NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

The financial statements of the Group and the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated in the Republic of Singapore on 3 January 2012 as a private company limited by shares under the name of "AsiaPhos Private Limited". On 6 September 2013, the Company changed its name to "AsiaPhos Limited" in connection with its conversion to a public company limited by shares. The Company was listed on Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 7 October 2013.

The registered office and the principal place of business of the Company is located at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632. The principal place of business of the Company is located at 22 Kallang Avenue, #03-02 Hong Aik Industrial Building, Singapore 339413.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

AsiaPhos Limited and its subsidiaries (collectively, the "Group") operate in Singapore and the People's Republic of China ("PRC").

2(A) BASIS OF PREPARATION

Going concern

The Group incurred a net loss after tax of $77,851,000 and reported net operating cash outflows of $2,683,000 for the financial year ended 31 December 2021. Excluding the assets and liability of the disposal group, the Group's current liabilities exceeded its current assets by $13,284,000 as at 31 December 2021. The Company had net current liability of $4,910,000 as at 31 December 2021. The above factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

In the opinion of the directors, the Group and the Company is able to continue as going concern for the following reasons:

(a) The Group continues to generate cash flows from its downstream chemical segments through trading of chemical products like Sodium Trimetaphosphate ("STMP") and Sodium Hexametaphosphate ("SHMP") and achieve reduction in cash outlays and overheads due to downsized operation;

(b) On 29 November 2021, the Company's subsidiary, Sichuan Mianzhu Norwest Phosphate Co., Ltd entered into a sale and purchase agreement ("SPA") with Sichuan Mianzhu Huaxinfeng Food Co., Ltd (the Purchaser") relating to the proposed disposal of its Phase 2 Factory Assets and the associated land use rights for cash consideration of RMB31.5 million. Pursuant to the SPA, as at 31 December 2021, the Group had received 65% of the sales proceeds of RMB20.48 million (approximately $4,386,000). The Group shall transfer the Phase 2 Factory Assets and the title thereto to the Purchaser upon receipt of the remaining balance of the sales proceeds of RMB11,025,000 anytime, but not later than 29 November 2022. The Board is not aware of any information which may suggest that the transaction will not complete.

2(A) BASIS OF PREPARATION (CONTINUED)

Going concern (Continued)

(c) The Group has received offers for the sale, lease or a joint venture of its P4 plant and is evaluating these proposals. The current high prices for the P4 makes it favourable for agreement to be reached.

(d) Discussions will be carried out by the Group with financial institutions to rollover its existing loans as and when they fall due. As the Group has in the past not defaulted on any of the loans extended to it, barring unforeseen circumstances, the Directors expect that the Group will be able to obtain requisite financing for the Group's operations. The Group renewed bank facilities of $4,400,000 in December 2021 and $2,100,000 in January 2022.

(e) The Group has received undertaking from the controlling shareholders that they will not demand repayment of the loans is looking to continued support from controlling shareholders which have granted loans of $2.2 million to the Company. $1.2 million of the loans was received during the current financial year ended 31 December 2021.

(f) The Company is exploring potential placement of new shares during 2022.

As a result, the consolidated financial statements of the Group and the Company have been prepared on a going concern basis.

If the Group and the Company are unable to continue as a going concern, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements. No such adjustments have been made to these financial statements.

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2(d).

The consolidated financial statements have been prepared on the historical cost basis except as otherwise described in the notes below. These financial statements are presented in Singapore Dollar which is the Company's functional currency. All financial information has been presented in Singapore Dollar and rounded to the nearest thousand ($'000), unless otherwise stated.

2(D) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The critical accounting estimates and assumptions used in applying accounting policies and areas involving a high degree of judgement are described below.

Significant judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Assets and liabilities of disposal group (Note 14)

Since November 2017, the Group has been in discussions with the Chinese Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining sites in respect of Mine 2 of Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd ("Sichuan Mianzhu") and the mine of Deyang Fengtai Mining Co., Ltd. ("Fengtai Mine") and the non-renewal of Sichuan Mianzhu's Mine 1 mining and exploration licenses (collectively, the "Mining Assets"). The Group has been advised that the Group's ownership of the Mining Assets was still valid as at 31 December 2017, and the Chinese Government's action was tantamount to an indirect expropriation of these Mining Assets.

SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* requires non-current assets to be classified as held for sale if the carrying amount will be recovered principally through a sale transaction or otherwise rather than continuing use. The carrying value of the Mining Assets is expected to be recovered principally through compensation receivable from the Chinese Government for the expropriation of the Mining Assets.

