FOSTERING GROWTH **Opportunities**

Annual Report **2018**

SILKROAD**NICKEL**

Contents

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.

Corporate Profile

Silkroad Nickel Ltd. ("**Silkroad**" or the "**Company**", and together with its subsidiaries, the "**Group**") is the first nickel mining company to be listed on the Singapore Exchange. Formerly known as China Bearing (Singapore) Ltd., the Company made its trading debut on the Catalist board of the Singapore Exchange on 30 July 2018, under the stock code "STP", following the completion of the reverse takeover of the Company by FE Resources Pte. Ltd. on 5 July 2018.

The Group is primarily engaged in the exploration, mining, production and sales of nickel ore. It has been granted a mining business license to carry out nickel ore mining operations at an approximately 1,301 ha mining concession area located in the Morowali Regency, Central Sulawesi, Indonesia (the "**Mining Concession Area**").

The Group currently conducts its mining activities in the Mining Concession Area using an open pit mining method, which includes the exploration, planning and clearing of required surface areas, mining, transportation and stockpiling, delivery and barging, as well as reclamation and rehabilitation works. The Group engages third party contractors to undertake the necessary mining and production activities such as the stripping of overburden, excavation, transportation and stockpiling of the nickel ore as well as the maintenance of hauling roads within the Mining Concession Area.

The Company has plans to develop its downstream business, transitioning from its primary nickel mining operations to a fully-integrated nickel producer that subcontracts its nickel mining operations. This will allow Silkroad to change its current business model from operating as a relatively small scale mining operator in an environment of high capital expenditure and relatively low operational efficiency, to being a low-cost nickel producer with high-quality nickel mining assets.

Chairman's Message

"Our way forward is clear, and we are committed in our plans and executions to foster growth opportunities in our upstream and downstream business towards the Group's vision of becoming an integrated nickel mining company. Our ability to create new opportunities despite challenging conditions demonstrates that the strategies we have planned for Silkroad will set the Company on the right path towards greater heights and a robust growth cycle."

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the first annual report of Silkroad Nickel Ltd. ("Silkroad" or the "Company", and together with its subsidiaries, the "Group") after its successful transformation into a nickel mining company following the completion of the reverse takeover of China Bearing (Singapore) Ltd. by FE Resources Pte. Ltd..

The year 2018 saw nickel producers struggle once again with volatile nickel prices, which reached a high of US$15,745 in June 2018 and a low of US$10,590 in December 2018 (as cited from the London Metals Exchange Nickel price index). Exacerbating the downturn, China suffered a slowdown that saw its GDP growth drop to 6.6% for 2018, its weakest pace since 1990. It was the lowest growth rate since the global financial crisis, amid intense trade dispute with the United States, weakening domestic demand and alarming off-balance-sheet borrowings by local governments. As China is the world's largest nickel consumer, this contraction naturally hurt prices. As a result, margins were compressed and losses widened in the industry.

At Silkroad, we believe that strategic foresight as well as successful efforts to integrate our operations and curtail costs will give us the edge we need to overcome these adversities in the years ahead.

YEAR IN REVIEW

During the year 2018, Silkroad's focus was on fostering new growth opportunities. This meant laying the foundations in all aspects of our upstream and downstream businesses. Most importantly, Silkroad has secured three offtake agreements to build up its core competency. The Company aims to further enlarge its order books, once it fulfils the offtake agreements with PT Ekasa Yad Resources (which is part of the Tsingshan Group) and PT Transon Bumindo Resources (which is part of the Qingdao Hengshun Zhongsheng Group). The Company has also signed a mining exploration agreement with Sinohydro Corporation Limited and PT. Sepco II Indo (both companies are owned by PowerChina) as its mining contractor in anticipation of increased ramp up of production levels to fulfil the requirements of the abovementioned offtake agreements.

Silkroad continues to develop its downstream business and is in discussions with several Chinese companies to form a joint venture company to process nickel ore into nickel pig iron or ferronickel utilising the blast furnace or rotary kiln electric furnace technology respectively.

WINNING STRATEGIES

Our way forward is clear, and we are committed in our plans and executions to foster growth opportunities in our upstream and downstream business towards the Group's vision of becoming an integrated nickel mining company. Our ability to create new opportunities despite daunting conditions demonstrates that the strategies we have planned for Silkroad will set the Company on the right path towards greater heights and a robust growth cycle.

Investing in smelting technology:
The Company has intentions of investing in smelting technologies to widen its depth and scope in the industry. Silkroad aims to work with extremely cost-efficient players in the downstream processing business.

Strengthening our value chain:
To add to the integrated value chain for Silkroad, the Company is acquiring more tugs and barges to ensure we have quality and control over our logistics chain. The Company has also signed a mining exploration agreement as above mentioned that will further enhance efficiency and strengthen Silkroad's value chain.

OUTLOOK AND PROSPECTS

The outlook for the world economy continues to be clouded by widespread uncertainties on many fronts. Even so, there are some bright spots. Notably, the United States is showing signs to improve trade war tensions, which would be crucial to shoring up nickel demand.

On the other hand, China's economy is still expanding, albeit at a slower pace, but remains the world's second-largest economy that will underpin demand for metals, including nickel. The Chinese government has carefully eased monetary policies to manage the gradual slowdown, providing a vital buffer for many sectors. As such, industries ranging from stainless steel to lithium-ion batteries for electric vehicles, which all depend heavily on nickel, would help sustain a healthy demand for nickel and the raw materials to be used in their production.

At Silkroad, we will continue to streamline our operations and strengthen our supply chain while moving to boost our cost-effectiveness and ramp up production output. As a result, we believe we are well prepared to improve our earnings in the financial year ending 31 December 2019. We remain focused on enhancing profitability and delivering sustainable earnings and growth.

ACKNOWLEDGEMENTS & APPRECIATION

On behalf of the Board of Directors, we must thank all our shareholders and our business partners for standing by Silkroad. To our management team and our staff, we can only express our heartfelt gratitude, for the loyalty and commitment you have demonstrated so clearly. Let us march into 2019 united in heart and mind as we press ahead with our plans for growth.

Mr. Eddy Pratomo
Independent Chairman

Financial & Operations Review

OVERVIEW

It was another difficult year for the nickel industry in 2018. Nickel prices remained volatile, showing signs of recovery in the middle of the year, and then heading southwards at the end of the year in tandem with the slowdown of China's economy and trade war tensions.

Due mainly to the volatile nickel prices, higher administrative expenses and one-off expenses incurred in relation to the reverse takeover by FE Resources Pte. Ltd. ("**RTO**") completed in July 2018, Silkroad reported a sizable loss for the financial year ended 31 December 2018 (**"FY2018**").

FINANCIAL REVIEW

Income Statement Highlights

Revenue for FY2018 decreased by US$1.2 million or 17.2%, from US$6.9 million in the previous financial year ended 31 December 2017 ("**FY2017**") to US$5.7 million in FY2018. The decrease was due to lower average selling prices of nickel ore for FY2018, as compared to FY2017, and the decrease in the quantity of nickel ore sold as the Group was conserving nickel ore stock in anticipation of securing the export quota license for export market sales.

Cost of goods sold decreased slightly by 4.9% in FY2018, despite the 17.2% decrease in the Group's revenue, in view of fixed overhead cost incurred in the year. Gross profit decreased by US$1.0 million or 42.2%, from US$2.3 million in FY2017 to US$1.3 million in FY2018.

Gross profit margin in FY2018 decreased by 9.9 percentage points to 23.0%, due to lower average selling prices of 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.

Other income increased by approximately US$456,000, from US$24,000 in FY2017 to US$480,000 in FY2018, mainly due to the increase in rental income generated from renting out the Group's excavators and off-highway trucks to the mining contractor.

Administrative expenses increased by US$2.7 million, from US$1.5 million in FY2017 to US$4.2 million in FY2018. 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 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.

In addition to the above, the Group incurred one-off RTO expenses of US$2.1 million in FY2018, which was absent in FY2017.

As a result of the above, the Group reported a loss after tax of US$4.8 million in FY2018, as compared to a profit after tax of US$0.2 million in FY2017. As such, the Group recorded loss per share (basic and diluted) of 4.33 US cents per share in FY2018, as compared to earnings per share (basic and diluted) of 0.26 US cents per share in FY2017.

BALANCE SHEET & CASHFLOW HIGHLIGHTS

With additional new property, plant and equipment acquired and the increase in receivables and prepayments as well as inventories in FY2018, Silkroad saw its total assets increased from US$13.1 million as at 31 December 2017 to US$15.1 million as at 31 December 2018.

Total liabilities decreased from US$5.8 million as at 31 December 2017 to US$2.8 million as at 31 December 2018, mainly due to the decrease in other payables as a result of the settlement of an outstanding third-party loan and waiver of the remaining balance of a loan from the ultimate holding company.

As a result of the above and the 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. Net assets value of the Group stood at 9.70 US cents per share as at 31 December 2018.

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. On 9 April 2019, the Company's subsidiary, PT Teknik Alum Service ("**PT TAS**"), entered into an offtake financing agreement with a third party to obtain funding of up to IDR40 billion (approximately US$2.8 million). The loan is secured on certain assets of a family member of the Company's director, bears interest at 7.5% per annum and repayable in the 13th month from the date of drawdown of the funding. PT TAS has the option to extend the repayment period by another 12 months, if required.

During FY2018, the Group recorded a net cash inflow generated from operating, investing and financing activities of approximately US$10,000 (after netting the effects of exchange rate changes), from US$77,000 as at 31 December 2017 to US$87,000 as at 31 December 2018.

OPERATIONAL REVIEW

Mining Exploration Agreement signed with Sinohydro Corporation Limited

As the Group expands its core competency capabilities, Silkroad signed a long term mining exploration agreement with Sinohydro Corporation Limited and PT. Sepco II Indo on 5 January 2019. Highlights of the agreement include (i) a minimum of 1.2 million tonnes of nickel ore are to be produced annually for a five-year period, commencing from the date when the Group issues the notice to proceed; and (ii) the price per tonne of nickel ore has been fixed and shall be valid and remain in force for the five-year period, assuming certain conditions under the agreement are met. The contract value of this mining exploration agreement is estimated to be in excess of S$90 million.

Heads of Agreement signed for JV Blast Furnace Smelter

In its bid to build its downstream business, a non-binding heads of agreement was entered into by Silkroad's subsidiary, PT Teknik Alum Service ("**PT TAS**"), and PT Artabumi Sentra Industri ("**PT ASI**", and together with PT TAS, the "**Purchasers**") with PT Anugrah Tambang Smelter ("**PT ATSM**") in September 2018. Pursuant to the non-binding heads of agreement, the Purchasers intend to acquire the entire equity interests of PT ATSM and, through PT ATSM, build and operate smelter facilities for the production of nickel pig iron on the Group's mine site in Sulawesi, Indonesia.

