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

UNAUDITED THIRD QUARTER RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 Catalist.*

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.

		Group 3 months ended			**Group 9 months ended**		
	Notes	**30/9/2019 US$'000 (Unaudited)**	**30/9/2018 US$'000 (Unaudited)**	**% Change**	**30/9/2019 US$'000 (Unaudited)**	**30/9/2018 US$'000 (Unaudited)**	**% Change**
Revenue	8(a)	260	1,380	(81.2)	3,248	3,024	7.4
Cost of goods sold	8(b)	(219)	(902)	(75.7)	(2,763)	(2,323)	18.9
Gross profit	8(c)	41	478	(91.4)	485	701	(30.8)
Other income	8(d)	21	107	(80.4)	217	95	n.m
Expenses							
Administrative expenses	8(e)	(1,169)	(1,435)	(18.5)	(3,495)	(2,256)	54.9
Finance expenses	8(f)	(82)	(149)	(45.0)	(185)	(389)	(52.4)
Other expenses	8(g)	-	(2,137)	(100.0)	-	(2,137)	(100.0)
Loss before tax		(1,189)	(3,136)	(62.1)	(2,978)	(3,986)	(25.3)
Tax expense		-	-	-	-	-	-
Loss after tax		(1,189)	(3,136)	(62.1)	(2,978)	(3,986)	(25.3)
Other comprehensive income							
Items that will not be reclassified subsequently to profit or loss:							
Re-measurement of post-employment benefits liabilities, net of tax		-	-	-	-	-	-
Other comprehensive income for the financial period, net of tax		-	-	-	-	-	-
Total comprehensive loss for the financial period		(1,189)	(3,136)	(62.1)	(2,978)	(3,986)	(25.3)

n.m – not meaningful

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

	Group 3 months ended			Group 9 months ended		
	30/9/2019 US$'000 (Unaudited)	30/9/2018 US$'000 (Unaudited)	% Change	30/9/2019 US$'000 (Unaudited)	30/9/2018 US$'000 (Unaudited)	% Change
Loss for the period is arrived at after charging/(crediting):						
Included in cost of goods sold:						
Changes in inventories	(887)	(217)	n.m	(800)	(200)	n.m
Depreciation of property, plant and equipment(1)	207	149	38.9	613	426	43.9
Mining contractor charges	682	569	19.9	1,817	1,163	56.2
Provision for mine reclamation and rehabilitation	4	9	(55.6)	11	27	(59.3)
Royalty fees	14	67	(79.1)	200	144	38.9
Staff costs	92	67	37.3	295	197	49.7
Transportation costs(2)	27	145	(81.4)	307	388	(20.9)
Included in other income:						
Interest income	(2)	(3)	(33.3)	(6)	(7)	(14.3)
Rental income	(16)	(45)	(64.4)	(210)	(45)	n.m
Foreign exchange gain, net	(3)	(59)	(94.9)	(1)	(43)	(97.7)
Included in administrative expenses:						
Depreciation of property, plant and equipment	15	26	(42.3)	40	80	(50.0)
Depreciation of right-of-use assets	60	-	n.m	158	-	n.m
Professional fees	142	424	(66.5)	514	483	6.4
Staff costs	273	227	20.3	874	511	71.0
Travelling expenses	40	81	(50.6)	153	161	(5.0)
Included in finance expenses:						
Interest expense on finance lease liabilities	1	22	(95.5)	10	42	(76.2)
Interest expense on operating lease liabilities	6	-	n.m	11	-	n.m
Interest expense on borrowings	71	116	(38.8)	149	321	(53.6)
Included in other expenses:						
RTO expenses	-	2,137	(100.0)	-	2,137	(100.0)

n.m – not meaningful

Notes:

(1) The increase in depreciation of property, plant and equipment ("**PPE**") in both the 3-month financial period ended 30 September 2019 ("**3M2019**") and the 9-month financial period ended 30 September 2019 ("**9M2019**") (as compared to the 3-month financial period ended 30 September 2018 ("**3M2018**") and the 9-month financial period ended 30 September 2018 ("**9M2018**") respectively) was mainly due to the increase in PPE (relating to capitalised costs in respect of drilling and design plan of the smelter plant) in 3M2019.

