

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

UNAUDITED FINANCIAL STATEMENTS FOR THE FULL YEAR ENDED 31 DECEMBER 2018

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"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.

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

Following the completion of the RTO, the Company changed the presentation currency and functional currency for its financial statements from Singapore Dollar ("**SGD**") to United States Dollar ("**USD**" or "**US\$**"). The exchange rates of USD1: SGD1.36555 as at 31 December 2018 and USD1: SGD1.33646 as at 31 December 2017 were used for the translation, where applicable.

Group Level

Following the completion of the RTO, the Company's wholly-owned subsidiary, FER, is regarded as the accounting acquirer and the Company as the accounting acquiree, for accounting purpose. As such, the consolidated financial statements have been prepared and presented as a continuation of the FER Group.

Accordingly, the consolidated financial statements comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the 12 months ended 31 December 2018 have been presented as a continuation of the FER Group's financial results and operations, in accordance with the following:

- 1) the assets and liabilities of the accounting acquirer, FER Group, are recognised and measured in the consolidated statement of financial position at their pre-acquisition carrying amount;

- 2) the assets and liabilities of the accounting acquiree, the Company, are recognised and measured in accordance with their acquisition date fair value;
- 3) the retained earnings and other equity balances recognised in the consolidated financial statements of the Group are the retained earnings and other equity balances of the FER Group immediately before the RTO;
- 4) the amount recognised in the issued equity interest in the consolidated financial statements of the Group is computed by adding the issued equity of FER Group immediately before the RTO to the fair value of the consideration effectively transferred based on the share price of the Company at the acquisition date. However, the equity structure presented in the consolidated financial statements of the Group (i.e. the number and type of equity instruments issued) shall reflect the equity structure of the Company, including the equity instruments issued by the Company to effect the acquisition; and
- 5) the comparative figures presented in these consolidated financial statements of the Group are those of consolidated financial statements of the FER Group.

Following the completion of the RTO, the principal business of the Group is those of FER Group. The consolidated financial statements of the Group have been prepared using the reverse acquisition accounting as set out in FRS 103, but it does not result in the recognition of goodwill, as the Company was deemed a “cash company” under the Rule 1017 of the Catalist Rules on 5 July 2018 and did not meet the definition of a business as set out in FRS 103. Instead, such transaction falls within the scope of FRS 102 “Share-based payments”, which requires the shares deemed issued by the legal subsidiary (as consideration for the acquisition of the Company) to be recognised at fair value. Any difference between the consideration sum and the fair value of the Company’s identifiable net assets represents a service received by the legal subsidiary, FER Group, which is recognised as an expense in the statement of comprehensive income.

Company Level

Reverse acquisition accounting applies only to the consolidated financial statements at the Group level. As such, the investment in FER Group recorded in the Company’s financial statements is accounted for at cost less accumulated impairment losses, if any.

Notes:

- I. The Group’s consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the 12 months ended 31 December 2018 refer to the enlarged group which included the results of FER Group from 1 January 2018 to 31 December 2018 and the results of the Company from 5 July 2018 to 31 December 2018.
- II. The Group’s consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the 12 months ended 31 December 2017 refer to the results of FER Group from 1 January 2017 to 31 December 2017.
- III. The Group’s consolidated statement of financial position as at 31 December 2018 refers to the consolidated statement of financial position of the enlarged group comprising FER Group and the Company.
- IV. The Group’s consolidated statement of financial position as at 31 December 2017 refers to the consolidated statement of financial position of the FER Group.
- V. The Company’s statement of financial position as at 31 December 2018 and 31 December 2017 refer to that of the Company.
- VI. The Company’s statement of changes in equity for the 12 months ended 31 December 2018 and 12 months ended 31 December 2017 refer to that of the Company.

