

## ASIAPHOS LIMITED

Company Registration Number: 201200335G

### UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2013

AsiaPhos Limited (the “Company”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 7 October 2013. The initial public offering of the Company was sponsored by United Overseas Bank Limited (the “Sponsor”).

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.

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#### Background

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<sup>(1)</sup>, as at 31 December 2012, the Group has 22.2 million tonnes of measured and indicated phosphorite resources and 18.8 million tonnes of inferred phosphorite resources. Based on independent valuation report<sup>(2)</sup>, the fair market value of the 2 mines and a yellow phosphorus plant (“P<sub>4</sub>”) was approximately between RMB1 billion and RMB1.6 billion, with the preferred value being RMB1.3 billion as at 31 March 2013.

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 combined 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 Company recognised Norwest Chemicals as a wholly owned subsidiary and the Group’s financial statements were consolidated at existing carrying values. The issued share capital of the Group as at 30 September 2013 represented the pre-IPO share capital of the Company.

(1) WGM Technical Report dated 28 February 2013 prepared in accordance with NI 43-101 relating to the mineral resources (“Independent Technical Report”). The report is available in the Company’s Offer Document.

(2) Independent valuation report by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 27 August 2013 prepared in accordance with the VALMIN Code (“Independent Valuation Report”). The report is available in the Company’s Offer Document.



**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2013**

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					
	Third Quarter Ended 30 September			Nine Months Ended 30 September		
	2013	2012	Change	2013	2012	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Revenue</b>	3,604	1,356	166	5,758	3,949	46
Cost of sales	(2,290)	(816)	181	(3,942)	(2,341)	68
<b>Gross profit</b>	<b>1,314</b>	<b>540</b>		<b>1,816</b>	<b>1,608</b>	
Other income	80	8	900	219	3,301	(93)
Selling and distribution costs	(81)	(54)	50	(217)	(184)	18
General and administrative costs	(1,170)	(506)	131	(4,252)	(2,417)	76
Finance costs	(25)	(1)	2,400	(53)	(3)	1,667
<b>Profit/(loss) before tax</b>	<b>118</b>	<b>(13)</b>		<b>(2,487)</b>	<b>2,305</b>	
Taxation	-	(129)	(100)	-	(129)	(100)
<b>Profit/(loss) for the period attributable to owners of the Company</b>	<b>118</b>	<b>(142)</b>		<b>(2,487)</b>	<b>2,176</b>	
Other comprehensive income/(loss)						
Foreign currency translation gain/(loss)	(50)	(740)	(93)	1,044	(947)	(210)
<b>Total comprehensive income/(loss) for the period attributable to owners of the Company</b>	<b>68</b>	<b>(882)</b>		<b>(1,443)</b>	<b>1,229</b>	



**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:

	Third Quarter Ended 30 September			Nine Months Ended 30 September		
	2013	2012	Change	2013	2012	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other income :						
- interest income	1	6	(83)	4	8	(50)
- subsidy income <sup>(1)</sup>	86	-	100	86	42	105
- gain on relocation <sup>(2)</sup>	-	-	-	40	3,297	(99)
Interest on interest-bearing bank loan	(25)	-	100	(53)	-	100
Amortisation and depreciation	(139)	(110)	26	(392)	(321)	22
Allowance for doubtful debts	-	-	-	-	-	-
Bad debts written off	-	-	-	-	-	-
Write-off for stock obsolescence	-	-	-	-	-	-
Impairment in value of investments	-	-	-	-	-	-
Foreign exchange gain/(loss) *	(45)	(88)	(49)	338	(81)	N.M.
Over/(under) provision of tax in respect of prior periods	-	-	-	-	-	-
Gain/(loss) on disposal of property plant and equipment	-	2	(100)	(4)	2	N.M.
Listing expenses *	(163)	(172)	(5)	(1,986)	(1,438)	38

N.M. denotes not meaningful.

