

**NEW AGRIBUSINESS
& CHEMICAL**

**Australia New Agribusiness &
Chemical Group Ltd**

**Annual Report
2013**



NEW AGRIBUSINESS
& CHEMICAL



**NEW AGRIBUSINESS
& CHEMICAL**

2013

Annual Report

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Cautionary Statement

Forward looking statements with respect to the operations, performance and financial conditions of Australia New Agribusiness & Chemical Group Ltd may be contained in certain sections of this Annual Report. Forward looking statements include information relating to risks and uncertainties. Although these statements were made on reasonable assumption, they may be affected by factors that could cause actual outcomes and results to be materially different from those expressed or implied by these statements. The Group and its Directors, employees and advisors do not accept or assume responsibility to any other person to whom this Annual Report is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

Chairman's letter

Dear Shareholders,

2013 has seen some changes in Australia New Agribusiness & Chemical Group. We have a new name, but our business principles have stayed the same, and it has been a productive year for the company. Apollo Fertiliser Queensland, our 400,000 tonne-capacity factory, has commenced operation. It is through Apollo's production and the Company's investments in North Queensland resources that the board and senior management hope to continue providing long term and sustainable growth for New Agri, and deliver higher shareholder value.



Looking Ahead

Australia New Agribusiness & Chemical Group has made significant gains in capital through the disposal of our holdings in U & D Mining Industry (Australia) Pty Ltd. The profit from this transaction has allowed the company to finalise the transaction with Krucible Metals Ltd (ASX code: KRB) for its phosphate-bearing and potentially phosphate-bearing tenements. The acquisition of these tenements will secure a steady supply of the phosphate, a key component of compound fertiliser, for Apollo's productions.

In 2014 the Group will continue to focus on the production, sales, and marketing of Apollo fertiliser and products, starting in Queensland with a gradual roll out to the other parts of Australia. We hope to grow and establish our brand within the Australian market as a trusted source of high quality compound fertiliser.

The board and our company is grateful for the commitment and the support provided by my fellow directors and the employees of New Agri for their great endeavours during 2013 and look forward for your continued support for 2014 and beyond.



Jun Xiao
Chairman
31 March 2014

Managing Director's Report

INTRODUCTION

The principal business of Australia New Agribusiness & Chemical Group is in the manufacture and sale of urea, ammonium bicarbonate, methanol and carbon dioxide products. In 2013, the Group completed the setup of its Apollo Fertiliser production line, with all major fitout, construction and upgrade goals met on time and within budget. The profit from disposal of the Company's remaining holdings in U & D Mining Industry (Australia) Pty Ltd has been funneled into the continual expansion of Apollo Fertiliser.



With steady growth in demand for agricultural products in Australia, the Company is looking forward to becoming a supplier of quality products in the region. It is also our aim to roll out our services to a wider market, following strategic expansions to our sales and marketing campaigns.

As part of the Group's long term strategy, we have reaffirmed our focus on the production and sale of fertiliser products. The profit from the disposal of interests in U & D Mining is expected to facilitate the growth in this area. We are also looking at exploration options following the acquisition of phosphate tenements in North Queensland, which will present us with more opportunities and greater flexibility in the future in terms of the availability of raw materials. As the agriculture market continues its steady growth, we are optimistic going forward with our new offerings as a company.

The management and the Company are confident that these key decisions will provide long term growth and returns to its shareholders and the Company.

OPERATIONAL UPDATE

In May, the Group changed its name from Daton Group Australia Ltd to Australia New Agribusiness & Chemical Group Ltd, to reflect the company's intention of growing its core business of agriculture products. By the end of the financial year, Dec 31 2013, New Agri Group has disposed of its holdings in U & D Mining, and executed the sales and purchase agreement with Krucible Metals for its phosphate tenements, securing a supply of the resource for production as well as sale. The production line at Apollo Fertiliser has been complete, with upgrades made to the factory infrastructure to accommodate the anticipated 200,000 tonne annual output, and the company has imported over 6,000 tonnes of raw material following successful trial production in November.

Income Statement

The profit after tax for the year decreased from \$10,790,455 in 2012 to \$1,064,486 in 2013. The significant decrease in profit after tax mainly resulted from a large decline in the gain from the disposal of its investments. In 2012 the Group disposed of a subsidiary, Henan Datong Chemical Industry Co., Ltd, and partially disposed of another subsidiary U&D Mining Industry Pty Ltd, for a total gain before tax of \$14 million, whereas the Group made \$3 million gain after tax on the disposal of its remaining interest in U&D Mining Industry Pty Ltd in 2013.

Balance Sheet

Current assets

- As at 31 December 2013, the Group has \$11,273,006 of cash and guarantee deposits on its balance sheet.
- Cash assets are divided into cash and deposits with a maturity term of 90 days or more.

Non-current assets

- Property, plant and equipment and the factory at Acacia Ridge, Queensland, Australia.
- Other financial assets are \$1,372,901 held as bank guarantee deposits.
- Other Assets consist of a deposit of \$4,614,021 in relation to the acquisition of the Krucible tenements, and a deposit of \$310,000 paid for purchase of plant and equipment.

Liabilities

- Trade and other payables mainly include related party payables.
- \$700,000 of borrowings is from a third party.

Net asset value per share

As at 31 December 2013, New Agri's weighted average net asset value per share was 16cps (2012: 17cps).

Cash Flow


The net cash used by the Group increased from \$780,819 in 2012 to \$3,990,242 in 2013, which is mainly the result of an increase in cash used in operating activities.

THE FUTURE OF THE INDUSTRY

The strong demand for grain worldwide has also impacted the growth in demand of fertiliser in the agricultural market. Following a subdued 2013, global phosphate markets have shown signs of recovery in the last quarter, with a healthy demand in the Australian market. We believe the demand for fertiliser will increase constantly under current conditions.

DELIVERING ON THE STRATEGY

Continuing our growth from the previous year, New Agri Group undertook expansion with a view to establish itself as a trusted brand within Queensland. The company plans to further roll out its sales and marketing strategy throughout Australia. These developments will be pivotal to deliver long term sustainable growth to the Company and greater shareholder value to all its shareholders.



Yinan Zhang
Managing Director
31 March 2014

Sustainable Development Strategy

Australia New Agribusiness & Chemical Group's sustainable development strategy encompasses our commitment and policies towards our employees, local communities, health and safety and the environment.

Employees and stakeholders

The Group currently has 20 employees. Our Human Resources Policies and the HR Department are important to us.

The Group's HR policies include care and concern for our staff, provision of training opportunities, career development and pleasant work environment. Besides, it also includes care and concern for our stakeholders.

At Australia New Agribusiness & Chemical Group Ltd, salaries are set up according to local industry benchmark. In addition, the Group provides variable performance related bonus to our employees based on pre-agreed individual and team objectives.

The HR management policies of the Group include employee training and professional skill training. We also encourage our staff to develop new technologies.

Local communities

Australia New Agribusiness & Chemical Group Ltd has always maintained a good social image to the community in which we operate. We operate our business with a transparent way and encourage and support our staff to do volunteer work in local community activities.

Health and safety

We follow ISO9001 to look after the health and safety issues of our employees. It includes strict control of safety management practice, precaution and elimination of health hazards.

Environment

The Group makes every effort to gain the best performance in all aspects of environmental management. It complies with all applicable legal requirements and laws. We have taken measures to reduce carbon emissions in the production process and have turned the carbon dioxide into industrial products. The Group is totally committed to remaining vigilant and improved systems. We continuously enhance the recycle ability to the waste and exhaust gas. This will reduce the emission of various wastes during the producing process. Moreover, we constantly develop recycling economy through the utilization of the recycling technology.

Corporate Governance

The Board of Directors

The Board of Directors of Australia New Agribusiness & Chemical Group Ltd is responsible for the corporate governance of the consolidated entity and is committed to achieving a high standard of corporate governance.

The Board of Directors at the time of issue of this report comprises:

Mr. Jun Xiao (Executive chairman)
Mr. Yinan Zhang (Managing director)
Ms. Julia Yan Zhu (Non-executive director)
Mr. Yiming Cui (Non-executive director)
Mr. James Naiming Li (Non-executive director)

Detail of experience of each the above Directors is set out on the Directors' report. Mr Yiming Cui, Mr James Naiming Li and Ms Julia Yan Zhu are the independent Directors in accordance with the guidelines laid out in the ASX guidelines. Further information about the Directors is set out in the Directors' Report.

Corporate Governance Policy

Australia New Agribusiness & Chemical Group Ltd (the Company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the group in this statement.

A description of the group's main corporate governance practices is set out below. They comply with the ASX Corporate Governance Principles and Recommendations.

Principle 1: Lay solid foundations for management

The board acts in the best interests of the Company as a whole and is accountable to shareholders for the overall direction, management and corporate governance of the Company and the Group.

The responsibilities of the board include:

- Overseeing the Group, including its control and accountability systems;
- Appointing and removing the chief executive officer;
- Monitoring the performance of the chief executive officer;
- Ratifying the appointment, and where appropriate, the removal of the chief financial officer and company secretary;

- Ratifying other senior executive appointments, organizational changes and senior management remuneration policies and practices;
- Approving succession plans for management;
- Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Reporting to shareholders;
- Providing strategic advice to management;
- Approving management's corporate strategy and performance objectives;
- Determining and financing dividend payments;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Reviewing and ratifying systems of risk management, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- Reviewing and overseeing the implementation of the Group's corporate code of conduct;
- Approving charters of board committees;
- Monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies; and
- Monitoring and ensuring compliance with best practice corporate governance requirements.

Principle 2: Structure the board to add value

The board is responsible for the corporate governance of the Company and its controlled entities (the Group). The board operates in accordance with the board principles set out in its charter to enable the board to provide strategic guidance for the Group and effective business operation.

The charter details the board's composition and responsibilities.

Board composition

The charter states:

- There must be a minimum of three directors and may only be a maximum of ten directors.
- The board is to be comprised of both executive and non-executive directors with a majority of independent non-executive directors.
- Directors have to obtain an appropriate range of skills, experience and expertise. They have to understand and competently deal with current and emerging business issues and effectively review and challenge the performance of management and exercise independent judgment.
- Independent non-executive directors have to be free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgment.
- The Chair must be an independent non-executive director who is appointed by the directors and is required to meet regularly with the managing director.

- Directors are expected to attend and participate in board meetings and meetings of committees on which they serve.

The board seeks to ensure that:

- board information, discussions, deliberations, and decisions that are not publicly known, will be kept confidential, in compliance with their legal duties when discharging their responsibilities as directors.

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgment

The board assesses independence each year. To enable this process, the directors must provide all information that may be relevant to the assessment.

Board members

Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading 'Director Information'. At the date of signing the directors' report, there are one executive director and four non-executive directors.

Role of the Board

The board's role is to govern the Company rather than to manage it. In governing the Company, the directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the board the responsibility of the board to oversee the activities of management in carrying out these delegated duties. The board will be responsible for regularly reviewing the performance of its senior management.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

Non-executive directors

The directors met during the year, in scheduled sessions without the presence of management, to discuss the operation of the board and a range of other matters. Relevant matters arising from these meetings were shared with the full board.

Chairperson and chief executive officer (CEO)

The Chairperson is responsible for providing leadership to the board and the Group. The Chairperson has to ensure to promote the efficient organization and conduct of the board's functions, ensure the board has an effective composition, size and commitment to adequately discharge its responsibilities and duties, and monitor the performance of the board.

The Chief Executive Officer (CEO) is responsible for day to day management and administration of the Group. The CEO is appointed by the board and takes the responsibilities of providing effective leadership, direction and supervision of the executive team to achieve the strategies, business plans and budgets adopted by the board.

Access to information and independent professional advice

Directors and board committees have access to any information they consider necessary to fulfill their responsibilities and to exercise independent judgment when making decisions. If the chairperson of the board consents, the Company will pay a director's costs of seeking independent professional advice.

Board committees

The board has established Audit Committee and Nomination and Remuneration Committee to assist it in carrying out its responsibilities, to share detailed work and to consider certain issues and functions in detail.

The charter or terms of reference of each board committee setting out matters relevant to the composition, responsibilities and administration of the committee must be approved by the board. Each committee will review its charter from time to time as appropriate. Minutes of committee meetings are tabled at the subsequent board meeting.

Conflicts

Directors are expected to be sensitive to conflicts of interest or duty that may arise and mindful of their fiduciary obligations. Directors must take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty.

Nomination and Remuneration Committee

The nomination and remuneration committee consists of the following independent non-executive directors:

Julia Yan Zhu (Chair)

Yinan Zhang

James Naiming Li

Details of these directors' attendance at nomination and remuneration committee meetings are set out in the directors' report on page 28.

The nomination and remuneration committee operates in accordance with its charter. The main responsibilities of the committee are to:

- identifying and recommending to the board, nominees for membership of the board including the chief executive officer
- identifying and assessing the necessary and desirable competencies and characteristics for board membership and regularly assessing the extent to which those competencies and characteristics are represented on the board
- developing and implementing processes to identify and assess necessary and desirable competencies and characteristics for board members
- ensuring succession plans are in place to maintain an appropriate balance of skills on the board and reviewing those plans
- recommending the removal of directors.

The nomination and remuneration committee's policy for appointing new directors aims to ensure the Company has a board of sufficient size with the appropriate balance of skills and experience to meet the Company's present and future needs and to allow the directors individually, and the Board collectively.

Each appointment will be based on merit against set objective criteria. The nomination and remuneration committee will look beyond obvious candidates and its procedure for selecting candidates will be transparent and objective.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

Each director is appointed by a formal letter of appointment setting out the key terms and conditions of their appointment to ensure that each director clearly understands the Company's expectations of him or her.

Principle 3: Promote ethical and responsible decision making

Diversity policy

At Australia New Agribusiness & Chemical Group, our staff is our most valuable asset, and our policies are aimed at attracting and retaining people with a diverse range of skills, knowledge and backgrounds; who are able to provide the highest level performance in their respective roles. We believe that our company benefits from the unique experiences of each individual, and is better equipped to anticipate the needs of the multicultural Australian market.

Australia New Agribusiness & Chemical Group operates a constructive and supportive environment which is consistent with the expectations for equal opportunity regardless of gender, age, race, etc. The company respects individual differences, and strives to enable and encourage our staff members' professional and personal growth.

Our company has a number of practical, achievable objectives in place to ensure diversity in the workplace.

Objective 1: Opportunities are afforded to all candidates based on merit.

Practices in place: Equal opportunity recruitment, with no view to gender, age, race, religion, or any other personal characteristics and qualities. Career advancement based purely on performance factors.

Objective 2: Elimination of discrimination, harassment, and bullying in the workplace.

Practices in place: Staff is made aware of the strict non-discrimination policy upon hiring. Should any discrimination or misconduct occur, managers will treat any complaints seriously, and take swift action.

Objective 3: Aim to increase the percentage of women in the workplace, especially in management and board positions.