(2) The decrease in transportation costs in 3M2019 as compared to 3M2018 was mainly due to the decrease in quantity of nickel ore sold in 3M2019. The decrease in transportation costs in 9M2019 as compared to 9M2018 was mainly due to the change in selling arrangement, from selling on a Cost, Insurance, and Freight basis to a Free On Board basis for some sales of nickel ore.

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 30/9/2019 (Unaudited) US$'000	Group As at 31/12/2018 (Audited) US$'000	Company As at 30/9/2019 (Unaudited) US$'000	Company As at 31/12/2018 (Audited) US$'000
Non-current assets					
Investment in subsidiaries		-	-	50,000	50,000
Property, plant and equipment	8(i)	12,105	12,139	37	44
Right-of-use assets	8(ii)	334	-	51	-
Deferred tax assets	8(iii)	203	199	-	-
Receivables	8(iv)	326	261	-	900
		12,968	12,599	50,088	50,944
Current assets					
Inventories	8(v)	1,914	1,112	-	-
Receivables and prepayments	8(vi)	1,867	1,309	5,137	2,606
Cash and cash equivalents		18	87	2	9
		3,799	2,508	5,139	2,615
Total assets		16,767	15,107	55,227	53,559
Non-current liabilities					
Liabilities for post-employment benefits	8(vii)	345	246	-	-
Finance lease liabilities	8(viii)	-	11	-	-
Provisions	8(ix)	681	646	-	-
Long-term borrowings	8(x)	730	-	730	-
		1,756	903	730	-
Current liabilities					
Payables and accruals	8(xi)	3,001	1,605	500	181
Finance lease liabilities	8(xii)	54	168	-	-
Operating lease liabilities	8(xiii)	371	-	51	-
Tax payables	8(xiv)	229	103	18	9
Short-term borrowings	8(xv)	2,006	-	1,711	-
		5,661	1,876	2,280	190
Total liabilities		7,417	2,779	3,010	190
Net assets		9,350	12,328	52,217	53,369
Equity					
Share capital		8,979	8,979	70,146	70,146
Accumulated profits/(losses)		371	3,349	(17,929)	(16,777)
Total equity		9,350	12,328	52,217	53,369

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 September 2019		As at 31 December 2018	
Secured (US$'000)	Unsecured (US$'000)	Secured (US$'000)	Unsecured (US$'000)
2,060	NA	168	NA

Amount repayable after one year

As at 30 September 2019		As at 31 December 2018	
Secured (US$'000)	Unsecured (US$'000)	Secured (US$'000)	Unsecured (US$'000)
730	NA	11	NA

As at 30 September 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$527,774 as at 30 September 2019 (31 December 2018: US$625,115).

The Group's obligations under loans from third parties are secured by corporate guarantee from the Company and certain assets of a family member of the Company's director.

