



ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR SECOND QUARTER ENDED 30 JUNE 2015

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 Peoples’ Republic of China (“PRC”) with the ability to manufacture and produce phosphate-based chemical products.

Based on independent technical report⁽¹⁾, as at 30 September 2014, the Group has 30.3 million tonnes of measured and indicated phosphorite resources and 17.9 million tonnes of inferred phosphorite resources.

(1) Technical report issued by Watts, Griffis and McQuat Limited dated 21 November 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 ENDED 30 JUNE 2015

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					
	Second Quarter ended 30 June			Six Months ended 30 June		
	2015	2014	Change	2015	2014	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	12,008	3,933	205	18,286	6,349	188
Cost of sales	(9,999)	(3,487)	187	(14,701)	(5,267)	179
Gross profit	2,009	446	350	3,585	1,082	231
Other income	535	442	21	1,097	476	130
Selling and distribution costs	(149)	(219)	(32)	(273)	(370)	(26)
General and administrative costs	(1,523)	(856)	78	(3,288)	(1,698)	94
Finance costs	(254)	(230)	10	(562)	(322)	75
Profit/(loss) before tax	618	(417)		559	(832)	
Taxation	(137)	-	N.M.	(199)	-	N.M.
Profit/(loss) for the period attributable to owners of the Company	481	(417)		360	(832)	
Other comprehensive income						
Foreign currency translation gain/(loss)	(858)	(113)	659	747	(1,377)	N.M.
Total comprehensive income for the period attributable to owners of the Company	(377)	(530)		1,107	(2,209)	

N.M. denotes not meaningful.

Foreign currency translation gain/(loss) represents exchange differences arising from translation of the financial statements of our 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 2Q2015, the Group recorded translation loss of \$0.9 million due to weakening of RMB against SGD.



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:

	Group					
	Second Quarter ended 30 June			Six Months ended 30 June		
	2015	2014	Change	2015	2014	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Interest income	473	324	46	944	347	172
Interest expenses	(251)	(236)	6	(558)	(326)	71
Amortisation and depreciation	(1,036)	(266)	289	(1,378)	(436)	216
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	-	-	-	-	-	-
Write down of property, plant and equipment	-	-	-	-	-	-
Foreign exchange gain/(loss) *	119	(162)	N.M.	(26)	(42)	(38)
Over/(under) provision of tax in respect of prior periods	-	-	-	-	-	-
Gain/(loss) on disposal of property, plant and equipment	-	-	-	-	-	-

N.M. denotes not meaningful.

* included in general and administrative costs



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	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Mine properties	372	436	-	-
Land use rights	4,927	1,751	-	-
Property, plant and equipment	37,836	36,183	-	-
Convertible loan note	23,077	23,077	-	-
Derivative asset	13,326	13,326	13,326	13,326
Prepayments	2,738	5,744	-	-
Other receivables	708	515	-	-
Intangible asset	86	113	-	-
Investment in subsidiaries	-	-	33,545	33,545
	83,070	81,145	46,871	46,871
Current assets				
Stocks	8,145	8,842	-	-
Trade receivables	7,418	2,498	-	-
Other receivables	3,612	1,878	100	58
Prepayments	843	747	67	136
Amounts due from subsidiaries	-	-	17,718	16,452
Cash and bank balances	3,040	4,838	1,057	2,121
	23,058	18,803	18,942	18,767
Total assets	106,128	99,948	65,813	65,638
Current liabilities				
Bank overdraft (secured)	627	447	627	447
Trade payables	6,796	4,403	-	-
Other payables	5,226	6,321	87	170
Advance payments from customers	1,327	340	-	-
Interest-bearing bank loan	6,034	3,664	-	-
Provision for taxation	692	604	-	-
	20,702	15,779	714	617
Net current assets	2,356	3,024	18,228	18,150
Non-current liabilities				
Other payables	197	117	-	-
Redeemable preference shares	8,200	8,200	-	-
Deferred tax liabilities	1,269	1,247	-	-
Deferred income	2,482	2,438	-	-
Provision for rehabilitation	179	175	-	-
	12,327	12,177	-	-
Total liabilities	33,029	27,956	714	617
Net assets	73,099	71,992	65,099	65,021
Equity attributable to owners of the Company				
Share capital	56,541	56,541	56,541	56,541
Reserves	16,558	15,451	8,558	8,480
Total equity	73,099	71,992	65,099	65,021



