

FOR IMMEDIATE RELEASE

## AsiaPhos' revenue more than quadrupled in 2Q2014 with increased mining and downstream activities

\$'000	2Q ended 30 June 2014	2Q ended 30 June 2013	+ / (-) %
Revenue	3,933	844	366
- <i>Upstream</i>	2,745	471	483
- <i>Downstream</i>	1,188	373	218
Gross Profit	446	58	669
(Loss) after tax	(417)	(1,853)	(77)

SINGAPORE – 1 August 2014 – AsiaPhos Limited (“AsiaPhos” 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 a 366% increase year-on-year (“yoy”) in total revenue to \$3.9 million for the second quarter ended 30 June 2014 (“2Q2014”).

This was driven by the higher quantity of rocks sold and revenue from increased production of downstream chemicals, including its maiden commercial production and sale of P<sub>4</sub>.

Gross profit for the Group grew 669% to S\$0.4 million, from S\$0.1 million in the second quarter of last year (“2Q2013”) despite a S\$0.6 million loss from the sale of P<sub>4</sub> and a stock write-down. This was a result of the unexpected softening of P<sub>4</sub> prices in the PRC. In addition, the Group encountered some technical issues during the start-up of the P<sub>4</sub> furnace which led to higher than expected usage of electricity. However, gross profit margin improved to 11.3%, from 6.9% previously.

The Group reduced its net loss to S\$0.4 million in 2Q2014 compared to a year ago at S\$1.9 million, mainly due to the absence of professional fees of S\$1.4 million incurred in connection with its initial public offering in 2013.

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

“We managed to deliver growth in revenue and gross profit despite the unfortunate landslide in April and the rainy season which started earlier, that affected our mining activities, as well as teething technical issues in our P<sub>4</sub> plant. Our adoption of a vertically-integrated business model gives us the flexibility to vary production and sales of our upstream and downstream products depending on production schedules, existing orders, market prices and demand. This flexibility helps us to achieve the best product mix which will positively affect our bottomline.”

### **Business Review**

AsiaPhos' upstream revenue increased to S\$2.75 million in 2Q2014, driven by the higher quantities of phosphate rocks sold. The upstream segment, which comprises rock sales, continues to be the dominant revenue contributor for the Group at 69.8%.

During the quarter, the Group faced the challenges of a landslide in April and the early arrival of the rainy season which caused mining activities to stop earlier in June. Nevertheless, it achieved a rock output of approximately 78,000 tonnes over a total of 53 mining days in 2Q2014, compared to an output of 76,000 tonnes over 50 mining days achieved in 2Q2013.

Revenue contribution from downstream activities increased to S\$1.2 million in 2Q2014, with higher quantities of downstream chemicals (P<sub>4</sub>, STPP and SHMP) produced and sold.

The Group's performance in 2Q2014 was affected by the unexpected softening of P<sub>4</sub> prices in the PRC. The average price of P<sub>4</sub> sold in 2Q2014 was S\$2,615 per tonne, 6% lower than the average price achieved in 1Q2014. Higher than expected production costs for P<sub>4</sub> were incurred mainly because of certain technical problems encountered during the start-up of the furnaces

in May 2014, which led to higher electricity consumption and hence higher than normal production costs.

Since then, the production cost of P<sub>4</sub> has shown an improvement and the management is closely monitoring the raw material usage and electricity consumption during the production process.

Sales of STPP increased slightly in 2Q2014 and AsiaPhos will continue to build on the momentum of this product.

### **Business Outlook and Prospects**

As at 30 June 2014, AsiaPhos held an inventory of 52,000 tonnes of rock and 292 tonnes of finished P<sub>4</sub>. As the prices for phosphate rocks and P<sub>4</sub> are expected to be uncertain, management is closely monitoring the prices of phosphate rocks and P<sub>4</sub> and may sell the phosphate rocks earmarked for the production of P<sub>4</sub> to improve the Group's bottomline.

The Group signed an agreement in April this year that will allow it to gain access to an exploration area that is approximately 4.8 times the size of its existing mining area as well as acquire the entire economic benefits of an existing co-operation arrangement presently accruing to its co-operation partner, through gaining equity control of LY Resources Pte Ltd ("LYR"). A geological survey of the exploration area and the valuation of LYR is currently underway. The Group will exercise its call option to acquire the LYR shares once the independent valuers confirm that the valuation threshold of RMB250 million for the shares in LYR has been met. The Group will provide updates when there are material developments on this transaction.

The Group is currently awaiting the approval of its application to renew its exploration licence for Mine 1, which will include the expansion of its Mine 1 exploration area, as well as the renewal of its exploration licence for Mine 2, which expired in April and June 2014 respectively.

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## **About AsiaPhos Limited**

*AsiaPhos Limited was listed on the Catalist Board of 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 a management team with more than 10 years of relevant experience in their respective fields, the Group currently owns exploration and mining rights to its two mines and has completed the construction of a P<sub>4</sub> plant in its new Gongxing site. As part of its future plans, the Group intends to construct more processing facilities.*

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

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***This Press Release should be read in conjunction with the unaudited financial statements announcement of AsiaPhos Limited for the second quarter ended 30 June 2014.***

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