Practices in place: Australia New Agribusiness & Chemical Group encourages female applicants in its job postings. The company has also developed a supportive workplace that promotes a healthy work/life balance, and is understanding towards the needs of staff of both genders.

The company employs 20 staff across its operations, with approximately 25% of female employees in administration positions, 0% in production positions. Due to the nature of the manufacturing industry, a smaller number of women will apply for positions available in our factory operations. However, the hiring process incorporates the principles of EEO, providing equitable access to employment for under-represented demographics, and ensures all applicants are viewed and selected based on merit.

In management and senior positions, there are 6.67% female employees. In addition, there is one female director on the Board of the Group.

Information provided above is in accordance with the disclosures indicated in the Guide to Reporting on Principle 3.

Principle 4: Promote ethical and responsible decision making

Code of conduct

The Group has adopted a corporate code of conduct setting out:

- its legal and other obligations to all legitimate stakeholders including employees, customers and the community; and
- required standards of behavior for directors, senior executives and employees, for the benefit of all shareholders.

The code of conduct applies to the directors of Australia New Agribusiness & Chemical Group Ltd including the chief executive officer, the chief financial officer of the Company and any other officer of the Company and its controlled entities (the Group) who has the opportunity to materially influence the integrity, strategy and operation of the business and financial performance of the Group (Senior Executives) and any other employees of the Group. Each director, officer and employee will be given a copy of the corporate code of conduct when joining the Group.

The purpose of this code of conduct is to:

- (a) set out the Company's legal and other obligations to all legitimate stakeholders including employees, customers and the community;
- (b) articulate the high standards of honest integrity, ethical and law-abiding behavior expected of directors, Senior Executives and employees;
- (c) encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders (including employees, customers, suppliers and creditors);
- (d) guide directors, Senior Executives and employees as to the practices thought necessary to maintain confidence in the Group's integrity; and
- (e) set out the responsibility and accountability of directors, Senior Executives and employees to report and investigate any reported violations of this code or unethical or unlawful behavior.

Principle 5: Safeguard integrity in financial reporting

Audit committee

The audit committee consists of the following directors:

James Naiming Li (Chair)

Yinan Zhang

Yiming Cui

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 25 to 29.

All members of the audit committee are financially literate and have an appropriate understanding of the industries in which the group operates. Mr Yiming Cui, a member of the audit committee, has worked in the corporate finance team of KPMG in China for many years. Mr Cui has significant experience in financial management and financial advisory.

The main responsibilities of the committee are to:

- help the board achieve its objective in relation to
 - (i) financial reporting
 - (ii) the application of accounting policies
 - (iii) business policies and practices
 - (iv) legal and regulatory compliance
 - (v) internal control and risk management systems
- maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis)
- promote a culture of compliance
- ensure effective communication between the board and the senior compliance manager
- provide a forum for communication between the board and senior financial and compliance management
- ensure effective internal and external audit functions and communication between the board and the external and internal auditors

- ensure compliance strategies and compliance function are effective
- in fulfilling its responsibilities, the audit committee:
- assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework
- obtaining an independent judgment from the external auditor
- assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements)
- reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with managements, advisers and the internal and external auditors
- receiving any management letter from the external auditors
- reviewing documents and reports to regulators and recommending to the board their approval or amendment
- following up on any matter raised by the board regarding financial reports, audit opinions and management letters

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The audit committee is responsible for approving and recommending to the board for acceptance, the terms of engagement with the external auditor at the beginning of each year. The audit committee has the responsibility to appoint or remove external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. BDO was appointed as the external auditor from 2010 up to now.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 9 to the financial statements.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principles 6 and 7: Make timely and balanced disclosures and respect the rights of shareholders

Communication of Information

The board will:

- communicate effectively with shareholders;
- give shareholders ready access to balanced and understandable information about the Group and its corporate goals; and
- make it easy for shareholders to participate in general meetings.
- the board has adopted a communications strategy to facilitate and promote effective communication with shareholders and encourage participation at general meetings.

Principle 8: Risk management and internal compliance and control systems

The board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the audit committee and reviewed by the full board.

The audit committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In providing this oversight, the committee:

- overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems; and
- approving and recommending to the board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:
 - identifying, assessing, monitoring and managing risk; and
 - disclosing any material change to the risk profile;
 - regularly reviewing and updating the risk profile;
- assessing the adequacy of the internal risk control system with management and internal and external auditors;
- monitoring the effectiveness of the internal risk control system;
- ensuring the risk management system takes into account all material risks, including risks arising from:
 - implementing strategies (strategic risk);
 - operations or external events (operational risk);
 - legal and regulatory compliance (legal risk);
 - changes in community expectation of corporate behavior (reputation risk);
 - a counterparty's financial obligations within a contract (credit risk);
 - changes in financial and physical market prices (market risk); and
 - being unable to fund operations or convert assets into cash (liquidity risk);
- assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk;

Management is responsible for designing, implementing and reporting on the adequacy of the company's risk management and internal control system and has to report to the audit committee on the effectiveness of:

- ensuring management establishes a comprehensive process to capture information that must be disclosed to ASX;
- reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);
- assessing management's processes for ensuring non-financial information in documents (both public and internal) does not conflict inappropriately with financial reports and other documents;
- assessing internal control systems relating to the release of potentially adverse information; and
- reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

Principle 9: Remunerate fairly and responsibly

Nomination and Remuneration Committee members may seek any information it considers necessary to fulfill its responsibilities. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities. This job description is reviewed by the remuneration committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading 'Remuneration report'.



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Investor Information

2014 Financial Calendar (on or before)

| | |
|-----------------------------|--------------------------------|
| Release of quarterly report | 30 th April 2014 |
| Release of quarterly report | 31 st July 2014 |
| Release of half year report | 29 th August 2014 |
| Release of quarterly report | 31 st October 2014 |
| Release of quarterly report | 30 th January 2015 |
| Release of Appendix 4E | 27 th February 2015 |

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 March 2014.



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Shareholders' interests

(a) Twenty largest shareholders

The twenty largest shareholders are as follows:

AUSTRALIA NEW AGRIBUSINESS & CHEMICAL GROUP LTD

**Ordinary Fully Paid Shares
(TOTAL) As of 14 Apr 2014**

Top Holders Snapshot - Grouped

Composition : ORD

| Rank | Name | Units | % of Units |
|------|--|------------|------------|
| 1. | DATONG INTERNATIONAL HOLDINGS LIMITED | 43,199,997 | 20.46 |
| 2. | CHINA JOINT INVESTMENT HOLDINGS LIMITED | 32,400,000 | 15.35 |
| 3. | JAMSFIELD GROUP LIMITED | 27,419,355 | 12.99 |
| 4. | CITICORP NOMINEES PTY LIMITED | 21,558,641 | 10.21 |
| 5. | MR LIANGCHEN LI | 10,800,000 | 5.12 |
| 6. | XIANGYU LI | 10,800,000 | 5.12 |
| 7. | MS LIDAN WANG | 10,014,000 | 4.74 |
| 8. | MR YONG WANG | 7,029,000 | 3.33 |
| 9. | MRS YU GAO | 6,429,000 | 3.05 |
| 10. | JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C> | 5,468,145 | 2.59 |
| 11. | AUSTRALIAN GOLDEN SUNSHINE INTERNATIONAL PTY LTD | 3,600,000 | 1.71 |
| 12. | MR XIANPING ZENG | 1,740,000 | 0.82 |
| 13. | MR XIAO YUE WANG | 1,500,000 | 0.71 |
| 14. | AUSTRALIA GOLDEN SHELL INTERNATIONAL PTY LTD | 1,005,000 | 0.48 |
| 15. | MR ZHENHUI LIU | 1,000,000 | 0.47 |
| 16. | MR TAO WANG | 900,000 | 0.43 |
| 17. | MISS JUAN WANG | 895,000 | 0.42 |
| 18. | MRS HAIXIAO HUANG | 871,722 | 0.41 |
| 19. | MR HUA LIN + MRS HONG WANG | 708,050 | 0.34 |
| 20. | LION GLASS (AUSTRALIA) PTY LTD | 669,000 | 0.32 |

(b) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(c) Distribution of equity securities

The numbers of shareholders by size of holding in each class of share are:

AUSTRALIA NEW AGRIBUSINESS & CHEMICAL GROUP LTD

Ordinary Fully Paid Shares (TOTAL) As of 31 Mar 2014

Range of Units Snapshot

| Range | Total holders | Units | % of Issued Capital |
|-------------------------|---------------|--------------------|---------------------|
| 1 - 1,000 | 2 | 9 | 0.00 |
| 1,001 - 5,000 | 10 | 33,727 | 0.02 |
| 5,001 - 10,000 | 13 | 97,900 | 0.05 |
| 10,001 - 100,000 | 496 | 12,903,397 | 6.11 |
| 100,001 - 9,999,999,999 | 58 | 198,080,322 | 93.83 |
| Rounding | | | -0.01 |
| Total | 579 | 211,115,355 | 100.00 |

Unmarketable Parcels

| Minimum Parcel Size | Holders | Units |
|--|---------|-------|
| Minimum \$ 500.00 parcel at \$ 0.10 per unit | 11 | 28736 |

(d) Restricted securities

There are no restricted securities.

(e) Share buy-backs

There is no current on market share buy-back.

Information policy

It is the policy of the Group to ensure all the information the Group delivered to our stakeholders are accurate, integral and with high standards. We will hold the Shareholders Meeting every year, which creates a way of communication for our stakeholders to know more about our Group. The Managing Director and Auditors of Australia New Agribusiness & Chemical Group Ltd will be pleased to respond all our investors, shareholders and other stakeholders their queries relate to our Group during the meeting.

We will continue our aim to provide the latest and most detailed information to shareholders consistent with the Company's objectives. The current status and latest activities of the Group can be obtained from the Group's Website at www.newagribusiness.com.au. The Group can also be contacted directly by telephone in Australia +61 7 3417 8010, and by fax +61 7 3417 8013.



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Annual Financial Statement

FOR THE YEAR ENDED 31 DECEMBER 2013

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Directors' Report

The Company name was changed from Daton Group Australia Ltd to Australia New Agribusiness & Chemical Group Ltd following shareholder approval at the Annual General Meeting of 24 May 2013.

The directors of Australia New Agribusiness & Chemical Group Ltd ("New Agri Group") present their report on the consolidated entity (Group), consisting of Australia New Agribusiness & Chemical Group Ltd and the entities it controlled at the end of, and during, the financial year ended 31 December 2013.

Directors

The following persons were directors of Australia New Agribusiness & Chemical Group Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Names

Mr. Jun Xiao (Non-executive chairman)
Mr. Yinan Zhang (Managing director)
Ms. Yan Zhu (Non-executive director)
Mr. Yiming Cui (Non-executive director)
Mr. James Naiming Li (Non-executive director)

Principal Activities

The principal activities of the Group are the manufacture and sale of compound fertiliser specially designed for wheat/sorghum, cotton, horticulture, sugar cane, banana and pasture.

The Group has invested to set up a company known as Apollo Fertiliser Queensland Pty Ltd with a production capacity of 400,000 tonnes of compound fertiliser per annum. The fertiliser factory in Australia has commenced trial production in February 2014.

Financial Performance

The profit after tax for the year decreased from \$10,790,455 in 2012 to \$1,064,486 in 2013.

The significant decrease in profit after tax mainly resulted from a large decline in the gain from the disposal of its investments. In 2012 the Group disposed of a subsidiary, Henan Datong Chemical Industry Co., Ltd, and partially disposed of another subsidiary U&D Mining Industry Pty Ltd, for a total gain before tax of \$14 million, whereas the Group made \$3 million gain after tax on the disposal of its remaining interest in U&D Mining Industry Pty Ltd in 2013.

Dividends

No final dividend was proposed for the current financial year (2012: Nil).

Directors' Report (continued)

Subsequent events

Acquisition of Tenements

On 23rd January 2013, the Group entered into a non-binding indicative proposal with Krucible Minerals Ltd (ASX code: KRB) to acquire certain phosphate tenements of KRB for a total consideration of \$12 million. The transaction was completed on 16 January 2014, with the payment of the remaining \$8,387,000. The rationale of acquiring the phosphate tenements is consistent with the Group's intention to secure supply of phosphate, a key component of compound fertilizer, to its Apollo Fertiliser Project. Upon the transaction completed, the Group will undertake further exploration works and feasibility studies and will seek partners to develop the phosphate tenements.

Subsequent to year end the Group agreed to extend the repayment term of the remaining balance of \$7.452 million due from the disposal of U & D Mining Industry Pty Ltd from 19 March 2014 to 19 June 2014.

As at the date of this directors' report, except for the matter discussed above, no other matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 31 December 2013.

Significant Changes in State of Affairs

Significant changes in the state of affairs of the group during the financial year were as follows:

The Group disposed of its ownership interest in U & D Mining Industry (Australia) Pty Ltd with a pre-tax gain of \$8,370,102.

There have been no other significant changes in the Group's state of affairs during the financial year.

Environmental Regulation

The Directors are satisfied that adequate systems are in place for the management of its environmental responsibilities and compliance with its license requirements and regulations. The Directors are not aware of any breaches of these requirements and to the best of their knowledge, all activities have been undertaken in compliance with environmental regulations.

Review of Operations

In 2013, the Group changed its name from Daton Group Australia Ltd to Australia New Agribusiness & Chemical Group Ltd ('New Agri'). This name change reflects the Group's intention and aspiration of growing its core business of agriculture products. It is the Group's long-term strategy to become a leading enterprise in Australia through providing a superior product and outstanding customer service.

In order to facilitate the ongoing and the future growth of the Company, in August 2013 the offices were relocated to a new premise in the Brisbane Technology Park precinct at Eight Mile Plains. The new office features a larger space for expanding personnel numbers, and is equipped with the latest technology and facilities, with more room for the Group to expand beyond its current projects and capabilities.

Directors' Report (continued)

Review of Operations (Continued)

During the past year, the setup of Apollo Fertiliser's production line in Brisbane was the Group's major priority. All major construction, fitout and trial production milestones were met during 2013 and were achieved on budget. In anticipation of the large volume production, changes were made throughout the year on the existing equipment, as well as new installations including renovations, fittings, and civil engineering. All these installations were completed on-budget in November 2013.

With the anticipated growth of both the company and its subsidiary the Apollo Fertiliser Plant, the Group has increased its capital in personnel, in areas such as management, technical, production and sales, as well as leasing a warehouse in Acacia Ridge with an additional 9,357 square metres of storage space. Production is anticipated to begin in 2014, and the Group has imported over 6,000 tonnes of raw materials following the successful trial production in November. When fully operational and on full production capacity, the plant is expected to have an annual output of 200,000 tonnes of compound fertiliser, which will make Apollo a significant supplier of locally produced fertiliser to meet the growing agricultural demands in Australia. The Group has also undertaken sales, marketing and promotional activities in conjunction with the launch of its products.