(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 2015		31 December 2014	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable				
In one year or less, or on demand	6,661	-	4,111	-
After one year	-	8,200	-	8,200
	<u>6,661</u>	<u>8,200</u>	<u>4,111</u>	<u>8,200</u>

Details of collaterals

As at 30 June 2015, the short term bank loan was RMB27.5 million (approximately \$6.0 million) and was secured by certain land use rights with net book value of approximately RMB8.0 million (approximately \$1.8 million) and certain property, plant and equipment with net book value of approximately RMB100.5 million (approximately \$22.0 million). As at 31 December 2014, the short term bank loan was RMB17 million (approximately \$3.7 million) and was secured by land use rights and certain property, plant and equipment with net book value of RMB8.1 million (approximately \$1.8 million) and RMB102.5 million (approximately \$22.1 million) respectively.

An amount of \$1.0 million of the Company's fixed deposits is also pledged as collateral for bank overdraft facility. The amount of bank overdraft drawn down was \$0.6 million (31 December 2014: \$0.4 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			
	Second Quarter ended 30 June		Six Months ended 30 June	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash flows from operating activities :				
Profit/(Loss) before taxation	618	(417)	559	(832)
Adjustments for :				
Depreciation of property, plant and equipment	959	207	1,226	317
Amortisation of mine properties, land use rights and intangible asset	77	59	152	119
Interest expense	218	236	525	326
Interest income	(473)	(324)	(944)	(347)
Unrealised exchange loss/(gain)	(138)	(678)	132	(917)
Amortisation of deferred income	(17)	-	(17)	-
Operating profit/(loss) before working capital changes	1,244	(917)	1,633	(1,334)
(Increase)/decrease in stocks	(1,905)	(2,246)	859	(2,084)
(Increase)/decrease in receivables	(7,148)	(2,897)	(6,678)	(2,137)
Increase/(decrease) in payables	6,842	(507)	3,736	336
Cash (used in)/generated from operations	(967)	(6,567)	(450)	(5,219)
Interest received	5	17	7	34
Interest paid	(736)	(90)	(824)	(180)
Tax paid	(121)	-	(121)	-
Net cash flows (used in)/generated from operating activities	(1,819)	(6,640)	(1,388)	(5,365)
Cash flows from investing activities :				
Payments for property, plant and equipment	(1,737)	(2,769)	(2,783)	(4,981)
Payment for land use rights	-	-	(123)	-
Purchase of convertible loan notes	-	(15,000)	-	(15,000)
Proceeds from sale of trial products	-	2,494	-	6,532
Payment of deposit	-	-	-	(107)
Net cash flows (used in)/generated by investing activities	(1,737)	(15,275)	(2,906)	(13,556)
Cash flows from financing activities :				
Proceeds from bank loan	2,308	-	2,308	-
Proceeds from issue of redeemable preference shares	-	7,000	-	7,000
Payments incurred in relation to the IPO	-	(80)	-	(475)
Net cash flows (used in)/generated from financing activities	2,308	6,920	2,308	6,525
Net increase/(decrease) in cash and cash equivalents	(1,248)	(14,995)	(1,986)	(12,396)
Cash and cash equivalents at beginning of period	2,559	19,720	3,211	17,432
Effects of exchange rate changes on cash and cash equivalents	(84)	595	2	284
Cash and cash equivalents at end of period	1,227	5,320	1,227	5,320
Cash and bank balances	3,040	6,487	3,040	6,487
Less: bank overdraft	(627)	-	(627)	-
Less : pledged deposits	(1,186)	(1,167)	(1,186)	(1,167)
Cash and cash equivalents at end of period	1,227	5,320	1,227	5,320



