



**Silkroad Nickel Ltd.**  
**(Company Registration Number 200512048E)**  
**(Incorporated in the Republic of Singapore)**

## **UNAUDITED FINANCIAL STATEMENTS FOR THE FULL YEAR ENDED 31 DECEMBER 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 ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

*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.*

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### **Background**

Silkroad Nickel Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**"), formerly known as China Bearing (Singapore) Ltd., was formed subsequent to the successful reverse takeover ("**RTO**") by FE Resources Pte. Ltd. ("**FER**", and together with its subsidiaries, the "**FER Group**"). In December 2015, the Company completed the disposal of its principal and wholly-owned subsidiary (the "**Disposal**"). Following the completion of the Disposal, the Company became a "cash company" under Rule 1018 of the SGX-ST Listing Manual and ceased to have any operating subsidiaries or businesses up to 5 July 2018. On 5 July 2018, the Company completed the acquisition of the entire issued and paid-up capital of FER (the "**Proposed Acquisition**") and changed its name from "China Bearing (Singapore) Ltd." to "Silkroad Nickel Ltd.". Please refer to the Company's circular to shareholders (the "**Circular**") dated 31 May 2018 for further details on the RTO and the Proposed Acquisition.

The Group is principally engaged in the business of exploration, mining, production and sale of nickel ore.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),  
HALF -YEAR AND FULL YEAR RESULTS**

**1(a)(i) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Notes	Group 12 months ended		% Change
		31/12/2019 US\$'000 (Unaudited)	31/12/2018 US\$'000 (Audited)	
Revenue	8(a)	15,498	5,749	169.6
Cost of goods sold	8(b)	<u>(9,481)</u>	<u>(4,429)</u>	114.1
Gross profit	8(c)	6,017	1,320	355.8
Other income	8(d)	237	480	(50.6)
<b>Expenses</b>				
Administrative expenses	8(e)	(5,039)	(4,203)	19.9
Finance expenses	8(f)	(361)	(171)	111.1
Other expenses	8(g)	<u>-</u>	<u>(2,136)</u>	(100.0)
Profit/(loss) before tax		854	(4,710)	(118.1)
Tax expense		<u>(790)</u>	<u>(123)</u>	n.m
<b>Profit/(loss) after tax</b>		64	(4,833)	(101.3)
<b>Other comprehensive (loss)/income</b>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Re-measurement of post-employment benefits liabilities, net of tax		<u>(32)</u>	21	(252.4)
Other comprehensive (loss)/income for the financial year, net of tax		<u>(32)</u>	21	(252.4)
<b>Total comprehensive income/(loss) for the financial year</b>		<u>32</u>	<u>(4,812)</u>	(100.7)

n.m – not meaningful

## 1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Group 12 months ended			
	31/12/2019	31/12/2018	
	US\$'000	US\$'000	%
	(Unaudited)	(Audited)	Change
Profit/(loss) for the year is arrived at after charging/(crediting):			
Included in cost of goods sold:			
Changes in inventories	(133)	(235)	(43.4)
Depreciation of property, plant and equipment	740	651	13.7
Mining contractor charges	5,604	2,172	158.0
Provision for mine reclamation and rehabilitation	36	15	140.0
Royalty fees	1,044	244	327.9
Staff costs	411	286	43.7
Transportation costs	803	796	0.9
Included in other income:			
Gain on sales of equipment	(19)	-	n.m
Interest income	(8)	(9)	(11.1)
Rental income	(194)	(231)	(16.0)
Foreign exchange gain, net	-	(58) <sup>(1)</sup>	(100.0)
Included in administrative expenses:			
Depreciation of property, plant and equipment	270	30	n.m
Foreign exchange loss	157 <sup>(1)</sup>	-	n.m
Professional fees	711	891	(20.2)
Staff costs	1,153	1,223	(5.7)
Travelling expenses	214	285	(24.9)
Included in finance expenses:			
Interest expense on lease liabilities	48	68	(29.4)
Interest expense on borrowings	300	90	233.3
Included in other expenses:			
RTO expenses	-	2,137	(100.0)

n.m – not meaningful

### Note:

- (1) In the 12 months ended 31 December 2019 (“**12M2019**”), the Group recorded a net foreign exchange loss of approximately US\$157,000 mainly due to the appreciation of United States Dollars (“**USD**”) against Indonesian Rupiah (“**IDR**”) in 12M2019. In the 12 months ended 31 December 2018 (“**12M2018**”), the Group recorded a net foreign exchange gain of approximately US\$58,000 mainly due to the appreciation of IDR against USD in 12M2018.