Receipt of Environmental Approval for Construction of Smelter

On 8 April 2019, Silkroad's subsidiary, PT TAS, received the approval from Central Sulawesi's Provincial Environmental Assessment Committee ("**Committee**") for the Environmental Impact Assessment of PT TAS's mining activities and plan for the construction of nickel smelter and supporting facilities at its mine site at Morowali, Sulawesi, Indonesia. The Committee has also confirmed that the environmental feasibility requirements of the mining activities and construction of the nickel smelter of PT TAS have been fulfilled, subject to the Central Sulawesi's Governor's decree on environmental feasibility and environmental permits. The Group believes that it has now received all the necessary approvals and has satisfied all the necessary conditions for the grant of the export quota by the competent authorities in Indonesia. Under the guidelines prescribed by the Indonesian Ministry of Energy and Mineral Resources, the export quota will be approved no later than 14 days after the full submission by a company of the JORC resources, smelter plans, designs and the AMDAL2 (Environmental Impact Analysis) document. Accordingly, taking into account the above guidelines and barring any unforeseen circumstances, the Group expects to receive the export quota from the competent authorities by the end of June 2019.

LOOKING AHEAD

With uncertainties clouding the global economic outlook and China, the world's largest nickel consumer, experiencing slower growth, nickel prices are expected to remain volatile in the financial year ending 31 December 2019 ("**FY2019**"). Nevertheless, the Group will push ahead with its plans to enhance cost efficiencies and grow a sustainable earnings stream.

Barring unforeseen circumstances, Silkroad plans to ramp up production output to around 1.8 million tonnes by the end of FY2019. This will help boost revenue tremendously. With the mining exploration agreement, Silkroad expects to be able to further reduce its production costs.

Navigating its way through the constantly evolving mining industry, Silkroad Nickel seeks to chart a course towards sustainable growth and emerging prospects. To reinforce its vision of becoming an integrated nickel mining company, the Group is deepening its commitment of building a sustainable and efficient business. Harnessing the collective strength and synergy of our people and resources, we strive to unearth greater potential and map out the next phase of growth.

BUILDING ON **STRONG FOUNDATIONS**

Board of Directors

MR. EDDY PRATOMO (Independent Chairman)

Mr. Eddy Pratomo, an Indonesian citizen, is the Independent Chairman of the Company. He is also the Chairman of the Nominating Committee as well as a member of the Audit and Risk Committee and the Remuneration Committee of the Company. Mr. Pratomo started his career in the Directorate of International Organisations, Directorate General of Politics, as Section Head of Humanitarian Affairs in 1982 at the Indonesian Foreign Ministry. In 1986, he was appointed as the Young Diplomat dealing with the economic affairs of the Permanent Mission of Indonesia to the United Nations, New York. He has more than 30 years of experience in domestic and foreign international affairs, economics, and public policies. Most notably, Mr. Pratomo was posted to the Embassy of the Republic of Indonesia in London, where he was appointed as the Deputy Head of Indonesian Representatives and subsequently the Acting Ambassador from 2004 to 2006. Furthermore, from 2006 to 2009, Mr. Pratomo was the Director General of Law and International Treaties Affairs and subsequently the Ambassador of the Republic of Indonesia to the Federal Republic of Germany until 2013. Mr. Pratomo had also acted as the legal advisor to the Senior Minister of Foreign Affairs of the Democratic Republic of Timor-Leste, and was appointed as the Senior Advisor/Special Staff of the Speaker of the House of Representatives in Foreign Relations. Since October 2015, Mr. Pratomo holds the position as Special Envoy to the President of the Republic of Indonesia, Maritime Delimitations between Indonesia and Malaysia. Mr. Pratomo obtained a Doctorate in International Law from Universitas Padjadjaran, Bandung, Indonesia in 2011.

MR. HONG KAH ING (Executive Director and CEO)

Mr. Hong Kah Ing, an Indonesian citizen, is an Executive Director and the Chief Executive Officer of the Company. Mr. Hong has more than 10 years of experience in the natural resources industry. Mr. Hong started his career in MBf Leasing Sdn. Bhd., a finance company based in Malaysia and Indonesia, as a credit marketing executive in 1993. He was eventually promoted to Director of Multi-Finance and Card Services at PT MBf Multi-Finance in Indonesia in 1996. In 1999, Mr. Hong founded PT Bina Mitra Serasi ("PT BMS"), which provided integrated IT solutions services. In 2003, PT BMS entered into a joint venture with DRB-Hicom to form PT Hicom BMS to provide integrated airport security systems to several airports in Indonesia where Mr. Hong was appointed as president director of PT Hicom BMS. In 2005, PT BMS acquired DRB-Hicom's interest in PT Hicom BMS. Mr. Hong is currently the director of PT BMS, the previous shareholder of PT Anugrah Tambang Sejahtera ("PT ATS"). Mr. Hong is also the director of PT Teknik Alum Service ("PT TAS") and President Commissioner of PT ATS. Mr. Hong obtained a Bachelor's degree in Business from the University of Central Queensland, Australia in 1992.

Board of Directors

MR. SYED ABDEL NASSER BIN SYED HASSAN ALJUNIED (Executive Director)

Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied, a Singapore citizen, is an Executive Director of the Company. He is also a director of PT TAS. Mr. Aljunied has extensive experience in banking, M&A and finance. In the 1990s, he was assistant vice president at both Chase Private Bank and later Smith Barney Shearson Asset Management where he managed a discretionary foreign exchange and interest rates and derivatives portfolio. Between 1995 and 1996, Mr. Aljunied was director of foreign exchange and fixed income group at the Swiss Bank Corporation, overseeing the emerging market foreign exchange and the options sales team. From 1996 to 2000, Mr. Aljunied was the director at Credit Suisse First Boston where he headed the Asian foreign exchange and fixed income derivatives team in the emerging markets group in Singapore. Mr. Aljunied had also previously sat on the board of Atlantic Oilfield Services Ltd., a Dubai based subsidiary of KS Energy Limited, an integrated onshore and offshore oil & gas service provider listed on the Mainboard of the SGX-ST from 2008 to 2010. In 2008, he was also on the board of and a shareholder of CMS Trust Berhad and CMS Asset Management, an asset management company with assets of RM2 billion under management. From 2006 to 2013, he was an independent director and the chairman of the audit committee of Maveric Ltd., a Singapore company that was previously listed on SGX-ST. Mr. Aljunied graduated from the National University of Singapore with a Bachelor's degree in Science in 1990.

MR. GIANG SOVANN (Lead Independent Director)

Mr. Giang Sovann, a Canadian citizen and Singapore Permanent Resident, is the Lead Independent Director, Chairman of the Audit and Risk Committee, as well as a member of the Nominating Committee and the Remuneration Committee of the Company. Mr. Giang Sovann is a senior director at RSM Risk Advisory, a leading governance, risk and consulting firm in Singapore. He is also independent director of Rich Capital Holdings Limited, Cambodia Post Bank PLC and Funan Microfinance PLC. Mr. Giang was the executive director of the Singapore Institute of Directors and had served as executive director, independent director and chief financial officer of a number of listed companies. He started his career as a public accountant with a Big-4 firm in Canada and Singapore. He also has many years of experience in business management, having served as a senior executive at a multinational company and a regional conglomerate, and has managed companies in many industries including aerospace, food and beverage, flexible packaging, mining, oil and gas, real estate, telecommunications as well as trading and distribution. Mr. Giang Sovann holds a Bachelor of Administration degree with Great Distinction from the University of Regina, Canada and is a Chartered Accountant of Singapore, a Chartered Professional Accountant of Canada, and a member of the Singapore Institute of Directors.

Board of Directors

MR. OMRI SAMOSIR (Independent Director)

Mr. Omri Samosir, an Indonesian citizen, is an Independent Director of the Company. He is also the Chairman of the Remuneration Committee as well as a member of the Nominating Committee and the Audit and Risk Committee of the Company. Mr. Samosir has more than 20 years of experience in the mining industry. From 2003 to 2010, Mr. Samosir acted as the president director of PT Benchaario, a mining company, as well as the director of PT Cibadak Pramata. From 2007 to 2009, he was the president commissioner of PT Renown Resources. Between 2010 and 2012, Mr. Samosir acted as executive advisor of PT Pan China International, which was principally involved in the operation of nickel ore mines in Central Sulawesi, Indonesia. In 2012, Mr. Samosir was appointed executive advisor of PT Ifishdeco, an Indonesian nickel ore mining company, until 2013. From 2013 to 2015, Mr. Samosir acted as the executive advisor of PT Bintang Smelter Indonesia, a company which develops and operates nickel smelters in Indonesia. Mr. Samosir is currently a director of PT Kopa Mitra Tijari since 2009, and a commissioner of PT Geo Invention Indonesia since 2016. Mr. Samosir obtained a Bachelor of Engineering in mining engineering from the Institute Technology of Bandung in 1975.

DATUK LIM KEAN TIN (Non-Executive and Non-Independent Director)

Datuk Lim Kean Tin, a Malaysian citizen, is a Non-executive and Non-Independent Director of the Company. He is a self-made businessman, and does not have any formal educational qualifications. He currently has interests in several businesses in Malaysia, which spans, among others, the education, shipping, real estate, plantation and consultancy sectors. Datuk Lim Kean Tin is currently the group chairman of KTG Education Group, a private higher education provider located in Malaysia.

Key Management

Mr. LIEW WEI CHUN (Chief Financial Officer)

Mr. Liew Wei Chun, a Malaysian citizen and Singapore Permanent Resident, is the Chief Financial Officer of the Group. Mr. Liew is responsible for all accounting, financial and taxation matters of the Group. He started his career as a tax advisor in Deloitte & Touche. He then joined as a group finance manager at PT Malindo Feedmill TBK and assisted the company to be the first Malaysia company listed on the Jakarta Stock Exchange. Mr. Liew joined Asian Agri Group as the financial controller in 2006 and was in charge of the entire finance spectrum for its upstream and downstream business. In 2012, he joined as a senior finance manager in Jurong Port Pte Ltd and managed over US$500 million worth of M&A joint venture activities, due diligence exercises and corporate finance. He then joined the start-up power generation company, Pacificlight Power Pte Ltd. as their finance manager in 2012. From 2015 to 2018, he was appointed as the chief financial officer in PGS (East Asia) Pte Ltd where he managed regional finance roles in Asia. Mr. Liew is a Graduate of University of Putra Malaysia (BS in Resource Management & Marketing), Charles Sturt University (Master of Accountancy) and CPA Australia.

Mr. EDY SANTI (Chief Operations Officer)

Mr. Edy Santi, an Indonesian citizen, is the Chief Operations Officer of the Group. He is responsible for assisting the CEO in the overall management and operations of the Group and ensuring that its operational activities are in accordance with the policies, goals and objectives of the Group. Prior to joining the Group, Mr. Edy Santi was the head of business development and operations of PT Hicom BMS from 2001 to 2006, overseeing all aspects of PT Hicom BMS operations, including managing and developing the various business functions of PT Hicom BMS. From 2006 to 2013, Mr. Edy Santi joined PT BMS as business manager. Mr. Edy Santi joined PT TAS (a subsidiary of the Company) as head of mining operations in 2013, where he oversees the mining planning and operations, logistics, transport, regulatory issues, permits and licences matters. Mr. Edy Santi obtained a Diploma in Informatics Management from the College of Informatics and Computer Management, Yogyakarta, Indonesia in 1996.