**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
		31/12/2018 US\$ (Unaudited)	31/12/2017 US\$ (Audited)	
Revenue	8(a)	5,748,934	6,939,427	(17.2)
Cost of goods sold	8(b)	<u>(4,429,037)</u>	<u>(4,656,074)</u>	(4.9)
Gross profit		1,319,897	2,283,353	(42.2)
Other income	8(d)	840,987	23,951	n.m
Expenses				
Administrative expenses	8(e)	(4,242,729)	(1,514,124)	n.m
Finance expenses	8(f)	(494,603)	(476,051)	3.9
Other expenses	8(g)	<u>(2,136,535)</u>	-	n.m
(Loss)/profit before tax		(4,712,983)	317,129	n.m
Tax expense		<u>(119,272)</u>	<u>(72,634)</u>	64.2
(Loss)/profit after tax		(4,832,255)	244,495	n.m
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Re-measurement of post-employment benefits liabilities, net of tax		<u>21,376</u>	<u>5,076</u>	n.m
Other comprehensive income for the financial year, net of tax		<u>21,376</u>	<u>5,076</u>	n.m
Total comprehensive (loss)/income for the financial year		<u>(4,810,879)</u>	<u>249,571</u>	n.m

n.m – not meaningful

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

	Group 12 months ended		
	31/12/2018 US\$ (Unaudited)	31/12/2017 US\$ (Audited)	% Change
(Loss)/profit for the period is arrived at after charging/(crediting):			
Included in cost of goods sold:			
Changes in inventories	(235,070)	(166,124)	41.5
Depreciation of property, plant and equipment	651,263	669,650	(2.7)
Mining contractor charges	2,171,609	2,183,650	(0.6)
Provision for mine reclamation and rehabilitation	15,212	38,610	(60.6)
Royalty fees	244,332	246,407	(0.8)
Staff costs	285,781	304,138	(6.0)
Transportation costs	796,412	802,744	(0.8)
Included in other income:			
Interest income	26,591	8,500	n.m
Foreign exchange gain	491,002	2,692	n.m
Included in administrative expenses:			
Claim and penalty	324,132	1,013	n.m
Depreciation of property, plant and equipment	29,715	94,340	(68.0)
Professional fees	890,843	297,426	n.m
Staff costs	1,222,792	472,223	n.m
Travelling expenses	285,392	136,665	n.m
Included in other expenses:			
Professional fees incurred in relation to reverse acquisition	2,133,150	-	n.m
Acquisition cost arising from reverse acquisition	3,385	-	n.m

n.m – not meaningful

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	
		31/12/2018 (Unaudited) US\$	31/12/2017 (Audited) US\$	31/12/2018 (Unaudited) US\$	31/12/2017 (Restated) US\$
Non-current assets					
Investment in subsidiaries		-	-	50,000,000	-
Property, plant and equipment	8(i)	12,139,203	11,129,658	43,686	-
Deferred tax assets	8(ii)	198,935	275,081	-	-
Receivables	8(iii)	261,046	197,344	900,000	-
		<u>12,599,184</u>	<u>11,602,083</u>	<u>50,943,686</u>	<u>-</u>
Current assets					
Inventories	8(vi)	1,111,459	837,638	-	-
Receivables and prepayments	8(iv)(v)	1,308,831	628,291	2,606,392	-
Cash and cash equivalents		87,364	77,157	8,721	9,146,892
		<u>2,507,654</u>	<u>1,543,086</u>	<u>2,615,113</u>	<u>9,146,892</u>
Total assets		<u>15,106,838</u>	<u>13,145,169</u>	<u>53,558,799</u>	<u>9,146,892</u>
Non-current liabilities					
Liabilities for post-employment benefits	8(vii)	246,234	160,132	-	-
Finance lease liabilities		10,794	51,854	-	-
Provisions	8(viii)	646,202	661,659	-	-
		<u>903,230</u>	<u>873,645</u>	<u>-</u>	<u>-</u>
Current liabilities					
Payables and accruals	8(ix)(x)(xi)	1,605,024	4,638,596	180,391	408,278
Finance lease liabilities	8(xii)	167,895	165,470	-	-
Tax payables	8(xiii)	102,206	151,204	9,270	-
		<u>1,875,125</u>	<u>4,955,270</u>	<u>189,661</u>	<u>408,278</u>
Total liabilities		<u>2,778,355</u>	<u>5,828,915</u>	<u>189,661</u>	<u>408,278</u>
Net assets		<u>12,328,483</u>	<u>7,316,254</u>	<u>53,369,138</u>	<u>8,738,614</u>
Equity					
Share capital		8,978,815	1	70,145,622	17,091,937
Retained earnings/(Accumulated losses)		3,349,668	7,316,253	(16,776,484)	(9,035,310)
Translation reserves		-	-	-	681,987
Total Equity		<u>12,328,483</u>	<u>7,316,254</u>	<u>53,369,138</u>	<u>8,738,614</u>