In January 2013, the Group entered into a non-binding indicative proposal with Krucible Minerals Ltd (ASX code: KRB) for the acquisition of its phosphate-bearing and any potentially phosphate-bearing tenements, for a consideration of \$12 million. The sales and purchase agreement was executed on 21 May 2013 and was completed on 16 January 2014, giving the Group the rights to all of Krucible's qualifying tenements. The total tenements consist of the Korella trial mining lease, six exploration leases and five exploration applications. This agreement with Krucible Minerals is expected to provide the Group with a secure supply of phosphate, a key component for Apollo Fertiliser's compound fertiliser production, as well as an important resource in the agribusiness sector, which will facilitate the Group's strategy for continual growth.

U & D Mining Industry Pty Ltd was incorporated as an investment company in 2012. In 2013 the Company disposed of its 49% shareholding to China Kunlun International Holding Limited (25%) and Golden Globe Energy Limited (24%) for a total consideration of \$29,452,000. On 29 July 2013, the Group received \$4 million in deposit from both companies, totalling \$8 million. The second payment of \$7 million from each company was received by 9 December 2013. Subsequent to year end the Group agreed to extend the repayment term of the remaining balance of \$7.452 million due from the disposal of U & D Mining Industry Pty Ltd from 19 March 2014 to 19 June 2014. The profit from the disposal of U & D's shares constitutes a majority of the Group's earnings in 2013. Upon the completion of the transaction, the Group no longer holds any shares in U & D Mining. The profits from this transaction will be used in the Group's future growth, most notably in the further expansion of the Apollo Fertiliser plant and investment in and the exploration of the Group's phosphate project.

Directors' Report (continued)

Outlook and Prospects for 2014 – Likely Developments and Expected Results

The Apollo Fertiliser Plant has commenced production during the first quarter in 2014. The expected production rate for the plant is 200,000 tonnes per year. The Group intends to establish itself as a trusted manufacturer producing high quality compound fertiliser in the Queensland region, with a plan to gradually roll out the sale of its products to other parts of Australia. In 2014 the Group will continuously focus on the production, sales and marketing of Apollo fertiliser and products.

Following the completion of the acquisition of phosphate assets from Krucible Metals Ltd, the Group will have access to phosphate, a major ingredient used in the production of compound and other fertiliser products. The company is examining various funding options to enable completion of a prefeasibility study and intends to invest approximately \$2.5 million for mining and exploration each quarter. The planned production on these tenements is expected to begin in June 2014 with an estimated monthly output of 50,000 tonnes of phosphate rock. The Group will utilise the phosphate produced for its Apollo Fertiliser's production and the sale of the balance to the market.

The Group has also incorporated Australia Mercury Glass Pty Ltd in late 2013, a glass manufacturing company located in Acacia Ridge. Mercury Glass started its operation on 2 January 2014. It is a dynamic company with an experienced management team and highly skilled staff. The Group expects to see immediate returns on this investment.

Director Information

Mr. Jun Xiao

Chairman (Non-Executive)

Experience

- Mr Xiao graduated with the Bachelor of Management of Information System from Beijing Information Technology and Engineering Institute in 1992.
- He started his IT career with the Computer and Micro-Electronic Development Research Centre in the Chinese Institute of Electronics from 1992 until 1997. From 1997, he has served in several senior executive roles in the field of investment and finance with a focus on the digital technology industry in Hong Kong. Mr Xiao founded Flash Lighting Company Limited in 2006, a company incorporated in the British Virgin Islands and its investment focuses on mineral resources, equity, and venture capital. In 2009, Mr Xiao was conferred the title as the honorary professor of Graduate School of Chinese Academy of Social Science (CASS), the premier academic research organisation in the fields of philosophy and social science.
- He is the founder of Chinesischr Technology Exchange Foundation, a Non-government Organisation for affiliating and facilitating the high tech interchange between China and Europe.

Directors' Report (continued)

Director Information (continued)

Mr. Jun Xiao (continued)

Chairman (Non-Executive)

Interest in Shares

49,019,354 Ordinary Shares

Directorships held in other listed entities

Mr. Xiao is not currently a Director of any other listed company.

Mr. Yinan Zhang

Managing Director (Executive)

Experience

- Mr. Zhang invested in Henan Datong in 2007 and he has more than ten years of experience in the chemical fertiliser industry. He previously held the role of an Executive Director of Henan Datong. His contributions have built a strong corporate image and are highly reputable in the Chinese fertiliser industry.
- He is experienced in business, foreign investment, banking, finance and securities. He has founded a number of industrial companies in the PRC and Australia.
- Mr. Zhang has lived in Australia for near to ten years, during which time he gained insight into corporate operations in Australia and familiarity with the Australian business environment.

Interest in Shares

54,000,003 Ordinary Shares

Special Responsibilities

Mr. Zhang is also a member of the Audit Committee and Remuneration and Nomination Committee.

Directorships held in other listed entities

Mr. Zhang is currently a Director of U&D Coal Ltd (ASX Code: UND, listed on 17 February 2014).

Directors' Report (continued)

Director Information (continued)

Mr. Yiming Cui

(Non-Executive)

Experience

- Mr. Cui has variety of work experience ranging from publishing to finance. He was previously working for Le Figaro Magazine, a well-known French publishing company. Mr. Cui also worked within the corporate finance team of KPMG in China. He has significant experience in financial management and financial advisory.

Interest in Shares

Nil

Special Responsibilities

Mr. Cui is a member of the Audit Committee.

Directorships held in other listed entities

Mr. Cui is not currently a Director of any other listed company.

Ms. Julia Yan Zhu

(Non-Executive)

Qualifications

- Master of Business Administration-University of Southern Queensland
- Bachelor and Master of Arts (English) from Shanghai Fudan University

Experience

- Ms Zhu has more than 15 years of experience in the Australian public and private sectors. Her experience includes facilitating two-way investment and trade between China and Australia in resources, clean energy, financial services and advanced manufacturing. She is particularly well-versed in the business cultures of both the PRC and Australia.
- She is now a Director of China business for Minter Ellison Lawyers. Prior to her current role at Minter Ellison, Ms Zhu worked for the Australian Trade Commission (Austrade) and Invest Australia for total of 15 years.

Interest in Shares

Nil

Special Responsibilities

Ms Zhu is the Chair Person of the Nomination and Remuneration Committee.

Directorships held in other listed entities

Ms Zhu is not currently a Director of any other listed company.

Directors' Report (continued)

Director Information (continued)

Mr James Naiming Li

Non-Executive Director

Qualifications

- Mr Li graduated with a Post Graduate Diploma of Applied Science from Swinburne University of Technology and a Bachelor of Science from Fudan University in China.

Experience

- Mr Li has worked in the Australian stockbroking industry for more than 16 years. Mr Li has been involved and actively worked with China companies seeking investments in the mineral and resources sector. He is currently a non-executive director of Rockland Richfield Limited and Ishine International Resources Limited. He is also a licensed stockbroker with Patersons Securities Ltd based in Melbourne.

Interest in Shares

Nil

Special Responsibilities

Mr. Li is a member of the Remuneration and Nomination Committee and the Chair Person of the Audit Committee.

Directorships held in other listed entities

Mr Li is non-Executive Director of Ishine International Resources Limited (ASX code: ISH)

Company Secretary Information

Ms Yi Yang

Company Secretary

Qualifications

- Master of Business – The University of Queensland
- Master of Arts major in Chinese Translation and Interpreting – The University of Queensland

Experience

- Graduated from the University of Queensland with two masters degrees
- Ms Yang has variety of work experience ranging from Administration, Translation & Interpreting to Business Management
- She is a member of the Chartered Secretaries Australia.

Interest in Shares

164,000 Ordinary Shares

Special Responsibilities

Ms Yang has been appointed as Company Secretary of New Agri Group on 9 February 2011.

Directors' Report (continued)

Meetings of Directors

During the financial year, fourteen meetings of directors (excluding committees of directors) were held. Attendances by each director at directors' meeting, audit and risk committee and remuneration and nominating committee meetings during the year were as follows:

| | Directors' Meetings | | Committee Meetings | | | |
|---------------------|---------------------------|-----------------|---------------------------|-----------------|-------------------------------------|-----------------|
| | | | Audit Committee | | Remuneration & Nomination Committee | |
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Mr. Yinan Zhang | 14 | 14 | 2 | 2 | - | - |
| Mr. Jun Xiao | 14 | 14 | - | - | - | - |
| Ms. Julia Yan Zhu | 14 | 14 | - | - | - | - |
| Mr. Yiming Cui | 14 | 14 | 2 | 2 | - | - |
| Mr James Naiming Li | 14 | 14 | 2 | 2 | - | - |

Share Options

No options over issued shares or interests in the Group or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Remuneration Report - Audited

1. Policy for determining the nature and amount of Key Management Personnel remuneration

This remuneration report is based on the principles in the Nomination and Remuneration Charter approved by the board and which has been adopted by the Nomination and Remuneration Committee.

New Agri Group's remuneration components include share options and bonus elements. In order to maintain the high performance of the board and executives, as well as attract and retain the best team to run and manage the Group, the remuneration and bonus of the directors and senior executives is linked to both the Group's financial results and the performance of individual.

The remuneration for the executives is set according to the standard rate from industry sectors. All executives receive a market related base salary and other statutory benefits. The remuneration is based on factors such as length of service, experience and performance.

Directors' Report (continued)

Remuneration Report – Audited (continued)

1. Policy for determining the nature and amount of Key Management Personnel remuneration (continued)

The Group's profits and shareholders' value depend on the performance of executives. The objective is to attract the highest performance of its executives and reward them for performance which results in long term growth in shareholder wealth.

The share option plan is set by the Nomination and Remuneration Committee. At the discretion of the Committee, shares are issued to executives to reflect their achievements. The exercise price in respect of an option is as determined by the committee. No share options were issued during the year.

The remuneration for directors is designed by the remuneration committee and the directors do not receive any other retirement benefits. Remuneration package of key management personnel and executives will be reviewed annually.

The aim of the remuneration plan is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines the amount paid to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Fees for non-executive directors are not linked to the performance of the Group. However, to align director's interests with shareholder interests, the directors and executives are encouraged to hold shares in the Group.

No remuneration consultants were used in the 2013 or 2012 financial years,

Performance based remuneration

As part of each company executives remuneration package there will be a discretionary bonus element. The bonus given to executives is based on the performance of the Group and individual. The intention of this program is to align directors and executives interests with business and shareholders' interests.

In determining the amount of each executive director and executive's bonus, the remuneration committee bases the assessment on audited figures and independent reports where appropriate. No bonuses were awarded during the year.

Company performance, shareholder wealth and directors and executives remuneration

The remuneration plan is designed to increase the common interests between shareholders and directors and executives. This will be achieved by awarding discretionary bonuses to encourage the alignment of personal and shareholder interests and increase shareholder wealth and the Group's consolidated statement of financial position.

The table below shows the gross revenue and profits for the last three years for the Group. There was no bonus paid to the key management personnel in 2013 due to the profit from this transaction will be used for the Apollo Fertiliser project and investing in other opportunities. The bonus will be determined by the Nomination and Remuneration committee in future years when the new compound project starts to contribute positive cash flows and profits to the Group.

Directors' Report (continued)

Remuneration Report – Audited (continued)

1. Policy for determining the nature and amount of Key Management Personnel remuneration (continued)

The company listed in January 2011 and hence the table below only shows the results for the previous 3 years.

| From continuing and discontinued operations | 2013 | 2012 | 2011 |
|---|-----------|------------|--------------|
| Revenue | 346,861 | 931,070 | 25,118,612 |
| Gain on disposal of subsidiaries | - | 13,156,828 | - |
| Gain on disposal of associate | 8,370,102 | - | - |
| Net Profit/(loss) | 1,064,486 | 10,790,455 | (22,774,569) |
| Dividends | - | - | - |
| Share price at year end (cents) | 24 | 28 | 25 |
| Total KMP Remuneration | 352,945 | 248,084 | 351,382 |

2. Key Management Personnel

The following persons were key management personnel of Australia New Agribusiness & Chemical Group Ltd during the financial year:

| <u>Name</u> | <u>Position Held</u> | <u>Appointment / Resignation Date</u> |
|----------------------|--------------------------|---------------------------------------|
| Directors | | |
| Mr. Jun Xiao | Director – Chairman | Appointed 31/05/2012 |
| Mr. Yinan Zhang | Managing Director | |
| Mr. Yiming Cui | Director - Non-executive | Appointed 01/06/2012 |
| Ms. Julia Yan Zhu | Director - Non-executive | |
| Mr. James Naiming Li | Director - Non-executive | Appointed 02/07/2012 |

The following persons were key management personnel of Australia New Agribusiness & Chemical Group Ltd during the previous financial year:

| <u>Name</u> | <u>Position Held</u> | <u>Appointment / Resignation Date</u> |
|-------------------|--------------------------|---------------------------------------|
| Directors | | |
| Mr. Zeng Li | Director – Chairman | Resigned 31/05/2012 |
| Ms. Zoe Yan Zhang | Director - Non-executive | Resigned 02/07/2012 |



Directors' Report (continued)

Remuneration Report – Audited (continued)

3. Details of Remuneration

Details of compensation by key management personnel of Australia New Agribusiness & Chemical Group Ltd are set out below:

Year ended 31 December 2013

| | Short term benefits | | | Post employment benefits | Termination benefits | Long term benefits | Total |
|----------------------|------------------------|---------------------|-------------------|--------------------------------|-------------------------|-----------------------------|----------------|
| | Salary & Fees \$ | Cash bonus \$ | Non cash \$ | Super - annuation \$ | \$ | Long Service Leave \$ | |
| Directors | | | | | | | |
| Mr Jun Xiao | 50,000 | - | - | - | - | - | 50,000 |
| Mr Yinan Zhang | 140,194 | - | - | 12,751 | - | - | 152,945 |
| Mr. Yiming Cui | 50,000 | - | - | - | - | - | 50,000 |
| Ms Julia Yan Zhu | 50,000 | - | - | - | - | - | 50,000 |
| Mr. James Naiming Li | 50,000 | - | - | - | - | - | 50,000 |
| Total | 340,19 | - | - | 12,751 | - | - | 352,945 |

No other payments including share based payments (options) were paid or granted to the above key management personnel during the year.

No remuneration was dependent on meeting performance measures in the 2013 financial year.