**1(b)(i) A statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Notes	Group As at		Company As at	
		31/12/2019 (Unaudited) US\$'000	31/12/2018 (Audited) US\$'000	31/12/2019 (Unaudited) US\$'000	31/12/2018 (Audited) US\$'000
<b>Non-current assets</b>					
Investment in subsidiaries		-	-	66,241	50,000
Property, plant and equipment <sup>(1)</sup>	8(i)	12,330	12,139	71	44
Deferred tax assets	8(ii)	253	199	-	-
Receivables	8(iii)	332	261	1,688	900
		<u>12,915</u>	<u>12,599</u>	<u>68,000</u>	<u>50,944</u>
<b>Current assets</b>					
Inventories	8(iv)	1,250	1,112	-	-
Receivables and prepayments	8(v)	11,211	1,309	3,111	2,606
Cash and cash equivalents		64	87	2	9
		<u>12,525</u>	<u>2,508</u>	<u>3,113</u>	<u>2,615</u>
<b>Total assets</b>		<u>25,440</u>	<u>15,107</u>	<u>71,113</u>	<u>53,559</u>
<b>Non-current liabilities</b>					
Liabilities for post-employment benefits	8(vi)	521	246	-	-
Lease liabilities <sup>(1)</sup>	8(vii)	52	11	-	-
Provisions	8(viii)	723	646	-	-
Long-term borrowings	8(ix)	741	-	741	-
		<u>2,037</u>	<u>903</u>	<u>741</u>	<u>-</u>
<b>Current liabilities</b>					
Payables and accruals	8(x)	8,055	1,605	550	181
Lease liabilities <sup>(1)</sup>	8(xi)	270	168	40	-
Tax payables	8(xii)	976	103	20	9
Short-term borrowings	8(xiii)	1,742	-	1,742	-
		<u>11,043</u>	<u>1,876</u>	<u>2,352</u>	<u>190</u>
<b>Total liabilities</b>		<u>13,080</u>	<u>2,779</u>	<u>3,093</u>	<u>190</u>
<b>Net assets</b>		<u>12,360</u>	<u>12,328</u>	<u>68,020</u>	<u>53,369</u>
<b>Equity</b>					
Share capital		8,979	8,979	86,387	70,146
Accumulated profits/(losses)		<u>3,381</u>	<u>3,349</u>	<u>(18,367)</u>	<u>(16,777)</u>
<b>Total equity</b>		<u>12,360</u>	<u>12,328</u>	<u>68,020</u>	<u>53,369</u>

**Note:**

- (1) As a result of the adoption of SFRS (I) 16 Leases on 1 January 2019, the Group and the Company recognised its existing operating lease arrangements as right-of-use assets (recognised under 'Property, plant and equipment') with corresponding lease liabilities.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

As at 31 December 2019		As at 31 December 2018	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
2,012	NA	168	NA

**Amount repayable after one year**

As at 31 December 2019		As at 31 December 2018	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
741	NA	11	NA

As at 31 December 2019, the Group's borrowings and debt securities comprised (i) obligations under finance leases; and (ii) secured loans from third parties. As at 31 December 2018, the Group's borrowings and debt securities comprised obligations under finance leases.

**Details of any collateral**

The Group's obligations under finance leases are secured by property, plant and equipment with a net book value of US\$486,079 as at 31 December 2019 (31 December 2018: US\$625,115).

The Group's obligations under loans from third parties are secured by corporate guarantee from the Company.