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 2018		As at 31 December 2017	
Secured (US\$)	Unsecured (US\$)	Secured (US\$)	Unsecured (US\$)
167,895	NA	165,470	3,524,369

Amount repayable after one year

As at 31 December 2018		As at 31 December 2017	
Secured (US\$)	Unsecured (US\$)	Secured (US\$)	Unsecured (US\$)
10,794	NA	51,854	NA

The Group's borrowings and debt securities comprised obligations under finance leases as at 31 December 2018 (31 December 2017: (i) obligations under finance leases; and (ii) unsecured loans from ultimate holding company and a third party).

Details of any collateral

The Group's borrowings, which comprised obligations under finance leases, are secured by property, plant and equipment with a net book value of US\$622,514 as at 31 December 2018 (31 December 2017: US\$411,749).

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

US\$	Group	
	12 months ended	
	31/12/2018 (Unaudited)	31/12/2017 (Audited)
Cash flows from operating activities		
(Loss)/profit before tax	(4,712,983)	317,129
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	12,405	13,193
Acquisition cost arising from reverse acquisition	3,385	-
Cost of professional fees paid in shares	1,998,490	-
Depreciation of property, plant and equipment	681,465	764,020
Post-employment benefits	124,920	79,265
Interest income	(26,591)	(8,500)
Interest expense	494,603	462,858
Provision for mine reclamation and rehabilitation	15,212	38,610
Unrealised foreign exchange gain	(46,159)	(2,858)
Operating cash flows before working capital changes	(1,455,253)	1,663,717
Changes in operating assets and liabilities		
Inventories	(273,821)	(177,699)
Receivables and prepayments	(676,703)	(138,029)
Payables and accruals	476,741	419,239
Cash (used in)/generated from operations	(1,929,036)	1,767,228
Interest received	26,591	8,500
Taxes paid, net of taxes refunded	(133,654)	(228,435)
Net cash (used in)/generated from operating activities	(2,036,099)	1,547,293
Cash flows from investing activities		
Net advances to related parties	-	(331,522)
Net cash inflow from reverse acquisition	8,978,179	-
Purchase of property, plant and equipment	(1,469,931)	(325,831)
Net cash generated from/(used in) investing activities	7,508,248	(657,353)
Cash flows from financing activities		
Interest paid	(494,603)	(174,957)
Net advances from directors	2,316	-
Net payment on behalf of ultimate holding company	(55,553)	-
Loan received from a third party	-	269,144
Loan repayment to a third party	(2,026,584)	(269,144)
Loan received from a director	-	120,442
Loan repayment to a director	-	(608,024)
Loan received from ultimate holding company	-	244,464
Loan repayment to ultimate holding company	(2,625,949)	(659,806)
Repayment of finance leases	(256,358)	(132,395)
Net cash used in financing activities	(5,456,731)	(1,210,276)
Net increase/(decrease) in cash and cash equivalents	15,418	(320,336)
Cash and cash equivalents at beginning of financial year	77,157	400,535
Effects of exchange rate changes on cash and cash equivalents	(5,211)	(3,042)
Cash and cash equivalents at end of financial year	87,364	77,157