Directors' Report (continued)

Remuneration Report – Audited (continued)

3. Details of Remuneration (continued)

Year ended 31 December 2012

| | Short term benefits | | | Post employment benefits | Termination benefits | Long term benefits | Total \$ |
|-----------------------|------------------------|---------------------|-------------------|--------------------------------|-------------------------|-----------------------------|----------------|
| | Salary & Fees \$ | Cash bonus \$ | Non cash \$ | Super - annuation \$ | \$ | Long Service Leave \$ | |
| Directors | | | | | | | |
| Mr. Jun Xiao | | | | | | | |
| Appointed 31/05/2012 | 29,167 | - | - | - | - | - | 29,167 |
| Mr. Zeng Li | | | | | | | |
| Resigned 31/05/2012 | - | - | - | - | - | - | - |
| Mr. Yinan Zhang | 75,000 | - | - | 6,750 | - | - | 81,750 |
| Mr. Yiming Cui | | | | | | | |
| Appointed 01/06/2012 | 29,167 | - | - | - | - | - | 29,167 |
| Ms Julia Yan Zhu | 50,000 | - | - | - | - | - | 50,000 |
| Ms. Zoe Yan Zhang (1) | | | | | | | |
| Resigned 02/07/2012 | 33,000 | - | - | - | - | - | 33,000 |
| Mr. James Naiming Li | | | | | | | |
| Appointed 02/07/2012 | 25,000 | - | - | - | - | - | 25,000 |
| Total | 241,334 | - | - | 6,750 | - | - | 248,084 |

No other payments including share based payments (options) were paid or granted to the above key management personnel during the year.

No remuneration was dependent on meeting performance measures in the 2012 financial year.

(1) This amount includes the amount of \$25,000 (excluding GST) in exchange for services rendered as a non-executive director and the amount of \$8,000 (excluding GST) for accounting services.

Directors' Report (continued)

Remuneration Report – Audited (continued)

4. Cash Bonuses

No cash bonuses were paid or vested during the year ended 31 December 2013 or 31 December 2012.

5. Share Based Payment Bonuses

No share based payment bonuses were paid or vested during the year ended 31 December 2013 or 31 December 2012.

6. Options and Rights granted as remuneration

No options or rights were granted to key management personnel as compensation during the year ended 31 December 2013 or the year ended 31 December 2012.

7. Equity issued on exercise of remuneration options

No equity instruments were issued during the year ended 31 December 2013 or 31 December 2012 to key management personnel as a result of options exercised that had previously been granted as compensation.

8. Service Contracts

The Managing Director of Australia New Agribusiness & Chemical Group Ltd, Mr. Yinan Zhang, has a five-year contract agreement with the Company which commences with effect from the listing date and expires on the date calculated five years from the listing date. The executive director may terminate the agreement and his employment with the Company without cause during the initial term and any additional term on the giving of 90 days written notice to the Company. There is no termination pay in the contract.

Non-executive Directors have service contracts with Australia New Agribusiness & Chemical Group Ltd. New Agri Group has to pay each director annually based on market rates as consideration for agreeing to hold the position. There is no agreement by Australia New Agribusiness & Chemical Group Ltd to pay non-executive directors any pre-determined amounts in the event of their termination.

End of audited remuneration report

Directors' Report (continued)

Indemnifying Officers or Auditors

Insurance premiums paid for directors

During the year Australia New Agribusiness & Chemical Group Ltd paid a premium of \$17,376 (2012: \$16,305) in respect of a contract insuring directors and of the company and its controlled entities against a liability incurred as director and to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any of its controlled entities against a liability incurred as such an officer or auditor.

Non-audit services

During the financial year, the following fees for non-audit services were paid or payable to the auditor, BDO Audit Pty Ltd, or their related entities:

| | 2013 \$ (excl GST) | 2012 \$ (excl GST) |
|---------------------|-----------------------|-----------------------|
| Non-audit Services | | |
| - Taxation services | 75,590 | 22,000 |
| Total | <u>75,590</u> | <u>22,000</u> |

On the advice of the audit committee, the directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2013 has been received and can be found on page 37 of the annual report.



NEW AGRIBUSINESS
& CHEMICAL

Directors' Report (continued)

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Signed in accordance with a resolution of Directors:

Mr Yinan Zhang

Dated this 31th day of March 2014

**DECLARATION OF INDEPENDENCE A J WHYTE TO THE DIRECTORS OF AUSTRALIA NEW
AGRIBUSINESS & CHEMICAL GROUP LTD**

As lead auditor of Australia New Agribusiness & Chemical Group for the year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australia New Agribusiness & Chemical Group Ltd and the entities it controlled during the period.



A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | CONSOLIDATED | |
|---|-------|------------------|-------------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| Revenue from continuing operation | 3 | 346,861 | 931,070 |
| Other income | 4 | 8,396,110 | 10,740,704 |
| Administration expenses | | (2,057,571) | (1,663,513) |
| Occupancy expenses | 5 | (421,930) | (70,680) |
| Finance costs | 5 | (100,481) | (146,515) |
| Other expenses | | (41,808) | - |
| Share of loss of associates accounted for using the equity method | 19(d) | (2,223,694) | (12,032) |
| Profit before income tax expense | | 3,897,487 | 9,779,034 |
| Income tax expense | 6 | (3,554,895) | (258,233) |
| Profit from continuing operations | | 342,592 | 9,520,801 |
| Profit from discontinued operations, net of tax | 6,8 | 721,894 | 1,269,654 |
| Profit for the year | | 1,064,486 | 10,790,455 |
| Other comprehensive income | | | |
| <i>Items that will be reclassified to profit or loss:</i> | | | |
| Foreign currency translation differences | | - | 141,890 |
| Reclassification of foreign currency translation differences | | - | 1,303,220 |
| Other comprehensive income for the year, net of tax | | - | 1,445,110 |
| Total comprehensive income for the year | | 1,064,486 | 12,235,565 |
| Profit/(loss) is attributable to | | | |
| Owners of Australia New Agribusiness & Chemical Group Ltd | | 1,064,486 | 10,858,303 |
| Non-controlling Interest | | - | (67,848) |
| | | 1,064,486 | 10,790,455 |
| Total comprehensive income for the year is attributable to | | | |
| Owners of Australia New Agribusiness & Chemical Group Ltd | | 1,064,486 | 12,303,413 |
| Non-controlling Interest | | - | (67,848) |
| | | 1,064,486 | 12,235,565 |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

| | | CONSOLIDATED | |
|---|----------|--------------|--------------|
| | Note | 2013 | 2012 |
| Earnings per share for profit for the year | 7 | Cents | Cents |
| <i>Overall operations</i> | | | |
| Basic earnings per share | | 0.50 | 5.82 |
| Diluted earnings per share | | 0.50 | 5.82 |
| <i>Continuing operations</i> | | | |
| Basic earnings per share | | 0.16 | 5.14 |
| Diluted earnings per share | | 0.16 | 5.14 |
| <i>Discontinued operations</i> | | | |
| Basic earnings per share | | 0.34 | 0.68 |
| Diluted earnings per share | | 0.34 | 0.68 |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying note



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

| | | CONSOLIDATED | |
|---|------|-------------------|-------------------|
| | Note | 2013 | 2012 |
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 11 | 10,859,364 | 14,849,606 |
| Other financial assets | 12 | 413,642 | 1,016,897 |
| Trade and other receivables | 13 | 8,487,140 | 54,391 |
| Inventories | 14 | 2,613,924 | - |
| Other assets | 15 | 751,214 | 212,505 |
| Total current assets | | 23,125,284 | 16,133,399 |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 15,121,749 | 12,975,915 |
| Other financial assets | 17 | 1,372,901 | - |
| Other assets | 15 | 4,924,021 | - |
| Investments in associates accounted for using the equity method | 19 | - | 12,352,651 |
| Total non-current assets | | 21,418,671 | 25,328,566 |
| Total assets | | 44,543,955 | 41,461,965 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 20 | 7,051,888 | 8,582,640 |
| Borrowings | 21 | 700,000 | - |
| Current tax liabilities | | 3,929,201 | 1,096,200 |
| Other liabilities | | 15,255 | - |
| Total current liabilities | | 11,696,344 | 9,678,840 |
| Total liabilities | | 11,696,344 | 9,678,840 |
| Net assets | | 32,847,611 | 31,783,125 |
| EQUITY | | | |
| Contributed equity | 22 | 36,615,244 | 36,615,244 |
| Accumulated losses | | (3,767,633) | (4,832,119) |
| Total equity | | 32,847,611 | 31,783,125 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

| | Attributable to owners of Australia New Agribusiness & Chemical Group Ltd | | | | Non-controlling Interests | Total Entity | |
|---|---|--|---------------------|---|------------------------------|-----------------|-------------------|
| | Contributed Equity | Retained Earnings/ (Accumulated losses) | Surplus Reserves | Foreign Currency Translation Reserve | | | Total Parent |
| CONSOLIDATED | \$ | \$ | \$ | \$ | \$ | \$ | |
| At 1 January 2012 | 28,115,244 | (16,470,471) | 780,049 | (1,445,110) | 10,979,712 | 11,148 | 10,990,860 |
| Total comprehensive income for the year | | | | | | | |
| Profit for the year | - | 10,858,303 | - | - | 10,858,303 | (67,848) | 10,790,455 |
| <i>Other comprehensive income</i> | | | | | | | |
| Foreign currency translation differences | - | - | - | 141,890 | 141,890 | - | 141,890 |
| Reclassification of foreign currency translation differences | - | - | - | 1,303,220 | 1,303,220 | - | 1,303,220 |
| Total comprehensive income for the year | - | 10,858,303 | - | 1,445,110 | 12,303,413 | (67,848) | 12,235,565 |
| Transactions with owners in their capacity as owners | | | | | | | |
| Transfer surplus reserves to accumulated losses as a result of disposal of subsidiary | - | 780,049 | (780,049) | - | - | - | - |
| New shares issued resulting from conversion of notes | 8,500,000 | - | - | - | 8,500,000 | - | 8,500,000 |
| Non-controlling interest in subsidiary disposed | - | - | - | - | - | 56,700 | 56,700 |
| Total transactions with owners in their capacity as owners | 8,500,000 | 780,049 | (780,049) | - | 8,500,000 | 56,700 | 8,556,700 |
| At 31 December 2012 | 36,615,244 | (4,832,119) | - | - | 31,783,125 | - | 31,783,125 |

The above Consolidated Statement of Change in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

| | Attributable to owners of Australia New Agribusiness & Chemical Group Ltd | | | | | Non-controlling Interests | Total Entity |
|---|---|--|---------------------|---|-------------------|------------------------------|-------------------|
| | Contributed Equity | Retained Earnings/ (Accumulated losses) | Surplus Reserves | Foreign Currency Translation Reserve | Total Parent | | |
| CONSOLIDATED | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| At 1 January 2013 | 36,615,244 | (4,832,119) | - | - | 31,783,125 | - | 31,783,125 |
| Total comprehensive income for the year | | | | | | | |
| Profit for the year | - | 1,064,486 | - | - | 1,064,486 | - | 1,064,486 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | 1,064,486 | - | - | 1,064,486 | - | 1,064,486 |
| Total transactions with owners in their capacity as owners | - | - | - | - | - | - | - |
| At 31 December 2013 | 36,615,244 | (3,767,633) | - | - | 32,847,611 | - | 32,847,611 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | CONSOLIDATED | |
|--|-----------|--------------------|---------------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 216,909 | 299,908 |
| Payments to suppliers and employees | | (5,458,257) | (1,988,865) |
| Interest received | | 192,459 | 958,489 |
| Interest paid | | (62,391) | (129,247) |
| NET CASH USED IN BY OPERATING ACTIVITIES | 26 | (5,111,280) | (859,715) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant & equipment | | (2,452,130) | (11,438,480) |
| Proceeds on disposal of property, plant & equipment | | 14,000 | - |
| Payments for investment in associate | 19(b) | (10,952,941) | - |
| Proceeds on disposal of associate | 19(c) | 22,000,000 | - |
| Proceeds on disposal of subsidiary, net of cash disposed | 8 | - | 10,783,498 |
| Proceeds on loss of control of subsidiary | 19(c) | - | 539,700 |
| Payments for exploration and evaluation assets | | (4,614,021) | (24,144,252) |
| (Increase)/decrease in term deposits with maturity over three months | | (763,067) | 7,435,080 |
| Loans to third parties | | (1,019,200) | (1,000,000) |
| NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES | | 2,212,641 | (17,824,454) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 2,205,508 | 26,600,000 |
| Repayment of borrowings | | (1,505,508) | (7,951,977) |
| Loan from related parties | | - | 5,315,577 |
| Repayment of loan from related parties | | (1,849,725) | (6,060,250) |
| Loan from third parties | | 58,122 | - |
| NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES | | (1,091,603) | 17,903,350 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (3,990,242) | (780,819) |
| Effects of exchange rate changes on the balance of cash held in foreign currency | | - | 311 |
| Cash and cash equivalents at beginning of the year | | 14,849,606 | 15,630,114 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 11 | 10,859,364 | 14,849,606 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Company name was changed from Daton Group Australia Ltd to Australia New Agribusiness & Chemical Group Ltd following shareholder approval at the Annual General Meeting of 24 May 2013.

The consolidated financial statements of Australia New Agribusiness & Chemical Group Ltd for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 31 March 2014, which covers Australia New Agribusiness & Chemical Group Ltd as a consolidated entity consisting of Australia New Agribusiness & Chemical Group Ltd (“the parent company”) and its subsidiaries (“the Group” or “consolidated entity”) as required by the *Corporations Act 2001*.

The financial statements are presented in Australian dollars.

Australia New Agribusiness & Chemical Group Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

Note 1: Summary of significant accounting policies

a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Australia New Agribusiness & Chemical Group Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have also been prepared on a historical cost basis. Non-current assets and disposal groups held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

a) Basis of Preparation (continued)

Parent entity financial information

The financial information for the parent entity, Australia New Agribusiness & Chemical Group Ltd, included in note 28, has been prepared on the same basis as the consolidated financial statements, except as follows:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less accumulated impairment. Dividends received from associates and joint venture entities are recognised as revenue in the parent entity's profit or loss, rather than being deducted from the carrying amount of the investment.

b) Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Australia New Agribusiness & Chemical Group Ltd and its subsidiaries at 31 December each year ("the Group"). The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position respectively. Total comprehensive income is attributable to owners of Australia New Agribusiness & Chemical Group Ltd and non-controlling interests even if this results in the non-controlling interests having a debit balance.

The acquisition method of accounting is used to account for business combinations by the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

b) Basis of Consolidation (continued)

Associates

Associates are entities over which the Group has significant influence but not control. Associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the Group's share of post-acquisition profits or losses of associates is recognised in consolidated profit or loss and the Group's share of post-acquisition other comprehensive income of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's profit or loss, while they reduce the carrying amount of the investment in the consolidated financial statements.

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

The financial statements of the associates are used to apply the equity method. The end of the reporting period of the associates and the parent are identical and both use consistent accounting policies.

Changes in ownership interest

Transactions with non-controlling interests that increase or decrease the Group's ownership interest in a subsidiary, but which do not result in a change of control, are accounted for as transactions with equity owners of the Group. An adjustment is made between the carrying amount of the Group's controlling interest and the carrying amount of the non-controlling interests to reflect their relative values in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Australia New Agribusiness & Chemical Group Ltd.

