

ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 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. Please refer to para 15(d) for further updates.



PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 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.

	Second Quarter ended 30 June			Six Months ended 30 June		
	2014	2013	Change	2014	2013	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	3,933	844	366	6,349	2,154	195
Cost of sales	(3,487)	(786)	344	(5,267)	(1,651)	219
Gross profit	446	58	669	1,082	503	115
Other income	442	131	237	476	139	242
Selling and distribution costs	(219)	(49)	347	(370)	(136)	172
General and administrative costs	(856)	(1,975)	(57)	(1,698)	(3,080)	(45)
Finance costs	(230)	(18)	1178	(322)	(28)	1050
Profit/(loss) before tax	(417)	(1,853)	(77)	(832)	(2,602)	(68)
Taxation	-	-	-	-	-	-
Profit/(loss) for the period attributable to owners of the Company	(417)	(1,853)	(77)	(832)	(2,602)	(68)
Other comprehensive income/(loss)						
Foreign currency translation gain/(loss)	(113)	729	N.M	(1,377)	1,094	N.M
Total comprehensive profit/(loss) for the period attributable to owners of the Company	(530)	(1,124)	(53)	(2,209)	(1,508)	46

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 2Q2014, the Group recorded foreign currency loss of \$0.1 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:

	Second Quarter ended 30 June			Six Months ended 30 June		
	2014	2013	Change	2014	2013	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other income :						
- interest income	324	2	N.M.	347	3	N.M.
- subsidy income ⁽¹⁾	-	43	N.M.	6	44	(86)
Interest on interest-bearing bank loan	(90)	(19)	374	(180)	(28)	100
Interest expenses-others	(146)	-	N.M.	(146)	-	N.M.
Amortisation and depreciation	(266)	(119)	124	(436)	(255)	71
Allowance for doubtful debts	-	-	-	-	-	-
Bad debts written off	-	-	-	-	-	-
Write-off for stock obsolescence	-	-	-	-	-	-
Write down of stocks to net realisable value	(112)	-	N.M.	(112)	-	N.M.
Impairment in value of investments	-	-	-	-	-	-
Foreign exchange gain/(loss) *	(162)	(238)	(32)	(42)	(178)	(76)
Over/(under) provision of tax in respect of prior periods	-	-	-	-	-	-
Gain/(loss) on disposal of property plant and equipment	-	(3)	N.M.	-	(4)	N.M.
Listing expenses *	-	(1,387)	N.M.	-	(1,824)	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.



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	As at	As at
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<u>Non-current assets</u>				
Mine properties	484	571	-	-
Land use rights	1,665	1,721	-	-
Property, plant and equipment	30,617	32,033	-	-
Loans Receivable	15,000	-	-	-
Prepayments	4,182	4,267	-	-
Deposits	250	148	-	-
Intangible asset	132	162	-	-
Investment in subsidiary	-	-	33,545	33,545
	52,330	38,902	33,545	33,545
<u>Current assets</u>				
Stocks	7,337	5,375	-	-
Trade receivables	305	398	-	-
Other receivables	4,356	9,591	66	*
Prepayments	3,672	808	138	181
Amounts due from subsidiary	-	-	14,846	3,239
Cash and bank balances	6,487	18,602	3,117	15,966
	22,157	34,774	18,167	19,386
Total assets	74,487	73,676	51,712	52,931
<u>Current liabilities</u>				
Trade payables	2,735	4,409	-	-
Other payables	4,390	6,967	237	931
Advances from customers	1,568	1,075	-	-
Interest-bearing bank loan	5,577	5,704	-	-
Provision for taxation	406	-	-	-
	14,676	18,155	237	931
Net current assets	7,481	16,619	17,930	18,455
<u>Non-current liabilities</u>				
Redeemable Preference Shares	7,000	-	-	-
Deferred tax liabilities	1,353	1,797	-	-
Deferred income	2,334	2,387	-	-
Provision for rehabilitation	165	169	-	-
	10,852	4,353	-	-
Total liabilities	25,528	22,508	237	931
Net assets	48,959	51,168	51,475	52,000
<u>Equity attributable to owners of the Company</u>				
Share capital	56,541	56,541	56,541	56,541
Reserves	(7,582)	(5,373)	(5,066)	(4,541)
Total equity	48,959	51,168	51,475	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			
	30 June 2014		31 December 2013	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable				
In one year or less, or on demand	5,577	-	5,704	-
After one year	-	-	-	-
	<u>5,577</u>	<u>-</u>	<u>5,704</u>	<u>-</u>

Details of collaterals

Borrowings of the Group as at 30 June 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 RMB8.2 million (approximately \$1.7 million) and certain property, plant and equipment with net book value of approximately RMB127.02 million (approximately \$25.75 million) as at 30 June 2014. Net book value of land use rights and property, plant and equipment as at 31 December 2013 which were pledged for borrowings 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 30 June 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.