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\$	Retained earnings/ (Accumulated losses) US\$	Total equity US\$
Group			
(Unaudited)			
Balance as at 1 January 2018	1	7,316,253	7,316,254
Total comprehensive loss for the period	-	(4,810,879)	(4,810,879)
Issue of shares pursuant to the reverse acquisition	6,980,324	-	6,980,324
Issue of shares as payment of professional fee for the reverse acquisition	1,998,490	-	1,998,490
Loans waived by ultimate holding company	-	844,294	844,294
Balance as at 31 December 2018	8,978,815	3,349,668	12,328,483
(Audited)			
Balance as at 1 January 2017	500,001	(583,510)	(83,509)
Total comprehensive income for the period	-	7,899,763	7,899,763
Adjustment pursuant to the Restructuring Exercise	(500,000)	-	(500,000)
Balance as at 31 December 2017	1	7,316,253	7,316,254

	Share capital US\$	Accumulated losses US\$	Translation reserves US\$	Total equity US\$
Company				
(Unaudited)				
Balance as at 1 January 2018	17,091,937	(9,035,310)	681,987	8,738,614
Total comprehensive loss for the period	-	(7,217,665)	(150,300)	(7,367,965)
Issue of shares pursuant to the reverse acquisition	51,998,489	-	-	51,998,489
Effect of change in functional currency	1,055,196	(523,509)	(531,687)	-
Balance as at 31 December 2018	70,145,622	(16,776,484)	-	53,369,138
(Restated)				
Balance as at 1 January 2017	17,091,937	(8,584,740)	-	8,507,197
Total comprehensive (loss)/ income for the period	-	(450,570)	681,987	231,417
Balance as at 31 December 2017	17,091,937	(9,035,310)	681,987	8,738,614

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\$
Balance as at 1 January 2018 and 30 June 2018	276,000,000	17,091,937
Upon completion of Share Consolidation*	27,599,999	17,091,937
Effect of change in functional currency	-	1,055,196
Issuance of new shares pursuant to reverse acquisition	99,503,448	51,998,488
Balance as at 30 September 2018 and 31 December 2018	127,103,447	70,145,621

**In conjunction with the RTO, every 10 existing issued shares were consolidated into one (1) share as at 4 July 2018, fractional entitlements were disregarded.*

The Company did not have any outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2018 and 31 December 2017.

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 2018	As at 31 December 2017
Total number of issued shares, excluding treasury shares	127,103,447	276,000,000

There were no treasury shares as at 31 December 2018 and 31 December 2017.

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.

Save as disclosed in section 5 below, the Company has adopted the same accounting policies and methods of computation in the presentation of the unaudited financial statements for the financial year ended 31 December 2018 as compared with the audited financial statements for the financial year ended 31 December 2017.

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 all applicable Singapore Financial Reporting Standards (International) ("SFRS (I)") that are relevant to its operations and become effective for the financial year ended 31 December 2018. The adoption of SFRS (I) did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the Group's and the Company's financial statements for the current financial reporting year.

Each of the Group and the Company has changed its presentation currency and functional currency for its financial statements from Singapore Dollar to United States Dollar due to the acquisition of FER Group. This has no significant impact on the Group's and the Company's financial statements for the current financial reporting year.

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	
	31/12/2018 (Unaudited)	31/12/2017 (Audited)
(Loss)/profit attributable to owners of the Company (US\$)	(4,832,255)	244,495
Weighted average number of ordinary shares outstanding	111,233,821	95,793,103
Basic and diluted (loss)/earnings per share (US cents)	(4.34)	0.26

For the immediately preceding financial year, the earnings per share was recomputed 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 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 loss per share was computed based on the weighted average number of shares of 111,233,821 shares (determined based on 95,793,103 shares up to 4 July 2018 and 127,103,447 shares from 5 July 2018 to 31 December 2018).