\* included in general and administrative costs

Notes:

(1) There are no unfulfilled conditions or contingencies attached to the subsidy received.

(2) The Group recognised the gain on relocation arising from the final receipt of relocation income of RMB0.2 million (equivalent to \$0.04 million) in 9M2013. The Group received relocation income of RMB16.5 million (equivalent to \$3.3 million) in 9M2012.



(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	
	30 September 2013 S\$'000	31 December 2012 S\$'000	30 September 2013 S\$'000	31 December 2012 S\$'000
<b>Non-current assets</b>				
Mine properties	599	675	-	-
Land use rights	1,703	1,642	-	-
Property, plant and equipment	32,869	28,778	-	-
Prepayments	2,158	2,093	-	-
Deposit	105	-	-	-
Investment in subsidiary <sup>(1)</sup>	-	-	33,545	-
	<b>37,434</b>	<b>33,188</b>	<b>33,545</b>	<b>-</b>
<b>Current assets</b>				
Stocks	4,999	2,907	-	-
Trade receivables	685	137	-	-
Other receivables	1,219	1,750	-	-
Deferred expenses	508	343	508	343
Prepayments	803	492	67	-
Cash and bank balances	1,393	4,772	98	443
	<b>9,607</b>	<b>10,401</b>	<b>673</b>	<b>786</b>
Total assets	<b>47,041</b>	<b>43,589</b>	<b>34,218</b>	<b>786</b>
<b>Current liabilities</b>				
Bank overdraft	337	-	337	-
Trade payables	3,197	1,306	-	-
Other payables	10,304	10,172	1,598	661
Advances from customers	422	147	-	-
Amounts due to ultimate holding company	-	646	-	500
Amounts due to subsidiary	-	-	2,362	1,363
Interest-bearing bank loan	918	-	-	-
	<b>15,178</b>	<b>12,271</b>	<b>4,297</b>	<b>2,524</b>
Net current liabilities	<b>(5,571)</b>	<b>(1,870)</b>	<b>(3,624)</b>	<b>(1,738)</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	335	320	-	-
Deferred income	2,349	2,231	-	-
Provision for rehabilitation	166	158	-	-
	<b>2,850</b>	<b>2,709</b>	<b>-</b>	<b>-</b>
Total liabilities	<b>18,028</b>	<b>14,980</b>	<b>4,297</b>	<b>2,524</b>
<b>Net assets</b>	<b>29,013</b>	<b>28,609</b>	<b>29,921</b>	<b>(1,738)</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	33,545	32,548	33,545	*
Reserves	(4,532)	(3,939)	(3,624)	(1,738)
<b>Total equity</b>	<b>29,013</b>	<b>28,609</b>	<b>29,921</b>	<b>(1,738)</b>

\* denotes amounts less than \$1,000.

Note:

- (1) In 2013, the Group undertook a Restructuring Exercise whereby the Company acquired the entire shareholding interest in Norwest Chemicals from Eastcomm. Subsequent to the completion of the Restructuring Exercise on 16 September 2013, the Company recognised Norwest Chemicals as a wholly owned subsidiary.



(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 September 2013		31 December 2012	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable				
In one year or less, or on demand	1,255	-	-	-
After one year	-	-	-	-
	<u>1,255</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Details of collaterals**

Borrowings of the Group as at 30 September 2013 consisted of

- A short term bank loan of RMB4.5 million (approximately \$0.9 million) which is secured by land use rights with net book value of approximately RMB8.3 million (approximately \$1.7 million) as at 30 September 2013.
- A bank overdraft of approximately \$0.3 million which is secured by a charge granted by Eastcomm, the ultimate holding company, over Eastcomm's fixed deposit of \$1 million.