	Second Quarter ended 30 June		Six Months ended 30 June	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities :				
Profit/(Loss) before taxation	(417)	(1,853)	(832)	(2,602)
Adjustments for :				
Depreciation of property, plant and equipment	207	74	317	165
(Gain)/loss on disposal of property, plant and equipment	-	3	-	4
Amortisation of mine properties, land use rights and intangible asset	59	45	119	90
Gain on relocation	-	(40)	-	(40)
Interest expense	236	19	326	28
Interest income	(324)	(2)	(347)	(3)
Unwinding of discount for provision for rehabilitation	-	-	-	1
Listing expenses	-	1,387	-	1,824
Unrealised exchange difference	(678)	-	(917)	-
Operating profit/(loss) before working capital changes	(917)	(367)	(1,334)	(533)
(Increase)/decrease in stocks	(2,246)	(3,926)	(2,084)	(4,238)
(Increase)/decrease in receivables	(2,897)	(1,294)	(2,137)	(1,504)
Increase/(decrease) in payables	(507)	5,709	336	4,856
Cash (used in)/generated from operations	(6,567)	122	(5,219)	(1,419)
Interest received	17	2	34	3
Interest paid	(90)	(19)	(180)	(28)
Net cash flows (used in)/generated from operating activities	(6,640)	105	(5,365)	(1,444)
Cash flows from investing activities :				
Purchase of property, plant and equipment	(2,769)	(1,619)	(4,981)	(3,915)
Purchase of investment	(15,000)	-	(15,000)	-
Proceeds from sale of trial products	2,494	(1)	6,532	537
Compensation proceeds from government for relocation of factory	-	40	-	40
Payment of deposit	-	-	(107)	-
Net cash flows (used in)/generated from investing activities	(15,275)	(1,580)	(13,556)	(3,338)
Cash flows from financing activities :				
Proceeds from bank loan	-	-	-	984
Proceeds from issue of redeemable preference shares	7,000	-	7,000	-
Proceeds from issue of new shares	-	-	-	1,200
Payments incurred in relation to the initial public offering	(80)	(425)	(475)	(721)
Net cash flows (used in)/generated from financing activities	6,920	(425)	6,525	1,463
Net increase/(decrease) in cash and cash equivalents	(14,995)	(1,900)	(12,396)	(3,319)
Cash and cash equivalents at beginning of period	19,720	3,015	17,432	4,613
Effects of exchange rate changes on cash and cash equivalents	595	(190)	284	(369)
Cash and cash equivalents at end of period	5,320	925	5,320	925
Cash and bank balances	6,487	1,093	6,487	1,093
Less : pledged deposits	(1,167)	(168)	(1,167)	(168)
Cash and cash equivalents at end of period	5,320	925	5,320	925



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 \$'000	Merger reserve \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Safety fund surplus reserve \$'000	Total reserves \$'000	Total equity \$'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
Total comprehensive income/(loss) 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
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
Total comprehensive income/(loss) for the period	-	-	(1,853)	729	-	(1,124)	(1,124)
Transfer to safety fund surplus reserve	-	-	(61)	-	61	-	-
Utilisation of safety fund surplus reserve	-	-	15	-	(15)	-	-
Balance at 30 June 2013	34,394	-	(7,680)	2,187	46	(5,447)	28,947

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 \$'000	Accumulated losses \$'000	Total reserve \$'000	Total equity \$'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
Total comprehensive income/(loss) for the period	-	(296)	(296)	(296)
Balance at 30 June 2014	56,541	(5,066)	(5,066)	51,475
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)
Total comprehensive income/(loss) for the period	-	41	41	41
Balance at 30 June 2013	*	(1,698)	(1,698)	(1,698)

* 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 April and 30 June	800,000,000	56,540,997	2	2

Further to our announcements dated 22 April 2014 and 30 April 2014, following the completion of the subscription of the \$15 million 12.5% convertible loan notes ("loan notes") and \$7 million 12.5% redeemable preference shares ("redeemable preference shares"), the Company may issue up to a maximum of 242.2 million shares in the Company. As at the date of this announcement, the aforementioned transaction has not been completed and no shares have been issued.