Mr. ARIS PANDIN (Head of Mining Operations)

Mr. Aris Pandin, an Indonesian citizen, is the Head of Mining Operations of the Group. He is responsible for the overall mining operations, including environmental, health and safety aspects of the mining operations. He also manages and controls all mine site operations in the mining concession area of the Group and ensures that production and other specific targets are met. Mr. Aris Pandin began his career as a junior geologist at Teguh Sinar Abadi Bayan Resource from February 2005 to December 2006. Since then, Mr. Aris Pandin has worked for various nickel ore mining companies such as PT International Nickel Indonesia from January 2007 to September 2010 as assistant geologist, PT TAS from October 2010 to January 2013 as mine technical chief and mine geologist, PT Tekonindo from February 2013 to December 2014 as senior geologist and, PT Tambang Bumi Sulawesi from January 2015 to August 2016 as mine technical chief and mine geologist. In 2016, Mr. Aris Pandin returned to join PT TAS (a subsidiary of the Company) as the head of mining operations. Mr. Aris Pandin obtained a Bachelor in Engineering from Hasanuddin University, Makassar, Indonesia in 2005.

UNCOVERING NEW POSSIBILITIES

As we move forward in a new and exciting direction, the Group will remain focused on ramping up its production capacities through strategic ventures and investments. Setting our sights to generating long-term value for our shareholders, we will also continue to expand our assets and workforce, as well as further develop our existing mining operations and infrastructure. Driven by our pursuit of excellence, we endeavor to explore and identify opportunities that lie ahead.

Corporate Information

BOARD OF DIRECTORS

Mr. Eddy Pramoto
Independent Chairman

Mr. Hong Kah Ing
Executive Director and Chief Executive Officer

Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied
Executive Director

Mr. Giang Sovann
Lead Independent Director

Mr. Omri Samosir
Independent Director

Datuk Lim Kean Tin
Non-Executive and Non-Independent Director

AUDIT AND RISK COMMITTEE

Mr. Giang Sovann (Chairman)
Mr. Eddy Pramoto
Mr. Omri Samosir

REMUNERATION COMMITTEE

Mr. Omri Samosir (Chairman)
Mr. Eddy Pramoto
Mr. Giang Sovann

NOMINATING COMMITTEE

Mr. Eddy Pramoto (Chairman)
Mr. Giang Sovann
Mr. Omri Samosir

COMPANY SECRETARY

Lau Yan Wai

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INDEPENDENT AUDITOR

Baker Tilly TFW LLP
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Partner-in-charge: Mr. Khor Boon Hong (a member of the Institute of Singapore Chartered Accountants)
(Appointed on 28 February 2018)

PRINCIPAL BANKER

United Overseas Bank Limited

Summary of Mineral Reserves and Resources

Date of Report : 31 December 2018 Date of Previous Report : 11 May 2018 Name of Asset/Country : Buleleng and Torete Nickel Project, Indonesia

CATEGORY	MINERAL TYPE	GROSS ATTRIBUTABLE TO LICENCE		NET ATTRIBUTABLE TO THE COMPANY			REMARKS
		WMT (millions)	Grade Range %	WMT (millions)	Grade Range %	Change from previous update (%)	
RESERVES							
Proved	–	–	–	–	–	–	–
Probable	–	–	–	–	–	–	–
Total		–	–	–	–	–	–
RESOURCES *							
Measured	–	–	–	–	–	–	–
Indicated	Limonite	1.12	0.8 ≤ Ni < 1.4	1.12	0.8 ≤ Ni < 1.4	-20%	Note 1
	Saprolite	0.08	Ni ≥ 1.4	0.08	Ni ≥ 1.4	-60%	Note 1
Inferred	Limonite	57.50	0.8 ≤ Ni < 1.4	57.50	0.8 ≤ Ni < 1.4	–	–
	Saprolite	7.40	Ni ≥ 1.4	7.40	Ni ≥ 1.4	–	–
Total		66.1		66.1			

*** The mineral resources as reported inclusive of the mineral reserves**
WMT : Wet Metric Tonnes
Ni : Nickel

Note 1 : The decrease of the resources are due to the mining production during the period that had lapsed since the previous report

NAME OF QUALIFIED PERSON : Wahyu Asmantowi
DATE : 3 April 2019

PROFESSIONAL SOCIETY AFFILIATION / MEMBERSHIP :
Registered Member of the Australasian Institute of Mining and Metallurgy

Corporate Governance Report

Silkroad Nickel Ltd. (the "Company", and together with its subsidiaries, the "Group") is committed to ensuring and maintaining a high standard of corporate governance within the Company to ensure effective self-regulation practices are in place to enhance corporate performance and accountability. This statement describes the corporate governance framework and practices of the Company for financial year ended 31 December 2018 ("FY2018") with specific references made to the Singapore Code of Corporate Governance 2012 (the "Code") to provide the Company a structure through which the objectives of protection of shareholders' interest and enhancement of long-term shareholders' value are met. The new Singapore Code of Corporate Governance 2018 (the "2018 Code"), which was issued on 6 August 2018, will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the 2018 Code will not affect the Group for FY2018.

The board of directors (the "Board" or "Directors") of the Company confirms that, for FY2018, the Company has generally adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

As at the date of this report, the members of the Board are:

Mr. Eddy Pratomo	(Independent Chairman)
Mr. Hong Kah Ing	(Executive Director and Chief Executive Officer)
Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied ("Nasser Aljunied")	(Executive Director)
Mr. Giang Sovann	(Lead Independent Director)
Mr. Omri Samosir	(Independent Director)
Datuk Lim Kean Tin	(Non-Executive and Non-Independent Director)

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the corporate strategies of the Company, and directions and goals for the management of the Company (the "Management"), by ensuring that the necessary financial and human resources are in place for the Company to meet its objectives. The Board supervises the Management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Company.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Regular meetings are held to deliberate the strategic policies of the Company including the approval of significant acquisitions and disposals, review and approval of annual budgets, review of the performance of the business and approval of the release of periodic financial results and announcements on SGXNET.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Material transactions that require Board's approval include the following:

(a) Acquisition or disposal of a significant asset, including property, plant and equipment.

(b) Joint ventures and acquisition/merger or disposal of businesses.

(c) Employment or termination of key management personnel or general manager equivalent.

(d) Significant development projects.

(e) Borrowing of a significant amount of funds.

(f) Significant litigation.

The Management is responsible for the day-to-day operations and administration of the Company and is accountable to the Board. Clear directions have been given out to the Management that reserved matters as set out above must be approved by the Board.

To assist the Board in the execution of its responsibilities, the Board is supported by three Board Committees, namely the Audit and Risk Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). These Board Committees operate within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company. These terms of reference are reviewed on a regular basis to ensure their continued relevance with the Code. The Constitution of the Company provides for the Directors to convene meetings other than physical meetings, by teleconferencing.

The following table discloses the number of meetings held for the Board and Board Committees and the attendance of all Directors during FY2018:

	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
For the period from 1 January 2018 to 5 July 2018, being the date of completion of the Acquisition				
Number of meetings held	**2**	**2**	**1**	**1**
Mr. Wong Chee Meng Lawrence (1)	2	2	1	1
Mr. Lee Kean Chong (1)	2	2	1	1
Mr. Tan Kah Ghee (1)	2	2	1	1
Datuk Lim Kean Tin (1)	2	2	1	1
For the period from 5 July 2018, being the date of completion of the Acquisition, to 31 December 2018				
Number of meetings held	**2**	**2**	**1**	**1**
Mr. Eddy Pratomo (2)	2	2	1	1
Mr. Hong Kah Ing (2)	2	2*	1*	1*
Mr. Nasser Aljunied (2)	2	2*	1*	1*
Mr. Giang Sovann (2)	2	2	1	1
Mr. Omri Samosir (2)	2	2	1	1
Datuk Lim Kean Tin (2)	0	N/A	N/A	N/A

* By invitation

Notes:

(1) Resigned as a Director upon completion of the acquisition by the Company of the entire issued and paid-up share capital of FE Resources Pte. Ltd. ("FE Resources") (the "Acquisition") on 5 July 2018.

(2) Appointed as a Director upon completion of the Acquisition on 5 July 2018.

While the Board considers Directors' attendance at Board and Board Committee meetings to be important, it should not be the only criteria to measure their contributions to the Board. It also takes into account the other forms of contributions by Board members including periodic reviews, provision of guidance and advice on various matters relating to the Company.

The Board is also updated regularly, though emails, seminars and workshops or briefings at the Board meetings by the Management as well as the continuing sponsor, external auditors and legal advisers of the Company, on changes to the Singapore Exchange Securities Trading Limited (the "SGX-ST") listing rules, risk management, corporate governance and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committee members. Directors are encouraged to constantly keep abreast of development in regulatory, legal and accounting frameworks and regulations that are of relevance to the Group through participation in seminars and workshops, which will be funded by the Company.

Newly appointed Directors are given an orientation program to familiarise with the Company's operations. The Company will also arrange for first-time Directors to attend relevant training in relation to the roles and responsibilities of a director of a listed company and in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company. Upon appointment, the newly appointed Directors will be provided a formal letter setting out their duties and obligations.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently consists of six Directors, of whom two are Executive Directors, three are Independent Directors and one is a Non-Executive and Non-independent Director.

The criteria for independence is based on the definition given in the Code, and taking into account Rule 406(3)(d) of the SGX-ST Listing Manual Section B: Rules of Catalist (the "Catalist Rules"). The Board considers an "Independent" Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company, and does not fall under any of the circumtances pursuant to Rule 406(3)(d) of the Catalist Rules.

The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence and taking into account Rule 406(3)(d) of the Catalist Rules. Each Director is required to declare his independence by duly completing and submitting a 'Confirmation of Independence' form. The said form, which is drawn up based on the definitions and guidelines set forth in Principle 2 of the Code and the Guidebook for Audit Committees in Singapore (Second Edition) issued by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange in August 2014 ("Guidebook"), requires each Director to assess whether he considers himself independent despite not having any relationships identified in the Code. The Board, after taking into account the NC's views, is satisfied that Mr. Eddy Pratomo, Mr. Omri Samosir and Mr. Giang Sovann remain as Independent Directors as there are no relationships or circumstances which could interfere, or could reasonably be perceived to interfere with the exercise of independent business judgement of each Independent Director. Further, none of the current Independent Directors has been serving on the Board beyond nine years from the date of his first appointment.