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	
	9 months period ended	
	30/9/2019 (Unaudited)	30/9/2018 (Unaudited)
	US$'000	US$'000
Cash flows from operating activities		
Loss before tax	(2,978)	(3,986)
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	12	3
Acquisition costs arising from reverse acquisition	-	3
Cost of professional fees paid in shares	-	1,998
Depreciation of property, plant and equipment	653	506
Depreciation of right-of-use assets	158	-
Interest income	(6)	(7)
Interest expense	185	389
Post-employment benefits	94	52
Provision for mine reclamation and rehabilitation	11	27
Unrealised foreign exchange loss	42	11
Waiver of interest by a third party	-	(52)
Waiver of interest by ultimate holding company	-	(129)
Operating cash flows before working capital changes	(1,829)	(1,185)
Changes in operating assets and liabilities		
Inventories	(803)	(209)
Receivables and prepayments	(581)	(462)
Payables and accruals	578	(1,031)
Cash used in operations	(2,635)	(2,887)
Interest received	6	7
Taxes paid	(46)	(17)
Net cash used in operating activities	(2,675)	(2,897)
Cash flows from investing activities		
Net proceeds from reverse acquisition	-	8,978
Net proceeds from sale of equipment	18	-
Purchase of property, plant and equipment	(658)	(841)
Net cash (used in)/generated from investing activities	(640)	8,137
Cash flows from financing activities		
Interest paid	(185)	(389)
Payment on behalf of ultimate holding company	(4)	(29)
Loan from third parties	4,605	-
Repayment of loans	(1,870)	(3,621)
Sales advances	1,545	-
Repayment of sales advances	(595)	-
Repayment of finance leases	(252)	(201)
Net cash generated from/(used in) financing activities	3,244	(4,240)
Net (decrease)/increase in cash and cash equivalents	(71)	1,000
Cash and cash equivalents at beginning of financial period	87	77
Effects of exchange rate changes on cash and cash equivalents	2	(7)
Cash and cash equivalents at end of financial period	18	1,070

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 (cont'd).

	Group 3 months period ended	
	30/9/2019 (Unaudited) US$'000	**30/9/2018 (Unaudited) US$'000**
Cash flows from operating activities		
Loss before tax	(1,189)	(3,136)
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	4	1
Acquisition costs arising from reverse acquisition	-	3
Cost of professional fees paid in shares	-	1,998
Depreciation of property, plant and equipment	222	175
Depreciation of right-of-use assets	60	-
Interest income	(2)	(3)
Interest expense	82	149
Post-employment benefits	31	17
Provision for mine reclamation and rehabilitation	4	9
Unrealised foreign exchange loss	27	72
Waiver of interest by a third party	-	(52)
Waiver of interest by ultimate holding company	-	(129)
Operating cash flows before working capital changes	(761)	(896)
Changes in operating assets and liabilities		
Inventories	(886)	(238)
Receivables and prepayments	(376)	(579)
Payables and accruals	468	(1,683)
Cash used in operations	(1,555)	(3,396)
Interest received	2	3
Taxes (paid)/refunded	(10)	2
Net cash used in operating activities	(1,563)	(3,391)
Cash flows from investing activities		
Net proceeds from reverse acquisition	-	8,978
Net proceeds from sale of equipment	18	-
Purchase of property, plant and equipment	(253)	(722)
Net cash (used in)/generated from investing activities	(235)	8,256
Cash flows from financing activities		
Interest paid	(82)	(149)
Payment on behalf of ultimate holding company	-	(14)
Loan from third parties	1,392	-
Repayment of loans	(702)	(3,621)
Sales advances	950	-
Repayment of finance leases	(56)	(92)
Net cash generated from/(used in) financing activities	1,502	(3,876)
Net (decrease)/increase in cash and cash equivalents	(296)	989
Cash and cash equivalents at beginning of financial period	314	84
Effects of exchange rate changes on cash and cash equivalents	-	(3)
Cash and cash equivalents at end of financial period	18	1,070

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.

	Share capital US$'000	Accumulated profits US$'000	Total equity US$'000
Group			
Balance as at 1 January 2019	8,979	3,349	12,328
Total comprehensive loss for the period	-	(2,978)	(2,978)
Balance as at 30 September 2019	8,979	371	9,350
Balance as at 1 January 2018	-*	7,316	7,316
Total comprehensive loss for the period	-	(3,986)	(3,986)
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
Balance as at 30 September 2018	8,979	4,174	13,153

	Share capital US$'000	Accumulated losses US$'000	Translation reserve US$'000	Total equity US$'000
Company				
Balance as at 1 January 2019	70,146	(16,777)	-	53,369
Total comprehensive loss for the period	-	(1,152)	-	(1,152)
Balance as at 30 September 2019	70,146	(17,929)	-	52,217
Balance as at 1 January 2018	17,092	(9,035)	682	8,739
Total comprehensive loss for the period	-	(6,571)	-	(6,571)
Currency translation differences arising from reverse acquisition	-	-	(150)	(150)
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	(523)	(532)	-
Balance as at 30 September 2018	70,146	(16,129)	-	54,017

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

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 (cont'd).