As there are no dilutive potential ordinary shares that were outstanding during the respective financial periods, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings 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 31/12/2018	As at 31/12/2017	As at 31/12/2018	As at 31/12/2017
Net assets value (US\$)	12,328,483	7,316,254	53,369,138	8,738,614
Number of ordinary shares in issue	127,103,447	95,793,103	127,103,447	276,000,000
Net assets value per share (US cents)	9.70	7.64	41.99	3.17

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 2018 ("12M2018") as compared to the 12 months ended 31 December 2017 ("12M2017")

(a) Revenue

The Group's revenue for 12M2018 decreased by US\$1.2 million or 17.2%, from US\$6.9 million in 12M2017 to US\$5.7 million in 12M2018. The decrease was due to (i) lower average selling prices of nickel ore for 12M2018 as compared to 12M2017; and (ii) the decrease in the quantity of nickel ore sold by 12.3%, from 314,516 metric tons in 12M2017 to 275,856 metric tons in 12M2018. The decrease in sales quantity arose as the Group was conserving nickel ore stock in anticipation of getting the export quota license for export market sales.

(b) Cost of goods sold

Cost of goods sold decreased by US\$0.2 million or 4.9%, from US\$4.6 million in 12M2017 to US\$4.4 million in 12M2018. The decrease in cost of goods sold of 4.9% was not in line with the corresponding decrease in the Group's revenue of 17.2% due to the fixed overhead cost that was incurred by the Group notwithstanding the decrease in the Group's revenue.

(c) Gross profit margin

The gross profit margin in 12M2017 and 12M2018 was 32.9% and 23.0%, respectively. The decrease in gross profit margin in 12M2018 as compared to 12M2017 was due to a lower average selling prices 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 fuel costs.

(d) Other income

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

Other income increased by approximately US\$817,000, from US\$24,000 in 12M2017 to US\$841,000 in 12M2018. 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.

(e) Administrative expenses

Administrative expenses increased by US\$2.7 million, from US\$1.5 million in 12M2017 to US\$4.2 million in 12M2018. This was mainly due to the increase in (i) professional fees incurred to perform feasibility studies on development of smelter operations and their supporting facilities; (ii) consultancy fees incurred in relation to preparation of documents to apply for export quota; (iii) fees for drilling services made on mine site to identify new mine pits for future production; (iv) employee costs due to the increase in number of employees in the Group; and (v) additional assessment of royalty fee for local sales.

(f) Finance expenses

Finance expenses increased by approximately US\$19,000, from US\$476,000 in 12M2017 to US\$495,000 in 12M2018 due to the increase in lease interest expenses incurred which arose from the increase in new heavy machinery acquired on hire purchase in 12M2018 as compared in 12M2017.

(g) Other expenses

The Group reported a one-off other expenses of US\$2.1 million in 12M2018, which was absent in 12M2017. The other expenses incurred in 12M2018 comprised 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 after tax of US\$4.8 million in 12M2018, as compared to a profit after tax of US\$0.2 million in 12M2017.

Review of Financial Position

Non-Current Assets

- (i) Property, plant and equipment increased by US\$1.0 million, from US\$11.1 million as at 31 December 2017 to US\$12.1 million as at 31 December 2018. This was due to additions of new property, plant and equipment acquired during 12M2018, partially offset by the depreciation of property, plant and equipment, and amortisation of mining property made during 12M2018.
- (ii) Deferred tax assets, which relate to tax benefits to be realised in the future, decreased by approximately US\$76,000, from US\$275,000 as at 31 December 2017 to US\$199,000 as at 31 December 2018. The decrease was due to exchange differences recognised during 12M2018.
- (iii) Other receivables comprised fixed deposits placed as security deposits for mine reclamation purposes. Other receivables increased by approximately US\$64,000, from US\$197,000 as at 31 December 2017 to US\$261,000 as at 31 December 2018 due to additional security deposits placed during 12M2018.

Current Assets

- (iv) Trade receivables increased by US\$0.1 million, from US\$0.5 million as at 31 December 2017 to US\$0.6 million as at 31 December 2018 due to billings made to customers in December 2018.
- (v) Other receivables and prepayments increased by US\$0.6 million, from US\$0.1 million as at 31 December 2017 to US\$0.7 million as at 31 December 2018 due to prepaid rent, down payment for off-highway trucks, deposit for investment and prepaid professional service fees incurred prior to the render of the services.
- (vi) Inventories increased by US\$0.3 million, from US\$0.8 million as at 31 December 2017 to US\$1.1 million as at 31 December 2018 as the Group was in the process of conserving nickel ore stock in anticipation of the receipt of the export quota license for export market sales.