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 June 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 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 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			
	Second Quarter ended		Six Months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Profit/(loss) for the period attributable to owners of the Company (\$'000)	(417)	(1,853)	(832)	(2,602)
Number of ordinary shares ('000) ⁽¹⁾	702,400	702,400	702,400	702,400
Earnings per share (cents) - Basic and fully diluted	(0.06)	(0.26)	(0.12)	(0.37)
Number of ordinary shares ('000) ⁽²⁾	800,000	800,000	800,000	800,000
Earnings per share (cents) - Basic and fully diluted	(0.05)	(0.23)	(0.10)	(0.33)

Notes:

(1) Earnings per share ("EPS") of the Group for second quarter and six months ended 30 June 2014 and 2013 have been computed based on pre-IPO share capital of 702,400,000 ordinary shares.

(2) EPS of the Group for second quarter and six months ended 30 June 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 30 June 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	
	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2014 \$'000	31 December 2013 \$'000
Net asset value (\$'000)	48,959	51,168	51,475	52,000
Number of ordinary shares ('000) ⁽¹⁾	702,400	702,400	702,400	702,400
Net asset value per ordinary share (cents)	6.97	7.28	7.33	7.40
Number of ordinary shares ('000) ⁽²⁾	800,000	800,000	800,000	800,000
Net asset value per ordinary share (cents)	6.12	6.40	6.43	6.50

Notes:

- (1) Net asset value per share of the Group and the Company as at 30 June 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 30 June 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 did not take into account the fair market value of the mining and exploration rights as these were recorded on the historical cost basis.

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 P₄, 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		
	2Q2014	2Q2013	Change
	\$'000	\$'000	%
Upstream segment	2,745	471	483%
Downstream segment	1,188	373	218%
Total	3,933	844	366%

Revenue for the Group increased by \$3.1 million or 366% to \$3.9 million for second quarter ended 30 June 2014 ("2Q2014"), from \$0.8 million for the second quarter ended 30 June 2013 ("2Q2013"). The increase in revenue was mainly due to the higher quantities of rock sold and also revenue from the sale of P₄.

	2Q2014			2Q2013		
	Quantity	Average selling price		Quantity	Average selling price	
	Tonnes	RMB	S\$ ⁽¹⁾	Tonnes	RMB	S\$ ⁽²⁾
Upstream Segment						
Phosphate rocks	43,000	308	63	7,800	296	61
Downstream Segment						
P ₄	265	12,750	2,615	-	-	-
STPP	295	7,919	1,624	180	8,182	1,675
SHMP	52	8,700	1,784	50	8,934	1,829

(1) based on exchange rate of RMB4.876: S\$1.00

(2) based on exchange rate of RMB4.885: S\$1.00

Notes:

Gross profit

	2Q2014	2Q2013	Change
	\$'000	\$'000	%
Upstream segment	513	96	434%
Downstream segment	(67)	(38)	76%
Total	446	58	669%

Gross profit in 2Q2014 was affected by a loss on sale of P₄ of \$0.4 million and by a stock write-down of \$0.1 million of P₄ stock to its net realisable value. This was due to higher than expected cost of production of P₄ as we encountered some technical issues during the start-up of the P₄ furnaces which led to higher than expected usage of electricity and higher production cost of P₄. **FRS 2 Inventories** required stock to be carried at the lower of cost and net realisable value and accordingly we wrote down the value of P₄ to its estimated net realisable value.

Despite the above, gross profit increased from \$0.1 million in 2Q2013 to \$0.5 million in 2Q2014. This was due mainly to the higher sales of rock we achieved.

Other income

Other income increased by \$0.3 million or 237% to \$0.4 million in 2Q2014, from \$0.1 million in 2Q2013, mainly due to an increase in interest income. The increase was substantially due to the loan notes that the Group subscribed for in 2Q2014.



Selling and distribution costs

Selling and distribution costs increased by \$0.2 million or 347% to \$0.2 million in 2Q2014, mainly due to transportation and selling related costs of P₄.