Where the Group loses control of a subsidiary but retains significant influence, joint control, or an available-for-sale investment, the retained interest is remeasured to fair value at the date that control is lost and the difference between fair value and the carrying amount is recognised in profit or loss. This fair value is the initial carrying amount for the retained investment in associate, jointly controlled entity or available-for-sale financial asset. If no ownership interest is retained, or if any remaining investment is classified as available-for-sale, any amounts previously recognised in other comprehensive income in respect of the entity are accounted for as if the Group had directly disposed of the related assets or liabilities and may be recognised in profit or loss. To the extent that the Group retains significant influence or joint control, balances of other comprehensive income relating to the associate or jointly controlled entity will only be reclassified from other comprehensive income to profit or loss to the extent of the reduced ownership interest so that the balance of other comprehensive represents the Group's proportionate share of other comprehensive income of the associate/jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

c) Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 December 2013 the Group's current assets exceeds its current liabilities by \$11,428,940 and the group has commitments due within the next 12 months of \$10,665,701. Net current assets less commitments at 31 December 2013 is \$763,239.

Included in current assets at 31 December 2013 is \$7,452,000 receivable for the disposal of the Group's 49% interest in U&D Mining Industry (Australia) Pty Ltd (U&D). This balance was due to be repaid by 19 March 2014. Subsequent to year end the repayment of this balance has been extended to 19 June 2014. Included in commitments due in the next 12 months is \$8,387,000 due on completion of the acquisition of certain phosphate tenements from Krucible Minerals Ltd. This balance was paid on 16 January 2014.

For the year ended 31 December 2013 the Group did not generate any revenue except for interest income and incidental rental income. It is anticipated that the Apollo Fertiliser Plant will commence production during the first half of 2014.

In forming the view that the Group is a going concern the directors had assumed that:

- The \$7,452,000 receivable from the disposal of U&D will be collected within the next 12 months; and
- The Group will be able to raise capital when required.

Should the above assumptions not eventuate, there exists a material uncertainty regarding the Company's and Group's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. No adjustments have been made to the financial statements relating to the recoverability and classification of the assets and the carrying amounts and classification of liabilities should the director's assumptions not eventuate.

d) Non-current Assets Classified as Held for Sale

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised. Interest expenses continues to be recognised on liabilities of a disposal group classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

d) Non-current Assets Classified as Held for Sale (continued)

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for subsequent increases in fair value less costs to sell of an asset but not exceeding any cumulative impairment losses previously recognised.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in profit or loss.

e) Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Australia New Agribusiness & Chemical Group Ltd's presentation and functional currency.

Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Translation of foreign operations

At the end of the reporting period, the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of the Group at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

f) Revenue recognition

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer. Revenue excludes value added tax or other sales taxes.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Lease Income

Leases of property, plant and equipment, when the Group, as lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term. The aggregate cost of incentives is recognised as a reduction in rental income over the lease term on a straight-line basis.

The respective leased assets are included in the statement of financial position based on their nature.

g) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

g) Income tax (continued)

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

Tax consolidation

Australia New Agribusiness & Chemical Group Ltd and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. The Group notified the Tax Office that it had formed an income tax consolidated group to apply from 1 January 2012.

Australia New Agribusiness & Chemical Group Ltd is the head entity in the tax consolidated group. Each entity in the Group recognises its own current and deferred tax assets and liabilities. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The tax consolidated group has not entered a tax-funding arrangement.

h) Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

i) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

j) Short-term deposits with maturity over three months

Short-term deposits with maturity over three months are excluded from cash and cash equivalents and carried at amortised cost using the effective interest rate method.

k) Trade receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 60 and 90 days.

Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts overdue for a long time. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

l) Inventories

Raw Materials, Work in Progress and Finished Goods

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

m) Financial instruments

Financial assets

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at the end of each reporting period.

Financial assets of the Group are classified in one category as following:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

n) Fair value

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at the end of the reporting period.

The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

o) Property, plant and equipment

Property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

The depreciable amounts of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the assets are held ready for use.

Assets are depreciated over their useful lives as follows:

| | |
|-----------------------------------|------------|
| Machinery & motor vehicles | 8 years |
| Furniture, fittings and equipment | 2-10 years |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

p) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 60 days to 2 years payment terms.

q) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

r) Employee benefit provisions

Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits, and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Other long-term employee benefit obligations

Liabilities for long service leave and annual leave not expected to be settled wholly within 12 months after the end of the reporting period are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

r) Employee benefit provisions (continued)

Bonus

The Group recognises an expense and a liability for bonuses when the entity is contractually obliged to make such payments or where there is past practice that has created a constructive obligation.

s) Contributed equity

Contributions by shareholders are classified as equity. Costs directly attributable to capital raising are shown as a deduction from the equity proceeds.

t) Dividends

Provision is made for dividends declared and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

u) Goods and services tax (GST)

Revenues, expenses of Australian entities are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

v) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

v) Financial guarantee contracts (continued)

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

w) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of Australia New Agribusiness & Chemical Group Ltd, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year. The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

x) Critical accounting estimates & judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of Other Receivables

Included in other receivables is \$7,452,000 representing the outstanding consideration on the disposal of U&D Mining Industry (Australia) Pty Ltd ('U&D'). \$3,800,000 is owed from China Kunlun International Holding Limited and \$3,652,000 is owed from Golden Globe Energy Limited.

Under the terms of a Deed of Amendment signed on 6 December 2013 these amounts were due within 30 days of U&D's successful listing on the ASX, unless extended to a later date as agreed between the parties in writing. U&D listed on 19 February 2014, making the repayment date 19 March 2014. Subsequent to year end the repayment date was extended by three months to 19 June 2014.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

x) Critical accounting estimates & judgements (continued)

Recoverability of Other Receivables (continued)

Should these amounts not be received in accordance with the revised agreement the actual outcome of this transaction may differ from that presented.

y) Accounting standards issued, not yet effective

The following new/amended accounting standards have been issued, but are not mandatory for the year ended 31 December 2013. They have not been adopted in preparing the financial statements for the year ended 31 December 2013 and may impact the Group in the period of initial application. In all cases the Group intends to apply these standards from the mandatory application date as indicated in the table below.

Standards likely to have a financial impact

| AASB reference | Title and Affected Standard(s): | Nature of Change | Application date: | Impact on Initial Application |
|---|---------------------------------|---|--|--|
| AASB 9 (issued December 2009 and amended December 2010) | Financial Instruments | <p>Amends the requirements for classification and measurement of financial assets.</p> <p>The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9. These include the requirements relating to:</p> <ul style="list-style-type: none">• Classification and measurement of financial liabilities; and• Derecognition requirements for financial assets and liabilities. <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p> | Periods beginning on or after 1 January 2017 | Adoption of AASB 9 is only mandatory for the 31 December 2017 year end. The entity has not yet made an assessment of the impact of these amendments. |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies (continued)

y) Accounting standards issued, not yet effective (continued)

Standards likely to have a disclosure impact only

| AASB reference | Title and Affected Standard(s): | Nature of Change | Application date: | Impact on Initial Application |
|------------------------------------|---|--|---|--|
| AASB 2013-9 (issued December 2013) | Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments | Makes three amendments to AASB 9: <ul style="list-style-type: none">• Adding the new hedge accounting requirements into AASB 9• Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2017, and• Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. | Annual reporting periods beginning on or after 1 January 2017 | The application date of AASB 9 has been deferred to 1 January 2017. The entity has not yet made an assessment of the impact of these amendments. |

All other pending standards have no material application to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 2: Segment Reporting

(a) Description of segment

The Group segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the board of directors that make strategic decisions). Operating segments have been determined on the basis of reports reviewed by the board of directors that make strategic decisions. The board of directors monitor the segment performance based on the net profit after tax of the period.

Accordingly, management currently identifies that the Group has only one reportable segment, being manufacturing and sale of compound fertiliser and its by-products to domestic market in Australia. The financial results from this segment are equivalent to the financial statements of the Group for the period ended 31 December 2013.

For the period ended 31 December 2012 the board considered that the Group had the following reportable segments:

Compound Fertiliser Apollo: Manufacturing and sale of compound fertiliser and its by-products to domestic market in Australia

Corporate: Group treasury and head office activities

U&D Mining: Exploration of EPC 818 coal mine to secure the coal supply of the compound fertiliser project. The Group determined that it no longer had control over U & D and accordingly U & D was not considered to be a subsidiary and became an associate prior to 31 December 2012.

Discontinued operation – China Urea Manufacturing: manufacturing and sale of fertiliser and its by-products to domestic customers in P. R. China. This segment was classified as held for sale upon board resolution on 12 September 2011.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 2: Segment Reporting (continued)

(b) Segment information

Segment information provided to the board of directors for the year ended 31 December is as follows:

| 31 December 2012 | U & D Mining | Compound Fertilizer Apollo | Corporate | Total continuing operation | Discontinued operation | Total |
|--|--------------|----------------------------------|------------|----------------------------------|---------------------------|-------------|
| | \$ | \$ | | \$ | \$ | \$ |
| Sales revenue | - | - | - | - | - | - |
| Other revenue | - | - | 931,070 | 931,070 | - | 931,070 |
| Total segment revenue from external customers | - | - | 931,070 | 931,070 | - | 931,070 |
| Depreciation | (3,363) | (3,985) | (3,508) | (10,856) | - | (10,856) |
| Interest revenue | 361,532 | 5,363 | 340,912 | 707,807 | - | 707,807 |
| Interest expense | - | (128,966) | (281) | (129,247) | (543,506) | (672,753) |
| Income tax expense | - | - | (258,233) | (258,233) | (837,967) | (1,096,200) |
| Share of loss of associates accounted for using the equity method | - | - | (12,032) | (12,032) | - | (12,032) |
| Net (loss)/profit after tax | (169,616) | (174,895) | 9,865,312 | 9,520,801 | 1,269,654 | 10,790,455 |
| Total segment assets | - | 13,998,665 | 27,463,300 | 41,461,965 | - | 41,461,965 |
| include: addition to non-current assets | 218,662 | 12,953,137 | 6,771 | 13,178,570 | - | 13,178,570 |
| include: investments in associates accounted for using the equity method | - | - | 12,352,651 | 12,352,651 | - | 12,352,651 |
| Total segment liabilities | - | 372,939 | 9,305,901 | 9,678,840 | - | 9,678,840 |

(c) Entity-wide disclosures

Product and services

The board considers that the Group only has one product type being sold which is fertiliser.

Geographic information

Sales revenue and non-current assets are all located in Australia.

Major customers

No revenue is generated from the sale of fertiliser in 2013 (2012:nil).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | | CONSOLIDATED | |
|--------------------------------|------|------------------|-------------------|
| | Note | 2013 | 2012 |
| | | \$ | \$ |
| Note 3: Revenue | | | |
| <i>Continuing operation</i> | | | |
| Rental income | | 183,063 | 223,263 |
| Interest revenue | | 163,798 | 707,807 |
| | | 346,861 | 931,070 |
| Note 4: Other Income | | | |
| <i>Continuing operation</i> | | | |
| Gain on loss of control | (a) | - | 10,499,677 |
| Gain on disposal of associate | (b) | 8,370,102 | - |
| Sundry income | | 26,008 | 241,027 |
| | | 8,396,110 | 10,740,704 |
| <i>Discontinued operation</i> | | | |
| Gain on disposal of subsidiary | 8 | - | 2,657,151 |
| | | - | 2,657,151 |

a) Gain on reduction of ownership interest in subsidiary

The total gain of \$10,499,677 is related to the disposal of 11% of its ownership in a subsidiary, U&D Mining Industry (Australia) Pty Ltd ('U&D'), during the year ended 31 December 2012. It is the net amount of a loss of \$1,934,461 on the portion sold and a gain of \$12,434,138 attributable to re-measuring the 49% retained interest to its fair value at the date when control is lost. Refer to Note 19 for more information.

b) Gain on disposal of associate

On 13 November 2013 the Group disposed of the remaining 49% of its ownership in an associate, U&D. Refer to Note 19 for more information.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | CONSOLIDATED | |
|--|------------------|-----------------|
| | 2013 | 2012 |
| Note | \$ | \$ |
| Note 5: Expenses | | |
| Profit from continuing operations before income tax includes the following specific expenses: | | |
| Depreciation expense | | |
| Machinery and vehicles | 23,068 | 8,528 |
| Furniture, fittings and equipment | 5,544 | 2,328 |
| | <u>28,612</u> | <u>10,856</u> |
| Employee benefits expense | | |
| Wages and salaries | 1,241,009 | 451,068 |
| Defined contribution superannuation | 91,092 | 39,461 |
| | <u>1,332,101</u> | <u>490,529</u> |
| Finance costs | | |
| Interest expenses | 67,050 | 129,247 |
| Bank fees | 33,431 | 17,268 |
| | <u>100,481</u> | <u>146,515</u> |
| Operating lease expenses – minimum lease payments | <u>421,930</u> | 70,680 |
| Net foreign exchange loss | <u>38,061</u> | - |
| Net loss on disposal of property, plant and equipment | <u>1,299</u> | - |
| Profit from discontinued operations before income tax includes the following specific expenses: | | |
| Finance costs | | |
| Interest expenses | - | 543,506 |
| Bank fees | - | 224 |
| | <u>-</u> | <u>543,730</u> |
| Employee benefits expense | | |
| Wages and salaries | - | 81,942 |
| | <u>-</u> | <u>81,942</u> |
| Reversals of provisions for doubtful debts | <u>-</u> | <u>(76,645)</u> |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | CONSOLIDATED | |
|---|------------------|-----------|
| | 2013 | 2012 |
| | \$ | \$ |
| Note 6: Income Tax Expense | | |
| Major components of income tax expense are: | | |
| <i>Current tax expense</i> | | |
| Current tax expense | 1,186,093 | 1,096,200 |
| Adjustments for previous years | 1,646,908 | - |
| | 2,833,001 | 1,096,200 |
| <i>Deferred tax expense</i> | | |
| Origination and reversal of temporary differences | - | - |
| | - | - |
| Total income tax expense in profit or loss | 2,833,001 | 1,096,200 |
| Income tax expense applicable to: | | |
| -Continuing operations | 3,554,895 | 258,233 |
| -Discontinued operations | (721,894) | 837,967 |
| | 2,833,001 | 1,096,200 |