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
2015							
Balance at 1 January 2015	56,541	850	10,799	3,802	-	15,451	71,992
Total comprehensive income for the period	-	-	(121)	1,605	-	1,484	1,484
Transfer to safety fund surplus reserve	-	-	(23)	-	23	-	-
Utilisation of safety fund surplus reserve	-	-	15	-	(15)	-	-
Balance at 31 March 2015	56,541	850	10,670	5,407	8	16,935	73,476
Total comprehensive income for the period	-	-	481	(858)	-	(377)	(377)
Transfer to safety fund surplus reserve	-	-	(123)	-	123	-	-
Utilisation of safety fund surplus reserve	-	-	14	-	(14)	-	-
Balance at 30 June 2015	56,541	850	11,042	4,549	117	16,558	73,099
2014							
Balance at 1 January 2014	56,541	850	(8,699)	2,476	-	(5,373)	51,168
Total comprehensive income 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 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

Company	Share capital \$'000	Accumulated losses \$'000	Total reserve \$'000	Total equity \$'000
2015				
Balance at 1 January 2015	56,541	8,480	8,480	65,021
Total comprehensive income for the period	-	72	72	72
Balance at 31 March 2015	56,541	8,552	8,552	65,093
Total comprehensive income for the period	-	6	6	6
Balance at 30 June 2015	56,541	8,558	8,558	65,099
2014				
Balance at 1 January 2014	56,541	(4,541)	(4,541)	52,000
Total comprehensive income for the period	-	(229)	(229)	(229)
Balance at 31 March 2014	56,541	(4,770)	(4,770)	51,771
Total comprehensive income for the period	-	(296)	(296)	(296)
Balance at 30 June 2014	56,541	(5,066)	(5,066)	51,475



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.

There was no change in the Company's issued ordinary share capital since 31 March 2015. Total number of issued shares was 800,000,000 as at 30 June 2015.

As at 30 June 2014, the Company may issue up to a maximum of 144,000,000 shares in the Company in relation to the call and put option and redeemable preference shares. As at 30 June 2015, the Company will, subject to regulatory approval, issue 101,319,000 shares in relation to the call and put option. No shares will be issued in relation to the redeemable preference shares.

The Company did not hold any treasury shares as at 30 June 2014 and 2015.

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 2015	31 December 2014
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 2014.

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 2015. 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		Group	
	Second Quarter ended 30 June		Six Months ended 30 June	
	2015	2014	2015	2014
Profit/(loss) attributable to owners of the Company used in the computation of basic earnings per share (\$'000)	481	(417)	360	(832)
Weighted average number of ordinary shares for basic earnings per share ('000)	800,000	800,000	800,000	800,000
Basic earnings/(loss) per share (cents)	0.06	(0.05)	0.05	(0.10)
Profit/(loss) attributable to owners of the Company used in the computation of diluted earnings per share (\$'000)	481	(417)	360	(832)
Weighted average number of ordinary shares for basic earnings per share ('000)	800,000	800,000	800,000	800,000
Effects of dilution				
- call and put option ('000)	1,120	-	2,227	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	801,120	800,000	802,227	800,000
Diluted earnings/(loss) per share (cents)	0.06	(0.05)	0.04	(0.10)

As the Group recorded losses for the second quarter and six months ended 30 June 2014, there were no instruments that were dilutive. The basic and diluted EPS were the same in the second quarter and six months ended 30 June 2014.



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 2015	31 December 2014	30 June 2015	31 December 2014
Net asset value (\$'000)	73,099	71,992	65,099	65,021
Number of ordinary shares ('000)	800,000	800,000	800,000	800,000
Net asset value per ordinary share (cents)	9.14	9.00	8.14	8.13

The net asset value of the Group did not take into account the fair market value of the mining and exploration rights and elemental phosphorous (“P₄”) plant as these were recorded on the historical cost basis. Note - as at 31 March 2013, the independent valuation of the mining and exploration rights and P4 plant was RMB1.3 billion (approximately S\$286 million at the current exchange rate of \$1: RMB4.55).

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.

The Group is organised into business units based on their products and services as follows:

(a) upstream segment relates to the business of exploration, mining and sale of phosphate rocks (the “Upstream segment”); and

(b) downstream segment relates to the 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 P₄ by-products, such as slag, sludge and ferrophosphate, produced as a result of such manufacturing process (the “Downstream segment”).