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			
	Third Quarter Ended 30 September		Nine Months Ended 30 September	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities :</b>				
Profit/(Loss) before taxation	118	(13)	(2,487)	2,305
Adjustments for :				
Depreciation of property, plant and equipment	92	69	256	197
(Gain)/loss on disposal of property, plant and equipment	-	(2)	4	(2)
Amortisation of mine properties and land use rights	47	41	136	124
Gain on relocation	-	-	(40)	(3,297)
Incidental costs in connection to relocation	-	-	-	48
Interest expense	25	-	53	-
Interest income	(1)	(6)	(4)	(8)
Unwinding of discount for provision for rehabilitation	-	1	-	3
Listing expenses	163	172	1,986	1,438
Operating profit/(loss) before reinvestment in working capital	444	262	(96)	808
Decrease/(increase) in stocks	2,329	809	(1,910)	994
Decrease/(increase) in receivables	1,122	379	(382)	(593)
Increase/(decrease) in payables	1,220	66	6,080	(1,125)
Cash generated from operations	5,115	1,516	3,692	84
Interest received	1	6	4	8
Interest paid	(25)	-	(53)	-
Net cash flows generated from operating activities	5,091	1,522	3,643	92
<b>Cash flows from investing activities :</b>				
Purchase of property, plant and equipment	(4,452)	(2,013)	(7,830)	(6,459)
Payment for mine properties	-	(30)	-	(30)
Payments made in advance for property, plant and equipment	-	(1,112)	-	(1,112)
Proceeds from disposal of property, plant and equipment	-	2	-	2
Compensation proceeds from government for relocation of factory	-	-	40	3,248
Incidental costs in relation to relocation	-	-	-	(436)
Payment of environment deposit	(104)	-	(104)	-
Net cash flows used in investing activities	(4,556)	(3,153)	(7,894)	(4,787)
<b>Cash flows from financing activities :</b>				
Repayment of bank loan	(101)	-	(101)	-
Proceeds from bank loan	-	-	984	-
Amount due to Eastcomm	-	-	-	500
Increase in pledged deposits	-	-	-	(1)
Proceeds from issue of new shares	-	4,500	1,200	9,596
Payments incurred in relation to the initial public offering	(454)	(118)	(1,174)	(1,058)
Net cash flows generated from/(used in) financing activities	(555)	4,382	909	9,037
Net (decrease)/increase in cash and cash equivalents	(20)	2,751	(3,342)	4,342
Cash and cash equivalents at beginning of period	925	4,615	4,613	3,047
Effects of exchange rate changes on cash and cash equivalents	(16)	(62)	(382)	(85)
Cash and cash equivalents at end of period	889	7,304	889	7,304



	Group			
	Third Quarter Ended		Nine Months Ended	
	30 September		30 September	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	1,393	7,463	1,393	7,463
Less : bank overdraft	(337)	-	(337)	-
Less : pledged deposits held for mine activities	(167)	(159)	(167)	(159)
Cash and cash equivalents at end of period	889	7,304	889	7,304

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
<b>2013</b>							
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	-	-	(1,856)	729	-	(1,127)	(1,127)
Transfer to safety fund surplus reserve	-	-	(61)	-	61	-	-
Utilisation of safety fund surplus reserve	-	-	15	-	(15)	-	-
Balance at 30 June 2013	34,394	-	(7,683)	2,187	46	(5,450)	28,944
Total comprehensive income/(loss) for the period	-	-	118	(50)	-	68	68
Issue of new shares	33,545	-	-	-	-	-	33,545
Adjustment arising from Restructuring Exercise	(34,394)	850	-	-	-	850	(33,544)
Transfer to safety fund surplus reserve	-	-	(1)	-	1	-	-
Utilisation of safety fund surplus reserve	-	-	17	-	(17)	-	-
Balance at 30 September 2013	33,545	850	(7,549)	2,137	30	(4,532)	29,013
<b>2012</b>							
Balance at 1 January 2012	21,048	-	(6,257)	2,011	-	(4,246)	16,802
Total comprehensive income/(loss) for the period	-	-	1,174	(448)	-	726	726
Balance at 31 March 2012	21,048	-	(5,083)	1,563	-	(3,520)	17,528
Total comprehensive income/(loss) for the period	-	-	1,144	241	-	1,385	1,385
Transfer to safety fund surplus reserve	-	-	(18)	-	18	-	-
Utilisation of safety fund surplus reserve	-	-	18	-	(18)	-	-
Balance at 30 June 2012	21,048	-	(3,939)	1,804	-	(2,135)	18,913
Total comprehensive income/(loss) for the period	-	-	(142)	(740)	-	(882)	(882)
Balance at 30 September 2012	21,048	-	(4,081)	1,064	-	(3,017)	18,031