General and administrative costs

General and administrative costs decreased by \$1.1 million or 57% to \$0.9 million in 2Q2014, from \$2 million in 2Q2013, mainly due to the absence of professional fees of \$1.4 million incurred in connection with our initial public offering in 2Q2013.

The reduction was partially offset by increases in:-

- a) manpower costs by approximately \$0.2million; and
- b) Corporate and office expenses such as continuing sponsorship fees and directors' fees by \$0.1 million which the Group incurred as a result of being a listed entity.

Finance costs

Finance costs increased by \$0.2 million or 1,178% in 2Q2014 from \$0.02 million in 2Q2013 mainly due to interest expense incurred on the redeemable preference shares issued by a wholly owned subsidiary in 2Q2014 and on the interest-bearing bank loan of RMB27.5 million.

Taxation

In 2Q2014 and 2Q2013, the Group had no taxable income and did not make provision for income tax.

Balance sheet

Non-current assets

Non-current assets increased by \$13.4 million from \$38.9 million as at 31 December 2013 to \$52.3 million as at 30 June 2014. This was mainly due to the subscription of the loan notes in 2Q2014 which has been accounted for as a loan receivable and also a payment of \$0.1 million to the local government in respect of the Group's rehabilitation obligations for closure of its mines in future that has been included in deposits.

The above increase was partially offset by decreases in property, plant and equipment, land use rights and mine properties because of depreciation charges, and exchange translation differences arising from consolidation.

Current assets

Current assets decreased by \$12.5 million from \$34.7 million as at 31 December 2013 to \$22.2 million as at 30 June 2014 mainly due to decreases in:

- a) other receivables by \$5.2 million mainly due to receipt of proceeds from sale of P₄ produced during the trial production in FY2013 amounting to \$6.5 million and receipt of environment grant of \$1.7m (RMB 8 million) in 1Q2014.

The above decreases were partially offset by increase in balance of bills receivable of \$2 million due to the increase in the sales of rocks and increase in advances to contractors and suppliers of \$1 million; and

- b) Cash and bank balances by \$12.4 million mainly due to the operating loss, investment in working capital and purchase of the loan notes and offset by proceeds from issue of redeemable preference shares.



The above decreases were offset by increases in stock balance by \$2 million and prepayments by \$2.8 million. Higher stock balance was due to the commencement of commercial production of P₄. Higher prepayment was due mainly to payments to the electricity bureau made in connection with the commencement of P₄ production.

Current liabilities

Current liabilities decreased by \$3.5 million from \$18.2 million as at 31 December 2013 to \$14.7 million as at 30 June 2014 due to decreases in:

- a) trade payables by \$1.7 million mainly due to payments made to our suppliers and contractors; and
- b) other payables by \$2.6 million mainly due to payments made for our property, plant and equipment.

The above decreases were partially offset by increases in advances from rock, P₄ and STPP customers by \$0.5 million and provision for taxation by \$0.4 million. In FY2013, the Group recognised deferred tax liability for the tax exposure arising from the environmental grant. As the grant was received in 1Q2014, deferred tax liability related to the grant was transferred to provision for taxation.

Non-current liabilities

Non-current liabilities increased by \$6.5 million from \$4.4 million as at 31 December 2013 to \$10.9 million as at 30 June 2014, mainly due to the issue of the redeemable preference shares by a wholly owned subsidiary.

Cash flow statement

Net cash flows used in operations was \$6.6 million for 2Q2014. This was due to (i) the loss in 2Q2014 ; (ii) increases in amounts invested in stocks, and receivables, as a result of the commencement of the commercial P₄ production; and (iii) decrease in payables as a result of payment to creditors.

Net cash flows used in investing activities was \$15.3 million for 2Q2014. This was mainly due to payments made for plant and equipment of \$2.7 million and for the subscription of the loan notes million of \$15 million. The above payments were offset by receipts of \$2.49 million from sale of the trial production batches of P₄ in 2Q2014.

Net cash flows generated from financing activities was \$6.9 million for 2Q2014 and was mainly due to receipt of proceeds of \$7 million from issue of redeemable preference shares.

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.