SFRS(I) 5 also recognises that events and circumstances may extend the period required to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the disposal group from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group.

As at 31 December 2021, the disposal of Mining Assets has not been completed. As announced on 11 August 2020, the Group's lawyers had submitted a Request for Arbitration to the Chinese Government and the arbitration is in progress. The Group continues to be open to consider any compensation proposal from the Chinese Government.

Accordingly, due to the continuing discussions with the Chinese Government, the directors were of the view that it was appropriate for the Group to continue to present all mining related assets, liabilities and goodwill as "assets of disposal group" and "liabilities of disposal group" respectively on the Group's consolidated balance sheet as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2(D) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Significant judgements in applying accounting policies (Continued)

Non-current assets classified as held for sale (Note 15)

Accounting for non-current assets classified as held for sale involves significant management judgements These include, amongst others, the conditions to be met in classifying a non-curret asset as held for sale, and valuation of the assets and presentation in the financial statements.

On 29 November 2021, the Company's subsidiary, Sichuan Mianzhu Norwest Phosphate Co., Ltd entered into a sale and purchase agreement ("SPA") with Sichuan Mianzhu Huaxinfeng Food Co., Ltd relating to the proposed disposal of its proposed disposal of its Sodium Tripolyphosphate plant ("STPP") (referred hereinafter as Phase 2 Factory Assets") and the associated land use rights for cash consideration of RMB31,599,999.

Pursuant to the SPA, as at 31 December 2021, the Group had received 65% of the sales proceeds of RMB20.48 million (approximately $4,386,000) which was presented as advance payment within trade and other payables (Note 21). The Group shall transfer the Phase 2 Factory Assets and the title thereto to the Purchaser upon receipt of the remaining balance of the sales proceeds of RMB11,025,000 anytime, but not later than 29 November 2022.

Management expects completion of disposal of the Phase 2 Factory Assets within one year from the initial date of classification.

Income tax

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of office premises, the Group considers factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

2(D) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Depreciation of property, plant and equipment and right-of-use assets (Notes 4 and 5)

As described in Note 2(e), the Group reviews the estimated useful lives of property, plant and equipment and right-of-use assets at the end of each annual reporting period. Changes in the expected level and future usage can impact the economic useful lives of these assets with consequential impact on the future depreciation charge. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's loss for the year will increase/decrease by $36,000 (2020 – $50,000). If depreciation on the Group's right-of-use assets increases/decreases by 10% from management's estimates, the Group's loss for the year will increase/decrease y $10,000 (2020 – $19,000). The carrying amounts of property, plant and equipment and right-of-use assets are disclosed in Notes 4 and 5, respectively.

Impairment of property, plant and equipment and right-of-use assets (Notes 4 and 5)

Plant and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its value-in-use and fair value less costs to sell. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash-generating unit by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management uses the value estimated by professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions.

The carrying amount of the Group's property, plant and equipment and right-of-use assets are disclosed in Notes 4 and 5, respectively.

Impairment of assets of disposal group

Assets of disposal group includes all mining related property, plant and equipment, mine properties, goodwill and deposits for mining levy.

As at 31 December 2021, the directors reassessed the Group's position in the investment dispute with the Chinese Government. It looks increasingly unlikely that the Chinese Government will settle the dispute amicably. Any compensation is subject to the outcome in the ongoing international arbitration and the final award by the Arbitral Tribunal. Accordingly, the Group recorded an impairment loss on the book value of $90 million on the Mining Assets that was presented as "Assets of disposal group", and reversed the related deferred tax liabilities of $16.38 million (Note 14) from "Liabilities of disposal group".

Impairment of investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of the investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

Management has evaluated the recoverability of the investment based on such estimates. If the carrying value decreases by 10% (2020 – 10%) from management's estimates, the Company's allowance for impairment of investments in subsidiaries will increase by $946,900 (2020 – $4,544,900). The carrying amount of the Company's cost of investments in subsidiaries is disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2(D) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Allowance for expected credit losses of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

Allowance for inventories

The Group estimates the write down in inventories based on the ages of the inventories, prevailing market conditions, anticipated selling prices of the inventories and historical experiences. Possible changes in these estimates could result in revisions to the valuation of inventory.