Accordingly, the Board is also satisfied that there is a strong element of independent presence in the Board, as the numbers of independent directors make up half of the Board. Majority of the Directors are non-executive and when necessary, held meetings without the presence of the Management. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of and to extend guidance to the Management. Non-Executive Directors have been actively participating in discussions and decision-making at the Board and the Board Committees meetings, and had open discussions with the Management. The Independent Directors also meet when necessary without the presence of the other Directors.

The Board has considered its present size and composition, and is of the view that (i) the current Board size has the appropriate mix of expertise and experience for facilitating effective decision-making and is appropriate for the nature and current scope of the Group's operations; and (ii) the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Company. The size and composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for effective functioning and informed decision-making.

Key information regarding the Directors is set out in the 'Board of Directors' section of this Annual Report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and its related corporations, if any, (other than wholly-owned subsidiaries) are set out in the Directors' Statement on pages 31 to 34 of this Annual Report.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a clear separation of the roles and responsibilities of the Chairman and the Chief Executive Officer ("**CEO**") of the Company. This is to ensure appropriate balance of power and authority, accountability and decision-making. Mr. Eddy Pratomo, the Independent Chairman of the Company and Mr. Hong Kah Ing, the Executive Director and CEO of the Company are not related to each other.

The Board is headed by Mr. Eddy Pratomo as the Independent Chairman of the Company. He leads the Board to ensure its effectiveness on all aspects of its role, sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. He also promotes a culture of openness and debate at the Board, ensures that the Directors receive complete, adequate and timely information. He ensures effective communication with shareholders (see Principles 14 to 15), as well as encourages constructive relations within the Board and between the Board and Management. Mr. Pratomo also facilitates the effective contribution of Non-Executive Directors and promotes high standards of corporate governance.

There is also a strong and independent element on the Board, where three out of six Directors are independent. A Lead Independent Director, Mr. Giang Sovann, has been appointed, notwithstanding that Guidelines 2.2 and 3.3 of the Code are not applicable to the Company. He is available for the shareholders in the event that they have any concerns. Mr. Giang periodically meets the other Independent Directors without the presence of other Directors and provides feedback to the Chairman after such meetings.

Mr. Hong Kah Ing is the Executive Director and CEO of the Company. He is responsible for the overall management and operations of the Group, the strategic planning and development of the Group's business and spearheading the expansion and growth of the Group. He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines and monitors and translates the Board's decisions and plans into actions.

Corporate Governance Report

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises three members, all of whom are Independent Directors. The members of the NC are:

Mr. Eddy Pratomo (Chairman)
Mr. Giang Sovann
Mr. Omri Samosir

The NC functions under the terms of reference which sets out its responsibilities including, *inter alia*, the following:

(a) to make recommendations to the Board on all Board appointments, re-appointments and re-nominations;

(b) to assess the effectiveness of the Board as a whole and the Board Committees, and contribution of each Director to the effectiveness of the Board;

(c) to make recommendation on the review of plans for succession of Directors and in particular, the Chairman and the CEO;

(d) to determine annually and as and when circumstances require, if a Director is independent pursuant to the Code;

(e) to review the training and professional development programs for the Board;

(f) in respect of a Director who has multiple board representations on various companies, deciding whether or not such Director is able to and has been adequately carrying out his/her duties as a Director, having regard to the competing time commitments that are faced when serving on multiple boards and discharging his/her duties towards other principal commitments; and

(g) to review and approve any new employment of related persons and the proposed terms of their employment.

The NC makes recommendations to the Board on all nominations for appointment and re-appointment of Directors to the Board. It ascertains the independence of Directors and evaluates the Board's performance as a whole on an annual basis. The NC assesses the independence of Directors based on the guidelines set out in the Code, the Guidebook and any other salient factors.

If the NC considers that a director who has one or more of the relationships mentioned in the Code can be considered independent, the NC shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he has no business or other relationships with the Company, its related companies or its officers.

In the nomination and selection process, the NC reviews the composition of the Board by taking into consideration the mix of expertise, skills and attributes of existing Board members, so as to identify desirable competencies for a particular appointment. In doing so, it strives to source for candidates who possess the skills and experience that will further strengthen the Board, and are able to contribute to the Company in relevant strategic business areas, in line with the growth and development of the Company. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required. Directors are encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, SGX-ST, other business and financial institutions as well as consultants.

In accordance with Rule 720(4) of the Catalist Rules, all Directors must submit themselves for re-nomination and reappointment at least once every three years. Under the Constitution of the Company, the Company has adopted a provision that Directors shall retire from office once every three years, and for this purpose, at each Annual General Meeting of the Company (the "AGM"), one-third of the Directors for the time being shall retire from office by rotation. In this regard, Article 104 of the Constitution of the Company provides that between persons who became or were last re-elected Directors on the same day, those to retire by rotation shall be determined by lot (unless they otherwise agree among themselves). Pursuant to Article 104 of the Constitution of the Company, two Directors will be required to retire by rotation. In this regard, the NC has recommended, and the Board has agreed that at the forthcoming AGM, Mr. Giang Sovann and Mr. Nasser Aljunied, will be retiring and will be nominated for re-appointment. Mr. Giang Sovann and Mr. Nasser Aljunied, being eligible, have offered themselves for re-election.

Please refer to the section entitled "Appendix 7F to the Catalist Rules" of this Annual Report for information on the abovementioned retiring Directors nominated for re-election at the forthcoming AGM pursuant to Rule 720(5) of the Catalist Rules.

Each member of the NC has abstained from voting on any resolution in respect to his re-nomination as a Director.

The NC is satisfied that sufficient time and attention has been dedicated by the Directors to the affairs of the Company and the Directors have adequately carried out their duties as Directors of the Company during FY2018, despite their other board representations and/or personal commitments. The Board has not experienced competing time commitments among its Board members and Board Committee meetings are planned and scheduled in advance. The NC has not established a guideline for a maximum number of listed board representation which a director may have as it believes that putting a maximum limit on the number of listed directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

There is no alternate Director on the Board.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

While the Code recommends that the NC be responsible for assessing the Board as a whole and the Board Commitees, and also assessing the individual evaluation of each Director's contribution to the effectiveness of the Board, the NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

The Board has implemented and continued the process for assessing the effectiveness of the Board as a whole. At the end of each financial year, each Director will complete a board questionnaire on self-evaluation basis, which will be collated by the Chairman for review and discussion by the NC. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board's processes and accountability, Board's performance in relation to discharging its principal responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole.

The Board has taken the view that financial indicators may not be appropriate as these are more of a measurement of the Management's performance and therefore less applicable to Directors.

Although the Directors are not evaluated individually, during the re-nomination of the Directors at the end of each financial year, the NC assesses the contribution of such Directors to the effectiveness of the Board by considering factors such as attendance at meetings of the Board and Board Committees, the qualification, business knowledge and experience of such Directors, level of participation at meetings, and the overall contributions in time and efforts to the Company's business and affairs.

The evaluation of effectiveness and performance of each Board Committee as a whole is carried out annually on a self-evaluation basis by the respective members of each Board Committee. The results of the evaluation are reviewed and discussed by each respective Board Committee, and each Board Committee reports the evaluation results to the Board thereafter. The assessment criteria include but are not limited to the composition of the Board Committees and the procedure and accountability of each Board Committee.

Following the review, the Board is of the view that the Board and the Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors are from time to time furnished with information concerning the Company to enable them to be fully cognizant of the decisions and actions of the Management. The Board has unrestricted access to the Company's records and information.

Key management personnel are available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects.

The calendar of the meetings of the Board and the Board Committees ("Meetings") are planned a year in advance. Draft agendas for the Meetings are also circulated in advance to the respective Chairman for review, and if necessary, to provide additional agenda items for the respective Meetings. Periodic financial reports, budgets, forecasts and disclosure documents are provided to the Board, where appropriate, prior to the Meetings.

The Board has separate and independent access to the Company Secretary and to the key management personnel of the Group at all times in carrying out their duties. The appointment and the removal of Company Secretary is a matter for the Board as a whole. The Company Secretary and/or his representative attend all Meetings and ensure that Board procedures are followed and that applicable rules and regulations are complied with.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three members, all of whom are Independent Directors. The members of the RC are:

Mr. Omri Samosir (Chairman)
Mr. Eddy Pratomo
Mr. Giang Sovann

The RC functions under the terms of reference which sets out its responsibilities including, *inter alia*, the following:

(a) to review and recommend to the Board a general framework for remuneration for the Directors and key management personnel of the Company;

(b) to review and recommend specific remuneration package for each Director and key management personnel of the Company; and

(c) to review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The recommendations by the RC will be submitted for endorsement by the Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, if applicable, and benefits in kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package.

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company. The Company has not engaged a remuneration consultant in respect of the remuneration matters of the Company during FY2018.

The RC will also review the Company's obligations under (i) the service agreements entered into with the Executive Directors; and (ii) the contracts of service entered into with the key management personnel, that would arise in the event of termination of the service agreements and contracts of service. This is to ensure that such service agreements and contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. However, the RC will also consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Corporate Governance Report

The Company has entered into service agreements (the "Service Agreements") with the Executive Directors, namely Mr. Hong Kah Ing and Mr. Nasser Aljunied. The Executive Directors do not receive any Directors' fees but are remunerated as a member of the Management. Pursuant to the terms of the Service Agreements, the remuneration package of each of the Executive Director comprises a basic monthly salary component, a fixed annual wage supplement component and a profit sharing bonus component, based on the financial performance of the Group as a whole. Each Service Agreement is valid for an initial term of three years, and upon expiry, the employment shall be automatically renewed for a further period of three years. The appointment of each of the Executive Directors may be terminated by either party giving to the other not less than six months' (or such period as may be mutually agreed) written notice.

The Independent Directors and the Non-Executive Non-Independent Director do not have any service agreement with the Company. They are paid fixed Directors' fees appropriate to their level of contribution, taking into account factors such as effort and time spent, and their responsibilities on the Board and Board Committees. They do not receive any other form of remuneration from the Company.

The remuneration of the Independent Directors and the Non-Executive Non-Independent Director is reviewed annually to ensure that their remuneration commensurates with their contributions and responsibilities. The RC ensures that Independent Directors are not over-compensated to the extent that their independence may be compromised.

The Company will submit the quantum of Directors' fees for each financial year to shareholders for approval at each AGM.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and their performance.