**1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group	
	12 months ended	
	31/12/2019 (Unaudited) US\$'000	31/12/2018 (Audited) US\$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	854	(4,710)
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	13	12
Acquisition costs arising from reverse acquisition	-	3
Cost of professional fees paid in shares	-	1,999
Depreciation of property, plant and equipment	1,013	682
Interest income	(8)	(9)
Interest expense	348	158
Post-employment benefits	223	125
Provision for mine reclamation and rehabilitation	36	15
Unrealised foreign exchange gain/(loss)	37	(45)
Waiver of interest by a third party	-	(52)
Waiver of interest by ultimate holding company	-	(129)
Operating cash flows before working capital changes	2,516	(1,951)
Changes in operating assets and liabilities		
Inventories	(138)	(274)
Receivables and prepayments	(10,053)	(669)
Payables and accruals	5,691	(97)
Cash used in operations	(1,984)	(2,991)
Interest received	8	9
Taxes refunded/(paid)	23	(137)
<b>Net cash used in operating activities</b>	<b>(1,953)</b>	<b>(3,119)</b>
<b>Cash flows from investing activities</b>		
Net proceeds from reverse acquisition	-	8,978
Net proceeds from sale of equipment	51	-
Purchase of property, plant and equipment	(765)	(1,470)
<b>Net cash (used in)/generated from investing activities</b>	<b>(714)</b>	<b>7,508</b>
<b>Cash flows from financing activities</b>		
Interest paid	(348)	(470)
Net advances from directors	-	2
Net advances from related parties	34	-
Net advances from ultimate holding company	31	-
Net payment on behalf of ultimate holding company	-	(29)
Loan from third parties	5,295	-
Repayment of loans	(2,812)	(3,622)
Sales advances	800	458
Repayment of sales advances	(1)	(457)
Repayment of lease liabilities	(359)	(256)
<b>Net cash generated from/(used in) financing activities</b>	<b>2,640</b>	<b>(4,374)</b>

	<b>Group</b>	
	<b>12 months ended</b>	
	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(27)	15
Cash and cash equivalents at beginning of financial year	87	77
Effects of exchange rate changes on cash and cash equivalents	4	(5)
<b>Cash and cash equivalents at end of financial year</b>	<u>64</u>	<u>87</u>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

<b>Group</b>	<b>Share capital US\$'000</b>	<b>Accumulated profits US\$'000</b>	<b>Total equity US\$'000</b>	
<b>Balance as at 1 January 2019</b>	8,979	3,349	12,328	
Total comprehensive income for the year	-	32	32	
<b>Balance as at 31 December 2019</b>	<u>8,979</u>	<u>3,381</u>	<u>12,360</u>	
<b>Balance as at 1 January 2018</b>	*	7,316	7,316	
Total comprehensive loss for the year	-	(4,811)	(4,811)	
Issue of shares pursuant to the reverse acquisition	6,980	-	6,980	
Issue of shares as payment of professional fee for the reverse acquisition	1,999	-	1,999	
Loans waived by ultimate holding company	-	844	844	
<b>Balance as at 31 December 2018</b>	<u>8,979</u>	<u>3,349</u>	<u>12,328</u>	
	<b>Share capital US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Translation reserve US\$'000</b>	<b>Total equity US\$'000</b>
<b>Company</b>				
<b>Balance as at 1 January 2019</b>	70,146	(16,777)	-	53,369
Total comprehensive loss for the year	-	(1,590)	-	(1,590)
Issue of earn-out shares pursuant to the reverse acquisition	16,241	-	-	16,241
<b>Balance as at 31 December 2019</b>	<u>86,387</u>	<u>(18,367)</u>	-	<u>68,020</u>
<b>Balance as at 1 January 2018</b>	17,092	(9,035)	682	8,739
Total comprehensive loss for the year	-	(7,218)	-	(7,218)
Currency translation differences arising from reverse acquisition	-	-	(151)	(151)
Issue of shares pursuant to the reverse acquisition	50,000	-	-	50,000
Issue of shares as payment of professional fees for the reverse acquisition	1,999	-	-	1,999
Effect of change in functional currency	1,055	(524)	(531)	-
<b>Balance as at 31 December 2018</b>	<u>70,146</u>	<u>(16,777)</u>	-	<u>53,369</u>

Note:

\*The amount is less than US\$1,000.