The carrying amounts of the Group's and the Company's inventory are disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Motor vehicles and office equipment $'000	Construction-in-progress $'000	Total $'000
Cost						
At 1 January 2020	9,712	373	20,957	935	106	32,083
Additions	–	41	–	–	–	41
Disposals	–	–	–	(23)	–	(23)
Currency realignment	482	6	1,175	27	5	1,695
At 31 December 2020	**10,194**	**420**	**22,132**	**939**	**111**	**33,796**
Additions	–	–	–	12	–	12
Disposals	–	–	–	(42)	–	(42)
Transfer to assets of disposal group (Note 14)	(2,684)	–	(8,371)	(89)	–	(11,144)
Currency realignment	568	7	1,380	30	6	1,991
At 31 December 2021	**8,078**	**427**	**15,141**	**850**	**117**	**24,613**
Accumulated depreciation and impairment loss						
At 1 January 2020	4,886	354	12,397	839	106	18,582
Depreciation for the year	421	21	38	24	–	504
Disposals	–	–	–	(23)	–	(23)
Currency realignment	251	6	719	24	5	1,005
At 31 December 2020	**5,558**	**381**	**13,154**	**864**	**111**	**20,068**
Depreciation for the year	316	6	31	6	–	359
Disposals	–	–	–	(19)	–	(19)
Transfer to assets of disposal group (Note 14)	(766)	–	(6,505)	(81)	–	(7,352)
Currency realignment	319	7	848	24	6	1,204
At 31 December 2021	**5,427**	**394**	**7,528**	**794**	**117**	**14,260**
Net carrying amount						
At 31 December 2021	**2,651**	**33**	**7,613**	**56**	**–**	**10,353**
At 31 December 2020	4,636	39	8,978	75	–	13,728

The Group	**2021 $'000**	2020 $'000
Net carrying amount		
Elemental phosphorus ("P4") plant.	**10,310**	9,992
Sodium Tripolyphosphate plant ("STPP")	**–**	3,695
Others	**43**	41
At 31 December 2021	**10,353**	13,728

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment testing

Elemental phosphorus ("P4") plant

2020 and 2021

The Group stopped the production of the elemental phosphorus ("P4") in the second quarter of 2018 to carry out maintenance work on the P4 plant and this was completed in the third quarter of 2018. As at 31 December 2021 production has not resumed as a result of the Chinese government's actions which deprive the Group of access to phosphate rocks, which is a key raw material, for cost efficient production of P4.

In the current and previous financial year, the Group made an assessment of the recoverable amount of the P4 plant based on valuation reports prepared by an independent Chinese professional valuer engaged by one of the Group's bankers, Bohai Bank to determine the value of certain parts of the P4 plant, including the associated land use rights, which were used to secure the Group's loan with the bank. Due to the specialised nature of the plant and lack of comparable recent transactions, the Chinese professional valuer used depreciated replacement cost method to arrive at the valuation. The Group is in discussion with several parties who are interested in acquiring the P4 Plant.

Sodium Tripolyphosphate plant ("STPP")

2020

The Group engaged an independent Chinese professional valuer to assess the value of the STTP plant comprising property, plant and equipment and land use rights as at 31 July 2020 for asset disposal reference purposes. Management was of the view that this valuation supported the recoverable amount of the STPP plant assets.

2021

On 29 November 2021, the Company's subsidiary, Sichuan Mianzhu Norwest Phosphate Co., Ltd entered into a sale and purchase agreement ("SPA") with Sichuan Mianzhu Huaxinfeng Food Co., Ltd (the Purchaser") relating to the proposed disposal of its Sodium Tripolyphosphate plant ("STPP") (referred hereinafter as Phase 2 Factory Assets") and the associated land use rights for cash consideration of RMB31.5 million.

Accordingly, the carrying value of entire Phase 2 Factory Assets comprising property, plant and equipment and land use rights of $3,792,000 (RMB17,703,000) and $2,684,000 (RMB12,530,000) (Note 5), respectively, were reclassified from "Property, plant and equipment" and "Right-of-use assets" to "Non-current assets classified as held for sale " (Note 15) in the balance sheet.

Pursuant to the SPA, as at 31 December 2021, the Group had received 65% of the sales proceeds of RMB20.48 million (approximately $4,386,000) which was presented as advance payment within trade and other payables (Note 21). The Group shall transfer the Phase 2 Factory Assets and the title thereto to the Purchaser upon receipt of the remaining balance of the sales proceeds of RMB11,025,000 anytime, but not later than 29 November 2022.