Profit or loss

Revenue, cost of sales and gross profit

	Group		
	2Q2015	2Q2014	Change
	\$'000	\$'000	%
Revenue			
Upstream segment	6,548	2,745	139
Downstream segment	5,460	1,188	360
Total	12,008	3,933	205
Cost of sales			
Upstream segment	4,292	2,232	92
Downstream segment	5,707	1,255	355
Total	9,999	3,487	187
Gross profit margin			
Upstream segment	34%	19%	
Downstream segment	-5%	-6%	
Overall	17%	11%	

Revenue increased by \$8.1 million, from \$3.9 million for second quarter ended 30 June 2014 ("2Q2014") to \$12.0 million for the same period in 2015 ("2Q2015").

Revenue from Upstream segment increased by \$3.8 million, from \$2.7 million in 2Q2014 to \$6.5 million in 2Q2015 due to increase in quantity of phosphate rocks sold of 89,100 tonnes in 2Q2015 as compared to 43,000 tonnes sold in 2Q2014; as well as increase in average selling price.

Revenue from Downstream increased by \$4.3 million, from \$1.2 million in 2Q2014 to \$5.5 million in 2Q2015. In 2Q2015, revenue from P₄ and by-products amounted to \$5.1 million, representing 93% of revenue from Downstream segment as compared to \$0.7 million in 2Q2014. In 2Q2015, the Group sold 1,900 tonnes of P₄ compared to 265 tonnes in 2Q2014.

Revenue from STPP reduced from \$0.5 million in 2Q2014 to \$0.3 million in 2Q2015; while revenue from SHMP was \$0.1 million for both periods.

In 2Q2015, approximately 96% of the Group's revenue was generated within PRC as compared to 87% in 2Q2014.

Cost of sales for Upstream segment increased by \$2.1 million, from \$2.2 million in 2Q2014 to \$4.3 million in 2Q2015, leading to gross profit margin of 34% in 2Q2015 as compared to 19% in 2Q2014. The improvement in gross profit margin was due to higher average selling price and lower cost of sales per tonne in 2Q2015. As a result of the reduction in mining levy from RMB30 per tonne to RMB8 per tonne, the Group received a one-off refund of mining surcharge from the PRC government in respect of mining levy paid in prior years. The refund reduced the carrying



cost of the phosphate rocks, leading to higher gross profit margins in 2Q2015 for Upstream segment.

Cost of sales for Downstream segment increased by \$4.4 million, from \$1.3 million in 2Q2014 to \$5.7 million in 2Q2015. The negative gross profit margin for Downstream segment was mainly due to high initial production costs for P₄. Production costs of P₄ is generally higher during the start of the production season in end-May.

Gross profit increased by \$1.6 million, from \$0.4 million in 2Q2014 to \$2.0 million in 2Q2015. Gross profit margin increased from 11% in 2Q2014 to 17% in 2Q2015. Upstream segment generally has higher margins than Downstream segment.

Other income

Other income increased by \$0.1 million, from \$0.4 million in 2Q2014 to \$0.5 million in 2Q2015, mainly due to increase in interest income related to convertible loan note from \$0.3 million in 2Q2014 to \$0.5 million in 2Q2015.

Selling and distribution costs

Selling and distribution costs reduced by \$0.1 million, from \$0.2 million in 2Q2014 to \$0.1 million in 2Q2015, mainly due to reduction in sales of STPP in 2Q2015.

General and administrative costs

General and administrative costs increased by \$0.6 million, from \$0.9 million in 2Q2014 to \$1.5 million in 2Q2015, mainly due to:

- Fixed electricity costs incurred by the P₄ plant amounting to \$0.1 million. As there was no P₄ production in April 2015, the fixed electricity costs incurred by the plant was recorded in general and administrative costs. The Group obtained a special exemption from fixed electricity in 2Q2014; and
- Increase in maintenance on plant and machinery by \$0.1 million; depreciation and amortisation expenses by \$0.1 million; and salary and related costs by \$0.2 million in 2Q2015.