**1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share option or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	Number of shares	Issued and paid-up share capital US\$'000
Balance as at 30 September 2019	127,103,447	70,146
Issuance of earn-out shares pursuant to reverse acquisition	134,110,345	16,241
Balance as at 31 December 2019	<u>261,213,792</u>	<u>86,387</u>

The Company did not have any outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2019 and 31 December 2018.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 31 December 2019	As at 31 December 2018
Total number of issued shares, excluding treasury shares	261,213,792	127,103,447

There were no treasury shares as at 31 December 2019 and 31 December 2018.

**1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).**

Not applicable. The figures have not been audited nor reviewed by the Company's auditors.

**3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—**

- (a) Updates on the efforts taken to resolve each outstanding audit issue.  
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2018 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the auditors.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

As disclosed in section 5 below, the Company has adopted the new accounting standard of SFRS (I) 16 Leases effective for annual periods beginning on or after 1 January 2019. Save for the above, the same accounting policies and methods of computation have been applied in the presentation of the unaudited financial statements for the financial year ended 31 December 2019 as compared with the audited financial statements for the financial year ended 31 December 2018.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reason for, and the effect of, the change.**

The Group has adopted the new accounting standard of SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019. The Group is using the modified retrospective approach and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 16 at the date of initial application in the opening accumulated losses as at 1 January 2019. Right-of-use assets and all other leases are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

**6. Earnings per ordinary share of the group for the current financial period reported on and the immediately preceding financial period, after deducting any provision for preference dividends.**

	Group	
	12 months ended	
	31/12/2019 (Unaudited)	31/12/2018 (Audited)
Profit/(loss) attributable to owners of the Company (US\$'000)	64	(4,833)
Weighted average number of ordinary shares outstanding	142,167,897	111,233,821
Basic and diluted earnings/(loss) per share (US cents)	0.05	(4.34)

For the immediately preceding financial year, the loss per share was computed based on the weighted average number of shares of 111,233,821 shares (determined based on the number of issued shares upon completion of the share consolidation exercise (where every 10 existing issued shares were consolidated into one share as at 4 July 2018, fractional entitlements disregarded) and after taking into account the number of new shares issued for the RTO, excluding the new shares issued to the arranger and financial advisor).

For the current financial year, the earnings per share was computed based on weighted average number of shares of 142,167,897 shares (determined based on 127,103,447 shares up to 20 November 2019 and 261,213,792 shares from 21 November 2019 to 31 December 2019).

As there are no dilutive potential ordinary shares that were outstanding during the respective financial years, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**  
**(a) current financial year reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	As at 31/12/2019	As at 31/12/2018	As at 31/12/2019	As at 31/12/2018
Net assets value (US\$'000)	12,360	12,328	68,020	53,369
Number of ordinary shares in issue	261,213,792	127,103,447	261,213,792	127,103,447
Net assets value per share (US cents)	4.73	9.70	26.04	41.99

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**  
**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**  
**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Review of Group's performance for the 12 months ended 31 December 2019 ("12M2019") as compared to the 12 months ended 31 December 2018 ("12M2018")**

**(a) Revenue**

The Group's revenue for 12M2019 increased by US\$9.8 million or 169.6%, from US\$5.7 million in 12M2018 to US\$15.5 million in 12M2019. The increase was mainly due to (i) the increase in the quantity of nickel ore sold, from 275,856 metric tons in 12M2018 to 674,007 metric tons in 12M2019; and (ii) a higher average selling price of nickel ore.

**(b) Cost of goods sold**

Cost of goods sold increased by US\$5.1 million or 114.1%, from US\$4.4 million in 12M2018 to US\$9.5 million in 12M2019. The rate of increase in cost of goods sold of 114.1% was lower than the rate of increase in revenue of 169.6%. This was mainly due to lower transportation costs as a result of a change in selling arrangement, from selling on a Cost, Insurance, and Freight basis to a Free On Board basis, from April 2019 onwards.

**(c) Gross profit margin**

The gross profit margin in 12M2019 and 12M2018 was 38.8% and 23.0% respectively. The increase in gross profit margin in 12M2019 was mainly due to a higher average selling price of the nickel ore and a decrease in the cost of goods sold per metric ton as explained in 8(b) above.