For the purpose of the preparation of the combined 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 as at 30 September 2013 represented the pre-IPO share capital of the Company.



Company	Share capital \$'000	Accumulated losses \$'000	Total reserves \$'000	Total equity \$'000
<b>2013</b>				
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)
Total comprehensive income/(loss) for the period	-	(1,926)	(1,926)	(1,926)
Issue of new shares	33,545	-	-	33,545
Balance at 30 September 2013	33,545	(3,624)	(3,624)	29,921
<b>2012</b>				
Balance at 1 January 2012	-	-	-	-
Total comprehensive income/(loss) for the period	-	(6)	(6)	(6)
Issue of new shares	*	-	-	*
Balance at 31 March 2012	*	(6)	(6)	(6)
Total comprehensive income/(loss) for the period	-	(16)	(16)	(16)
Balance at 30 June 2012	*	(22)	(22)	(22)
Total comprehensive income/(loss) for the period	-	*	*	*
Balance at 30 September 2012	*	(22)	(22)	(22)

\* 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.**

The Company entered into a restructuring agreement with Eastcomm to acquire the entire issued and paid-up share capital of Norwest Chemicals. Please refer to the Company's Offer Document for further details on the Restructuring Exercise.

Pursuant to the restructuring agreement, the purchase consideration was satisfied by the allotment and issuance of shares ("Consideration Shares") as follows:

- i) 16,000,000 Consideration Shares was allotted and issued to Eastcomm; and
- ii) 638,399,992 Consideration Shares was allotted and issued to Eastcomm and holders of convertible loan notes issued by Eastcomm.

Prior to the final issue of shares pursuant to the Restructuring Exercise, the 16,000,002 shares in the Company were sub-divided into 64,000,008 shares (the "Share Split").





	2013		2012	
	Number of shares issued	Paid-up capital (\$)	Number of shares issued	Paid-up capital (\$)
As at 1 January/ incorporation	2	2	2	2
Issue of shares pursuant to Restructuring Exercise	16,000,000	16,000,000	-	-
Total issued shares before Share Split	16,000,002	16,000,002	2	2
Total issued shares after Share Split	64,000,008	16,000,002	-	-
Final issue of shares pursuant to Restructuring Exercise	638,399,992	17,544,782	-	-
As at 30 September	702,400,000	33,544,784	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	
	30 September 2013	31 December 2012
Total number of issued shares (excluding treasury shares)	702,400,000	2 *

\* total number of issued shares before Share Split.

**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 combined financial statements for the financial year ended 31 December 2012.



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 2013. 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			
	Third Quarter Ended 30 September		Nine Months Ended 30 September	
	2013	2012	2013	2012
Profit/(loss) for the period attributable to owners of the Company (\$'000)	118	(142)	(2,487)	2,176
Number of ordinary shares ('000) <sup>(1)</sup>	702,400	702,400	702,400	702,400
Earnings per share (cents) <sup>(1)</sup>				
- Basic and fully diluted	0.017	(0.020)	(0.354)	0.310
Number of ordinary shares ('000) <sup>(2)</sup>	800,000	800,000	800,000	800,000
Earnings per share (cents) <sup>(2)</sup>				
- Basic and fully diluted	0.015	(0.018)	(0.311)	0.272

Notes:

(1) Earnings per share (“EPS”) of the Group for nine months and third quarter ended 30 September 2013 and 2012 have been computed based on pre-IPO share capital of 702,400,000 ordinary shares.