	Share capital US$'000	Accumulated profits US$'000	Total equity US$'000
Group			
Balance as at 1 July 2019	8,979	1,560	10,539
Total comprehensive loss for the period	-	(1,189)	(1,189)
Balance as at 30 September 2019	8,979	371	9,350
Balance as at 1 July 2018	-*	6,466	6,466
Total comprehensive loss for the period	-	(3,136)	(3,136)
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
Balance as at 30 September 2018	8,979	4,174	13,153

	Share capital US$'000	Accumulated losses US$'000	Translation reserve US$'000	Total equity US$'000
Company				
Balance as at 1 July 2019	70,146	(17,533)	-	52,613
Total comprehensive loss for the period	-	(396)	-	(396)
Balance as at 30 September 2019	70,146	(17,929)	-	52,217
Balance as at 1 July 2018	17,092	(10,026)	532	7,598
Total comprehensive loss for the period	-	(5,580)	-	(5,580)
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	(523)	(532)	-
Balance as at 30 September 2018	70,146	(16,129)	-	54,017

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, 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 June 2019	127,103,447	70,146
Balance as at 30 September 2019	127,103,447	70,146

The Company did not have any outstanding convertibles, treasury shares and subsidiary holdings as at 30 September 2019 and 30 September 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 30 September 2019	As at 31 December 2018
Total number of issued shares, excluding treasury shares	127,103,447	127,103,447

There were no treasury shares as at 30 September 2019 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfers, disposal, 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, disposal, 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 qualifications or emphasis of a matter).

Not applicable. The figures have not been audited nor reviewed by the Company's 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 period ended 30 September 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			
	3 months ended		**9 months ended**	
	30/9/2019 (Unaudited)	**30/9/2018 (Unaudited)**	**30/9/2019 (Unaudited)**	**30/9/2018 (Unaudited)**
Loss attributable to owners of the Company (US$'000)	(1,189)	(3,136)	(2,978)	(3,986)
Weighted average number of ordinary shares outstanding	127,103,447	125,742,128	127,103,447	105,885,815
Basic and diluted loss per share (US cents)	(0.94)	(2.49)	(2.34)	(3.76)

For the immediately preceding financial period, the loss per share was computed based on the weighted average number of shares of 95,793,103 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).

As there are no dilutive potential ordinary shares that were outstanding during the respective financial periods, the diluted loss per share is the same as the basic 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 30/9/2019	**As at 31/12/2018**	**As at 30/9/2019**	**As at 31/12/2018**
Net assets value (US$'000)	9,350	12,328	52,217	53,369
Number of ordinary shares in issue	127,103,447	127,103,447	127,103,447	127,103,447
Net assets value per share (US cents)	7.36	9.70	41.08	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 3 months ended 30 September 2019 ("3Q2019") as compared to the 3 months ended 30 September 2018 ("3Q2018")

(a) Revenue

The Group's revenue for 3Q2019 decreased by US$1.1 million or 81.2%, from US$1.4 million in 3Q2018 to US$0.3 million in 3Q2019. The decrease was mainly due to (i) the decrease in the quantity of nickel ore sold, from 62,154 metric tons in 3Q2018 to 12,637 metric tons in 3Q2019 as the Group was conserving nickel ore stocks in anticipation of getting the export quota license for export market sales before the announcement of early ban of nickel ore exports was made in late August 2019; and (ii) a lower average selling price of nickel ore.