**(d) Other income**

Other income comprises interest income from bank deposits, rental income, foreign exchange gain, gain on sale of assets and miscellaneous income.

Other income decreased by US\$0.3 million, from US\$0.5 million in 12M2018 to US\$0.2 million in 12M2019. This was mainly attributable to (i) the decrease of approximately US\$37,000 in rental income generated from renting out the Group's excavators and off-highway trucks to the mining contractor in 12M2019; (ii) net foreign exchange gain of approximately US\$58,000 due to the appreciation of IDR against USD in 12M2018; and (iii) the waiver of interest by ultimate holding company of US\$0.1 million in 12M2018 which was absent in 12M2019, partially offset by the gain on sales of equipment of approximately US\$19,000 in 12M2019.

**(e) Administrative expenses**

Administrative expenses increased by US\$0.8 million, from US\$4.2 million in 12M2018 to US\$5.0 million in 12M2019. This was mainly due to (i) increase in professional fees of approximately US\$79,000 incurred in relation to the Company's ongoing listing obligations on the Singapore Exchange in 12M2019 as compared to 12M2018 since the Company got listed on the Singapore Exchange in July 2018; (ii) increase in directors' remuneration of approximately US\$92,000; (iii) depreciation costs of US\$0.2 million in 12M2019 (nil in 12M2018) due to the adoption of new accounting standard SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019 for the right-of-use assets; (iv) net foreign exchange loss of US\$0.2 million due to the appreciation of USD against IDR in 12M2019 which was absent in 12M2018; (v) tax penalties of withholding tax of approximately US\$92,000; and (vi) value-added tax (VAT) expense of US\$0.3 million in 12M2019 (US\$0.2 million in 12M2018) due to the increase in sales in 12M2019.

**(f) Finance expenses**

Finance expenses increased by US\$0.2 million, from US\$0.2 million in 12M2018 to US\$0.4 million in 12M2019 mainly due to the interest incurred on the new borrowings obtained in 12M2019, partially offset by the settlement of loans payable to ultimate holding company in September 2018.

**(g) Other expenses**

Other expenses in 12M2018 of US\$2.1 million (nil in 12M2019) relate to RTO expenses (such as professional fees, arranger fees and success fees) incurred in relation to the RTO, which was completed in July 2018.

**(h) Profit after tax**

The Group recorded a profit after tax of approximately US\$64,000 for 12M2019, as compared to a loss after tax of US\$4.8 million for 12M2018, as a result of the above.

**Review of Financial Position**

***Non-Current Assets***

- (i) Property, plant and equipment increased by US\$0.2 million, from US\$12.1 million as at 31 December 2018 to US\$12.3 million as at 31 December 2019. This was due to the additions of new property, plant and equipment acquired in 12M2019 and the right-of-use assets in respect of office premises as a result of the adoption of new accounting standard SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019, partially offset by the depreciation charges of property, plant and equipment, and amortisation of mining property made during 12M2019.
- (ii) Deferred tax assets, which relate to tax benefits to be realised in the future, increased by approximately US\$54,000, from approximately US\$199,000 as at 31 December 2018 to approximately US\$253,000 as at 31 December 2019, due to the increase in provision for retirement benefits, mine reclamation and rehabilitation during 12M2019.

- (iii) Receivables comprised fixed deposits placed as security deposits for mine reclamation purposes. Receivables increased by approximately US\$71,000, from approximately US\$261,000 as at 31 December 2018 to approximately US\$332,000 as at 31 December 2019 due to additional security deposits placed during 12M2019.

#### **Current Assets**

- (iv) Inventories increased by US\$0.1 million, from US\$1.1 million as at 31 December 2018 to US\$1.2 million as at 31 December 2019 as the production quantity of the nickel ore was higher than the sales quantity during 12M2019.
- (v) Receivables and prepayments, comprising trade receivables, other receivables and prepayments, increased by US\$9.9 million, from US\$1.3 million as at 31 December 2018 to US\$11.2 million as at 31 December 2019.

Trade receivables increased by US\$9.7 million, from US\$0.6 million as at 31 December 2018 to US\$10.3 million as at 31 December 2019. The increase was due to the sales and deliveries made in November and December 2019.

