

Acquisition of majority equity interest of PT Barru Bahari Lines

- Purchase consideration for the acquisition shall be IDR5 billion to be satisfied as follows:
 - IDR1.5 billion in cash; and
 - IDR3.5 billion via allotment and issuance of 613,532 new shares of the Company at an issue price of S\$0.55 per new share
- The acquisition is expected to complement the Group's mining operations and enable the Group to have a stable supply of tug and barge transportation services

1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of Silkroad Nickel Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that, on 3 October 2019, (i) the Company's subsidiary, PT Teknik Alum Service ("**PT TAS**"), had entered into a master agreement with all the five (5) shareholders (the "**Vendors**") of PT Barru Bahari Lines ("**PT BBL**"); and (ii) the Company and PT TAS had entered into a side agreement with the Vendors (the master agreement and the side agreement are collectively known as, the "**Agreement**").

Pursuant to the Agreement, the Group agrees to acquire from the Vendors an aggregate effective equity interest of 50.6% of PT BBL (the "**Acquisition**"), comprising (i) 50.1% equity interest of PT Anugrah Pelayaran Indonesia ("**PT API**"), a new investment holding company to be incorporated by the Vendors in Indonesia which will hold 297,000 existing ordinary shares in the share capital of PT BBL, representing 99.0% equity interest of PT BBL; and (ii) 3,000 existing ordinary shares in the share capital of PT BBL, representing 1.0% equity interest of PT BBL. For avoidance of doubt, the remaining 49.9% equity interest of PT API will be held by PT Sanarafa Makmur Abadi ("**PT SMA**"), which will be wholly-owned by the Vendors directly.

The purchase consideration for the Acquisition shall be IDR5 billion (equivalent to approximately S\$488,000 or US\$352,000) (the "**Purchase Consideration**") to be payable in cash and new ordinary shares of the Company ("**Shares**").

*Unless otherwise stated, all currency translation of Singapore dollar ("**S\$**"), Indonesia Rupiah ("**IDR**") and United States dollar ("**US\$**") used in this announcement are based on an exchange rate of S\$1.00 : IDR10,245.51 and US\$1.00 : IDR14,197, as at 2 October 2019.*

The Acquisition is classified as a "non-discloseable" transaction pursuant to Rule 1008 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). Please refer to section 7 of this announcement for further details. As the Purchase Consideration is satisfied partly in securities for which listing is being sought, being the Consideration Shares (as defined herein), the Company is announcing the Acquisition and the requisite information relating thereto, pursuant to Rule 1009 of the Catalist Rules.

2. INFORMATION ON PT BBL

- 2.1 PT BBL was incorporated on 30 May 2006 in the Republic of Indonesia. As at the date of this announcement, PT BBL has a total issued and paid-up share capital of IDR30,000,000,000, comprising 300,000 shares. PT BBL is a shipping logistics company in Indonesia and is principally involved in the business of provision of tugs and barges transportation services to its

customers in the mining industry. PT BBL currently has a fleet of two (2) tugs and two (2) barges (“**Fixed Assets**”).

- 2.2 PT BBL is currently one of the major suppliers of the Group, providing tug and barge transportation services to the Group for the transportation of nickel ore from the Group’s mining concession area directly to the Group’s customers.
- 2.3 Based on the audited accounts of PT BBL for the financial year ended 31 December 2018 (“**FY2018**”), PT BBL reported (i) net profit before tax of approximately IDR918,832,000 (equivalent to approximately US\$65,000) in FY2018; (ii) net tangible asset (“**NTA**”) of approximately IDR19,705,164,000 (equivalent to approximately US\$1,388,000) as at 31 December 2018; and (iii) net asset value (“**NAV**”) of approximately IDR21,604,295,000 (equivalent to approximately US\$1,522,000) as at 31 December 2018.

Based on the unaudited management accounts of PT BBL for the six-month financial period ended 30 June 2019 (“**6M2019**”), PT BBL reported (i) net profit before tax of approximately IDR404,660,000 (equivalent to approximately US\$29,000) in 6M2019; (ii) NTA of approximately IDR20,110,000,000 (equivalent to approximately US\$1,417,000) as at 30 June 2019; and (iii) NAV of approximately IDR22,009,000,000 (equivalent to approximately US\$1,550,000) as at 30 June 2019.

- 2.4 Each of the Vendors, the directors of PT BBL and the proposed shareholders and proposed directors of PT API and PT SMA is not related to the Company, the Directors or controlling shareholders of the Company, and their respective associates.

3. **RATIONALE FOR THE ACQUISITION**

The Acquisition is in line with the Group’s business strategies and future plans disclosed in section B.10.2 entitled “Business Strategies and Future Plans” of the Company’s circular to shareholders dated 31 May 2018, where it was stated that a key part of the Group’s long term growth plan is to expand through accretive acquisitions, joint ventures and/or strategic alliances, and the Group intends to identify expansion and collaboration opportunities which are synergistic and allow for effective integration with its existing mining operations and activities.