(b) Cost of goods sold

Cost of goods sold decreased by US$0.7 million or 75.7%, from US$0.9 million in 3Q2018 to US$0.2 million in 3Q2019. The decrease in cost of goods sold was in line with the decrease in the Group's revenue.

(c) Gross profit margin

The gross profit margin in 3Q2019 and 3Q2018 was 15.8% and 34.6% respectively. The decrease in gross profit margin in 3Q2019 was mainly due to a lower average selling price of the nickel ore and an increase in the cost of goods sold per metric ton as a result of higher mining contractor fees and transportation cost.

(d) Other income

Other income comprises interest income from bank deposits, rental income and foreign exchange gain.

Other income decreased by approximately US$86,000, from approximately US$107,000 in 3Q2018 to approximately US$21,000 in 3Q2019. This was mainly attributable to the decrease in rental income generated from renting out the Group's excavators and off-highway trucks to the mining contractor in 3Q2019 and the decrease in foreign exchange gain arising from the appreciation of Indonesia Rupiah against USD in 3Q2019.

(e) Administrative expenses

Administrative expenses decreased by US$0.2 million, from US$1.4 million in 3Q2018 to US$1.2 million in 3Q2019. This was mainly due to the absence of certain expenses in 3Q2019 as compared to 3Q2018, comprising (i) stamp duty incurred on purchase of the shares of FER in relation with the RTO; (ii) consultancy fees incurred in relation to the preparation of documents for the application of export quota; and (iii) professional fees incurred in respect of feasibility studies on the development of smelter operations and their supporting facilities.

(f) Finance expenses

Finance expenses decreased by approximately US$67,000, from approximately US$149,000 in 3Q2018 to approximately US$82,000 in 3Q2019 due to the settlement of loans payable to ultimate holding company in September 2018 and the repayment of finance lease for the heavy machinery in 3Q2019, partially offset by the interest incurred on the new borrowings obtained in 3Q2019.

(g) Other expenses

The Group reported one-off expenses of US$2.1 million in 3Q2018, which were absent in 3Q2019, comprising expenses (such as professional fees, arranger fees and success fees) incurred in relation to the RTO, which was completed in July 2018.

As a result of the above, the Group recorded a loss before and after tax of US$1.2 million for 3Q2019, as compared to a loss before and after tax of US$3.1 million for 3Q2018.

<u>Review of Group's performance for the 9 months ended 30 September 2019 ("9M2019") as compared to the 9 months ended 30 September 2018 ("9M2018")</u>

(a) Revenue

The Group's revenue increased by US$0.2 million or 7.4%, from US$3.0 million in 9M2018 to US$3.2 million in 9M2019. The increase was due to the increase in the quantity of nickel ore sold, from 150,981 metric tons in 9M2018 to 183,304 metric tons in 9M2019, partially offset by a marginal decrease in the average selling price of nickel ore.

(b) Cost of goods sold

Cost of goods sold increased by US$0.4 million, from US$2.3 million in 9M2018 to US$2.7 million in 9M2019. The increase in cost of goods sold of 18.9% was not in line with the corresponding increase in the Group's revenue of 7.4% mainly due to the increase in mining contractor fees in 9M2019, as compared to 9M2018.

(c) Gross profit margin

The gross profit margin in 9M2019 and 9M2018 was 14.9% and 23.2%, respectively. The decrease in gross profit margin in 9M2019 as compared to 9M2018 was due to a lower average selling price of nickel ore and higher average mining contractor fees.

(d) Other income

Other income comprises interest income from bank deposits, rental income and foreign exchange gain.

Other income increased by approximately US$122,000, from approximately US$95,000 in 9M2018 to approximately US$217,000 in 9M2019. This was mainly due to the increase in rental income generated from renting out the Group's excavators and off-highway trucks to the mining contractor in 9M2019, partially offset by the decrease in foreign exchange gain arising from the appreciation of Indonesia Rupiah against USD in 9M2019.