In 2013, the Group notified the Tax Office that it had formed an income tax consolidated group to apply from 1 January 2012. The income tax benefit recognised for the year ended 31 December 2013 results from an over accrual of tax in the prior period.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | CONSOLIDATED | |
|---|------------------|-------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Note 6: Income Tax Expense (continued) | | |
| Reconciliation | | |
| Profit from continuing operations before income tax expense | 3,897,487 | 9,779,034 |
| Profit from discontinued operations before income tax expense | - | 2,107,621 |
| Accounting profit before income tax | 3,897,487 | 11,886,655 |
| Tax at the Australian tax rate of 30% (2012: 30%) | 1,169,246 | 3,565,997 |
| Non-deductible expenses: | | |
| - entertainment | 3,704 | 356 |
| - other non-deductible expenses | 13,143 | 8,646 |
| Accrued interest income | - | (15,357) |
| Disposal of subsidiary | - | 40,822 |
| Deregistration of subsidiary | - | (2,700,000) |
| Loss of control of subsidiary | - | 269,696 |
| Deferred tax assets not recognized for tax losses | - | 52,430 |
| Deferred tax assets not recognized for subsidiaries disposed | - | 187,949 |
| Utilisation of previously unrecognised tax losses | - | (341,816) |
| Difference in overseas tax rate | - | 27,477 |
| (Over)/ under provision in prior years | 1,646,908 | - |
| Income tax expense | 2,833,001 | 1,096,200 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

| | CONSOLIDATED | |
|--|---------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Note 6: Income Tax Expense (continued) | | |
| Recognised deferred tax assets | | |
| (i) Unused tax losses | - | - |
| (ii) Deductible temporary differences | 5,943 | 15,357 |
| | 5,943 | 15,357 |
| Recognised deferred tax liabilities | | |
| Assessable temporary differences | 5,943 | 15,357 |
| | 5,943 | 15,357 |
| Net deferred tax recognised | - | - |
| Unrecognised temporary differences and tax losses | | |
| Unused tax losses and temporary differences for which no deferred tax asset has been recognised | - | 178,439 |
| Potential tax benefit @ 30% | - | 53,532 |

In 2012 the unused tax losses of \$178,439 represent the tax losses incurred by Australian entities. There is no expiry date on the future deductibility of these unused tax losses.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | CONSOLIDATED | |
|--|--------------------|-------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Note 7: Earnings per share | | |
| (a) Basic earnings per share | | |
| Profit attributable to owners of Australia New Agribusiness & Chemical Group Ltd used to calculate basic earnings per share: | | |
| Profit from continuing operations | 342,592 | 9,588,649 |
| Profit from discontinued operations | 721,894 | 1,269,654 |
| | 1,064,486 | 10,858,303 |
| (b) Diluted earnings per share | | |
| Profit attributable to owners of Australia New Agribusiness & Chemical Group Ltd used to calculate diluted earnings per share: | | |
| Profit from continuing operations | 342,592 | 9,588,649 |
| Profit from discontinued operations | 721,894 | 1,269,654 |
| | 1,064,486 | 10,858,303 |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 211,115,355 | 186,617,735 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | 211,115,355 | 186,617,735 |

Diluted earnings per share are equal to basic earnings per share as the Group has not issued any dilutive instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 8: Discontinued operation

Discontinued operation

On 12 September 2011 the board of directors of Australia New Agribusiness & Chemical Group Ltd resolved to sell its Urea Manufacturing business (Henan Datong Chemical Co., Limited (Henan Datong) and Zhengzhou Jinyitong Scientific & Technology Development Co., Limited (Jinyitong)) in P. R. China. The Urea Manufacturing business was reported as a discontinued operation in 2011 financial year. Henan Datong and Jinyitong were disposed of effective 26 June 2012.

Financial information relating to the discontinued operations from 1 January 2012 to 26 June 2012 (date of disposal) is set out below. Further information is set out in Note 2 - Segment Information.

| | 2013 | For period ended 26 June 2012 |
|---|----------------|-------------------------------------|
| Note | \$ | \$ |
| Revenue and other income | - | - |
| Expenses | - | (549,530) |
| | - | (549,530) |
| Loss before tax | - | (549,530) |
| Income tax expense | - | - |
| Net loss attributable to discontinued operations | - | (549,530) |
| Gain on disposal of operation including a cumulative exchange loss of \$1,303,220 reclassified from foreign currency translation reserve to profit and loss | - | 2,657,151 |
| Income tax benefit/(expense) | 721,894 | (837,967) |
| Gain on disposal of discontinued operation after income tax | 721,894 | 1,819,184 |
| Profit from discontinued operation | 721,894 | 1,269,654 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 8: Discontinued operation (continued)

Cash flow information for 1 January 2012 to 26 June 2012:

| | For period ended 26 June 2012 |
|---|--|
| | \$ |
| Net cash inflow from operating activities | 55,433 |
| Net cash inflow from investing activities | 4,690,661 |
| Net cash outflow from financing activities | <u>(4,751,977)</u> |
| | |
| Net decrease in cash generated by discontinued operations | <u>(5,883)</u> |

Information relating to the financial position of the discontinued operations on disposal date (26 June 2012) is as follows:

| | As at 26 June 2012 |
|---|-------------------------------|
| | \$ |
| Cash and cash equivalents | 16,502 |
| Trade and other receivables | 205,394 |
| Inventories | 1,342,076 |
| Property, plant and equipment | 26,671,734 |
| Lease prepayments | 416,568 |
| Long term receivables | <u>1,564,154</u> |
| | |
| TOTAL ASSETS CLASSIFIED AS HELD FOR SALE | <u><u>30,216,428</u></u> |
| | |
| Trade and other payables | 6,224,813 |
| Current financial liabilities | 11,351,722 |
| Current tax liabilities | 51,416 |
| Other liabilities | 2,714,405 |
| Non-current financial liabilities | <u>3,034,443</u> |
| TOTAL LIABILITIES | <u><u>23,376,799</u></u> |
| | |
| NET ASSETS | <u><u>6,839,629</u></u> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 8: Discontinued operation (continued)

The gain on sale of the discontinued operations has been calculated as follows:

| | CONSOLIDATED 2012 |
|---|------------------------------|
| | \$ |
| Consideration received | 10,800,000 |
| Carrying amount of net assets sold | (6,839,629) |
| Cumulative exchange loss in foreign currency translation reserve reclassified from equity to profit and loss on disposal of subsidiary | (1,303,220) |
| Gain on sale before income tax | <u>2,657,151</u> |
| Income tax expense | <u>(837,967)</u> |
| Gain on sale after income tax | <u><u>1,819,184</u></u> |

Net cash inflow on disposal of discontinued operations

| | CONSOLIDATED 2012 |
|---|------------------------------|
| | \$ |
| Consideration received in cash and cash equivalents | 10,800,000 |
| Less: cash and cash equivalent balances disposed of | (16,502) |
| | <u><u>10,783,498</u></u> |

Note 9: Auditor's Remuneration

During the year the following fees were paid or payable for services provided by BDO:

| | CONSOLIDATED | |
|--|-----------------------|-----------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Audit services | | |
| <i>BDO Audit Pty Ltd</i> | | |
| Audit and review of financial statements | <u>83,700</u> | <u>83,439</u> |
| Taxation services | | |
| <i>BDO (QLD) Pty Ltd</i> | | |
| Tax services | <u>75,590</u> | <u>22,000</u> |
| Total remuneration of BDO | <u><u>159,290</u></u> | <u><u>105,439</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 10: Dividends

No dividend for the full year ended 31 December 2013 has been declared or paid to shareholders by the Group (2012: nil). The balance of the franking account is \$3,881,063 (2012: \$1,096,200).

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The amount shown above includes franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

CONSOLIDATED

| 2013 | 2012 |
|------|------|
| \$ | \$ |

Note 11: Cash and Cash Equivalents

| | | |
|---------------------------|-------------------|-------------------|
| Cash on hand | 5,156 | 922 |
| Cash at bank | 10,854,208 | 1,248,684 |
| Cash equivalent | - | 13,600,000 |
| Cash and cash equivalents | 10,859,364 | 14,849,606 |

Cash on hand is non-interest bearing. Cash at bank bears a floating interest rate from 0% to 3.65% (2012: 0%-4.35%). Cash equivalent represents two months term deposits with the Commonwealth Bank of Australia and bears fixed interest rates from 4.5% to 4.6%.

Concentration of risk by banks

| | | |
|---|-------------------|-------------------|
| Commonwealth Bank – S&P Rating of A-1+ (2012: A-1+) | 677,474 | 13,871,030 |
| ANZ Bank – S&P Rating of A-1+ (2012: A-1+) | 97,928 | 761,514 |
| Bank of China – S&P Rating of A-1 (2012: A-1) | 49,772 | 216,140 |
| China Construction Bank – S&P Rating of A-1 | 10,029,034 | - |
| | 10,854,208 | 14,848,684 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | CONSOLIDATED | |
|--|-------------------|-------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Note 11: Cash and Cash Equivalents (continued) | | |
| <i>Reconciliation for the consolidated statement of cash flows</i> | | |
| Cash and cash equivalents at end of year representing | | |
| Continuing operations | 10,859,364 | 14,849,606 |
| | 10,859,364 | 14,849,606 |

Note 12: Other Financial Assets

| | | |
|---|---------|-----------|
| Short-term deposits with maturity over three months | 413,642 | 1,016,897 |
|---|---------|-----------|

As at 31 December 2013 the short-term deposits of \$413,642 are pledged to obtain corporate credit cards of Australia New Agribusiness & Chemical Group Ltd and bear fixed interest rates from 2.50% to 3.10% (2012: 4.26% - 4.30%).

As to 31 December 2012, the short-term deposit with maturity over three months of \$616,897 represents a terms deposit with a fixed interest rate at 3%. The remaining Short-term deposits are pledged to obtain corporate credit cards of the group and bear fixed interest rates from 4.26% to 4.30%.

Concentration of risk by banks

| | | |
|--|----------------|------------------|
| Commonwealth Bank – S&P Rating of A-1+ (2012:A-1+) | 3,390 | 816,897 |
| ANZ Bank – S&P Rating of A-1+ (2012: AA-1+) | 410,252 | 200,000 |
| | 413,642 | 1,016,897 |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | | CONSOLIDATED | |
|---|------|--------------|--------|
| | Note | 2013 | 2012 |
| | | \$ | \$ |
| Note 13: Trade and other receivables | | | |
| Current | | | |
| Other receivables | (a) | 7,487,140 | 54,391 |
| Loan to third party | (b) | 1,000,000 | - |
| | | 8,487,140 | 54,391 |
| Total trade and other receivables | | 8,487,140 | 54,391 |

(a) Other receivables

Included in other receivables is \$7,452,000 being the outstanding consideration on the disposal of U&D. Refer to note 19 for more information.

(b) Loan to third party

Loan receivable from third party is unsecured and bears interest at 5.00% to U&D Mining Industry (Australia) Pty Ltd. The loan was repaid on 19 February 2014.

Concentration of credit risk of other receivables and loan to third party

| | | |
|--|-----------|---|
| China Kunlun International Holding Limited | 3,800,000 | - |
| Golden Globe Energy Limited | 3,652,000 | - |
| U&D Mining Industry (Australia) Pty Ltd | 1,000,000 | - |
| Other | 35,140 | - |
| | 8,487,140 | - |

All other receivables are neither past due nor impaired. It is expected that these amounts will be received when due.

Note 14: Inventories

Current

| | | |
|---------------|-----------|---|
| Raw materials | 2,613,924 | - |
| | 2,613,924 | - |

Note 15: Other Assets

Current

| | | |
|-------------------------|---------|---------|
| Prepayment to suppliers | 91,503 | - |
| Other assets | 659,711 | 212,505 |
| | 751,214 | 212,505 |

Non-current

| | | | |
|--------------|-----|-----------|---|
| Deposit paid | (a) | 4,924,021 | - |
|--------------|-----|-----------|---|

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 15: Other Assets (continued)

- (a) Included in deposit paid is \$4,614,021 which represents a deposit in relation to the acquisition of the Krucible tenements. The remaining balance of \$310,000 is a deposit paid for the purchase of plant and equipment. Refer to note 29 for further details.

Note 16: Property, Plant and Equipment

| | CONSOLIDATED | |
|-------------------------------------|--------------|------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Land | | |
| At cost | 5,121,293 | 5,121,293 |
| Machinery and vehicles | | |
| At cost | 320,626 | 108,227 |
| Accumulated depreciation | (25,327) | (10,188) |
| | 295,299 | 98,039 |
| Furniture, fittings and equipment | | |
| At cost | 82,364 | 17,159 |
| Accumulated depreciation | (6,211) | (665) |
| | 76,153 | 16,494 |
| Capital works in progress at cost | 9,629,004 | 7,740,089 |
| Total property, plant and equipment | | |
| At cost | 15,153,287 | 12,986,768 |
| Accumulated depreciation | (31,538) | (10,853) |
| | 15,121,749 | 12,975,915 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 16: Property, Plant and Equipment (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year is as follows:

| Consolidated | Land | Machinery and vehicles | Furniture, fittings and equipment | Capital works in progress | Total |
|---|------------------|---------------------------|---|---------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 1 January 2012 | - | 19,869 | 3,633 | - | 23,502 |
| Additions | 5,121,293 | 265,880 | 51,308 | 7,740,089 | 13,178,570 |
| Depreciation expense | - | (8,528) | (2,328) | - | (10,856) |
| Assets derecognised due to loss of control of subsidiary | - | (179,182) | (36,119) | - | (215,301) |
| 31 December 2012 | 5,121,293 | 98,039 | 16,494 | 7,740,089 | 12,975,915 |
| Additions | - | 235,627 | 65,203 | 1,888,915 | 2,189,745 |
| Depreciation expense | - | (23,068) | (5,544) | - | (28,612) |
| Disposals | - | (15,299) | - | - | (15,299) |
| 31 December 2013 | 5,121,293 | 295,299 | 76,153 | 9,629,004 | 15,121,749 |

Note 17: Other Financial Assets

Non-current

| | | |
|--------------------|------------------|---|
| Guarantee deposits | 1,372,901 | - |
|--------------------|------------------|---|

Guarantee deposits represent bank deposits to secure the bank guarantees provided for the office rental, warehouse rental and the gas connection, which bear fixed interest rates from 3.10% to 3.75%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 18: Subsidiaries

Interests in subsidiaries

Information relating to the group's interests in principal subsidiaries at 31 December 2013 is set out below.

| Name of entity | Country of incorporation | Ownership interest held by group * | |
|--|--------------------------|------------------------------------|------|
| | | 2013 | 2012 |
| | | % | % |
| Apollo Fertiliser Queensland Pty Ltd | Australia | 100 | 100 |
| Australia Mercury Glass Pty Ltd** | Australia | 100 | - |
| Australia Venus Phosphate Fertiliser Pty Ltd** | Australia | 100 | - |

* The proportion of ownership interest is equal to the proportion of voting power held.