The Group has commenced the commercial production of P₄ during the quarter. However, the Group's performance in the second quarter of the financial year ("2Q2014") was affected by the unexpected softening of P₄ prices in the PRC. The average price of P₄ sold in 2Q2014 was RMB12,750 per tonne compared to the average price achieved in 1Q2014 when the Group sold its trial production of P₄ at RMB13,590 per tonne. Higher than expected production cost for P₄ was incurred due to certain technical problems encountered during the start-up of the furnaces in May 2014. This led to higher electricity consumption and hence higher than normal production costs. Consequently, margins on the P₄ sold during 2Q2014 were affected, and the net realisable value of the balance of the P₄ stock as at 30 June 2014 had to be written down in accordance with the requirements of *FRS 2 Inventories*. The loss on P₄ sold and write-down in the value of P₄ stock affected the bottomline in 2Q2014 by \$0.6 million.

The production cost of P₄ has since shown improvement and management is closely monitoring the usage of raw material and electricity consumption during the production process.

In 2Q2014, approximately 78,000 tonnes of phosphate rocks were mined, compared to approximately 76,000 in 2Q2013. The total number of days worked during the period was 53 days, against 50 days in 2Q2013. While the Group has been building on the momentum to increase average daily output, mining activities were affected by an unfortunate landslide in April, as well as the rainy season which started earlier this year.

As at 30 June 2014, the Group holds 52,000 tonnes of phosphate rocks and 292 tonnes of finished P₄. As the prices for phosphate rocks and P₄ are expected to be uncertain, management is closely monitoring the prices of phosphate rocks and P₄, and may sell the phosphate rocks earmarked for the production of P₄ to improve the Group's bottomline.

The sale of STPP saw a small increase in 2Q2014, which will provide the momentum for the future growth of this business. Save for the office building, the Group has not commenced the building of the other plant and equipment in phase 2 of the rebuilding programme as it has yet to receive the land use certificate for the phase 2 land.

Update on status of renewal of exploration licenses

The Group still has not received official approval on the renewal of the exploration licenses for Mine 1 and Mine 2, and will provide updates as and when these become available.

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

The geological survey and the valuation of LYR is currently underway. Once the independent valuers confirm that the valuation threshold of RMB250 million for the shares in LYR has been met, the Group intends to complete the transaction by exercising its call option to acquire the LYR shares. The Group will provide updates when there are material developments on this transaction.

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 second quarter ended 30 June 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	(1,215)	7,285
Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme	11,499	(4,911)	6,588
Working capital	1,553	(9,283)	(7,730)
Net proceeds	21,552	(15,409)	6,143

Out of the \$9.2 million utilised as working capital, an additional amount of \$0.2 million was in relation to the listing expenses incurred in addition to the estimated expenses of \$2.8 million disclosed in the Offer Document.

The Group has utilised part of the IPO proceeds for working capital to fund (i) the purchases of materials and supplies, prepayment for electricity; (ii) the production of rocks and P₄; and (iii) credit provided to customers for sale of rocks and P₄ pending the deployment of proceeds for the allocated amount as shown above. As the Group has not received the land use certificate for the phase 2 land, only office building construction has commenced. Upon receipt of the land use certificate and receipt of all relevant approvals, barring unforeseen circumstances, we intend to commence full construction and the amount hitherto used for working capital will be reverted into cash and used to part finance the construction.

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	451
Expenditure on mining related infrastructure and purchase of equipment	579
	1,030



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	-	-
Expenditure on mining related infrastructure and purchase of equipment	-	-
	-	-

No exploration activities are planned for 3Q2014 because of the mandatory stoppage due to the rainy season.

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	3,682	746	451	295
Expenditure on mining related infrastructure and purchase of equipment	585	118	579	(461)
	4,267	864	1,030	(166)

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

Actual expenditure for mining and exploration activities decreased mainly due to the lower than anticipated number of mining days.

Actual expenditure for mining related infrastructure and purchase of equipment was higher than the amount projected due to additional work carried out to improve safety and environmental protection which were previously not budgeted

Our activities in 2Q2014 included the following:-

- a) Mine well (adit) construction for our 2 Mines and repairs and improvement to infrastructure;
- b) implementation of additional 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.

Save for the information provided in our announcements dated 10 April 2014, 9 June 2014 and 17 June 2014, 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 second quarter ended 30 June 2014 to be false or misleading in any material aspects.

On behalf of the Board of Directors,

Ong Eng Hock Simon
Executive Director
1 August 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.