(e) Administrative expenses

Administrative expenses increased by US$1.2 million, from US$2.3 million in 9M2018 to US$3.5 million in 9M2019. This was mainly due to the increase in (i) consultancy fees incurred for the development of smelter operations and their supporting facilities; (ii) professional fees incurred in relation to the Company's ongoing listing obligations on the Singapore Exchange; (iii) directors' remuneration; (iv) employee costs due to the increase in number of employees in the Group; and (v) depreciation costs 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.

(f) Finance expenses

Finance expenses decreased by US$0.2 million, from US$0.4 million in 9M2018 to US$0.2 million in 9M2019 due to the settlement of loans payable to ultimate holding company and the repayment of finance lease for the heavy machinery, partially offset by the new borrowings obtained in 9M2019.

(g) Other expenses

The Group reported one-off other expenses of US$2.1 million in 9M2018, which were absent in 9M2019, comprising expenses (such as professional fees, arranger fees and success fees) incurred in relation to the RTO, which was completed in July 2018.

As a result of the above, the Group recorded a loss before and after tax of US$3.0 million in 9M2019, as compared to a loss before and after tax of US$4.0 million in 9M2018.

Review of Financial Position

Non-Current Assets

(i) Property, plant and equipment decreased by approximately US$34,000, from approximately US$12,139,000 as at 31 December 2018 to approximately US$12,105,000 as at 30 September 2019. This was due to the depreciation of property, plant and equipment, and amortisation of mining property made during 9M2019, partially offset by the additions of new property, plant and equipment acquired during 9M2019.

(ii) Right-of-use assets increased by approximately US$334,000, from US$ NIL as at 31 December 2018 to approximately US$334,000 as at 30 September 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. The right-of-use assets consist of office lease liabilities starting from 1 January 2019.

(iii) Deferred tax assets, which relate to tax benefits to be realised in the future, increased by approximately US$4,000, from approximately US$199,000 as at 31 December 2018 to approximately US$203,000 as at 30 September 2019. The increase was due to exchange differences recognised during 9M2019.

(iv) Receivables comprised fixed deposits placed as security deposits for mine reclamation purposes. Receivables increased by approximately US$65,000, from approximately US$261,000 as at 31 December 2018 to approximately US$326,000 as at 30 September 2019 due to additional security deposits placed during 9M2019.

Current Assets

(v) Inventories increased by US$0.8 million, from US$1.1 million as at 31 December 2018 to US$1.9 million as at 30 September 2019 as the sales quantity of the nickel ore was lower than the production quantity during 9M2019.

(vi) Receivables and prepayments, comprising trade receivables, other receivables and prepayments, increased by approximately US$0.6 million, from US$1.3 million as at 31 December 2018 to US$1.9 million as at 30 September 2019.

Other receivables and prepayments increased by US$0.5 million, from US$0.7 million as at 31 December 2018 to US$1.2 million as at 30 September 2019 due to advance payments to suppliers and prepaid professional service fees incurred prior to the rendering of the services.

Non-Current Liabilities

(vii) Liabilities for post-employment benefits increased by approximately US$99,000, from approximately US$246,000 as at 31 December 2018 to approximately US$345,000 as at 30 September 2019. The increase was due to the provision of retirement pension cost during 9M2019.

(viii) Finance lease liabilities decreased by approximately US$11,000, from approximately US$11,000 as at 31 December 2018 to US$ NIL as at 30 September 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 30 September 2019.

(ix) Provisions were in relation to provisions made for mine reclamation and rehabilitation expenses. Provisions increased by approximately US$35,000, from approximately US$646,000 as at 31 December 2018 to approximately US$681,000 as at 30 September 2019 due to the increase in the production of the nickel ore.