As PT BBL is currently providing tug and barge transportation services to the Group, the Acquisition is expected to complement the Group’s mining operations and enable the Group to have a stable supply of tug and barge transportation services as the Group prepares to ramp up its production output of nickel ore by the end of the current financial year ending 31 December 2019 to fulfil its offtake agreements.

The Board considers the Acquisition to be in the interest of and is beneficial to the Group and shareholders of the Company (the “**Shareholders**”).

4. **PURCHASE CONSIDERATION**

- 4.1 The Purchase Consideration was determined based on arm’s length negotiations and arrived at on a willing buyer willing seller basis, after taking into account, the audited net book value of the Fixed Assets of IDR49,410,500,000 as at 31 December 2018, after netting off the bank loan of PT BBL obtained for the purchase of the Fixed Assets of IDR37,585,650,875 as at 31 December 2018.
- 4.2 The Purchase Consideration shall be satisfied in the following manner:
- (a) IDR1.5 billion (equivalent to approximately S\$146,000 or US\$106,000) shall be paid in cash (“**Cash Consideration**”) by the Company to the Vendors within 3 working days after the signing of the Agreement; and

- (b) the balance of IDR3.5 billion (equivalent to approximately S\$342,000 or US\$247,000) shall be payable by the allotment and issuance of 613,532 new Shares (the “**Consideration Shares**”) to the Vendors at an issue price of S\$0.55 per Consideration Share (“**Issue Price**”) within 90 calendar days after the signing of the Agreement. The Issue Price represents a premium of 323% to the volume weighted average price of S\$0.13, based on trades done on the SGX-ST on 2 October 2019 (being the last day on which the Shares were traded prior to the date of this announcement). The Issue Price was agreed upon based on arm’s length negotiations between the Company and the Vendors. For the avoidance of doubt, the number of Consideration Shares is arrived at based on the pre-determined exchange rate agreed between the parties to the Agreement at the point of signing of the Agreement.
- 4.3 The Company intends to fund the Cash Consideration by way of internal resources and available financing facilities. Based on its management accounts as at 30 June 2019, the Group recorded cash and bank balances of approximately US\$0.3 million and has available financing facilities of up to US\$1.2 million.
- 4.4 The Consideration Shares represent (i) approximately 0.48% of the Company’s existing issued share capital (excluding treasury shares and subsidiary holdings, if any) of 127,103,447 Shares as at the date of this announcement (the “**Existing Share Capital**”); and (ii) approximately 0.48% of the enlarged issued share capital (excluding treasury shares and subsidiary holdings, if any) of 127,716,979 Shares upon the allotment and issuance of the Consideration Shares.
- 4.5 The Consideration Shares shall be delivered free from all pledges, liens, security interests and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares at the time of issuance.
- 4.6 The Consideration Shares will be allotted and issued by the Company pursuant to the general share issue mandate granted by Shareholders at the annual general meeting of the Company held on 30 April 2019 (“**2019 AGM**”), pursuant to which authority was granted to the Directors to, *inter alia*, allot and issue new Shares not exceeding 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) as at the date of the 2019 AGM, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to existing Shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) as at the date of the 2019 AGM (“**Share Issue Mandate**”).
- 4.7 As at the date of the 2019 AGM, the issued and paid-up share capital of the Company was 127,103,447 Shares, being the Existing Share Capital. As at the date of this announcement, the Company has not issued any new Shares pursuant to the Share Issue Mandate. Accordingly, the maximum number of new Shares that can be issued other than on a *pro-rata* basis is 63,551,723, and the Consideration Shares of 613,532 is within the limit of the Share Issue Mandate.
- 4.8 The Company will be making an additional listing application to the SGX-ST through its sponsor (the “**Sponsor**”) for the dealing in, listing of and quotation for the Consideration Shares on the Catalist board of the SGX-ST. The Company will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST.

5. VALUATION

- 5.1 No independent business valuation was conducted on PT BBL. However, the management of the Group (the “**Management**”) has commissioned an independent valuation on the Fixed Assets in October 2018 when it commenced negotiations with the Vendors, which indicated a value of approximately IDR49,410 million (equivalent to approximately US\$3.5 million) as at 9 October 2018. The said valuation was used by the Management as a basis for negotiations with the Vendors. Such negotiations with the Vendors covering various key terms of the Acquisition, including the Purchase Consideration and the payment method for the Purchase Consideration, took longer than expected. Subsequently, the parties to the Agreement agreed on the Issue

Price of S\$0.55 per Consideration Share, which represents a premium of 323% to the volume weighted average price of S\$0.13, based on trades done on the SGX-ST on 2 October 2019 (being the last day on which the Shares were traded prior to the date of this announcement).

The Board is of the view that it is not necessary to conduct an updated independent valuation on the Fixed Assets prior to the signing of the Agreement as (i) the Management had negotiated for the most competitive purchase price, which is in the best interest of the Company and Shareholders; and (ii) an updated independent valuation on the Fixed Assets will not have an impact to the agreed purchase price. The Purchase Consideration represents a discount of (i) 49.9% to the NTA of approximately IDR9,971 million; and (ii) 54.3% to the NAV of approximately IDR10,932 million, of PT BBL attributable to the Sale Shares as at 31 December 2018.