The summary remuneration table for the Directors and key management personnel (who are not Directors or CEO) of the Company for FY2018 is set out below:

	Salary %	Bonus %	Allowances and Other Benefits %	Directors' Fees %	Total %
Below S$250,000					
Executive Directors					
Mr. Hong Kah Ing[(1)]	81	10	9	–	100
Mr. Nasser Aljunied[(1)]	68	26	6	–	100
Independent Directors					
Mr. Eddy Pratomo[(1)]	–	–	–	100	100
Mr. Omri Samosir[(1)]	–	–	–	100	100
Mr. Giang Sovann[(1)]	–	–	–	100	100
Mr. Wong Chee Meng Lawrence[(2)]	–	–	–	100	100
Mr. Lee Kean Cheong[(2)]	–	–	–	100	100
Mr. Tah Kah Ghee[(2)]	–	–	–	100	100

	Salary %	Bonus %	Allowances and Other Benefits %	Directors' Fees %	Total %
Non-Executive Non-Independent Director					
Datuk Lim Kean Tin[3]	–	–	–	100	100
Key Management Personnel					
Mr. Edy Santi[4]	84	7	9	–	100
Mr. Liew Wei Chun[5]	60	28	12	–	100
Ms. Chong Wan Ling[6]	59	29	12	–	100
Mr. Aris Pandin[4]	82	9	9	–	100
Mr. Leyng Thai Weng[7]	87	–	13	–	100

Notes:

1. Appointed as a Director upon completion of the Acquisition on 5 July 2018.
2. Resigned as a Director upon completion of the Acquisition on 5 July 2018.
3. Resigned and re-appointed as a Director upon completion of the Acquisition on 5 July 2018.
4. Appointed as a key management personnel of the Company upon completion of the Acquisition on 5 July 2018.
5. Appointed as a key management personnel of the Company with effect from 21 August 2018.
6. Appointed as a key management personnel of the Company upon completion of the Acquisition on 5 July 2018, and resigned as a key management personnel of the Company with effect from 1 December 2018.
7. Resigned as a key management personnel of the Company upon completion of the Acquisition on 5 July 2018.

There is no employee of the Company who is an immediate family member of a Director or the CEO whose remuneration exceeds S$50,000 during FY2018.

The exact remuneration of the Directors and the aggregate amount of the remuneration of the key management personnel of the Company are not disclosed in this Annual Report in light of confidentiality and competitive reasons in relation to the Directors and to avoid poaching of the key management personnel of the Company.

The RC has reviewed and approved the remuneration packages of the Directors and key management personnel, having regard to their contributions as well as the financial performance and the commercial needs of the Company and has ensured that the Directors and key management personnel are adequately but not excessively remunerated.

There were no termination or retirement benefits and post-employment benefits that are granted to the Executive Directors and key management personnel in FY2018.

The Company does not have any share option scheme or other share incentive schemes in place for its employees.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information of the Company to shareholders in compliance with statutory requirements and the Catalist Rules.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within prescribed periods on SGXNET. In presenting the financial results and annual reports to shareholders, it is the aim of the Board to provide shareholders with a balanced assessment of the Group's performance, position and prospects.

The Management currently provides the Board with detailed management accounts of the Group's performance, position and prospects on a quarterly basis. Independent Directors and Non-Executive Non-Independent Director are also briefed on significant matters when required and receive management reports on a quarterly basis.

Risk Management and Internal Controls

Principle 11: The Board is responsible for governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges its responsibility for the governance of risk and ensuring that the Management maintains a sound system of risk management and internal controls to safeguard interest of shareholders and the Group's assets. At this stage, the Board is of the view that a separate board risk committee need not be established as the Board and the AC are currently responsible for monitoring the implementation of the Group's risk management framework and policies and the current arrangement is effective for the time being.

The Management has conducted a review of the strategic, operational, financial, compliance and information technology risks faced by the Group and has implemented appropriate controls to mitigate these risks. On a quarterly basis, the Chief Financial Officer ("**CFO**") of the Company provides an update to the AC on the key risks faced by the Group and measures in place to ensure that material risks of the Group are being mitigated to an acceptable level.

During FY2018, Mr. Hong Kah Ing, Executive Director and CEO of the Company, and Mr. Liew Wei Chun, CFO of the Company, had provided assurance on a quarterly basis to the AC and the Board that, inter alia, (i) the financial records have been properly maintained and the financial statements give a true and fair view of the financial position of the Group, including the financial position and performance of the Group; (ii) the risk management and internal compliance and control systems of the Group to the extent that financial reporting, operational and compliance risk are being reported effectively and efficiently, in all material aspects, based on the Group's risk management policies.

The Board, with the guidance from AC, will ensure that a review of the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems, is conducted annually. In this respect, the AC will review the audit plans and the findings of the internal auditors and external auditors, and will ensure that the Group follows up on the auditors' recommendations raised, if any, during the audit process.

Based on the (i) risk management system and internal controls established and maintained by the Group; (ii) results of the external statutory audit; (iii) review and assessment of the relevant internal controls of FE Resources and its subsidiaries' business processes and operations conducted by Crowe Horwath First Trust Risk Advisory Pte. Ltd. as part of the due diligence in connection with the Acquisition; (iv) relevant reviews performed by the Management including quarterly updates by the CFO on the key risks of the Group as well as their mitigating actions; and (v) assurances provided by the Executive Director and CEO, and the CFO of the Company on a quarterly basis, the Board, with the concurrence of the AC, is of the view that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Group are adequate and effective and to ensure assets of the Group are safeguarded as at 31 December 2018.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three members, all of whom are Independent Directors. The members of the AC are:

Mr. Giang Sovann (Chairman)
Mr. Eddy Pratomo
Mr. Omri Samosir

The AC functions under the terms of reference which sets out its responsibilities including, *inter alia*, the following:

(i) to review significant financial reporting issues and judgements so as to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(ii) to review and report to the Board annually the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems;

(iii) to review the independence, adequacy and effectiveness of the Company's internal audit function;

(iv) to review the scope and the results of the external audit, and the independence and objectivity of the external auditors;

(v) to review the consolidated financial statements, balance sheets, profit and loss accounts and the independent auditor's report on financial statements, before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

(vi) to review the co-operation given by the Management to the auditors;

(vii) to make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;

(viii) to approve the remuneration and terms of engagement of external auditors;

(ix) to review and approve any interested person transactions, falling within the scope of Chapter 9 of the Catalist Rules;

(x) to review any potential conflicts of interest;

(xi) to review and approve any future hedging policies, instruments used for hedging and foreign exchange policies and practices of the Company;

(xii) to undertake such other reviews and projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(xiii) to generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time; and

(xiv) to review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position.

The AC keeps abreast of new accounting standards and related issues which have a direct impact on the Company's financial statements through regular updates from the Company's relevant advisors.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the AC shall abstain from voting any resolutions in respect of matters he is interested in.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or key management personnel to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC meets with the external auditors without the presence of the Management at least once a year.

The AC reviews the independence of the external auditors annually. The AC noted that no non-audit services were rendered by the external auditors of the Company, Baker Tilly TFW LLP ("Baker Tilly"), in FY2018 except for being appointed as the reporting accountants for the Acquisition. There were no non-audit services rendered by Baker Tilly subsequent to the completion of the Acquisition. The aggregate amount of fees paid/payable to Baker Tilly for FY2018 was S$490,000, of which S$120,000 was for audit services rendered for the audit of the financial statements for FY2018, and S$370,000 was for non-audit services rendered for being the reporting accountants for the Acquisition. Having undertaken a review of the non-audit services provided during the year, the AC is of the view that the independence and objectivity of the external auditors of the Company are not in any way impaired by reason of the non-audit services which they provided to the Company as the non-audit services were incurred in relation to the Acquisition and were non-recurring in nature. The AC noted that Baker Tilly has adequate resources and experience to perform the audit of the Company, and Baker Tilly is registered with the Accounting and Corporate Regulatory Authority. The Company has complied with Rule 712 and Rule 715 of the Catalist Rules in relation to the appointment of audit firms for the Group. The AC has accordingly recommended that Baker Tilly be nominated for re-appointment as external auditors at the forthcoming AGM..

The Company has in place a whistle-blowing framework where staff of the Company can raise concerns about improprieties in matters of financial reporting or other matters through normal channels to the dedicated officers of the Company or to the AC via email or letter. As of to-date, there were no reports received through the whistle-blowing mechanism established by the Company.

No former partner or director of the Company's existing auditing firm is a member of the AC.

During FY2018, the AC had, among others, carried out the following activities:

(a) reviewed the quarterly and full-year financial statements announcements of the Group, and recommended to the Board for approval and release via the SGXNET;

(b) reviewed the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls), and risk management systems;

(c) reviewed and approved the annual audit plan of the external auditors;

(d) reviewed the independence of the external auditors;

(e) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval; and

(f) met with the external auditors once without the presence of the Management.

In the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The external auditors have not reported any key audit matter for FY2018.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board believes in maintaining sound internal controls and systems to provide reasonable assurance against material financial losses or misstatements as well as to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with applicable legislations, regulations and best practices, and the identification and containment of business risks.

Prior to the completion of the Acquisition on 5 July 2018, the Company was a cash company as defined under the Catalist Rules. In FY2018, as part of the due diligence in connection with the Acquisition, the Company had commissioned Crowe Horwath First Trust Risk Advisory Pte. Ltd. to review and assess the relevant internal controls of FE Resources and its subsidiaries' business processes and operations. The AC shall establish an independent internal audit function and commission an independent internal audit of the Group commencing from the current financial year ending 31 December 2019.

The Group intends to outsource its internal audit function and the internal audit function will report directly to the Chairman of the AC and administratively to the CEO. The internal audit function will have unfettered access to all documents, records, properties and personnel, including access to members of the AC at all times. The internal audit function is expected to adopt the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by The Institute of Internal Auditors and will be staffed with persons with relevant qualifications and experience. The AC shall ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

The functions of internal audit include the reviewing and evaluation of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The internal audit function will perform regular audits of the Group's individual business units including its overseas operations. It will report its findings to the AC and follow up with the Management of the respective business units on remedial actions to be taken.

The AC shall annually review the independence, adequacy and effectiveness of the internal audit function to ensure that the internal audit function is independent, the internal audit resources are adequate and that the internal audits are performed effectively. The AC approves the hiring, removal, evaluation and compensation of internal auditing function.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

In line with continuous obligations of the Company pursuant to the Catalist Rules, the Board's policy is that all shareholders be informed of all material developments that impact the Company.

Material development information is disseminated to shareholders on a timely basis through:

(a) SGXNET announcements;

(b) Annual Reports prepared and issued to all shareholders;

(c) Press releases on material developments of the Company; and

(d) Notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings ("EGM").

The Company's general meetings are the principal forums for dialogue with shareholders. The respective Chairmen of the Board, AC, RC and NC are normally present and available at the general meetings to answer any question relating to the scope of matters considered by the Board and the respective Board Committees. The external auditors are also present to assist the Directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay apprised of the Company's strategy and goals. If any shareholder is unable to attend, he/she is allowed to appoint proxies to vote on his/her behalf at the general meetings through proxy forms sent to the Company within the prescribed period. The Company has introduced the system of voting, pursuant to which each resolution put forth at general meetings is voted by way of a poll. The percentages of votes in favour and against each resolution will be announced via SGXNET after the general meetings. Shareholders also have the opportunity to communicate their views and discuss with the Directors and Management matters affecting the Company after the general meetings. Under the new multiple proxy regime, "relevant intermediaries", such as banks, capital markets services license holders that provide custodial services for securities and the Central Provident Fund Board ("CPF") and Supplementary Retirement Scheme ("SRS"), are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings. Voting in absentia by mail, facsimile or email is currently not permitted. Such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identities.