**These companies were incorporated by Australia New Agribusiness & Chemical Group Ltd during 2013.

Note 19: Investments in associates

Set out below are details of an associate of the Group held during the year ended 31 December 2013 which, in the opinion of the directors, is material to the Group. The entity listed below has share capital consisting solely of ordinary shares, which were partly held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

a) Interests in associate

| Name of entity | Country of incorporation | Ownership interest held by group | | Consolidated Carrying Value | |
|---|--------------------------|----------------------------------|------|-----------------------------|------------|
| | | 2013 | 2012 | 2013 | 2012 |
| | | % | % | \$ | \$ |
| U&D Mining Industry (Australia) Pty Ltd | Australia | - | 49 | - | 12,352,651 |

U&D Mining Industry (Australia) Pty Ltd ('U&D') engages in the acquisition, exploration, development and operation of coal mines and to supply coal product into the seaborne coal market.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 19: Investments in associates (continued)

b) Movements in carrying amounts

| | Note | CONSOLIDATED | |
|--|-------|--------------|------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| Carrying amount at the beginning of the financial year | | 12,352,651 | - |
| Additions | | 10,952,941 | 12,364,683 |
| Share of loss after income tax | 19 d) | (2,223,694) | (12,032) |
| Disposals | 19 c) | (21,081,898) | - |
| Carrying amount at the end of the financial year | | - | 12,352,651 |

c) Disposal of interests in associate

On 3 December 2012 the Group disposed of 11% of its ownership interest in U&D. The Group retained 49% interest, and from the date of selling the 11% interest, considered U&D as an associate due to the loss of the control over U&D.

On 13 November 2013 the Group disposed of its remaining 49% interest to two third parties for proceeds of \$29,452,000.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 19: Investments in associates (continued)

c) Disposal of interests in associate (continued)

The financial information in relation to those disposals is set out as below.

i) *The gain on sale of the Group ownership interest in U&D and loss of control has been calculated as follows:*

| | CONSOLIDATED | |
|--|---------------------|---------------------|
| | 2013 | 2012 |
| | <i>Disposal of</i> | <i>Disposal of</i> |
| | <i>49% interest</i> | <i>11% interest</i> |
| | \$ | \$ |
| Fair value of cash consideration received | 22,000,000 | 14,190,000 |
| Fair value of cash consideration to be received* | 7,452,000 | - |
| Fair value of retained investment | - | 12,364,683 |
| | 29,452,000 | 26,554,683 |
| | | |
| Add: Carrying value of former subsidiary's net deficiency | - | 141,745 |
| Less: Carrying value of the non-controlling interest | - | (56,698) |
| Less: Carrying value of receivable from subsidiary | - | (16,140,053) |
| Less: Carrying value of investment on the date of loss of significant influence | (21,081,898) | - |
| | | |
| Gain on interest sold or gain on interest sold and retained investment before income tax | 8,370,102 | 10,499,677 |
| | | |
| Income tax expense (net of tax losses utilised) | (2,511,031) | (3,419,599) |
| | | |
| Gain on interest sold or gain on interest sold and retained investment after income tax | 5,859,071 | 7,080,078 |

* Subsequent to year end the Group agreed to extend the repayment term of the remaining balance of \$7.452 million due from the disposal of U & D Mining Industry Pty Ltd from 19 March 2014 to 19 June 2014.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 19: Investments in associates (continued)

c) Disposal of interests in associate (continued)

ii) Net cash flow on disposal of U&D

| | CONSOLIDATED | |
|---|-------------------------------------|-------------------------------------|
| | 2013 | 2012 |
| | <i>Disposal of 49% interest</i> | <i>Disposal of 11% interest</i> |
| | \$ | \$ |
| Consideration received in cash and cash equivalents | 22,000,000 | 14,190,000 |
| Less: cash and cash equivalent balances disposed of | - | (13,650,300) |
| | 22,000,000 | 539,700 |

The carrying amounts of assets and liabilities as at the date of sale, of its 11% interest (03 December 2012) were:

| | 03 December 2012 |
|---|---------------------|
| | \$ |
| Cash and cash equivalents | 13,650,350 |
| Short-term deposits with maturity over three months | 1,700,000 |
| Trade and other receivables | 7,823,136 |
| Property, plant and equipment | 215,299 |
| Exploration & evaluation assets | 25,406,752 |
| Total assets | 48,795,487 |
| Trade and other creditors | 161,440 |
| Borrowings | 48,775,792 |
| Total liabilities | 48,937,232 |
| Net assets/ (deficiency) | (141,745) |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 19: Investments in associates (continued)

d) Summarised other financial information of associate

The table below includes summarised financial information of U&D and not Australia New Agribusiness & Chemical Group Ltd's share of those amounts. They have been amended to reflect adjustments made by the parent entity when using the equity method, such as fair value adjustments at acquisition and adjustments for differences in accounting policies.

Summarised statement of financial position

| | 13 November 2013 \$ | 31 December 2012 \$ | 03 December 2012 \$ |
|---------------------------------|---------------------------|---------------------------|---------------------------|
| Current assets | 56,893,435 | 18,013,846 | 23,173,486 |
| Non-current assets | 110,363,062 | 25,622,051 | 25,622,051 |
| Total assets | 167,256,497 | 43,635,897 | 48,795,487 |
| Current liabilities | 124,389,921 | 18,426,405 | 48,937,232 |
| Total liabilities | 124,389,921 | 18,426,405 | 48,937,232 |
| Net assets/ (deficiency) | 42,866,576 | 25,209,492 | (141,745) |

Reconciliation of net assets to carrying amount

| | 13 November 2013 \$ | 31 December 2012 \$ |
|--------------------------|---------------------------|---------------------------|
| Closing net assets | 42,866,576 | 25,209,492 |
| Group's share % | 49% | 49% |
| Group's share \$ | 21,081,898 | 12,352,651 |
| Disposal of 49% interest | (21,081,898) | - |
| Carrying amount | - | 12,352,651 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 19: Investments in associates (continued)

d) Summarised other financial information of associate (continued)

Summarised statement of profit or loss and other comprehensive income

| | 1 January - 13 November 2013 | 3 December- 31 December 2012 |
|--|------------------------------------|------------------------------------|
| Revenue | 904,787 | - |
| Loss from continuing operations | (4,538,150) | (24,555) |
| Loss from discontinued operations (net of tax) | - | - |
| Loss for the period | (4,538,150) | (24,555) |
| Other comprehensive income | - | - |
| Total comprehensive income | (4,538,150) | (24,555) |

Group's share of:

| | | |
|-----------------------------------|--------------------|-----------------|
| Loss from continuing operations | (2,223,694) | (12,032) |
| Total comprehensive income | (2,223,694) | (12,032) |

There are no commitments, contingent liabilities or contingent assets as at 31 December 2013 (2012: Nil).

CONSOLIDATED

| 2013 | 2012 |
|------|------|
| \$ | \$ |

Note 20: Trade and Other Payables

Current

| | | |
|--|------------------|------------------|
| Other payables and accruals | 846,466 | 763,345 |
| Other payables - U&D Mining Industry (Australia) Pty Ltd | 5,000,000 | - |
| Related party payables | 1,205,422 | 7,819,295 |
| | 7,051,888 | 8,582,640 |

Note 21: Borrowings

Current

Unsecured

| | | |
|-----------------------|----------------|----------|
| Loan from third party | 700,000 | - |
| | 700,000 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Loan from third party is due on 27 September 2014. It bears interest at a fixed rate of 2.5%.

Note 22: Contributed Equity

a) Share capital

| | CONSOLIDATED | | | |
|----------------------------|--------------------|-------------------|-------------|------------|
| | 2013 | | 2012 | |
| | Shares | \$ | Shares | \$ |
| Ordinary shares fully paid | 211,115,355 | 36,615,244 | 211,115,355 | 36,615,244 |

b) Movements in ordinary share capital

| Date | Details | Notes | Number of shares | Issue price | \$ |
|------------------|--|-------|---------------------|-------------|------------|
| 1 January 2012 | Opening Balance | | 183,696,000 | | 28,115,244 |
| 22 November 2012 | New shares issued resulting from conversion of notes | (i) | 27,419,355 | \$0.31 | 8,500,000 |
| 31 December 2012 | Balance | | 211,115,355 | | 36,615,244 |
| 31 December 2013 | Closing balance | | 211,115,355 | | 36,615,244 |

- (i) New shares issued was a result of the conversion of notes on 22 November 2012 at a conversion price of \$0.31 per share. The conversion price was determined by average share closing price on ASX within 30 business trading days immediately before the conversion date. After conversion, there is a 6-months escrow period on the converted shares.

Ordinary shares

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

c) Capital risk management

The Group considers its capital to comprise the equity, as shown in the statement of financial position, plus borrowings net of cash and cash deposits. The Group is not subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 22: Contributed Equity (continued)

c) Capital risk management (continued)

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its owners through capital growth. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

It is the Group's policy to maintain a gearing level of 30% - 50% under normal operating conditions. The net debt and total equity are shown as below:

| | CONSOLIDATED | |
|--------------|---------------------|-------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Net Debt | - | - |
| Total equity | 32,847,611 | 31,783,125 |

During the financial year 2013 and 2012, the Group made gain on the disposal of its ownership interest in associate and subsidiaries and still remained in a net cash position. The funds will be used for the Apollo Fertiliser project and investing in other opportunities.

There have been no significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

Note 23: Financial Risk Management

(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 23: Financial Risk Management (continued)

Activities undertaken by the Group may expose the Group to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to its finance team, for designing and operating processes that ensure the effective implementation of the objectives and policies of the Group. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

As at 31 December 2013, the Group held the following financial instruments:

| | | CONSOLIDATED | |
|---|------|-------------------|------------|
| | Note | 2013 | 2012 |
| | | \$ | \$ |
| <i>Current</i> | | | |
| Cash and cash equivalent | 11 | 10,859,364 | 14,849,606 |
| Short-term deposits with maturity over 3 months | 12 | 413,642 | 1,016,897 |
| Trade and other receivables | 13 | 8,487,140 | 54,391 |
| <i>Non-current</i> | | | |
| Guarantee deposits | 17 | 1,372,901 | - |
| | | 21,133,047 | 15,920,894 |
| <i>Current</i> | | | |
| Trade and other payables | 20 | 7,051,888 | 8,582,640 |
| Borrowings | 21 | 700,000 | - |
| | | 7,751,888 | 8,582,640 |

The fair value of these current financial instruments is assumed to approximate their carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 23: Financial Risk Management (continued)

(b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

To mitigate the credit risk associated with cash and cash equivalents and term deposits with maturity over three months, cash and term deposits are only deposited with reputable financial institutions. Management considers the credit risk in respect of cash and bank deposits with financial institutions is relatively minimal as each counter party bears a high credit rating .

The maximum exposure of the Group to credit risk at the end of the reporting period is as below:

| | CONSOLIDATED | |
|---|---------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| <i>Current</i> | | |
| Cash and cash equivalents | 10,859,364 | 14,849,606 |
| Short-term deposits with maturity over 3 months | 413,642 | 1,016,897 |
| Trade and other receivables | 8,487,140 | 54,391 |
| <i>Non-current</i> | | |
| Guarantee deposits | 1,372,901 | - |
| Total | 21,133,047 | 15,920,894 |

The maximum exposure to credit risk at the end of the reporting period in relation to each class of financial asset is the carrying amount of those assets, which is net of impairment losses. Refer to the summary of financial instruments table above for the total carrying amount of financial assets.

Refer to Note 11, 12 and 13 for concentration of credit risks for cash and cash equivalent and short-term deposits with maturity over three months and trade and other receivables.

(c) Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments.

Prudent liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of committed credit facilities. Flexibility in funding is maintained by keeping committed credit lines available.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 23: Financial Risk Management (continued)

(c) Liquidity Risk (continued)

Financing arrangements

No financial arrangement is in place as at 31 December 2013 (2012: Nil).

Maturity Analysis

The table below summarises the maturity profile of the Group's financial liabilities based on contractual commitments.

| | Note | Carrying Amount \$ | Contractual Cash flows \$ | < 6 months \$ | 6- 12 months \$ |
|-----------------------------|------|--------------------------|---------------------------------|------------------|-----------------------|
| 31 December 2013 | | | | | |
| Non-derivatives | | | | | |
| Non-interest bearing | 20 | 7,051,888 | 7,051,888 | 7,051,888 | - |
| Interest bearing borrowings | 21 | 700,000 | 717,500 | - | 717,500 |
| | | 7,751,888 | 7,769,388 | 7,051,888 | 717,500 |
| 31 December 2012 | | | | | |
| Non-derivatives | | | | | |
| Non-interest bearing | 20 | 8,582,640 | 8,582,640 | 8,582,640 | - |
| | | 8,582,640 | 8,582,640 | 8,582,640 | - |

(d) Market risk

(i) Interest rate risk

Interest risk arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

The Group's exposure to cash flow interest relates primarily to cash at bank of the Group which bears floating rates. The Group does not have significant exposure to fair value interest rate risk as all the Group's borrowings are not designated as financial liabilities at fair value through profit and loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 23: Financial Risk Management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

It is the Group's policy to eliminate interest rate risk over the cash flows on its short-term debt finance through the use of fixed rate instruments for 12 months. The Group monitors its interest rate exposure continuously. The Group also considers, on a continuous basis, alternative financing opportunities and renewal of existing positions.