Finance costs

Increase in finance costs by \$0.1 million, from \$0.2 million in 2Q2014 to \$0.3 million in 2Q2015, mainly due to increase in interest expense related to redeemable preference shares, which was issued in mid-May 2014, from \$0.1 million in 2Q2014 to \$0.2 million in 2Q2015.

Taxation

The Group's effective tax rate for 2Q2015 was 22% which is higher than the Singapore statutory tax rate of 17% as the loss incurred by a Singapore subsidiary cannot be used to set off against



profit earned by the PRC subsidiary which is subjected to tax rate of 25%. No provision for tax was made for 2Q2014 as the Group recorded losses for the period.

Balance sheet

Non-current assets

Non-current assets increased by \$2.0 million, from \$81.1 million as at 31 December 2014 to \$83.1 million as at 30 June 2015, mainly due to increases in land use rights, property, plant and equipment and other receivables offset by reduction in prepayments. The Group received the approval for its Phase 2 land in 1Q2015, thus leading to reduction in prepayments relating to Phase 2 land use rights which was transferred to land use rights. Increase in property, plant and equipment was mainly due to favourable translation differences. Increase in other receivables was due to deferred interest receivable from convertible loan note.

Current assets

Current assets increased by \$4.3 million, from \$18.8 million as at 31 December 2014 to \$23.1 million as at 30 June 2015, mainly due to increase in trade and other receivables. Included in trade receivables as at 30 June 2015 were note receivables of \$5.9 million (\$2.1 million as at 31 December 2014). Note receivables are promissory notes that are issued by financial institutions in PRC that we received from our customers. These notes can either be discounted to obtain cash or held to maturity when it is redeemed for cash. The notes can be used to settle balances with our suppliers. Increase in other receivables was mainly due to increase in cash interest income receivable from convertible loan note and receivable from mining operators. The above increases were partially offset by decrease in stocks and cash and bank balances.

Current liabilities

Current liabilities increased by \$4.9 million, from \$15.8 million as at 31 December 2014 to \$20.7 million as at 30 June 2015, mainly due to increases in bank overdraft, trade payables, advance payments from customers and interest-bearing bank loan. Increase in trade payables was mainly due to increase in mining and production activities in 2015. Increases in bank overdraft and advance payments from customers were mainly due to increase in operations. In 2Q2015, the Group increased its interest-bearing loan by an additional RMB10.5 million. The above increases were partially offset by reduction in other payables due to payments made to suppliers during the period.

Non-current liabilities

Non-current liabilities increased by \$0.1 million, from \$12.2 million as at 31 December 2014 to \$12.3 million as at 30 June 2015, mainly due to increase in deferred income, deferred tax liabilities and provision for rehabilitation as a result of translation differences.



Cash flow statement

Operating profit before working capital changes was \$1.2 million for 2Q2015. Changes in working capital was \$2.2 million. Payments for interest expense and corporate tax in 2Q2015 were \$0.7 million and \$0.1 million respectively. The above contributed to net cash flow used in operating activities of \$1.8 million for 2Q2015.

Net cash flows used in investing activities was \$1.7 million due to payments made for property, plant and equipment.

Net cash flows generated from financing activities of \$2.3 million was due to increase in interest-bearing bank loan by an additional RMB10.5 million in 2Q2015.

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.**

Upstream Segment

The Group has commenced work to convert the exploration license to mining license for Mine 1, which, when successful, will increase the approved production scale.

Mining output increased to approximately 140,000 tonnes in 2Q2015 which is an increase of 79% from the 78,000 tonnes mining output achieved in 2Q2014. Management expects output to further improve in the second half of the year, subject to no disruptions caused by adverse weather conditions. With the expected higher output and subsequent sales and a reduction in the production cost of rock due to decline in mining levy from RMB30 per tonne to RMB8 per tonne, the Group's operating cash flows is expected to improve. However, the price outlook for rocks is expected to remain flat for the rest of the year.

Due to the rise in production and sale of rocks, the Group will make further investment to increase handling capacity. In this connection, the Group will be acquiring a second weighbridge to ease the bottleneck at the factory's weighing station.

The Group has received the official approval for the renewal of the exploration licence for the 1.28 km² in the vicinity of Mine 2.