Other receivables and prepayments increased by US\$0.2 million, from US\$0.7 million as at 31 December 2018 to US\$0.9 million as at 31 December 2019 due to advance payments to suppliers.

#### **Non-Current Liabilities**

- (vi) Liabilities for post-employment benefits increased by US\$0.3 million, from US\$0.2 million as at 31 December 2018 to US\$0.5 million as at 31 December 2019. The increase was due to the provision of retirement pension cost during 12M2019.
- (vii) Lease liabilities, comprising finance lease liabilities and operating lease liabilities, increased by approximately US\$41,000, from approximately US\$11,000 as at 31 December 2018 to US\$52,000 as at 31 December 2019.

Finance lease liabilities decreased by approximately US\$11,000, from approximately US\$11,000 as at 31 December 2018 to US\$ NIL as at 31 December 2019. The decrease was due to the reclassification of finance lease liabilities from non-current liabilities to current liabilities, as they are payable within 12 months from 31 December 2019.

Operating lease liabilities increased by approximately US\$52,000, from US\$ NIL as at 31 December 2018 to approximately US\$52,000 as at 31 December 2019. This was due to the adoption of new accounting standard SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019. This comprises office lease liabilities starting from 1 January 2019 which are due and payable after 12 months from 31 December 2019.

- (viii) Provisions were in relation to provisions made for mine reclamation and rehabilitation expenses. Provisions increased by approximately US\$77,000, from approximately US\$646,000 as at 31 December 2018 to approximately US\$723,000 as at 31 December 2019 due to the increase in the production of the nickel ore.
- (ix) Long-term borrowings increased by US\$0.7 million, from US\$ NIL as at 31 December 2018 to US\$0.7 million as at 31 December 2019. The increase was due to the non-current portion of the secured loans obtained from third parties in 12M2019, which is due and payable after 12 months from 31 December 2019.

#### **Current Liabilities**

- (x) Payables and accruals, comprising trade payables, other payables and accruals, increased by US\$6.4 million, from US\$1.6 million as at 31 December 2018 to US\$8.0 million as at 31 December 2019.

Trade payables increased by US\$3.9 million, from US\$0.3 million as at 31 December 2018 to US\$4.2 million as at 31 December 2019. The increase was due to the higher production cost incurred as a result of the higher quantity of nickel ore produced in November and December 2019.

Other payables increased by approximately US\$961,000, from approximately US\$6,000 as at 31 December 2018 to approximately US\$967,000 as at 31 December 2019. The increase was mainly due to sales advances from customers and slight delay in payment to suppliers in 12M2019.

Accruals increased by US\$1.5 million, from US\$1.3 million as at 31 December 2018 to US\$2.8 million as at 31 December 2019. This was mainly due to the increase in unbilled royalty fee and the accrual of interest expense of the new borrowings obtained in 12M2019.

- (xi) Lease liabilities, comprising finance lease liabilities and operating lease liabilities, increased by US\$0.1 million, from US\$0.2 million as at 31 December 2018 to US\$0.3 million as at 31 December 2019.

Finance lease liabilities decreased by approximately US\$135,000, from approximately US\$168,000 as at 31 December 2018 to approximately US\$33,000 as at 31 December 2019. This was due to lease payment made for heavy equipment in 12M2019, partially offset by the reclassification of certain finance lease liabilities from non-current liabilities to current liabilities, as they are payable within 12 months from 31 December 2019.

Operating lease liabilities increased by US\$0.2 million, from US\$ NIL as at 31 December 2018 to US\$0.2 million as at 31 December 2019. This was due to the adoption of new accounting standard SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019. This comprises office lease liabilities starting from 1 January 2019 which are due and payable within 12 months from 31 December 2019.

- (xii) Tax payables increased by US\$0.9 million, from US\$0.1 million as at 31 December 2018 to US\$1.0 million as at 31 December 2019. The increase was due to tax payment for employee income tax, withholding tax for mining contractors and corporate tax as a result of a higher taxable income generated in 12M2019.