Non-Current Liabilities

- (vii) Liabilities for post-employment benefits increased by approximately US\$86,000, from US\$160,000 as at 31 December 2017 to US\$246,000 as at 31 December 2018. The increase was in line with the increase in number of employees during 12M2018.
- (viii) Finance lease liabilities decreased by approximately US\$41,000, from US\$52,000 as at 31 December 2017 to US\$11,000 as at 31 December 2018, due to repayment made in 12M2018.
- (ix) Provisions were in relation to provisions made for mine reclamation and rehabilitation expenses. Provisions decreased by approximately US\$15,000, from US\$661,000 as at 31 December 2017 to approximately US\$646,000 as at 31 December 2018 due to utilisation of the provisions in 12M2018.

Current Liabilities

- (x) Trade payables increased by US\$0.2 million, from US\$0.1 million as at 31 December 2017 to US\$0.3 million as at 31 December 2018. The increase was due to slower repayment made to trade creditors as advance payment had been made to the mining contractor prior to commencement of production. The balance of the payments is to be made upon completion of production activities.
- (xi) Other payables decreased by US\$3.5 million, from US\$3.5 million as at 31 December 2017 to US\$6,000 as at 31 December 2018 due to settlement of the FER Payment Sum (as defined in the Circular) and waiver of the remaining balance of loan from ultimate holding company. Please refer to page 59 of the Circular for further information.
- (xii) Accruals increased by US\$0.2 million, from US\$1.0 million as at 31 December 2017 to US\$1.2 million as at 31 December 2018. This was mainly due to the assessment received from the authority in relation to the additional assessment of royalty fee for the period from January 2016 to July 2017 in 12M2018.
- (xiii) Finance lease liabilities increased by approximately US\$3,000, from US\$165,000 as at 31 December 2017 to US\$168,000 as at 31 December 2018. This was due to more heavy equipment being acquired on hire purchase in 12M2018.
- (xiv) Tax payables decreased by approximately US\$49,000, from US\$151,000 as at 31 December 2017 to US\$102,000 as at 31 December 2018. The decrease was in line with lower taxable income generated in 12M2018.

Working Capital Position

The Group reported a positive working capital position of US\$0.6 million as at 31 December 2018, as compared to a negative working capital position of US\$3.4 million as at 31 December 2017. The Group is currently exploring several options to strengthen its financial position and improve its low cash balance. Such options, include but are not limited to, increasing sales of its current stockpile of nickel ore to domestic customers, negotiating with its customers and suppliers on the payment obligations (including longer credit terms from suppliers and obtaining advances from customers) as well as obtaining financing from financial institutions. The Company will make the necessary announcements as and when required in compliance with the Catalist Rules.

Equity

As a result of the above and completion of the RTO, total equity of the Group increased by US\$5.0 million, from US\$7.3 million as at 31 December 2017 to US\$12.3 million as at 31 December 2018.

Review of Statement of Cash Flows

12M2018

Net cash used in operating activities of US\$2.0 million was attributable to (i) operating cash outflows before changes in working capital of US\$1.5 million due mainly to the loss incurred for 12M2018 of US\$4.7 million; (ii) net working capital outflow of US\$0.5 million as a result of an increase in receivables and prepayments (US\$0.7 million) as well as inventories (US\$0.3 million) and the decrease in payables and accruals (US\$0.5 million) in 12M2018; and (iii) net taxes paid of US\$0.1 million.

Net cash generated from investing activities of US\$7.5 million was attributable to net cash inflow of US\$9.0 million from completion of the RTO, which was partially offset by purchase of property, plant and equipment of US\$1.5 million.