(x) Long-term borrowings increased by US$0.7 million, from US$ NIL as at 31 December 2018 to US$0.7 million as at 30 September 2019. The increase was due to the non-current portion of the secured loans obtained from third parties in 9M2019, which is due and payable after 12 months from 30 September 2019.

Current Liabilities

(xi) Payables and accruals, comprising trade payables, other payables and accruals, increased by US$1.4 million, from US$1.6 million as at 31 December 2018 to US$3.0 million as at 30 September 2019.

Trade payables increased by US$0.3 million, from US$0.3 million as at 31 December 2018 to US$0.6 million as at 30 September 2019. The increase was due to the higher production cost incurred as a result of the higher quantity of nickel ore produced in 9M2019.

Other payables increased by US$1.0 million, from approximately US$6,000 as at 31 December 2018 to US$1.0 million as at 30 September 2019. The increase was mainly due to sales advances from customers in 9M2019.

Accruals increased by approximately US$29,000, from approximately US$1,259,000 as at 31 December 2018 to approximately US$1,288,000 as at 30 September 2019. This was mainly due to the increase in accrual of interest expense of the new borrowings obtained in 9M2019.

(xii) Finance lease liabilities decreased by approximately US$114,000, from approximately US$168,000 as at 31 December 2018 to approximately US$54,000 as at 30 September 2019. This was due to lease payment made for heavy equipment in 9M2019, 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 30 September 2019.

(xiii) Operating lease liabilities increased by US$0.4 million, from US$ NIL as at 31 December 2018 to US$0.4 million as at 30 September 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.

(xiv) Tax payables increased by US$0.1 million, from US$0.1 million as at 31 December 2018 to US$0.2 million as at 30 September 2019. The increase was due to tax payment for employee income tax and withholding tax for mining contractors in 9M2019.

(xv) Short-term borrowings increased by US$2.0 million, from US$ NIL as at 31 December 2018 to US$2.0 million as at 30 September 2019. The increase was due to the current portion of the secured loans obtained from third parties in 9M2019, which is due within 12 months from 30 September 2019.

Working Capital Position

The Group reported a negative working capital position of US$1.9 million as at 30 September 2019, as compared to a positive working capital position of US$0.6 million as at 31 December 2018.

Since the beginning of 2Q2019, the Group has obtained several financing facilities for working capital requirement and capital expenditure requirement to be spent on the infrastructure in order to increase its production capability. One of the financing facilities of US$2.0 million will be due within the next 12 months from 30 September 2019 and accordingly, it has been reclassified from long-term loan to short-term loan, which is the main cause of the negative working capital position of the Group as at 30 September 2019.

The new mining contractor (comprising Sinohydro Corporation Limited and PT Sepco II Indo) has commenced mining operation on 22 July 2019. With the longer credit terms provided by the new mining contractor, the Group will be able to manage its working capital more effectively by selling its nickel ore to the customer first before paying the supplier. The Group has also managed to obtain sales advances prior to the sales delivery which is expected to improve the Group's working capital position. In view of the export ban announced by the Indonesian government which will take effect on 1 January 2020, the Group will and has focused on local sales, and has sold 100MT of nickel ore in Indonesia in October 2019 and intends to continue such local sales to generate cash flows to fund its operations.

Equity

As a result of the above, total equity of the Group decreased by US$2.9 million, from US$12.3 million as at 31 December 2018 to US$9.4 million as at 30 September 2019.

Review of Statement of Cash Flows

9M2019

Net cash used in operating activities of US$2.7 million was attributable to (i) operating cash outflows of US$1.8 million; and (ii) a net working capital outflow of US$0.8 million resulting from an increase of US$0.8 million in inventories and an increase of US$0.6 million in receivables and prepayments, partially offset by an increase of US$0.6 million in payables and accruals in 9M2019.

Net cash used in investing activities of US$0.6 million was attributable to the purchase of property, plant and equipment in 9M2019, partially offset by net proceeds from sale of equipment.