(2) EPS of the Group for nine months and third quarter ended 30 September 2013 and 2012 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 September 2013 and 2012.



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 September 2013	31 December 2012	30 September 2013	31 December 2012
Net asset value (\$'000)	29,013	28,609	29,921	(1,738)
Number of ordinary shares ('000) <sup>(1)</sup>	702,400	702,400	702,400	702,400
Net asset value per ordinary share (cents) <sup>(1)</sup>	4.13	4.07	4.26	(0.25)
Number of ordinary shares ('000) <sup>(2)</sup>	800,000	800,000	800,000	800,000
Net asset value per ordinary share (cents) <sup>(2)</sup>	3.63	3.58	3.74	(0.22)

Notes:

(1) Net asset value per share of the Group and the Company as at 30 September 2013 and 31 December 2012 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 September 2013 and 31 December 2012 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<sub>4</sub> plant outlined in Independent Valuation Report. For further details, please see Background on page 1 of this announcement.

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 ("Upstream segment"); and

(b) downstream segment relates to our business of manufacturing, sale and trading of phosphate-based chemicals products such as P<sub>4</sub>, sodium tripolyphosphate ("STPP") and sodium hexametaphosphate ("SHMP"); and the sale of by-products, such as slag, produced as a result of such manufacturing process ("Downstream segment").



## Profit or loss

### Revenue

Revenue for the Group increased by \$2.2 million or 166%, from \$1.4 million for third quarter ended 30 September 2012 ("3Q2012") to \$3.6 million for the same period in 2013 ("3Q2013"). The increase in revenue was contributed by both Upstream and Downstream segments.

	Group		
	3Q2013	3Q2012	Change
	\$'000	\$'000	%
<b>Upstream segment</b>			
Phosphate rocks	3,177	1,091	191
<b>Downstream segment</b>			
STPP	312	200	56
SHMP	57	65	(12)
Slag	58	-	100
	427	265	
Total	3,604	1,356	166

Revenue from sale of phosphate rocks increased by 191% due to increase in quantity of phosphate rocks sold in 3Q2013 of 45,200 tonnes as compared to 12,700 tonnes in 3Q2012. Increase in revenue from the increase in quantity of phosphate rocks sold was partially offset by reduction in average selling price to RMB347 (or equivalent to \$70 based on the exchange rate of RMB4.9727 : S\$1.00) in 3Q2013 from RMB435 (or equivalent to \$86 based on the exchange rate RMB5.0277 : S\$1.00) in 3Q2012. The reduction in average selling price was mainly due to the Group's strategy to sell the lower quality phosphate rocks while keeping the higher quality phosphate rocks for its P<sub>4</sub> production.

Revenue from sale of STPP increased by 56% due to increase in quantity sold in 3Q2013 of 190 tonnes as compared to 100 tonnes in 3Q2012 as well as the increase in average selling price to RMB7,982 (or equivalent to \$1,605 based on the exchange rate of RMB4.9727 : S\$1.00) in 3Q2013 from RMB7,883 (or equivalent to \$1,568 based on the exchange rate RMB5.0277 : S\$1.00) in 3Q2012, mainly due to increase in demand for the Group's STPP from our existing customers.

Revenue from SHMP remained stable at \$0.1 million for both 3Q2012 and 3Q2013. Quantity of SHMP sold was 31 tonnes and 38 tonnes for 3Q2013 and 3Q2012 respectively. Average selling price of SHMP was RMB8,890 (or equivalent to \$1,788 based on the exchange rate of RMB4.9727 : S\$1.00) and RMB8,769 (or equivalent to \$1,744 based on the exchange rate RMB5.0277 : S\$1.00) in 3Q2013 and 3Q2012 respectively.