Notice of the general meeting will be advertised in newspapers and announced on SGXNET. Each item of special business will be accompanied by full explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The proceedings of all general meetings including questions and answers exchanged between the Company and shareholders are recorded in the minutes book of the Company, and available to shareholders upon their request.

The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends that the Directors may recommend or declare in respect of any particular financial year or period are subject to various other factors including the level of cash and retained earnings. The Board has not recommended any dividend for FY2018 as the Group recorded net loss in FY2018 and the Board deems it appropriate to conserve cash for the Group's business activities and growth.

Dealing In Company's Securities

In compliance with Rule 1204(19) of the Catalist Rules, the Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealing in securities and these are applicable to the Company and its officers in relation to their dealings in the Company's securities. The Company and its officers are advised not to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, until the release of the financial statements to SGXNET, or if they are in possession of unpublished price-sensitive information of the Company. In addition, the Company and its officers are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period and they should not deal in the Company's securities on short-term consideration.

Interested Person Transactions

The Company adopted an internal policy in respect of any transactions with interested person and has established procedures for review and approval of the interested person transactions entered into by the Group. The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Corporate Governance Report

Pursuant to Rule 920(1)(a)(ii) of the Catalist Rules, the aggregate value of interested person transactions entered into by the Group for FY2018 are as follows:

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

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

Material Contracts

Save as disclosed above in the section entitled "Interested Person Transactions" and the Service Agreements, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director, or controlling shareholder of the Company which are either still subsisting at the end of FY2018, or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2017.

Non-Sponsorship Fees

With effect from 29 June 2018, the Company transferred its listing from the Mainboard of the SGX-ST to the Catalist board of the SGX-ST and ZICO Capital Pte. Ltd. was appointed as the Company's sponsor.

With reference to Rule 1204(21) of the Catalist Rules, non-sponsorship fees of an aggregate of approximately S$980,000 (comprising S$300,000 in cash and S$680,000 in shares of the Company) were payable or paid to ZICO Capital Pte. Ltd. in FY2018, whereby ZICO Capital Pte. Ltd. acted as the Financial Adviser to the Company in respect of the Acquisition.

Directors' Statement

Year ended 31 December 2018

The directors hereby present their statement to the members together with the audited consolidated financial statements of Silkroad Nickel Ltd. and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of Silkroad Nickel Ltd. (the "Company") for the financial year ended 31 December 2018.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 9 to 63 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Hong Kah Ing	(Appointed on 5 July 2018)
Syed Abdel Nasser Bin Syed Hassan Aljunied	(Appointed on 5 July 2018)
Datuk Lim Kean Tin	(Appointed on 5 July 2018)
Eddy Pratomo	(Appointed on 5 July 2018)
Omri Samosir	(Appointed on 5 July 2018)
Giang Sovann	(Appointed on 5 July 2018)

Arrangements to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The following directors of the Company, who held office at the end of the financial year, had, according to the Register of Directors' Shareholdings required to be kept under Section 164 of the Act, an interest in shares, share options and debentures of the Company and related corporations, as stated below:

Name of directors and companies in which interest is held	Shareholdings registered in the name of director			Shareholdings in which the director is deemed to have an interest		
	At date of appointment	At 31.12.2018	At 21.1.2019	At date of appointment	At 31.12.2018	At 21.1.2019
The Company						
Datuk Lim Kean Tin	8,252,400	8,252,400	8,252,400	–	–	–
Hong Kah Ing	–	–	–	95,793,103	88,896,103	88,896,103
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	95,793,103	88,896,103	88,896,103
Ultimate holding corporation						
Far East Mining Pte Ltd						
Hong Kah Ing	64,308	64,308	64,308	–	–	–
Syed Abdel Nasser Bin Syed Hassan Aljunied	24,387	24,387	24,387	–	–	–
Subsidiary corporations						
FE Resources Pte Ltd						
Hong Kah Ing	–	–	–	2	2	2
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	2	2	2
PT Anugrah Tambang Sejahtera						
Hong Kah Ing	–	–	–	500,000	500,000	500,000
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	500,000	500,000	500,000
PT Teknik Alum Service						
Hong Kah Ing	25*	25*	25*	2,500	2,500	2,500
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	2,500	2,500	2,500

* Mr Hong Kah Ing, who holds 1% equity interest in this subsidiary has executed a deed of assignment and a power of attorney to assign his shareholder and voting rights in PT Teknik Alum Service to PT Anugrah Tambang Sejahtera.

The deemed interests of Mr Hong Kah Ing and Mr Syed Abdel Nasser Bin Syed Hassan Aljunied in the shares of the Company are by virtue of their shareholdings in Far East Mining Pte Ltd, which in turn holds shares in the Company. At 31 December 2018, Far East Mining holds 88,896,103 shares in the Company.

Mr Hong Kah Ing and Mr Syed Abdel Nasser Bin Syed Hassan Aljunied, by virtue of their interests of not less than 20% of the issued share capital of the Company, are deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiary corporations.

Except as disclosed in this statement, no director of the Company who held office at the end of the financial year had interests in shares, share options or debentures of the Company or related corporations, either at the beginning or at the end of the financial year.

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit Committee

The members of the Audit Committee during the financial year and at the date of this statement are:

Giang Sovann (Chairman)
Eddy Pratomo
Omri Samosir

All members of this committee are non-executive and independent directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act, including the following:

- Review significant financial reporting issues and judgements so as to ensure integrity of the financial statements of the Group and the Company and any announcements relating to the Group and Company's financial performance;
- Review and report to the Board annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- Review the independence, adequacy and effectiveness of the Company's internal audit function;
- Review the scope and the results of the external audit, and the independence and objectivity of the external auditors;
- Review the consolidated financial statements of the Group, statement of financial position and statements of changes in equity of the Company and the independent auditor's report on the financial statements, before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;
- Review the co-operation given by Management to the auditors;
- Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;
- Approve the remuneration and terms of engagement of external auditors;
- Review and approve any interested person transactions, falling within the scope of Chapter 9 of the Catalist Rules;
- Review any potential conflicts of interest;
- Review and approve any future hedging policies, instruments used for hedging and foreign exchange policies and practices of the Company;
- Undertake such other reviews and projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising and requiring attention of the AC;

Audit Committee (cont'd)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act, including the following (cont'd):

- Undertake such other functions and duties as may be required by statute of the Catalist Rules, and by such amendments made thereto from time to time; and

- Review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any relevant law, rule or regulations which has or is likely to have a material impact on the Company's operating results and/or financial position.

The Audit Committee has full access to and co-operation by the management and has full discretion to invite any director or executive officer to attend its meetings. The independent auditor has unrestricted access to the Audit Committee and the Audit Committee has reasonable resources available to enable it to discharge its functions properly.

The Audit Committee has also met with the independent auditor, without the presence of the Company's management, at least once a year. The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board of Directors that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Hong Kah Ing Director	Syed Abdel Nasser Bin Syed Hassan Aljunied Director

11 April 2019

Independent Auditor's Report

To the members of Silkroad Nickel Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Silkroad Nickel Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 39 to 93, which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there is no key audit matter to be reported for the financial year ended 31 December 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

To the members of Silkroad Nickel Ltd.

Report on the Audit of the Financial Statements

Other Information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor’s Report

To the members of Silkroad Nickel Ltd.

Report on the Audit of the Financial Statements (cont’d)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor’s report is Khor Boon Hong.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

11 April 2019

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 US$	2017 US$
Revenue	5	**5,748,934**	6,939,427
Cost of goods sold		**(4,429,037)**	(4,656,074)
Gross profit		**1,319,897**	2,283,353
Other income	6	**480,252**	23,951
Expenses			
Administrative expenses		**(4,202,876)**	(1,514,124)
Finance costs	7	**(170,786)**	(476,051)
Other expenses	8	**(2,136,536)**	–
(Loss)/profit before tax	9	**(4,710,049)**	317,129
Tax expense	11	**(122,940)**	(72,634)
(Loss)/profit for the financial year		**(4,832,989)**	244,495
Other comprehensive income for the financial year, net of tax:			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefits liabilities, net of tax		**21,376**	5,076
Total comprehensive (loss)/income for the financial year		**(4,811,613)**	249,571
		Cents	Cents
(Loss)/earnings per share			
Attributable to equity holders of the Company			
- Basic and diluted	12	**(4.34)**	0.26

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2018

	Note	Group 31.12.2018 US$	31.12.2017 US$	1.1.2017 US$
Non-current assets				
Property, plant and equipment	13	**12,139,203**	11,129,658	11,249,959
Deferred tax assets	15	**198,935**	275,081	294,284
Receivables	16	**261,046**	197,344	125,899
		12,599,184	11,602,083	11,670,142
Current assets				
Inventories	17	**1,111,459**	837,638	659,939
Receivables and prepayments	16	**1,308,712**	628,291	1,336,253
Cash and cash equivalents		**87,364**	77,157	400,535
		2,507,535	1,543,086	2,396,727
Total assets		**15,106,719**	13,145,169	14,066,869
Non-current liabilities				
Payables		**–**	–	12,183,048
Liabilities for post-employment benefits	22	**246,234**	160,132	88,365
Finance lease liabilities	18	**10,794**	51,854	4,921
Provisions	19	**646,202**	661,659	615,520
		903,230	873,645	12,891,854
Current liabilities				
Payables and accruals	20	**1,604,905**	4,638,596	954,749
Finance lease liabilities	18	**167,895**	165,470	26,910
Tax payables		**102,940**	151,204	276,865
		1,875,740	4,955,270	1,258,524
Total liabilities		**2,778,970**	5,828,915	14,150,378
Net assets/(liabilities)		**12,327,749**	7,316,254	(83,509)
Equity				
Issued capital and reserves attributable to equity holders of the Company				
Share capital	21	**8,978,815**	1	500,001
Accumulated profit/(losses)		**3,348,934**	7,316,253	(583,510)
Total equity		**12,327,749**	7,316,254	(83,509)

The accompanying notes form an integral part of these consolidated financial statements.