Net cash generated from financing activities of US$3.2 million was attributable to the net loans received of US$2.7 million and net sales advances received of US$0.9 million, which was partially offset by interest payments of US$0.2 million and finance lease payments of US$0.2 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$69,000, from approximately US$87,000 as at 1 January 2019 to approximately US$18,000 as at 30 September 2019.

3Q2019

Net cash used in operating activities of US$1.6 million was attributable to (i) operating cash outflows of US$0.8 million; and (ii) a net working capital outflow of US$0.8 million resulting from an increase of US$0.4 million in receivables and prepayments and an increase of US$0.9 million in inventories, partially offset by an increase of US$0.5 million in payables and accruals in 3Q2019.

Net cash used in investing activities of US$0.2 million was attributable to the purchase of property, plant and equipment in 3Q2019, partially offset by net proceeds from sale of equipment.

Net cash generated from financing activities of US$1.5 million was attributable to the net loans received of US$0.7 million and sales advances received of US$0.9 million, which was partially offset by interest payments of approximately US$82,000 and finance lease payments of approximately US$56,000.

As a result of the above, the Group's cash and cash equivalents decreased by US$0.3 million, from US$0.3 million as at 1 July 2019 to approximately US$18,000 as at 30 September 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 15 August 2019, the Group entered into a non-binding memorandum of understanding with Shandong Xinhai (Singapore) Pte Ltd, a subsidiary of Shandong Xinhai Technology Co Ltd to build and operate a Rotary Kiln Electric Furnace for the production of ferronickel. Please refer to the separate media release announced by the Company on 15 August 2019, for more information.

On 30 August 2019, the Indonesian government announced that a ban on nickel ore exports would come into effect on 1 January 2020 which is two years ahead of its planned date. As a result, prices of nickel climbed to a five-year high of US$18,785 on the London Metal Exchange after the ban was announced. The Company's subsidiary, PT Teknik Alum Service ("**PT TAS**"), is currently ramping up its monthly production volume to between 100,000 and 200,000 tonnes of nickel ore with the new mining contractor. As stated above, the Group has commenced local sales of nickel ore and intends to continue such local sales to take advantage of the higher selling price of nickel caused by the export ban.

In addition, the Company is exploring various options to raise funds for the Group's general working capital requirements and capital expenditure for the construction of the smelter plant.

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 3Q2019 as the Group recorded net loss in 3Q2019.

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.

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

(a) Rule 705(6)(a) of the Catalist Rules

(i) Use of funds/cash for the quarter

For 3Q2019, funds were mainly used for the following activities:-

Purpose	**Forecasted usage of funds (US$'000)**	**Actual usage of funds (US$'000)**
Development activities*	80	191
Production activities	4,200	489
General working capital	1,553	848
Total	**5,833**	**1,528**

*Development activities include capital expenditures.

Actual funds used for development activities in 3Q2019 was US$0.1 million higher than forecasted due to payment made for drilling and the purchase of office equipment.

Actual funds used for production activities in 3Q2019 was US$3.7 million lower than forecasted due to the lower quantity of nickel ore being produced as compared to the forecasted production quantity.

Actual funds used for general working capital in 3Q2019 was US$0.7 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 October 2019 to 31 December 2019, the Group's use of funds are expected to be as follows:-

Purpose	**Amount (US$'000)**
Development activities	288
Production activities	3,000
General working capital	1,640
Total	**4,928**

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 Catalist 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 Catalist 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 3Q2019, exploration activities were carried out to identify mine pits for production purpose. In relation to production activities, a total of 79,169 metric tons of nickel ore was produced during 3Q2019.

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

15. Negative Confirmation Pursuant to Rule 705(5)

The directors confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial results of the Company and the Group for the 3-month and 9-month financial periods ended 30 September 2019 to be false or misleading in any material aspect.

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	Hong Kah Ing Director

07 November 2019