

1. VALUATION REPORT ON EARN-OUT AREA
2. EARN-OUT CONSIDERATION SHARES

1. INTRODUCTION

1.1 The board of directors (the “**Board**” or “**Directors**”) of Silkroad Nickel Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s circular to shareholders dated 31 May 2018 (the “**Circular**”) in relation to, *inter alia*, the Company’s acquisition of the entire issued and paid-up share capital of FE Resources Pte. Ltd. (the “**Acquisition**”). Unless otherwise defined, all capitalized terms used herein shall bear the same meaning as ascribed to them in the Circular.

1.2 In accordance with the terms of the Acquisition and as duly disclosed in the Circular:

- (a) The total consideration for the Acquisition comprises the following:
 - (i) the Purchase Consideration (which had been fully satisfied upon the completion of the Acquisition in July 2018, with the allotment and issuance by the Company of 95,793,103 Consideration Shares to Far East Mining Pte. Ltd. (the “**Vendor**”) at the issue price of S\$0.725 (the “**Issue Price**”) per Consideration Share); and
 - (ii) the Earn-Out Amount (being an earn-out amount equivalent to 90% of the preferred market value of Concession Block 2 (being the remaining 807 hectares of the nickel mining concession area of 1,301 hectares granted to PT Teknik Alum Service (“**PT TAS**”) (a subsidiary of the Company) under the Production Operations IUP (“**Earn-Out Area**”)) as indicated in an independent valuation report, and subject to a maximum amount of US\$70.0 million).
- (b) The Vendor was to appoint an independent valuer to prepare the aforementioned independent valuation report, in relation to the valuation

analysis of the market value of the Concession Block 2, that meets (i) the standards of the VALMIN Code; and (ii) the requirements for mineral, oil and gas companies as set out in the Catalist Rules.

- 1.3 Accordingly, the Vendor had appointed Derisk Geomining Consultants (“**Derisk**”), an independent mining consultancy firm, to prepare an independent valuation report (“**Valuation Report**”) in relation to the valuation analysis of the market value of the Earn-Out Area, and had submitted to the Company the Valuation Report dated 1 November 2019. The Vendor and Derisk have provided relevant consents to the Company for the release of the Valuation Report and for the inclusion in this announcement of the information (which was extracted from the Valuation Report) in the form and context in which they appear in this announcement.

This announcement should be read in conjunction with the Valuation Report that is appended to this announcement. A copy of the Valuation Report is also available on the website of the Company (www.silkroadnickel.com).

2. INFORMATION ON THE VALUATION REPORT

- 2.1 The Valuation Report was prepared in accordance with the guidelines set by the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets 2015 Edition (the “**VALMIN Code 2015**”), prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, with the participation of the Minerals Council of Australia and other key stakeholder representatives.

The Board is satisfied that the Valuation Report has been prepared by a professional firm satisfying the relevant requirements set out under the Catalist Rules.

- 2.2 The Valuation Report was prepared by Mr Malcolm Dorricott under the supervision of Mr Mark Berry of Derisk. Mr Malcolm Dorricott is a Practitioner and Specialist as defined by the VALMIN Code 2015. Mr Malcolm Dorricott is employed by Derisk and has consented to the inclusion in this announcement and the Valuation Report of the matters based on the information in the form and context in which it appears.

Name of Practitioner responsible for the valuation: Mr Malcolm Dorricott

Effective date of the valuation: 27 May 2019

*Professional Society Affiliation / Membership: Member of the Australasian
Institute of Mining and Metallurgy*

3. VALUATION SUMMARY OF THE EARN-OUT AREA

- 3.1 PT TAS is an existing mining operation that has been in production for five years and has plans to substantially increase annual production rates and to supply three product types (cobalt rich nickel ore, medium and high grade nickel ore) to the domestic market. PT TAS has experienced volatile commodity prices during the operation's history and changes to Indonesian government regulations on the export of unprocessed nickel ores that have led to PT TAS assessing a range of options to develop the mine site.
- 3.2 Derisk has reviewed the Mineral Resource and Ore Reserve estimates as detailed in the independent qualified person's report dated 30 September 2019 ("**Updated IQPR**") and considers them as being technically sound and fit-for-purpose. Please refer to the separate announcement dated 18 November 2019 released by the Company for more information on the Updated IQPR.
- 3.3 In valuing the Earn-Out Area, Derisk has considered that the income valuation approach is the most appropriate valuation methodology, supported by a market valuation approach derived from relevant comparable transactions. Derisk has concluded that a market value (as defined by VALMIN Code 2015) for the Earn-Out Area of the concessions operated by PT TAS ranges from US\$55 million to US\$114 million with a preferred value of US\$84 million.

4. EARN-OUT CONSIDERATION SHARES

- 4.1 With the issuance of the Valuation Report, the Board is satisfied that the conditions for the Earn-Out Amount have been fulfilled and has accepted a valuation of US\$70 million, being the maximum approved Earn-Out Amount as set out in the Circular. In accordance with the terms of the Acquisition, as set out in the Circular, 134,110,345 Earn-Out Consideration Shares will be issued and allotted to the Vendor in full

satisfaction of the Earn-Out Amount, at the Issue Price for each Earn-Out Consideration Share (the “**Allotment and Issuance of Earn-Out Consideration Shares**”).

- 4.2 On 31 May 2018, the Company received the listing and quotation notice (“**LQN**”) from the SGX-ST for, *inter alia*, the Earn-Out Consideration Shares, subject to certain conditions as duly set out in the Company’s announcement dated 1 June 2018. Please note that the LQN is not an indication of the merits of the Company, its subsidiaries, the Proposed Share Issuance Transactions and the New Shares.
- 4.3 On 25 June 2018, the Company obtained the approval of its shareholders for the Allotment and Issuance of Earn-Out Consideration Shares at the Company’s extraordinary general meeting held on the same day.
- 4.4 Following the Allotment and Issuance of the Earn-Out Consideration Shares:
- (a) the total number of issued Shares of the Company will increase from 127,103,447 Shares to 261,213,792 Shares;
 - (b) the Vendor will hold 220,127,138 Shares (representing 84.3% of total number of enlarged issued Shares of the Company); and
 - (c) based on the information available to the Company as at 18 November 2019 and to the best knowledge of the Directors of the Company, approximately 12.6% of the Company’s total number of issued Shares will be held in the hands of the public (“**Public Float**”) as defined in the Catalist Rules.

Accordingly, as the Public Float is more than 10%, the Company is not required to undertake a compliance share placement under the Catalist Rules.

- 4.5 The Allotment and Issuance of Earn-Out Consideration Shares falls within the Moratorium Period as defined in Section 16.4 of the Circular. Accordingly, 67,055,173 Shares, representing 50% of the Earn-Out Consideration Shares, will be subject to the conditions of the Moratorium Period until 30 January 2020 (being the period of six months from 30 July 2019).

5. OTHER INFORMATION

The Board confirms that, to the best of its knowledge, nothing has come to its attention which may render information provided in this announcement to be false and misleading in any material aspect. The Company will make the necessary announcement upon the Allotment and Issuance of Earn-Out Consideration Shares.

6. Cautionary Statement

Shareholders and potential investors of the Company should exercise due care and caution when trading in the shares of the Company in relation to this announcement as the information herein may be updated or amended in line with future exploration and studies to be conducted. When in doubt as to the action they should take, shareholders and potential investors of the Company should consult their financial, tax or other advisers.

By Order of the Board

Hong Kah Ing

Executive Director and Chief Executive Officer

19 November 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road. #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.