Update on the acquisition of LY Resources Pte Ltd (“LYR”)

The Group has announced on 6 July 2015 that it has exercised the call option on 29 June 2015 to acquire the existing shares and to subscribe for new shares in LYR. The Group received the Listing and Quotation Notice from the SGX-ST on 24 July 2015 and thereafter issued the 101,319,000 consideration shares on 27 July 2015. The consideration shares are targeted for listing and quotation on 4 August 2015 and are subject to moratorium period of 12 months from the date of issue.

With the completion of the acquisition, in accordance with the requirements of FRS 103 *Business Combinations*, the Group is expected to recognise approximately RMB10.9 million as an accounting charge to its profit or loss statement. This amount reflects the portion of the purchase consideration relating to the Dashan profit sharing arrangement which is deemed to be a settlement of the pre-existing relationship.

The Group will benefit from the improved cash flows as it no longer needs to pay Dashan its share of profit. The acquisition will also allow the Group to benefit from ownership and/ or control over Fengtai (and correspondingly, the Fengtai License) as it will be able to capitalise on the Fengtai License to expand the effective land area where the Group has mining and exploration rights. This will allow the Group to benefit from greater economies of scale and operational synergies, which has the potential to improve the Group’s operational and financial performance over time.

Downstream Segment

The Group had recently successfully brought down the production cost of P₄. However, the price outlook for P₄ in 2015 is expected to remain challenging. The management will continue to monitor the situation and if the market prices of P₄ remain at current level, given the lower average production costs, the Group is expected to reverse the negative gross margin from the production/sale of P₄.

The strength of the RMB continues to pose a challenge to the Group’s effort to develop the export market for its downstream chemicals. However, changes to export tax rebates for STPP and SHMP at the beginning of the year have mitigated the effects of the strong RMB and enabled the Group to retain certain export customers.

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 second quarter ended 30 June 2015.

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 (Chief Executive Officer and Executive Director), Mr Ong Kwee Eng (an associate of Dr Ong Hian Eng), and 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 dated 25 September 2013 under the section "Interested Person Transactions – Present and Ongoing Interested Period Transactions" (Page 191) for details.

The indemnity given in connection with certain land use rights which may be required in connection with Mianzhu Norwest's Mining Operations has expired on 7 April 2015.

Other than the above interested person transaction which was deemed approved by 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	(2,626)	5,874
Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme	11,499	(8,274)	3,225
Working capital	1,553	(7,641)	(6,088)
Net proceeds	21,552	(18,541)	3,011

Out of the \$7.6 million utilised as working capital, an amount of \$0.2 million was in relation to the listing expenses incurred in addition to the estimated expenses of \$2.8 million as disclosed in the offer document.

Pending the deployment of proceeds for the allocated amount for Mining Operations and Phase 2 of the Rebuilding Programme, the Group has utilised \$7.4 million from the IPO proceeds for working capital to fund (i) the purchases of materials and supplies; (ii) the production of rocks and P₄; (iii) repayment of bank borrowings and (iv) credit extended to customers for sale of rocks and P₄. The Group has received the land use certificate for Phase 2 land and is relooking at the resumption of the Phase 2 Rebuilding Programme.

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	862
Expenditure on mining related infrastructure and purchase of equipment	33
	895

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

No exploration or mining activities planned for 3Q2015 because of the mandatory cessation of such activities by the local authorities due to annual rainy season. However, the Group is



expecting to make payments for certain works completed in 2Q2015 upon completing verification.

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	6,906	1,518	862	656
Expenditure on mining related infrastructure and purchase of equipment	78	17	33	(16)
	6,984	1,535	895	640

* based on exchange rate of RMB4.550 : S\$1.00

The actual payments in 2Q2015 were lower than the projected expenditure as the Group had not made payments for certain works completed but are pending verification.

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 the announcements dated 24 November 2014 and 24 December 2014, the Group has no material updates on the phosphate resources as set out in the Independent Technical Report.

The Group will provide updates should there be any material change to the estimates.



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 2015 to be false or misleading in any material aspects.

On behalf of the Board of Directors,
Ong Eng Hock Simon
Executive Director
4 August 2015

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 6533 9898.