Statements of Financial Position

As at 31 December 2018

		Company		
	Note	**31.12.2018**	31.12.2017	1.1.2017
		US$	US$	US$
Non-current assets				
Investments in subsidiaries	14	**50,000,000**	–	–
Property, plant and equipment	13	**43,686**	–	–
Receivables	16	**900,000**	–	–
		50,943,686	–	–
Current assets				
Receivables and prepayments	16	**2,606,392**	–	–
Cash and cash equivalents	11	**8,722**	9,146,892	8,669,018
		2,615,114	9,146,892	8,669,018
Total assets		**53,558,800**	9,146,892	8,669,018
Current liabilities				
Payables and accruals	20	**180,391**	408,278	161,821
Tax payables		**9,270**	–	–
		189,661	408,278	161,821
Total liabilities		**189,661**	408,278	161,821
Net assets		**53,369,139**	8,738,614	8,507,197
Equity				
Share capital	21	**70,145,623**	17,091,937	17,091,937
Translation reserve		**–**	681,987	–
Accumulated losses		**(16,776,484)**	(9,035,310)	(8,584,740)
Total equity		**53,369,139**	8,738,614	8,507,197

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

As at 31 December 2018

	Share capital US$	Accumulated (losses)/profits US$	Total equity US$
Group			
Balance at 1 January 2017	500,001	(583,510)	(83,509)
Profit for the financial year	–	244,495	244,495
Other comprehensive income			
Remeasurement of post - employment benefits liabilities	–	5,076	5,076
Total comprehensive income for the financial year	–	249,571	249,571
Loans waived by a director (Note 20)	–	7,650,192	7,650,192
Adjustment pursuant to the Restructuring Exercise	(500,000)	–	(500,000)
Balance at 31 December 2017	1	7,316,253	7,316,254
Loss for the financial year	–	(4,832,989)	(4,832,989)
Other comprehensive income			
Remeasurement of post - employment benefits liabilities	–	21,376	21,376
Total comprehensive income for the financial year	–	(4,811,613)	(4,811,613)
Loans waived by ultimate holding company (Note 20)	–	844,294	844,294
Issue of shares pursuant to the reverse acquisition	6,980,324	–	6,980,324
Issue of shares as payment of professional fees	1,998,490	–	1,998,490
Balance at 31 December 2018	**8,978,815**	**3,348,934**	**12,327,749**

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

As at 31 December 2018

	Share capital US$	Translation reserve US$	Accumulated losses US$	Total equity US$
Company				
Balance at 1 January 2017	17,091,937	–	(8,584,740)	8,507,197
Loss for the financial year	–	–	(450,570)	(450,570)
Other comprehensive income				
Currency translation differences arising from reverse acquisition	–	681,987	–	681,987
Total comprehensive (loss)/income for the financial year	–	681,987	(450,570)	231,417
Balance at 31 December 2017	17,091,937	681,987	(9,035,310)	8,738,614
Loss for the financial year	–	–	(7,217,665)	(7,217,665)
Other comprehensive loss				
Currency translation differences arising from reverse acquisition	–	(150,300)	–	(150,300)
Total comprehensive loss for the financial year	–	(150,300)	(7,217,665)	(7,367,965)
Issue of shares pursuant to the reverse acquisition	50,000,000	–	–	50,000,000
Issue of shares as payment of professional fees	1,998,490	–	–	1,998,490
Effect of change in functional currency	1,055,196	(531,687)	(523,509)	–
Balance at 31 December 2018	**70,145,623**	**–**	**(16,776,484)**	**53,369,139**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Group	
	2018	2017
	US$	US$
Cash flows from operating activities		
(Loss)/profit before tax	**(4,710,049)**	317,129
Adjustments for:		
Acquisition costs arising from reverse acquisition (Note 24)	**3,385**	–
Amortisation of discount on provision for assets retirement obligations (Note 7)	**12,405**	13,193
Cost of professional fees paid in shares	**1,998,490**	–
Depreciation of property, plant and equipment (Note 13)	**681,465**	764,020
Interest income	**(9,265)**	(8,500)
Interest expense	**158,381**	462,858
Post-employment benefits (Note 22)	**124,920**	79,265
Provision for mine reclamation and rehabilitation (Note 19)	**15,212**	38,610
Unrealised foreign exchange gain	**(44,830)**	(2,858)
Waiver of interest by a third party	**(52,432)**	–
Waiver of interest by ultimate holding company	**(129,088)**	–
Operating cash flow before working capital changes	**(1,951,406)**	1,663,717
Changes in operating assets and liabilities		
Inventories	**(273,821)**	(177,699)
Receivables and prepayments	**(668,751)**	(138,029)
Payables and accruals	**(97,574)**	419,239
Cash (used in)/generated from operations	**(2,991,552)**	1,767,228
Interest received	**9,265**	8,500
Taxes paid	**(136,588)**	(228,435)
Net cash (used in)/generated from operating activities	**(3,118,875)**	1,547,293
Cash flows from investing activities		
Net proceeds from reverse acquisition (Note 24)	**8,978,179**	–
Advances to related parties	**–**	(331,522)
Purchases of property, plant and equipment (Note 13(b))	**(1,469,931)**	(325,831)
Net cash generated from/(used in) investing activities	**7,508,248**	(657,353)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Group	
	2018	2017
	US$	US$
Cash flows from financing activities		
Interest paid	**(528,170)**	(174,957)
Net advances from directors	**2,198**	–
Net payment on behalf of ultimate holding company	**(28,783)**	–
Loan received from a third party	**–**	269,144
Loan repayment to a third party	**(3,621,686)**	(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	**–**	(659,806)
Repayment of finance lease (Note 18)	**(256,358)**	(132,395)
Repayment of sales advances	**(457,364)**	–
Sales advances	**457,882**	–
Net cash used in financing activities	**(4,373,955)**	(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
Effect 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

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate information

The Company (Co. Reg. No. 200512048E), formerly known as China Bearing (Singapore) Ltd., is incorporated and domiciled in Singapore as a limited liability company. The registered office is located at 50 Armenian Street, #03-04, Singapore 179938. The shares of the Company are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 14.

2 Reverse acquisition undertaken by the Company

The Reverse Acquisition

On 27 October 2016, the Company entered into a conditional sale and purchase agreement (the "S&P Agreement") with Far East Mining Pte. Ltd. ("Far East Mining") for the acquisition of the entire issued and paid-up share capital of FE Resources Pte. Ltd. ("FE Resources") and its subsidiaries (collectively, the "Target Group"). The acquisition resulted in a reverse takeover of the Company (the "Reverse Acquisition").

The Company consolidated every ten existing ordinary shares in the capital of the Company into one consolidated share (the "Consolidated Shares") with effect from 4th July 2018 prior to the completion of the Reverse Acquisition (the "Completion Date").

The Company completed its acquisition of the entire share capital of FE Resources on 5 July 2018 via issuance of 95,793,103 new ordinary shares at S$0.725 (after share consolidation) in the Company to the shareholders of FE Resources.

The Restructuring Exercise

For the purpose of the Reverse Acquisition, the Target Group was formed through a restructuring (the "Restructuring Exercise") which involved the following:

(a) Incorporation of FE Resources

The Company was incorporated on 30 September 2016 under the Companies Act, Chapter 50 in Singapore as a private company limited by shares with an issued and paid-up share capital of S$2 comprising 2 ordinary shares.

Far East Mining, holding 2 ordinary shares in the Company as at 31 December 2017, is the Company's ultimate holding company. Far East Mining is incorporated in Singapore and is controlled by Mr Hong Kah Ing, who is the Chief Executive Officer and Executive Director of the Group.

(b) Acquisition of PT Anugrah Tambang Sejahtera ("ATS")

On 24 March 2017, the Company acquired 99% of the issued and paid-up share capital of ATS from Far East Mining for a cash consideration of US$500,000. Upon the acquisition, ATS became a subsidiary of the Company.

2 Reverse acquisition undertaken by the Company (cont'd)

Group Level

The acquisition of the Target Group was accounted for as a reverse takeover or reverse acquisition for accounting purposes as the shareholders of the Target Group became the controlling shareholders of the Company upon completion of the acquisition. The consolidated financial statements represent a continuation of the financial position, performance and cash flows of the Target Group. Accordingly, the consolidated financial statements are prepared on the following basis:

(a) the assets and liabilities of the Target Group were recognised and measured in the consolidated statement of financial position at its pre-acquisition carrying amount;

(b) the assets and liabilities of the Company were recognised and measured in the consolidated statement of financial position of the Group at their acquisition date fair value;

(c) the retained profits and other equity balances recognised in the consolidated financial statements are the retained profits and other equity balances of the Target Group immediately before the reverse acquisition;

(d) the amount recognised as issued equity interest in the consolidated financial statements were determined by adding the issued equity of FE Resources immediately before the business combination to the fair value of the shares issued by the Company pursuant to the Reverse Acquisition. However, the equity structure appearing in the consolidated financial statements shall reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the legal parent to effect the Reverse Acquisition;

(e) the consolidated statement of comprehensive income for the current period reflects that of the Target Group acquired pursuant to the Reverse Acquisition for the full year together with the post-acquisition results of the Company; and

(f) the comparative figures presented in these consolidated financial statements were that of the financial statements of the Target Group.

3 Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Company for the financial year ended 31 December 2017 were previously presented in Singapore dollar ("S$ or SGD"). Pursuant to the completion of the Reverse Acquisition, the Company changed its functional currency from S$ to United States dollar ("US$ or USD") as the functional currency of most of the entities within the Target Group is in US$. Accordingly, the Company has also changed their presentation currency from S$ to US$ which is accounted for retrospectively in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-8 Accounting Policies, Changes in Accounting Estimates and Errors, and the Company has re-presented the opening statement of financial position as at 1 January 2017.

The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and SFRS(I). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

3 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 4.

The carrying amounts of cash and cash equivalents and other current receivable and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises the standards and interpretations that are identical to the International Financial Reporting Standards. As required by the listing requirements of Singapore Exchange ("SGX"), the Group has adopted SFRS(I) on 1 January 2018.

These financial statements for the year ended 31 December 2018 are the first set of financial statements of the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I). The application and transition to SFRS(I) did not have any significant impact on these financial statements and statements of financial position of the Group and the Company as at 31 December 2017 and 1 January 2017.

Under SFRS(I), these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group has also presented statement of financial position as at 1 January 2017, which is the date of transition to SFRS(I).

In addition to the adoption of the new framework, the Group also concurrently applied all new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for the current financial year. The application of these new and revised SFRS(I) and SFRS(I) INT do not have a material effect on the financial performance or position of the Group and the Company except for SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 9 *Financial Instruments*.

3 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 replaces Financial Reporting Standards ("FRS") 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The entity is required to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model; to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted FRS 115 using the full retrospective approach. The Group has elected the practical expedient to apply the standard to contracts that are not completed at the date of initial application.

At the date of initial application and 31 December 2018, the Group has assessed that the adoption of SFRS(I) 15 does not have any material impact to the financial position and performance of the Group.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 replaces FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on expected credit loss model and replace FRS 39 incurred loss model.

The Group and the Company applied SFRS(I) 9 using a modified retrospective approach, with date of initial application on 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under FRS 39. At the date of initial application and 31 December 2018, the Group has assessed that the adoption of SFRS(I) 9 does not have any material impact to the financial position and performance of the Group.

The impact upon adoption of SFRS(I) 9 as at 1 January 2018 was as follows:

(i) Classification and measurement

Under SFRS(I) 9, the Group and the Company classify its financial assets based on entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The assessment of the Group's and the Company's business model was made as of the date of initial application on 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised principal and interest were made based on the facts and circumstances as at the initial recognition of the assets.