Slag is a by-product of P<sub>4</sub> production. In 3Q2013, revenue generated from sale of 7,300 tonnes of slag contributed \$0.1 million of total revenue. There were no sales of slag in 3Q2012.

### Gross profit

Gross profit increased from \$0.5 million in 3Q2012 to \$1.3 million in 3Q2013 is in line with the increase in revenue for 3Q2013. Gross profit margin reduced marginally from 39.8% in 3Q2012 to 36.5% in 3Q2013 was mainly due to reduction in gross profit margin from Upstream segment as sales of phosphate rocks represented 88.1% of total revenue in 3Q2013.



	Group		
	3Q2013	3Q2012	Change
	\$'000	\$'000	%
Gross profit			
Upstream segment	1,022	461	122
Downstream segment	292	79	270
Total	1,314	540	143
Gross profit margin			
Upstream segment	32%	42%	
Downstream segment	68%	30%	

Gross profit margin for Upstream segment reduced from 42% in 3Q2012 to 32% in 3Q2013 was due to the reduction in average selling prices in 3Q2013 mainly due to the Group's strategy to sell the lower quality phosphate rocks while keeping the higher quality phosphate rocks for its P<sub>4</sub> production.

Gross profit margin for Downstream segment increased from 30% in 3Q2012 to 68% in 3Q2013 mainly due to stock take gains arising from our monthly stock counts recognised in 3Q2013. Without taking into account of the stock take gain for Downstream segment, the gross profit margin in 3Q2013 would have been 27%. The marginal decline in gross profit margin (without stock take gain) was mainly due to higher labour costs incurred in 3Q2013 for manual selection of certain batches of STPP, which resulted in increase in average cost of sales in 3Q2013.

The decline in gross profit margin (without stock take gain) for Downstream segment was partially mitigated by the sale of slag, a by-product of P<sub>4</sub> production.

#### Other income

Other income increased by \$0.1 million mainly due to the receipt of a government subsidy for price adjustment fee of RMB0.4 million in 3Q2013. There were no unfulfilled conditions or contingencies attached to this subsidy. This is a non-recurring gain for the Group.

#### Selling and distribution costs

Selling and distribution costs increased by \$0.03 million or 50%, from \$0.05 million in 3Q2012 to \$0.08 million in 3Q2013 mainly due to the increase in transportation costs arising from increase in STPP sold in 3Q2013.

#### General and administrative costs

General and administrative costs increased by \$0.7 million or 131%, from \$0.5 million in 3Q2012 to \$1.2 million in 3Q2013 mainly due to increases in

- a) Corporate expenses, including directors' remuneration and office rental, by \$0.1 million in 3Q2013. There were no such expenses in 3Q2012;
- b) Salaries and related costs by \$0.1 million in 3Q2013 in line with our business expansion and increase in business activities;
- c) Repair and maintenance costs by \$0.2 million. As our phosphate rocks output continues to increase in FY2013, the Group incurred higher repair and maintenance costs on access roads to the mines and related infrastructure;
- d) Electricity costs by \$0.1 million due to the commencement of P<sub>4</sub> trial production; and
- e) Other general operating costs such as utilities and telephone charges as well as travelling and entertainment costs.



### Finance costs

The increase in finance costs was mainly due to interest on an interest-bearing bank loan in FY2013. In 3Q2012, the Group had no interest-bearing bank loan.

### Taxation

In 3Q2013, the Group had no taxable income and did not make provision for income tax.

### **Balance sheet**

#### Non-current assets

Non-current assets increased from \$33.2 million as at 31 December 2012 to \$37.4 million as at 30 September 2013 mainly due to increase in property, plant and equipment by \$4.1 million, which was a result of favourable translation differences, additions in plant and equipment and the Group recognising certain costs in relation to the trial production of P4. The increase in non-current assets was also due to an environmental deposit of RMB0.5 million (approximately \$0.1 million) paid to the government in respect of the Group's rehabilitation obligations upon closure of mines in future and is not expected to be refunded within 12 months from 30 September 2013.