Net cash used in financing activities of US\$5.4 million was attributable to the settlement of the FER Payment Sum (as defined in the Circular) which was recorded as settlement of loans payable to ultimate holding company and a third party in the Group's accounts amounting to US\$2.6 million and US\$2.0 million respectively, interest payments of US\$0.5 million and finance lease payments of US\$0.3 million.

As a result of the above, the Group's cash and cash equivalents (after netting the effects of exchange rate changes) increased by approximately US\$10,000, from US\$77,000 as at 31 December 2017 to US\$87,000 as at 31 December 2018.

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

The unaudited financial results for 12M2018 set out in this announcement are in line with the forecast statements disclosed in section B.10.1 entitled "Trend Information" of the Circular, where it was mentioned that (i) the FER Group is currently producing, selling and delivering a lower volume of nickel ore to its customers as it is conserving stock in anticipation of the receipt of the export quota license, which may result in the enlarged group post-RTO (comprising the FER Group and the Company) recording lower revenue and cost of goods sold in 12M2018; and (ii) the enlarged group post-RTO is expected to record reverse acquisition costs, which may result in the enlarged group post-RTO recording losses for 12M2018.

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.

The Group is principally engaged in the exploration, mining, production and sale of nickel ore. Please refer to Section B.9 entitled "Industry Overview and Prospects" of the Circular, for information on the prospects of the industry which the Group is currently operating in.

There is a delay in securing the approval of the export quota license, largely due to the disruption to government office as a result of the tsunami that occurred in Palu, Indonesia in late September 2018. Barring unforeseen circumstances, the Group anticipates the receipt of the export quota license by end June 2019. The Group is currently ramping up its production in order to meet the supply requirements stated in the two offtake agreements signed with the Tsingshan Group. The Group had also recently signed a new offtake agreement with PT Transon Bumindo Resources on 11 December 2018 with a contract value estimated to be in excess of S\$400 million, which will commence from March 2020 for a period of 5 to 8 years.

Further to the above, the Group had, on 5 January 2019, entered into a 5-year mining exploration agreement with Sinohydro Corporation Limited and PT. Sepco II Indo for the production of nickel ore on the Group's mine site in Sulawesi, Indonesia. Please refer to the separate media release announced by the Company on 7 January 2019, for more information.

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 12M2018 as the Group recorded net loss in 12M2018 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 12M2018 are as follows:-

Name of interested person	Aggregate value of all Interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (S\$)
PT Bina Mitra Serasi ("PT BMS") ⁽¹⁾ - Rental of office space by PT Teknik Alum Service from PT BMS	126,823	-
Total	126,823	-

Note:

- (1) PT BMS is 4% and 96% owned by Mr Hong Kah Ing, who is the Executive Director and Chief Executive Office of the Group and Mr Hong's spouse, respectively.

14. Update on the use of Escrow Cash

Unless otherwise defined herein, capitalised terms used herein shall bear the same meaning ascribed to them in the Circular.

As disclosed in the Circular, as at 21 May 2018 (i.e. the Latest Practicable Date), the cash deposits placed in an escrow account opened with and operated by Standard Chartered Bank (Singapore) Limited (“**Escrow Cash**”) amounted to S\$12.2 million (equivalent to US\$9.1 million based on an exchange rate of US\$1:S\$1.3415). Upon completion of the RTO, the Group will have access to and will be able to draw down the Escrow Cash.

