of phosphate-based chemical products (mainly P<sub>4</sub>), saw a 6% increase in revenue, quarter-on-quarter, to S\$8.0 million on higher quantity sold. The Group sold 3,670 tonnes of P<sub>4</sub> in 3Q2016 as compared to 2,840 tonnes sold in the corresponding quarter last year. This was achieved despite the production and transport restrictions imposed before and during the G20 Summit in Hangzhou, PRC, in September 2016. This resulted in deferred deliveries to some orders secured in 3Q2016 from the Group's customers, and consequently impacted the revenue from sales of P<sub>4</sub> in 3Q2016.

In terms of cost management, the Group was able to improve production efficiency and cost control which led to lower production costs both in the Upstream and Downstream Segments, thereby partially offsetting the lower average selling prices of phosphate rocks and P<sub>4</sub>.

As a result of the above, gross profit decreased to S\$1.3 million in 3Q2016 against S\$1.7 million in 3Q2015. At the net level, the Group's net attributable loss improved to S\$0.6 million in 3Q2016 from S\$2.5 million in the corresponding period last year.

### **Business Updates**

Following the industrial accident at the Group's P<sub>4</sub> production plant on 24 October 2016 ("**Accident**"), P<sub>4</sub> production has ceased as a precautionary measure as investigations and safety checks are being conducted. Preliminary assessment has shown that only the external buildings of the plant and certain equipment were damaged while the two main P<sub>4</sub> furnaces remained intact. The damages are expected to be covered by insurance.

To mitigate the financial impact to the Group from the ceasing of P<sub>4</sub> production the Group will be making arrangements to sell phosphate rocks that were originally reserved for P<sub>4</sub> production.

**Dr Ong Hian Eng (王显荣博士), Chief Executive Officer of AsiaPhos Limited said,**

“In the wake of the Accident, we are grateful to know that all our staff and workers are safe and we are working very hard with the authorities to determine the cause of the accident and the rectification works required. We are also doing our best to restore the plant back to operational capability as soon as possible, with a view to enhancing safety standards and measures to prevent such accidents from happening in future.”

#### MOU with key customer

The Group had on 4 November 2016 announced that its wholly-owned subsidiary, Sichuan Mianzhu Norwest Phosphate Chemical Limited (“**Mianzhu Norwest**”), had entered into a non-binding memorandum of understanding (“**MOU**”) with Mianyang Aostar Phosphorus Chemical Industry Co., Ltd. (绵阳启明星磷化工有限公司) (“**Mianyang Aostar**”), to collaborate on certain initiatives in relation to the Group’s operations.

The initiatives under the MOU include (i) promoting the development of the market for P<sub>4</sub> in the PRC; (ii) the supply of phosphate rocks by Mianzhu Norwest to Mianyang Aostar; (iii) the purchase of phosphate-based chemical products from each party to satisfy third party orders; and (iv) the purchase of electricity by Mianzhu Norwest by leveraging on Mianyang Aostar’s existing electricity arrangements.

Mianyang Aostar is one of the biggest manufacturers in the PRC of yellow phosphorus, phosphoric acid and related phosphate products and purchases phosphate rocks from the Group.

The MOU formally seals the close and longstanding relationship between the Group and Mianyang Aostar, which is one of the Group’s key customers. The considerable synergies will offer many partnership opportunities, which the Group believes can help to achieve better market positioning, competitive advantages and cost savings, amongst other benefits.

## **Outlook**

### Upstream Segment

Mining activities only resumed in late October 2016 after the rainy season which started at the end of the second quarter ended 30 June 2016. This will impact rocks output and the quantity available for sale in the fourth quarter ending 31 December 2016.

### Downstream Segment

Since P<sub>4</sub> production resumed in May 2016, and with the steady increase in output, the Group has been able to build up its customer base in the PRC to include those situated outside of Sichuan Province.

In addition, in August 2016, the PRC government has also reduced the minimum export price of P<sub>4</sub> to US\$2,700 per tonne, from US\$3,000 per tonne previously, which has increased the competitiveness of the P<sub>4</sub> produced in the PRC as compared to the P<sub>4</sub> produced in Vietnam.

Notwithstanding the suspension of P<sub>4</sub> production as a result of the Accident, the management will continue to actively expand the Group's customer base in the PRC and export markets.

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### **About AsiaPhos Limited**

*AsiaPhos Limited was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 7 October 2013, and is the first mineral resources company listed on the 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. To make full use of phosphate, which is a valuable and non-renewable natural resource, AsiaPhos is adopting a vertically-integrated strategy which will comprise the mining of phosphate rocks from its existing mines and the production of phosphate-based chemical products. Led by an experienced management team, the Group currently owns two mining rights and three exploration rights, and owns a downstream processing facility in the Gongxing Industrial Park (Sichuan).*

### **Issued for and on behalf of AsiaPhos Limited by**

#### **August Consulting**

Tel: +65 6733 8873

Karen Ting, [karenting@august.com.sg](mailto:karenting@august.com.sg)

Jeremy Sing, [jeremysing@august.com.sg](mailto:jeremysing@august.com.sg)

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*This press release should be read in conjunction with the Company's announcement dated 8 November in relation to the unaudited financial statements for the third quarter ended 30 September 2016.*

*This press release has been prepared by the Company and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited (the "**Sponsor**"), for compliance with the relevant rules of the SGX-ST.*

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*The contact person for the Sponsor is Mr Lim Hoon Khiat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.*