#### Current assets

Current assets reduced from \$10.4 million as at 31 December 2012 to \$9.6 million as at 30 September 2013 mainly due to reduction in other receivables and cash and bank balances by \$0.5 million and \$3.4 million respectively. Reduction in other receivables was mainly due to reduction in value added tax receivables. In addition as at 31 December 2012, the Group recognised an amount arising from the recognition of certain batches of STPP produced as part of the testing process of the STPP plant. There were no such testing batches of STPP at 30 September 2013.

The reduction was partially offset by increases in

- a) stocks by \$2.1 million mainly due to the Group's increase in output for phosphate rocks in FY2013;
- b) trade receivables by \$0.5 million mainly due to the receipt of a promissory note of RMB2 million from a customer. The promissory note was issued by a financial institution and is due to mature in November 2013;
- c) prepayments by \$0.3 million mainly due to prepayments made for electricity intended for P4 production; and
- d) deferred expenses by \$0.2 million.

#### Current liabilities

Current liabilities increased from \$12.3 million as at 31 December 2012 to \$15.2 million as at 30 September 2013 mainly due to increases in:

- a) bank overdraft and bank loan by \$1.3 million. There were no bank overdraft and bank loan as at 31 December 2012;
- b) trade payables by \$1.9 million mainly due to increase in amounts payable to our suppliers and contractors as a result of increased mining and downstream productions in FY2013;
- c) other payables by \$0.1 million mainly due to increase in accrued expenses and other amounts payable including those professional fees incurred in relation to the Initial Public Offer; and
- d) advances from customers by \$0.3 million.

The increase was partially offset by reduction in amounts due to ultimate holding company by \$0.6 million as the amount was capitalised during 1Q2013.



We recorded negative working capital position of \$5.6 million as at 30 September 2013 mainly due to further capital expenditure incurred in respect of the mines and P<sub>4</sub> plant as well as outstanding bank overdraft and bank loan taken to part finance the general working capital and cost of rebuilding efforts.

#### Non-current liabilities

Non-current liabilities increased marginally from \$2.7 million as at 31 December 2012 to \$2.9 million as at 30 September 2013.

#### Cash flow statement

Net cash generated from operating activities was \$5.1 million for 3Q2013. The Group recorded positive operating income before working capital changes of \$0.4 million and working capital inflow of \$4.7 million. Decrease in stocks and receivables as well as increases in payables, by \$2.3 million, \$1.1 million and \$1.2 million respectively, contributed to the working capital inflows.

Net cash used in investing activities was \$4.6 million for 3Q2013 mainly due to payments made for purchases of plant and equipment and payment for an environmental deposit to the government in respect of the Group's rehabilitation obligations upon closure of the mines in future.

Net cash used in financing activities was \$0.6 million for 3Q2013 as the Group made partial repayment of a bank loan and payments incurred in relation to the initial public offer of \$0.1 million and \$0.4 million respectively.

**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 past ten months have proven to be challenging but fulfilling as the Group geared up for its Initial Public Offering exercise, and the commencement of the trial production of P<sub>4</sub>. We expect 4Q2013 to be impacted by one-off expenses incurred in connection with the IPO exercise, and we believe that the most difficult phase of our recovery and rebuilding efforts is over.

#### Upstream segment

The Group has inventory of approximately 48,000 tonnes of phosphate rocks as at 30 September 2013. With mining operations expected to resume in 4Q2013, after the seasonal halt in 3Q2013 due to wet weather, our inventory and the expected rock production will provide the Group with the option to either realise the inventory for immediate cash/profit or to hold for greater value-add and profitability with the expected higher prices for rock and P<sub>4</sub> in 2014. Furthermore, with additional adits expected to come onstream in 2014, the expected higher rock output will give us greater flexibility in managing the sales of rock and the production of downstream phosphate-based chemical products.