6. CONDITIONS PRECEDENT

The Acquisition is conditional upon, *inter alia*, the following:

- (a) approvals (if required) from the SGX-ST and/or Shareholders of the Company;
- (b) establishment of PT API;
- (c) acquisition by PT API of 99% equity interest of PT BBL;
- (d) acquisition by the Company's subsidiary, PT Anugrah Tambang Sejahtera ("PT ATS") of 50.1% equity interest of PT API;
- (e) payment of the Cash Consideration within 3 working days after the signing of the Agreement; and
- (f) allotment and issuance of the 613,532 Consideration Shares to the Vendors within 90 calendar days after the signing of the Agreement.

7. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

The relative figures for the Acquisition as computed on the bases set out in Rule 1006 of the Catalist Rules and the Group's latest unaudited consolidated financial statements for 6M2019 are as follows:

Rule 1006	Bases	Relative figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits ⁽¹⁾	Not meaningful ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalization	2.95% ⁽³⁾
(d)	The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	0.48% ⁽⁴⁾
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

- (1) Net profits is defined to be profit or loss before income tax, non-controlling interests and extraordinary items.
- (2) Not meaningful as the relative figure is negative, computed based on (i) loss before income tax, non-controlling interests and extraordinary items of the Group of approximately US\$1,788,000 for 6M2019; and (ii) profit before income tax, non-controlling interests and extraordinary items of PT BBL of approximately US\$29,000 for 6M2019.
- (3) Based on the Purchase Consideration of IDR5 billion (equivalent to approximately S\$488,000) and the Company's market capitalisation of approximately S\$16.52 million. The market capitalisation of the Company was computed based on the issued share capital of the Company ("**Shares**") of 127,103,447 Shares and the volume weighted average price of S\$0.13 per Share on 2 October 2019 (being the last day on which the Shares were traded prior to the date of this announcement).
- (4) Based on 613,532 Consideration Shares and 127,103,447 Existing Share Capital.

As the relative figures under Rules 1006(c) and 1006(d) of the Catalist Rules do not exceed 5%, the Acquisition would constitute a "non-discloseable" transaction pursuant to Rule 1008 of the Catalist Rules.

Pursuant to Practice Note 10(A) paragraph 11 of the Catalist Rules, tests based on assets and profits may not give a meaningful indication of the significance of a transaction to the issuer, in instance where, for example, the issuer is loss making. In such instance, the sponsor of the issuer should consult the SGX-ST. As the Group is loss making, the relative figure computed based on Rule 1006(b) of the Catalist Rules may not be meaningful and accordingly, the Sponsor had, on behalf of the Company, consulted the SGX-ST and obtained confirmation from the SGX-ST that shareholders' approval shall not be required for the Acquisition.

8. FINANCIAL EFFECTS OF THE ACQUISITION

The *pro forma* financial effects of the Acquisition are presented for illustrative purposes only and are not intended to be indicative or reflective of the actual future financial situation of the Company and the Group after the completion of the Acquisition.

The *pro forma* financial effects of the Acquisition have been computed based on the latest audited consolidated financial statements of the Group for FY2018 with the following bases and assumptions:

- (a) the financial effect on the Group's consolidated NTA per Share and gearing is computed based on the assumption that the Acquisition was completed on 31 December 2018;
- (b) the financial effect on the Group's loss per Share ("**LPS**") is computed based on the assumption that the Acquisition was completed on 1 January 2018;
- (c) expenses to be incurred in respect of the Acquisition, being mainly legal fees, are estimated to be approximately S\$18,000.

NTA per Share

	Before the Acquisition	After the Acquisition
NTA ⁽¹⁾ of the Group as at 31 December 2018 (US\$'000)	12,328	13,021
Number of Shares	127,103,447	127,716,979
NTA ⁽¹⁾ per Share (US\$ cents)	9.70	10.20

Note:

(1) NTA means total assets (minus any intangible assets) less the sum of total liabilities, and non-controlling interest.

LPS

	Before the Acquisition	After the Acquisition
Net loss attributable to shareholders of the Company for FY2018 (US\$'000)	(4,833)	(4,801)
Weighted average number of Shares	111,233,821	111,847,353
LPS (US\$ cents)	(4.34)	(4.29)

Gearing

	Before the Acquisition	After the Acquisition
Total borrowings of the Group as at 31 December 2018 (US\$'000)	168	2,791
Total equity of the Group as at 31 December 2018 (US\$'000)	12,328	13,080
Gearing ⁽¹⁾ (time)	0.0136	0.2134

Note:

(1) Gearing refers to the ratio of "Total borrowings" to "Total equity".

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Acquisition (other than through their respective shareholdings in the Company, if any).

10. SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection at the registered office of the Company at 50 Armenian Street #03-04, Singapore 179938 during normal business hours for three months from the date of this announcement.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from

published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board

Hong Kah Ing
Executive Director and Chief Executive Officer
3 October 2019

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

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