- (xiii) Short-term borrowings increased by US\$1.7 million, from US\$ NIL as at 31 December 2018 to US\$1.7 million as at 31 December 2019. The increase was due to the current portion of the secured loans obtained from third parties in 12M2019, which is due within 12 months from 31 December 2019.

### ***Working Capital Position***

The Group reported a positive working capital position of US\$1.5 million as at 31 December 2019, as compared to a positive working capital position of US\$0.6 million as at 31 December 2018.

### ***Equity***

As a result of the above, total equity of the Group increased by approximately US\$32,000, from approximately US\$12,328,000 as at 31 December 2018 to approximately US\$12,360,000 as at 31 December 2019.

## **Review of Statement of Cash Flows**

### **12M2019**

Net cash used in operating activities of US\$2.0 million was attributable to (i) operating cash inflows of US\$2.5 million; and (ii) a net working capital outflow of US\$4.5 million resulting from an increase of US\$0.1 million in inventories and an increase of US\$10.1 million in receivables and prepayments, partially offset by an increase of US\$5.7 million in payables and accruals in 12M2019.

Net cash used in investing activities of US\$0.7 million was attributable to the purchase of property, plant and equipment of US\$0.8 million in 12M2019, partially offset by net proceeds from sale of equipment of approximately US\$51,000.

Net cash generated from financing activities of US\$2.6 million was attributable to the net loans received of US\$2.5 million and net sales advances received of US\$0.8 million, partially offset by interest payments of US\$0.3 million and lease payments of US\$0.4 million.

As a result of the above, the Group's cash and cash equivalents (after netting the effects of exchange rate changes) decreased by approximately US\$23,000, from approximately US\$87,000 as at 1 January 2019 to approximately US\$64,000 as at 31 December 2019.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement was previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

On 11 December 2018, the Company's subsidiary, PT Teknik Alum Service, signed a long-term nickel ore offtake agreement with PT Transon Bumindo Resources to supply 1.5 million metric tons per annum over a period of 5 to 8 years. The Group will be ramping up its production in the next few months in order to meet the supply requirements of nickel ore to PT Transon Bumindo Resources from October 2020 onwards.

On 5 December 2019, the Group signed a binding definitive head of agreement with Renewable and Sustainable Energy Holding Pte Ltd, PT Artabumi Sentra Industri and PT Anugrah Tambang Smelter to form a joint venture to build and operate smelter facilities for the production of nickel pig iron on the Group's mine site in Sulawesi, Indonesia. The Group has started to supply the nickel ore required to operate the smelter facilities which would mark a further step towards the Group's strategy of becoming an integrated nickel mining company.

Following the travel restrictions announced by the Indonesia Government in early February 2020 due to the recent novel coronavirus (COVID-19) outbreak, the Group's mining contractor PowerChina has informed the Group that its employees are unlikely to be able to travel to Indonesia and it is unsure of the length of absence of these Chinese workers. As a result, the Group has had to curtail its production in the month of February and will continue to carry out its mining operations with its local Indonesian staffs for the next few months.

**11. If a decision regarding dividend has been made**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended).**

None.

**(b) (i) Amount per share**

Not Applicable.

**(ii) Previous corresponding period**

None.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)**

Not Applicable.

(d) **The date the dividend is payable**

Not Applicable.

(e) **The date on which Registrable Transfers received by the company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.**

Not Applicable.

12. **If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividend has been declared / recommended for 12M2019 as the Group recorded a small net profit in 12M2019 and the board of directors of the Company deems it appropriate to conserve cash for the Group's business activities and growth.

13. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have a general mandate from shareholders for interested person transactions.