Assets pledged as security

At 31 December 2021, property, plant and equipment of the Group with a carrying amount of $7,520,000 (RMB35,110,000) [2020 – $10,395,000 (RMB51,234,000)] are pledged to secure the interest-bearing bank loans (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8 INVESTMENT IN SUBSIDIARIES

The Company	**2021 $'000**	2020 $'000
Unquoted shares, at cost:		
At 1 January	**45,449**	45,449
Additions	**–**	–
At 31 December	**45,449**	45,449
Less: Accumulated impairment		
At 1 January	**–**	–
Impairment loss*	**36,049**	–
At 31 December	**36,049**	–
Carrying amount	**9,400**	45,449

* In 2021, the Company assessed the carrying amounts of its investments in subsidiaries for impairment. Based on this assessment, the Company recognised an impairment loss of $36,049,000 (2020: Nil) for its subsidiaries. The recoverable amounts of these investments are determined based on the adjusted net assets of the subsidiaries, which are based on the directors' estimate of the realisable values of the P4 and STPP plant and land use rights taking into account the agreement signed for the STPP plant and the expression of interest for the P4 plant.

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation/ principal place of business	Percentage of equity held by the Company 2021 %	2020 %	Principal activities
Held by the Company				
Norwest Chemicals Pte Ltd#	Singapore	**100**	100	Investing in chemical projects, general wholesale trade and trading of chemicals
Held through Norwest Chemicals Pte Ltd				
Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd+	People's Republic of China	**100**	100	Exploration, mining and sale of phosphate rocks, the production and sale of phosphorus and phosphate based chemical products
XDL Resources Pte. Ltd.#	Singapore	**100**	100	Investment holding
Held through XDL Resources Pte. Ltd.				
Deyang City Xianrong Technical Consulting Co., Ltd.^	People's Republic of China	**100**	100	Mining activities, internet technology consulting services, and wholesale of mineral products; and transportation services
Held through Deyang City Xianrong Technical Consulting Co., Ltd.				
Deyang Fengtai Mining Co., Ltd.+	People's Republic of China	**55**	55	Sale of mineral products

\# Audited by Foo Kon Tan LLP

\+ Audited by Sichuan Zhongfa CPA Co., Ltd., a member firm of HLB international

^ Audited by Foo Kon Tan LLP for consolidation purposes

8 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Subsidiaries struck off

During the previous financial year ended 31 December 2020, the Group consolidated LY Resources Pte. Ltd. and AsiaPhos Resources Pte. Ltd. until the date they were struck off and ceased to be subsidiaries of the Company.

Interest in a subsidiary with material non-controlling interest

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportional share of Deyang Fengtai' Mining Co., Ltd.'s net identifiable assets.

The Group has a subsidiary that has non-controlling interest that is material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to non-controlling interest during the period $'000	Accumulated non-controlling interest at the end of the reporting period $'000	Dividends paid to non-controlling interest $'000
At 31 December 2021					
Deyang Fengtai Mining Co., Ltd.	**People's Republic of China**	**45%**	**(11,847)**	**(2,537)**	**–**
At 31 December 2020					
Deyang Fengtai Mining Co., Ltd.	People's Republic of China	45%	(153)	9,310	–

Summarised financial information of a subsidiary with material non-controlling interest

Summarised financial information Deyang Fengtai Mining Co., Ltd. n including goodwill on acquisition but before eliminations of intercompany balances are as follows:

Summarised balance sheet

	2021 $'000	2020 $'000
Current assets	**1,111**	1,098
Non-current assets	**–**	33,208
Current liabilities	**(1,604)**	(1,390)
Non-current liabilities	**–**	(6,995)
Net assets	**(493)**	25,921

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information of a subsidiary with material non-controlling interest (Continued)

Summarised statement of comprehensive income

	2021 $'000	2020 $'000
Loss before taxation	**(26,411)**	(64)
Loss after taxation representing total comprehensive loss for the year	**(26,411)**	(64)
Other summarised information		
Net cash flows from operating activities	**(538)**	(64)
Net cash flow from investing activities	**–**	–
Net cash flows from financing activities	**–**	66

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14 DISCONTINUED OPERATION AND DISPOSAL GROUP

The Group	**31 December 2021 $'000**	31 December 2020 $'000	1 January 2020 $'000
			(Re-stated)
Assets of disposal group:			
Mining Assets			
Mine properties	–	65,258	65,232
Mining related property, plant and equipment	–	12,228	11,676
Goodwill	–	12,249	12,249
Deposits for rehabilitation and mining levy	–	40	39
		89,775	89,196
Liabilities of disposal group:			
Mining Assets			
Deferred tax liabilities	–	(16,383)	(16,383)
Provision for rehabilitation	**(852)**	(807)	(769)
	(852)	(17,190)	(17,152)
Net assets of disposal group	**(852)**	72,585	72,044
Movements in deferred tax liabilities:			
At beginning of the year	**16,383**	16,383	16,383
Reversed to profit and loss upon impairment of Mining Assets (Note 30)	**(16,383)**	–	–
At end of the year	–	16,383	16,383