As part of the preparation for the conversion of its exploration right to mining right for the Cheng Qiang Yan Mine, the Group has applied for an increase in the exploration area from 0.55 square kilometres to 1.64 square kilometres. We have obtained approvals for the increase from the relevant authorities, and are now waiting for the final approval from the Sichuan Province Land and Resources Department. Once approved, the Group will have access to a larger mining area



and potentially more deposits that lie within the enlarged area. We should be able to provide updates of our resource estimates when our geologists complete the review in 2014.

#### Downstream segment

During the trial production of P<sub>4</sub> this year, the revenue from its sale and the costs of production are capitalised and do not impact the Group's profitability. We expect to commence commercial production of P<sub>4</sub> in 2014, which will have a positive impact on the Group's bottomline in FY2014.

To resume the export of our downstream phosphate-based chemical products to the European Union, we recently applied to REACH (the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals, a regulation body of the European Union) for the relevant licences. Once registered, exports of our downstream phosphate-based chemicals to the European Union are expected to increase.

We will continue to progress in vertically integrating our business as we aim to create greater value for all our shareholders. To this end, we have secured additional bank borrowings in China, which will be used as additional working capital to supplement the proceeds from our IPO.

#### Outlook

With our successful listing, the Group is well-positioned to capitalise on the favourable market conditions in China. According to data released by the National Bureau of Statistics ("NBS"), the Chinese economy grew by 7.8% in the three-month period from July to September 2013, compared to the same period a year ago, thus reversing two consecutive quarters of slowing growth.

In addition, the listing status has also raised our profile which has enabled us to gain access to more business opportunities. We will carefully evaluate them and work to build up a sustainable and profitable business that will enhance shareholders' value.

**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**

Not applicable.

**(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 third quarter ended 30 September 2013.

**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.

Other than the interested person transactions as disclosed in the Offer Document under the section “Interested Person Transactions – Present and Ongoing Interested Period Transactions” 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 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	518 *	7,982
Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme	11,499	-	11,499
Working capital	1,553	-	1,553
Net proceeds	21,552	518	21,034

\* based on exchange rate of RMB4.90 : S\$1.00.

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 :**

There were no mining and exploration activities in 3Q2013.

**ii. Projection on the use of funds/cash for the next immediate quarter, including principal assumptions :**

	<b>RMB'000</b>	<b>S\$'000 *</b>
Further mining operations and exploration activities	800	163
Construction of adits	4,446	907
Mining related infrastructure and equipment	1,271	259
	<b>6,517</b>	<b>1,329</b>

\* based on exchange rate of RMB4.90 : S\$1.00.

Our exploration plans for 4Q2013 will include the following activities :

- a) Mine well (adit) construction, and detailed sampling of exploration right in the vicinity of Mine 1 for the proposed conversion of the exploration right to a mining right.

The Group will collect and analyse samples at 50 metres interval from the phosphate bed on each of the mining levels. A Chinese geological firm has been engaged to assist the Group to conduct the necessary sampling and prepare the reporting documents required for the application of the conversion of the exploration right to a mining right. This will include assaying by an independent laboratory.

Watts, Griffis and McOuat Limited, the Group's independent technical advisor, will review the proposed work program and carry out a site visit to review the work completed by the Group and the Chinese exploration team and to update its initial technical report.

The Group will compile all available and new exploration data into a common data base as part of the program to better define the mineralization and geological structures and the preparation of future mining plans.

- b) Enhancement to Safety

Design and implement enhanced safety in features for the adits and mining levels in the current exploration area for both mines.

- c) Repair and improve access to the mines

Continue with the maintenance and repair of the access roads leading to the mines.



**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.**

There were no exploration, mining development and production activities in 3Q2013.

**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 third quarter and nine months ended 30 September 2013 to be false or misleading in any material aspects.

On behalf of the Board of Directors,

Ong Eng Hock Simon  
Executive Director  
11 November 2013