The following is a summary of the Escrow Cash and the utilisation thereof:-

Use of the Escrow Cash	Allocation of the Escrow Cash (as disclosed in the Circular) (US\$'000)	Amount utilised as at 30 September 2018 (US\$'000)	Balance of the Escrow Cash (on a re-allocated basis) as at 30 September 2018 (US\$'000)	Amount utilised from 1 October 2018 to 31 December 2018 (US\$'000)	Balance of the Escrow Cash as at 31 December 2018 (US\$'000)
Payment of professional fees incurred in respect of the Proposed Acquisition, including the Arranger Fees	1,267 ⁽¹⁾	1,112	-(2)	-	-
Payment of the FER Payment Sum to ZAF and ZAF II pursuant to the Zana Novation Documents	2,609 ⁽¹⁾	2,609	-	-	-
Repayment of AMSB Loan 1	783 ⁽¹⁾	783	-	-	-
Repayment of AMSB Loan 2	209 ⁽¹⁾	209	-	-	-
Capital expenditure for the purchase of additional mining equipment and machinery, laboratory equipment, vehicles and infrastructure development to support the Group's nickel ore mining and production activities, as well as exploration activities at the Mining Concession Area (“ Capital Expenditure ”)	2,237 ⁽¹⁾	1,292	-(3)	-	-
General working capital purposes	2,007 ⁽¹⁾	2,616	491 ⁽²⁾⁽³⁾	491 ⁽⁴⁾	-
Total	9,112⁽¹⁾	8,621	491	491	0

Notes:

- (1) Converted from S\$ to US\$ based on an exchange rate of US\$1:S\$1.3415 which was the exchange rate on 31 May 2018 (date of the Circular).
- (2) The Company had utilised US\$1.1 million for the full payment of professional fees incurred in respect of the Proposed Acquisition, including the arranger fees. As such, the unutilised balance of US\$0.2 million of the Escrow Cash initially allocated for the aforesaid use of Escrow Cash was re-allocated for general working capital purposes.
- (3) The Company had utilised US\$1.3 million for the payment of the Capital Expenditure up to 30 September 2018 and the Company will utilise other sources of funds instead of the Escrow Cash for the Capital Expenditure going forward. As such, the unutilised balance of US\$0.9 million of the Escrow Cash initially allocated for the Capital Expenditure was re-allocated for general working capital purposes.

- (4) This amount pertains to general working capital such as professional fees of approximately US\$25,000, staff costs of approximately US\$344,000, general and administrative expenses of approximately US\$27,000 and office expenses of approximately US\$46,000.

Save as disclosed above, the use of the Escrow Cash is in accordance with the intended use as stated in the Circular.

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

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

(i) Use of funds/cash for the quarter

For 4Q2018, funds were mainly used for the following activities:-

Purpose	Forecasted usage of funds (US\$)	Actual usage of funds (US\$)
Development activities*	2,980,000	960,000
Production activities	3,164,000	1,716,000
General working capital	1,250,000	1,304,000
Total	7,394,000	3,980,000

*Development activities include capital expenditures.

Actual funds used for development activities in 4Q2018 was US\$2.0 million lower than forecasted due to the delay in getting the export quota license. Hence, lesser capital expenditures were utilised on infrastructure improvement works on the roads at the mine site and the jetty.

Actual funds used for production activities in 4Q2018 was US\$1.4 million lower than forecasted due to the lower quantity of nickel ore being produced as compared to the forecasted production quantity.

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

For the next immediate quarter from 1 January 2019 to 31 March 2019, the Group's use of funds for production activities are expected to be as follows:-

Purpose	Amount (US\$)
Development activities	77,000
Production activities	2,058,000
General working capital	1,216,000
Total	3,351,000

Principal assumptions

Projected use of funds 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.

15(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.

15(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 12M2018, exploration activities were carried out to identify mine pits for production purpose. In relation to production activities, a total of 319,428 metric tons of nickel ore was produced during 12M2018.

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

16. Additional Information Required for Full Year Announcement

16(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.

16(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.

16(c) A breakdown of sales as follows:

	Latest Financial Year US\$	Previous Financial Year US\$	% increase/ (decrease)
	Group	Group	Group
(a) Sales reported for first half year	1,642,575	2,741,282	(40)
(b) Operating loss after tax before deducting minority interests reported for first half year	(396,482)	(68,317)	n.m
(c) Sales reported for second half year	4,106,359	4,198,145	(2)
(d) Operating (loss)/profit after tax before deducting minority interests reported for second half year	(4,435,773)	312,812	n.m

n.m – not meaningful

16(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.

16(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.

17. 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

1 March 2019