Mining Assets

Since November 2017, the Group has been in discussions with the Chinese Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining sites in respect of Mine 2 of Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd ("Sichuan Mianzhu") and the mine of Deyang Fengtai Mining Co., Ltd. ("Fengtai Mine") and the non-renewal of Sichuan Mianzhu's Mine 1 mining and exploration licenses (collectively, the "Mining Assets"). The Group has been advised that the Group's ownership of the Mining Assets was still valid as at 31 December 2017 and the Chinese Government's action was tantamount to an indirect expropriation of these Mining Assets.

SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* requires non-current assets to be classified as held for sale if the carrying amount will be recovered principally through a sale transaction or otherwise rather than continuing use. The carrying value of the Mining Assets is expected to be recovered principally through compensation receivable from the Chinese Government for the expropriation of the Mining Assets.

The Group adopted the principles set out in SFRS(I) 5 in its accounting treatment of the Mining Assets as an expropriation is in substance and effect, a compulsory acquisition of the Mining Assets carried out by the Chinese Government. All mining related property, plant and equipment, mine properties, goodwill, deposits for mining levy have been reclassified as "assets of disposal group" in current assets on the consolidated balance sheet since 30 November 2017. Provision for rehabilitation was reclassified as "liabilities of disposal group" in current liabilities on the consolidated balance sheet since 30 November 2017 as the provision is directly associated with the disposal group and the directors are of the view that the cost of rehabilitation will be deducted from the settlement proceeds. Since 30 November 2017, the results from mining operations are presented separately as "Discontinued operation" on the Group's consolidated income statement.

14 DISCONTINUED OPERATION AND DISPOSAL GROUP (CONTINUED)

SFRS(I) 5 also recognises that events and circumstances may extend the period required to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the disposal group from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group.

As at 31 December 2021, the disposal of Mining Assets has not been completed. As announced on 11 August 2020, the Group's lawyers had submitted a Request for Arbitration to the Chinese Government and arbitration is in progress. The Group continues to be open to consider any compensation proposal from the Chinese Government.

Accordingly, due to the continuing discussions with the Chinese Government, the directors were of the view that it was appropriate for the Group to continue to present all mining related assets, liabilities and goodwill as "assets of disposal group" and "liabilities of disposal group" respectively on the Group's consolidated balance sheet as at 31 December 2021.

The directors were of the view that the fair value less costs of disposal of the Mining Assets was higher than their carrying amounts as at 31 December 2020 based on a valuation carried out in November 2017.

As at 31 December 2021, the Board reassessed the Group's position in the investment dispute with the Chinese Government. At present it looks unlikely that the Chinese Government will settle the dispute amicably. Any compensation is subject to the outcome in the ongoing arbitration and the final award by the Arbitral Tribunal. Accordingly, the Group recognised an impairment loss on the book value of $90 million on the Mining Assets presented within "assets of disposal group", and reversed deferred tax liabilities of $16.38 million from "liabilities of disposal group" to "Tax credit" in "Profit/(Loss) from discontinued operation, net of tax".

Income statement disclosures:

The results of discontinued operation related to the Mining Assets for the years ended 31 December 2021 and 2020 are as follows:

The Group	**2021 $'000**	2020 $'000
Revenue	**301**	–
Cost of sales	**(86)**	–
Gross profit	**215**	–
Other expenses – Impairment loss on Mining Assets	**(90,066)**	–
Other income – write-back of allowance for doubtful debts	**–**	624
Profit/Loss before tax from discontinued operation	**(89,851)**	624
Tax credit (Note 30)	**16,383**	–
Profit/Loss from discontinued operation, net of tax	**(73,468)**	624

Tax credit of $16,383,000 for the year ended 31 December 2021 pertains to reversal of deferred tax liabilities of $16.3 million relating to the Mining Assets from "liabilities of disposal group"

Cash flow statement disclosures:

The cash flows attributable to discontinued operation are as follows:

The Group	**2021 $'000**	2020 $'000
Net cash (used in)/generated from operating activities	**(215)**	624