

Independent auditor's report to the Members of AsiaPhos Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of AsiaPhos Limited (the Company) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis of Disclaimer of Opinion

(1) Assets and liability of disposal group and discontinued operation

The auditors' reports dated 3 April 2019 and 3 April 2020 on the financial statements for the previous financial years ended 31 December 2018 and 2019, respectively, contained a basis for disclaimer opinion on the assets and liability of disposal group and discontinued operation.

The assets and directly associated liability of Mine 1 and Mine 2 of Sichuan Mianzhu Norwest and Fengtai Mine, (collectively, the "Mining Assets") were reclassified as assets and liability of disposal group in the Group's consolidated balance sheet on 30 November 2017 and its results were reclassified as discontinued operation in the Group's consolidated statement of comprehensive income for the year ended 31 December 2017.

During the current financial year, due to circumstances as disclosed in Note 2 (d) to the financial statements, the proposed disposal has not been completed. As disclosed further in Note 2 (d) and Note 14, the directors are of the view that it remains appropriate to classify the Mining Assets as assets and liability of disposal group in the Group's consolidated balance sheet as at 31 December 2020 and its results as discontinued operation on the Group's consolidated statement of comprehensive income for the year ended 31 December 2020. The directors are also of the view that the fair value less costs of disposal of the Mining Assets is higher than their carrying amounts as at 31 December 2020. However, there exists significant uncertainties with respect to the outcome of the proposed disposal as it is subject to further negotiation with the relevant authorities in the People's Republic of China ("PRC"). Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the classification of the Mining Assets as assets and liability of disposal group, and the carrying values of the assets and liability of disposal group in the Group's consolidated balance sheet as at 31 December 2020 and 31 December 2019. We were also unable to obtain sufficient appropriate evidence on the classification as and disclosures relating to discontinued operation in the statement of comprehensive income.

Independent auditor's report to the Members of AsiaPhos Limited (Cont'd)

Basis of Disclaimer of Opinion (Cont'd)

(2) Impairment of investment in subsidiaries and recoverability of amounts due from subsidiaries

The auditors' reports dated 3 April 2019 and 3 April 2020 on the financial statements for the previous financial years ended 31 December 2018 and 2019 respectively contained a disclaimer opinion on the impairment of investment in subsidiary and recoverability of amounts due from subsidiary.

As explained in the above paragraphs, there exists significant uncertainties with respect to the outcome of the proposed disposal of the Mining Assets. The recoverable amounts of the investment in subsidiary and amounts due from subsidiary are dependent on the outcome of the proposed disposal. Consequently, based on the information available to us, we were also unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying values of the Company's cost of investment in subsidiary amounting to \$45,449,000 and amounts due from subsidiary of \$340,000 as at 31 December 2020.

(3) Recoverable amount of property, plant and equipment and right-of-use assets ("ROU")

The auditors' reports dated 3 April 2019 and 3 April 2020 on the financial statements for the previous financial years ended 31 December 2018 and 2019 respectively contained a disclaimer opinion on the Impairment of property, plant and equipment relating to the phosphorus ("P4") plant.

As disclosed in Notes 4 and 5 to the financial statements, the Group assessed the recoverable value of the P4 plant, sodium tripolyphosphate ("STPP") plant and ROU assets as at 31 December 2020 based on valuation reports prepared by an independent Chinese professional valuer engaged by the management to determine the value of the P4 plant, STPP plant and ROU assets. However, we could not obtain the related underlying computations for the valuations performed. As a result, we were unable to obtain new audit evidence to satisfy ourselves on the reasonableness of the key assumptions and inputs used in the determination of the recoverable amount of the P4 plant, STPP plant and ROU assets. Consequently, we were unable to assess the appropriateness of the carrying value of P4 plant, STPP plant and ROU assets recorded as at 31 December 2020.

(4) Valuation of warrants

On 24 March 2017, the Company completed the issuance of 112,664,875 Rights Shares and 112,664,875 Warrants for cash consideration of \$9,013,000. The Warrants were issued free with the Rights Shares on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for, fractional entitlements, if any, to be disregarded. Each Warrant carries the right to subscribe for one (1) New Share at the Exercise Price of \$0.08 for each New Share within the period commencing on and including the date of issue of the Warrants and expiring on 23 March 2020 being the date immediately preceding the third (3rd) anniversary of the date of issue of the Warrants (the "Exercise Period"). The warrants expired on 23 March 2020.

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Basis of Disclaimer of Opinion (Cont'd)

(4) Valuation of warrants (Cont'd)

Based on management's assessment, the financial impact arising from the adjustments of the 2017 Rights cum Warrants was minimal. As such, the Company did not make any adjustments for the above matters to the financial statements for the financial year ended 31 December 2017. However, we are unable to obtain sufficient appropriate audit evidence on the fair values of the issued warrants in 2017. Consequently, we are unable to determine whether adjustments to the accompanying financial statements may be necessary since the grant date in 2017 to the date the warrants expired, including whether adjustments are needed to the 31 December 2019 financial statements.

(5) Going concern

The auditors' reports dated 3 April 2019 and 3 April 2020 on the financial statements for the previous financial years ended 31 December 2018 and 2019 respectively contained a disclaimer opinion on the going concern

As disclosed in Note 2(a) to the financial statements, the Group incurred a net loss after tax of \$2,765,000 and have a net cash used in operating activities of \$762,000. Excluding the assets and liability of the disposal group, the Group's current liabilities exceeded its current assets by \$9,090,000 as at 31 December 2020. The Company has accumulated losses of \$36,892,000 and has a net current liability of \$4,058,000 as at 31 December 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2(a) to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the Singapore Financial Reporting Standards (International) (SFRS(I)), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other matter

The financial statements for the financial year ended 31 December 2019 were audited by another firm of auditors whose report dated 3 April 2020 expressed a disclaimer of opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

Except for the matters described in the basis for Disclaimer Opinion section of the report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Soh Mui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 9 April 2021