Details of the interested person transactions for 12M2019 are as follows:-

<b>Name of interested person</b>	<b>Nature of Relationship</b>	<b>Aggregate value of all Interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (S\$'000)</b>
<u>PT Bina Mitra Serasi ("PT BMS")</u> <ul style="list-style-type: none"><li>- Rental of office space to PT Teknik Alum Service from PT BMS</li><li>- Rental of cars to PT Teknik Alum Service from PT BMS</li></ul>	PT BMS is 4% and 96% owned by (i) Mr Hong Kah Ing, who is a controlling shareholder of the Company and the Executive Director and Chief Executive Officer of the Group; and (ii) Mr Hong's spouse, respectively.	181	-
<u>Hong Kah Ing ("Mr Hong")</u> <ul style="list-style-type: none"><li>- Rental of cars to PT Teknik Alum Service from Mr Hong</li><li>- Indemnity in respect of the shortfall and penalty in royalty payments of PT TAS</li></ul>	A controlling shareholder of the Company and the Executive Director and Chief Executive Officer of the Group.	177	-
<b>Total</b>		<b>358</b>	<b>-</b>



#### 14. Additional disclosures required for mineral, oil and gas companies

##### (a) Rule 705(6)(a) of the Catalyst Rules

###### (i) Use of funds/cash for the quarter

For 4Q2019, funds were mainly used for the following activities:-

Purpose	Forecasted usage of funds (US\$'000)	Actual usage of funds (US\$'000)
Development activities*	288	273
Production activities	3,000	932
General working capital	1,640	791
<b>Total</b>	<b>4,928</b>	<b>1,996</b>

\*Development activities include capital expenditures.

Actual funds used for production activities in 4Q2019 was US\$2.1 million lower than forecasted due to the slight delay in payment to suppliers.

Actual funds used for general working capital in 4Q2019 was US\$0.8 million lower than forecasted as outstanding payments will be made in subsequent quarter as part of the Group's measures to manage its cash flow.

###### (ii) Projection on the use of funds/cash for the next immediate quarter, including principal assumptions

For the next immediate quarter from 1 January 2020 to 31 March 2020, the Group's use of funds are expected to be as follows:-

Purpose	Amount (US\$'000)
Development activities	NIL
Production activities	750
General working capital	864
<b>Total</b>	<b>1,614</b>

###### Principal assumptions

Projected use of funds is based on local sales and for certain items, including, but not limited to, expenses incurred for the Group's mine development activities, will vary according to the Group's rate of nickel mining and production. Accordingly, if the Group's rate of nickel mining and production changes, the Group's use of funds for mine development activities will change as well.

##### 14(b) Rule 705(6)(b) of the Catalyst Rules

The board of directors of the Company confirms that to the best of its knowledge, nothing has come to its attention which may render the above information provided to be false or misleading in any material aspect.

##### 14(c) Rule 705(7) of the Catalyst Rules

**Details of any exploration (including geophysical surveys), development and/or production activities undertaken by the Company and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.**

During 12M2019, exploration activities were carried out to identify mine pits for production purpose. In relation to production activities, a total of 688,137 metric tons of nickel ore was produced during 12M2019.

Infrastructure improvement works to the mine site and jetty remains ongoing.

**15. Additional Information Required for Full Year Announcement**

- 15(a) Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable. The Group's operations constitute a single segment which is the exploration and mining of nickel ore in Indonesia.

- 15(b) In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Not applicable. The Group's operations constitute a single segment which is the exploration and mining of nickel ore in Indonesia.

- 15(c) A breakdown of sales as follows:**

	<b>Latest Financial Year US\$'000</b>	<b>Previous Financial Year US\$'000</b>	<b>% increase/ (decrease)</b>
	<b>Group</b>	<b>Group</b>	<b>Group</b>
(a) Sales reported for first half year	2,988	1,644	81.8
(b) Operating loss after tax before deducting non-controlling interests reported for first half year	(1,788)	(850)	110.4
(c) Sales reported for second half year	12,510	4,105	204.8
(d) Operating profit/(loss) after tax before deducting non-controlling interests reported for second half year	1,852	(3,983)	n.m

n.m – not meaningful

- 15(d) A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

Not applicable. The Company has neither declared nor recommended any dividend for its latest and previous full financial year.

- 15(e) Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10).**

There is no person occupying a managerial position in the Group who is related to a director or Chief Executive Officer or substantial shareholder of the Company.

- 16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)**

The Company confirms that it has procured the required undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

On behalf of the Board of Directors

\_\_\_\_\_  
Syed Abdel Nasser Bin Syed Hassan Aljunied  
Director  
28 February 2020

\_\_\_\_\_  
Hong Kah Ing  
Director