The Group's exposure to interest rate risk and the effective weighted average interest rate, by maturity periods, is set out in the tables below:

| | Weighted average interest rate | Floating rates | Fixed rates < 1 year | Non-interest bearing | Total |
|--|--------------------------------------|-------------------|-------------------------|-------------------------|-------------|
| | | \$ | \$ | \$ | \$ |
| 31 December 2013 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalent | 2.49% | 10,854,208 | - | 5,156 | 10,859,364 |
| Short-term deposits with maturity over 3 months | 2.79% | - | 413,642 | - | 413,642 |
| Trade and other receivables | 5.00% | - | 1,000,000 | 7,487,140 | 8,487,140 |
| Guarantee deposits | 3.39% | - | 1,372,901 | - | 1,372,901 |
| Financial Liabilities | | | | | |
| Trade and other payables | | - | - | (7,051,888) | (7,051,888) |
| Borrowings | 2.50% | - | (700,000) | - | (700,000) |
| | | 10,854,208 | 2,086,543 | 440,408 | 13,381,159 |
| 31 December 2012 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalent | 4.44% | 1,248,684 | 13,600,000 | 922 | 14,849,606 |
| Short-term deposits with maturity over 3 months | 3.50% | - | 1,016,897 | - | 1,016,897 |
| Trade and other receivables | | - | - | 54,391 | 54,391 |
| Financial Liabilities | | | | | |
| Trade and other payables | | - | - | (8,582,640) | (8,582,640) |
| | | 1,248,684 | 14,616,897 | (8,527,327) | 7,338,254 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 23: Financial Risk Management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate financial assets and financial liabilities).

| | CONSOLIDATED | | | |
|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2013 | | 2012 | |
| | +0.04% (4 basis points) | -0.04% (4 basis points) | +0.04% (4 basis points) | -0.04% (4 basis points) |
| | \$ | \$ | \$ | \$ |
| Cash at bank | 4,342 | (4,342) | 499 | (499) |
| Tax charge at 30% (2012: 30%) | (1,303) | 1,303 | (150) | 150 |
| After tax increase / (decrease) | 3,039 | (3,039) | 349 | (349) |

Significant assumptions used in interest rate exposure sensitivity analysis:

(i) Reasonable possible movements in interest rates were determined based on the current levels of debt, relationships with financial institutions and economic forecaster's expectations

(ii) The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Note 24: Key Management Personnel Disclosures

| | CONSOLIDATED | |
|------------------------------|----------------|----------------|
| | 2013 | 2012 |
| | \$ | \$ |
| (a) Compensation | | |
| Short-term employee benefits | 340,194 | 241,334 |
| Post-employment benefits | 12,751 | 6,750 |
| | 352,945 | 248,084 |

Further information regarding the identity of key management personnel and their compensation can be found in Audited Remuneration Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 24: Key Management Personnel Disclosures (continued)

c) Equity instruments

Shareholdings

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

| Name | Balance at 1 January 2013 | Received on conversion of notes | Share split | Other changes | Balance at 31 December 2013 |
|--------------|---------------------------------|---------------------------------------|-------------|---------------|-----------------------------------|
| Yinan Zhang | 54,048,003 | - | - | (48,000) | 54,000,003 |
| Jun Xiao | 49,019,354 | - | - | - | 49,019,354 |
| Total | 103,607,357 | - | - | (48,000) | 103,019,357 |

| Name | Balance at 1 January 2012 | Received on conversion of notes | Share split | Other changes | Balance at 31 December 2012 |
|---------------|---------------------------------|---------------------------------------|-------------|------------------|-----------------------------------|
| Zeng Li | 25,919,997 | - | - | (25,919,997)(ii) | - |
| Yinan Zhang | 36,768,003 | - | - | 17,280,000(i) | 54,048,003 |
| Zoe Yan Zhang | 72,000 | - | - | (72,000)(ii) | - |
| Jun Xiao(iii) | - | 27,419,355 | - | 21,599,999(iii) | 49,019,354 |
| Total | 62,760,000 | 27,419,355 | - | 13,428,224 | 103,607,357 |

No other key management personnel held the Group's equity instruments.

- (i) During the year ended 31 December 2012 Mr Yinan Zhang increased his shareholding in two companies that hold shares in Australia New Agribusiness & Chemical Group Ltd increasing his shareholding in Australia New Agribusiness & Chemical Group Ltd by 17,280,000 shares.
- (ii) Mr Zeng Li resigned as a director on 31 May 2012. Zoe Yan Zhang resigned as a director on 2 July 2012.
- (iii) Mr Jun Xiao is a director of Flash Lighting Company Limited (Flash Lighting), and holds the shares received in 2012 through Flash Lighting. 27,419,355 shares were issued to Flash Lighting as a result of notes conversion. Refer to note 22 (b) for more information.

Mr Jun Xiao holds a 50% interest in a company that entitles him to 21,599,999 shares in Australia New Agribusiness & Chemical Group Ltd .

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | CONSOLIDATED | |
|--|------------------|--------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Note 24: Key Management Personnel Disclosures (continued) | | |
| Option holdings | | |
| Australia New Agribusiness & Chemical Group Ltd has no outstanding options on issue. | | |
| d) Aggregate loans from KMP to the Group | | |
| Balance at beginning of the year | (2,819,295) | (1,718,388) |
| Loans from KMP to the Group | - | (4,051,002) |
| Repayment | 1,847,600 | 2,950,095 |
| Effect of movement in foreign exchange | - | - |
| Balance at end of year | <u>(971,695)</u> | <u>(2,819,295)</u> |
| Representing: | | |
| -Continuing operations | (971,695) | (2,819,295) |
| -Discontinued operations | - | - |
| | <u>(971,695)</u> | <u>(2,819,295)</u> |
| d) Aggregate advances from the Group to KMP | | |
| Balance at beginning of the year | - | 582 |
| Loans to KMP | - | - |
| Repayment | - | - |
| Loans transferred out due to lose control of subsidiaries | - | (582) |
| Effect of movement in foreign exchange | - | - |
| Balance at end of year | <u>-</u> | <u>-</u> |

As at 31 December 2011 the advance was unsecured and interest free to one KMP from the discontinued operation, which was for the purpose of corporate operating expenses.

e) Other transactions with KMP

Accounting and tax services

A former director, Mrs Zoe Zhang, provided accounting and tax services to the parent entity and Australian Golden Star International Pty Ltd, one of the Australian subsidiaries. There was no service agreement entered with those entities and the fees are charged based on the time spent on providing the services.

As at 31 December 2012, amount of \$8,000 (excluding GST) services fee was incurred and paid during 2012 financial year. No services fee was paid in 2013.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 25: Related Party Transactions

(a) Subsidiaries and associate

Interests in subsidiaries and associate are disclosed in note 18 and note 19.

(b) Transactions with related parties other than key management personnel

Purchases of goods from related parties

| | CONSOLIDATED | |
|---|--------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Balance at beginning of the year | - | 1,185,000 |
| Prepayments made to other related parties | - | - |
| Goods received from related parties | - | (1,185,000) |
| Balance at end of year | - | - |

On 15 November 2011, Apollo Fertiliser Queensland Pty Ltd entered into an equipment acquisition agreement for its compound fertilizer project with a related party, Zhengzhou Luoyang Glass Import and Export Company Limited ("Luoyang Glass"). The equipment was received during the year ended 31 December 2012.

Acquisition of property, plant and equipment from other related parties

During the financial year 2012 Apollo Fertiliser Queensland Pty Ltd acquired \$3,555,000 of property, plant and equipment from Luoyang Glass. This includes the \$1,185,000 in relation to the prepayment noted above. The remaining \$2,370,000 was paid, and the property plant and equipment received, during the 2012 year.

During the financial year 2012 the Group also acquired \$125,100 of property, plant and equipment from another related party. There is no outstanding payment as at 31 December 2012 in relation to the purchases.

No such kind of transaction incurred in 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 25: Related Party Transactions (continued)

(c) Loans from other related parties

| | Note | CONSOLIDATED | |
|--|------|------------------|------------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| Balance at beginning of the year | | (233,727) | (9,519,466) |
| Loans advanced | | - | (3,064,645) |
| Repayments made to other related parties | | - | 3,114,645 |
| Loan transferred out | (i) | - | 9,235,739 |
| Balance at end of year | | <u>(233,727)</u> | <u>(233,727)</u> |

(i) Loans transferred out

| | CONSOLIDATED | |
|---|--------------|-----------|
| | 2013 | 2012 |
| | \$ | \$ |
| Loans transferred out due to lose of control of subsidiaries* | - | 9,235,739 |

*This amount is due to a related party, Flash Lighting Company Limited, by U&D Mining Industry (Australia) Pty Ltd. Following the loss control of U&D Mining Industry (Australia) Pty Ltd, U&D Mining Industry (Australia) Pty Ltd is accounted for as an Associate. Therefore, it is transferred out from the disclosure of loan from other related parties.

All loans from other related parties are interest free, unsecured and are payable on demand. All loans from other related parties are with continuing operation in Australia.

(d) Loans from associates

| | CONSOLIDATED | |
|---|--------------|--------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Balance at beginning of the year | (5,000,000) | - |
| Loans transferred in due to lose of control of subsidiaries (a) | - | (5,000,000) |
| Loans transferred out due to lose of significant influence of associate | 5,000,000 | - |
| Balance at end of year | <u>-</u> | <u>(5,000,000)</u> |

(a) In 2012 on loss of control of U&D Mining Industry (Australia) Pty Ltd there was a \$5,000,000 loan between Australia New Agribusiness & Chemical Group Ltd and U&D Mining Industry (Australia) Pty Ltd. Following the loss of control U&D Mining Industry (Australia) Pty Ltd was accounted for as an Associate and the loan has been disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 25: Related Party Transactions (continued)

(d) Loans from associates (continued)

- (b) In 2013 following the disposal of the Group's ownership interest in U&D on 13 November 2013, U&D is not accounted for as an Associate and the loan has been transferred out of Loans from associates, shown above.

All loans from associates are interest free, unsecured and are payable on demand. All loans from associates are with continuing operation in Australia.

Note 26: Cash Flow Information

| | CONSOLIDATED | |
|--|--------------------|------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Reconciliation of the profit after tax to the net cash flows from operations: | | |
| Profit for the year | 1,064,486 | 10,790,455 |
| Depreciation of non-current assets | 28,612 | 10,856 |
| Loss on disposal of property, plant and equipment | 1,299 | - |
| Gain on disposal of subsidiaries | - | (13,156,828) |
| Gain on disposal of associates | (8,370,102) | - |
| Share of loss of associates accounted for using the equity method | 2,223,694 | 12,032 |
| Changes in Operating Assets and Liabilities: | | |
| Decrease in trade and other receivables | 37,356 | 248,565 |
| Increase in inventory | (2,613,924) | - |
| Increase in other assets | (547,932) | (242,886) |
| Increase in trade and other payables | 216,975 | 319,369 |
| Increase in other liabilities | 15,255 | 62,522 |
| Increase in income tax liabilities | 2,833,001 | 1,096,200 |
| Net cash flow used in operating activities | (5,111,280) | (859,715) |

Non-cash financing

In 2011 the parent company issued \$8,500,000 convertible notes to Flash Lighting Company Limited ("Flash Lighting"), the non-controlling interest of U&D Mining Industry (Australia) Pty Ltd as at 31 December 2011. The notes converted into 27,419,355 ordinary shares of the parent company on 22 November 2012 at a conversion price of \$0.31 per share.

No non-cash financing transaction incurred in 2013.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

| | CONSOLIDATED | |
|---|------------------|----------------|
| Note | 2013 | 2012 |
| | \$ | \$ |
| Note 27: Commitments and Contingencies | | |
| Capital commitments | | |
| Continuing Operation | | |
| Property, plant and equipment | 1,200,000 | 395,000 |
| Exploration and evaluation assets | 8,387,000 | - |
| | <u>9,587,000</u> | <u>395,000</u> |
| Non-cancellable operating leases | | |
| Continuing Operation | | |
| <i>As lessee</i> | | |
| Payable within one year | 1,078,701 | 21,050 |
| Later than 1 year but not later than 5 years | 3,004,302 | - |
| | <u>4,083,003</u> | <u>21,050</u> |
| <i>As lessor</i> | | |
| Receivable within one year | 151,027 | 198,000 |
| Later than 1 year but not later than 5 years | - | 148,500 |
| | <u>151,027</u> | <u>346,500</u> |

The continued operation of the Group leases various premises under non-cancellable operating leases expiring between 1 and 3 years. All leases have annual CPI escalation clauses. The above amounts do not include amounts for any renewal options on leases. Lease terms usually run for 1 and 3 years with a 1 and 3 year renewal option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 28: Parent entity financial information

The following information relates to the parent entity Australia New Agribusiness & Chemical Group Ltd . The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

| | Parent | |
|--|--------------------|--------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Current asset | 19,961,897 | 15,081,437 |
| Non-current assets | 25,675,835 | 13,832,135 |
| Total assets | 45,637,732 | 28,913,572 |
| Current liabilities | 11,656,874 | 8,488,075 |
| Total liabilities | 11,656,874 | 8,488,075 |
| Contributed equity | 36,615,244 | 36,615,244 |
| Retained earnings | (2,634,386) | (16,189,747) |
| Total equity | 33,980,858 | 20,425,497 |
| Profit for the year | 13,555,361 | 382,161 |
| Total comprehensive income for the year | 13,555,361 | 382,161 |

Guarantees in relation to subsidiaries

Australia New Agribusiness & Chemical Group Ltd does not provide any guarantee to its subsidiaries as at 31 December 2013 (2012: Nil).

Contingent liabilities

Australia New Agribusiness & Chemical Group Ltd does not have any contingent liabilities in 2013 (2012: Nil).

Capital Commitments

Australia New Agribusiness & Chemical Group Ltd does not have any contractual commitments to acquire property, plant & equipment in 2013 (2012: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 29: Subsequent Events

Acquisition of Tenements

On 23rd January 2013, the Group entered into a non-binding indicative proposal with Krucible Minerals Ltd (ASX code: KRB) to acquire certain phosphate tenements of KRB for a total consideration of \$12 million. The transaction was completed on 16 January 2014, with the payment of the remaining \$8,387,000. The rationale of acquiring the phosphate tenements is consistent with the Group's intention to secure supply of phosphate, a key component of compound fertilizer, to its Apollo Fertiliser Project. Upon the transaction completed, the Group will undertake further exploration works and feasibility studies and will seek partners to develop the phosphate tenements.

Subsequent to year end the Group agreed to extend the repayment term of the remaining balance of \$7.452 million due from the disposal of U & D Mining Industry Pty Ltd from 19 March 2014 to 19 June 2014.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, or the results of those operations.

Note 30: Company Details

(a) Registered Office and Principal Place of Business for continuing operation

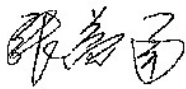
Suite G1, 12 Electronics Street, Eight Mile Plains QLD 4113, Australia

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 29 to 34 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2013, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer of and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Yinan Zhang
Managing Director

Brisbane

Date: 31 March 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Australia New Agribusiness & Chemical Group Ltd

Report on the Financial Report

We have audited the accompanying financial report of Australia New Agribusiness & Chemical Group Ltd, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australia New Agribusiness & Chemical Group Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Australia New Agribusiness & Chemical Group Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(c) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding. This condition, along with other matters as set out in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 34 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australia New Agribusiness & Chemical Group Ltd for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd



A J Whyte

Director

Brisbane, 31 March 2014



Corporate Information

Directors

Mr. Jun Xiao (Non-Executive Chairman)
Mr. Yinan Zhang (Managing Director)
Ms Julia Yan Zhu (Non-Executive Director)
Mr. Yiming Cui (Non-Executive Director)
Mr. James Naiming Li (Non-Executive Director)

Company Secretary Ms Yi Yang

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Eight Mile Plains, Brisbane QLD 4113

Mailing Address Suite G1, 12 Electronics Street, BTP
Eight Mile Plains, Brisbane QLD 4113

Principal Places of Business in Australia
Suite G1, 12 Electronics Street, BTP
Eight Mile Plains, Brisbane QLD 4113

Bankers

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Brisbane, QLD 4000

China Construction Bank, Sydney Branch
Suite 33.01, 126 Phillip Street,
Sydney NSW 2000

Commonwealth Bank of Australia, Sunnybank Branch
Shop 70, Sunnybank Plaza,
Cnr Mains & Mcculloch Rds,
Sunnybank, QLD 4109

ANZ, Queen Street Branch,
Level 1, 324 Queen Street,
Brisbane, QLD 4000

Share Register Computershare Investor Services Limited
117 Victoria St, West End
Brisbane QLD 4101

Auditors BDO Audit Pty Ltd
Level 10, 12 Creek St
Brisbane QLD 4000

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