3 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 9 *Financial Instruments*

The impact upon adoption of SFRS(I) 9 as at 1 January 2018 was as follows:

(i) Classification and measurement (cont'd)

The changes in classification and measurement arising from adopting SFRS(I) 9 are the loans and receivables (including trade and other receivables (excluding prepayments), other non-current assets and cash and cash equivalents) as at 31 December 2017 which are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

(ii) Impairment

SFRS(I) 9 requires the Group and Company to record expected credit losses on all of its financial assets at amortised cost or debt instruments at FVOCI, either on a 12-month or lifetime basis. At the date of initial application and 31 December 2018, the Group has assessed that the adoption of SFRS(I) 9 does not have any material impact to the financial position and performance of the Group.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting date but are not yet effective for the financial year ended 31 December 2018 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except as disclosed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 replaces the existing FRS 17 'Leases'. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The Group plans to adopt the new standard on the required effective date 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 retained earnings 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.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group does not expect the adoption of SFRS(I) 16 to have significant impact on its financial position and financial performance for the financial year ending 31 December 2019.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required in the financial statements upon adoption of the standard.

3 Summary of significant accounting policies (cont'd)

(b) Business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations involving entities or businesses under common control are accounted for by applying the pooling of interest method.

The consolidated financial statements of the Group were prepared by applying the pooling of interest method as the Restructuring Exercise as described in Note 2 is a legal reorganisation of entities under common control. Under this method, the Company has been treated as the holding company of the subsidiaries for the financial periods presented rather than from the completion of the Restructuring Exercise. Accordingly, the results of the Group include the results of the subsidiaries for the entire period under review. Such manner of presentation reflects the economic substance of the companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established.

Pursuant to this:

- assets and liabilities are reflected at their existing carrying amounts;
- no amount is recognised for goodwill;
- prior to the issue of shares by the Company in connection with the Restructuring Exercise, the aggregate paid-up capital and retained earnings of the subsidiary held directly by the Company is shown as the Group's share capital and retained earnings for financial periods under review; and
- upon the completion of the Restructuring Exercise, any difference between the consideration paid by the Company and the net identifiable assets of the subsidiary is recognised in the consolidated statement of comprehensive income as acquisition costs arising from the Reverse Acquisition.

All other business combinations are accounted for using acquisition method. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

3 Summary of significant accounting policies (cont'd)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(d) Revenue recognition

Sales of nickel ore

Revenue from sales of nickel ore is recognised at the point when the goods are delivered to the customer. The amount of revenue recognised is the amount of transaction price allocated to the satisfied performance obligation ("PO") as per specified in the contract with no element of financing deemed present. The transaction price determined is the amount of consideration in the contract to which the Group expects to be entitled in exchange for satisfying the PO. A receivable is recognised when the nickel ore are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

(e) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Post-employment benefits

Long-term and post-employment benefits, such as pension, severance pay, service pay and other benefits are calculated in accordance with the "Company Regulation" of the subsidiaries in Indonesia which is in line with Labor Law No. 13/2003 in Indonesia.

3 Summary of significant accounting policies (cont'd)

(e) Employee benefits (cont'd)

Post-employment benefits (cont'd)

The obligation for post-employment benefits recognised in the consolidated statement of financial position is calculated at present value of estimated future benefits that the employees have earned in return for their services in the current and prior years, deducted by any plan assets. The calculation is performed by an independent actuary using the projected unit credit method.

When the benefits of a plan change, the portion of the increased or decreased benefits relating to past services by employees is charged or credited to the profit or loss using the straight-line method over the average remaining service period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit or loss. Actuarial gain or loss arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income or loss.

Other long-term employment benefits

The Group provides other long-term employment benefits in the form of long service leave award which is determined in compliance with the Company Regulation of the subsidiaries in Indonesia. The expected costs of these benefits are calculated and recognised over the year of employment, using a method which is applied in calculating obligation for post-employment benefits. These obligations are calculated minimum once a year by an independent actuary. Other long term employment benefits that are vested are recognised as expense immediately in the profit or loss.

(f) Leases

When a Group entity is the lessee:

Finance leases

Leases of property, plant and equipment in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is taken to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

3 Summary of significant accounting policies (cont'd)

(f) Leases (cont'd)

When a Group entity is the lessor:

Operating leases
Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(g) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

(h) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

3 Summary of significant accounting policies (cont'd)

(h) Property, plant and equipment (cont'd)

Depreciation of property, plant and equipment (except for mining properties) is calculated on a straight-line basis to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Years
Buildings and infrastructure	20
Vehicles	4 - 8
Machineries	8
Office equipment	3 - 8
Heavy equipment	8
Lab equipment	4
Renovation	3

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

Mining properties

Mining properties comprise costs incurred in relation to land compensation and exploration and development expenditures when proved reserves are determined.

The mining property balance is amortised using the unit-of-production method based on estimated nickel ore reserves from commencement of commercial production and having regard to the term of the mining business license.

(i) Mine reclamation and rehabilitation and asset retirement obligations

Mine reclamation and rehabilitation expenditures are costs associated with mine reclamation during the mine operation period, mine closure and decommissioning and demobilisation of facilities and other closure activities.

Provision for estimated costs of mine reclamation and rehabilitation is recorded on an incremental basis based on the quantity produced. The rate used is subject to a regular review based on mine reclamation and mine closure plans.

The asset retirement obligations are recognised as liabilities when a legal obligation with respect to the retirement of an asset is incurred, with the initial measurement of the obligation at present value. These obligations are accreted to full value over time through charges to profit or loss. In addition, an asset retirement cost equivalent to the liabilities is capitalised as part of the related asset's carrying value and is subsequently depreciated or depleted over the asset's useful life. A liability for an asset retirement obligation is incurred over more than one reporting period. For example, if a facility is permanently closed but the closure plan is developed over more than one reporting period, the cost of the closure of the facility is incurred over the reporting periods when the closure plan is finalised.

3 Summary of significant accounting policies (cont'd)

(i) Mine reclamation and rehabilitation and asset retirement obligations (cont'd)

For environmental issues that may not involve the retirement of an asset, where the Group is a responsible party and it is determined that a liability exits, and the amount can be quantified, the Group accrues for the estimated liability. In determining whether a liability exists in respect of such environmental issues, the Group applies the criteria for liability recognition under applicable accounting standards, as follows:

- there is clear indication that an obligation has been incurred at the end of the financial reporting period resulting from activities which have already been performed; and
- there is a reasonable basis to calculate the amount of the obligation incurred.

(j) Inventories

Nickel inventories represent nickel ore on hand and are valued at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes an appropriate allocation of materials, labour, depreciation and overheads related to mining activities. Net realisable value is the estimated sales amount in the ordinary course of business, less the estimated costs of completion and selling expenses.

Fuel and spare parts are stated at cost, determined using the weighted average method, less allowance for obsolete inventories.

(k) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3 **Summary of significant accounting policies (cont'd)**

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

(m) Financial assets

The accounting policy for financial assets before 1 January 2018 are as follows:

Classification

The Group classifies its financial assets according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "receivables and prepayments" (excluding prepayments and tax recoverable) and "cash and cash equivalents" on the consolidated statements of financial position.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction cost.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

3 Summary of significant accounting policies (cont'd)

(m) Financial assets (cont'd)

The accounting policy for financial assets before 1 January 2018 are as follows (cont'd):

Impairment (cont'd)

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

Offset

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The accounting policy for financial assets from 1 January 2018 onwards are as follows:

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are classified at amortised cost. The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

Debt instruments include cash and cash equivalents and trade and other receivables (excluding prepayments). The financial assets are subsequently measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

3 Summary of significant accounting policies (cont'd)

(m) Financial assets (cont'd)

The accounting policy for financial assets from 1 January 2018 onwards are as follows (cont'd):

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(n) Financial liabilities

Financial liabilities include payables, accruals and finance lease liabilities. Financial liabilities are recognised on the consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

3 Summary of significant accounting policies (cont'd)

(o) Functional and foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The financial statements of the Group are presented in USD, which is the Company's functional currency.

Change in functional and presentation currency

The Company changed its functional currency from SGD to USD on 5 July 2018 upon the completion of the Reverse Acquisition and the Restructuring Exercise. As a result of the Reverse Acquisition and Restructuring Exercise, there was increasing influence of USD over the Company's economic environment and this triggered the change in functional currency.

The figures as at the date of change of the functional currency, and the comparative figures as at 31 December 2017 and 1 January 2017 were translated and presented in USD using the following rates:

- Assets and liabilities in the statement of financial position as at 1 January 2017, 31 December 2017 and date of change were translated at exchange rates prevailing as at 1 January 2017, 31 December 2017 and the date of change respectively; and
- Income and expenses in the statement of comprehensive income for the year ended 31 December 2017 and period up to the respective dates of change were translated at average exchange rate for the financial year ended 31 December 2017 and period up to the date of change respectively.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(p) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3 **Summary of significant accounting policies (cont'd)**

(q) Provision for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(r) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

4 **Critical accounting judgements and key sources of estimation uncertainty**

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in the preceding paragraphs).

Going concern assumption

During the financial year, the Group incurred loss for the financial year of US$4,832,989 and recorded a net cash outflow of US$3,118,875 from its operating activities.

The directors of the Company have assessed and are satisfied that the Group and the Company will be able to generate sufficient cash flows from the continued mining operations and obtain additional funding in order to enable the Group and the Company to pay their debts as and when they fall due, after considering the mine plan, management's cash flow forecast and those events which have occurred subsequent to the end of reporting period as disclosed in Note 30.

4 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies (cont'd)

Going concern assumption (cont'd)

In view of the above, the directors have determined that it is appropriate for the financial statements of the Group and the Company to be prepared on going concern basis.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Provision for mine reclamation and rehabilitation and assets retirement obligations

The Group's accounting policy for the recognition of mine reclamation and rehabilitation provisions requires significant estimates and assumptions such as requirements of the relevant legal and regulatory framework, the magnitude of possible land disturbance and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time.

Asset retirement obligations are recognised in the period in which they are incurred if a reasonable estimate of fair value can be made. This requires an estimation of the cost to restore/dismantle per location basis and is based on the best estimate of the expenditure required to settle the obligation on the future restoration/dismantlement date, discounted using a pre-tax rate that reflects the current market, assessment of the time value of money and where appropriate the risk specific to the liability.

The carrying amounts of provision for mine reclamation and rehabilitation and assets retirement obligations at the end of the reporting period are disclosed in Note 19.

(b) Reserve estimates

The Group determines and reports its nickel reserve under the principles incorporated in the Code for Reporting of Mineral Resources and Ore Reserves (the "JORC Code"). In order to estimate nickel reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Because the economic assumptions used to estimate reserves change from period to period and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the amortisation of mining properties as well as the recovery of the carrying amounts of mining properties. The carrying amounts of mining properties at the end of the reporting period are disclosed in Note 13.

(c) Estimated useful lives of property, plant and equipment

The useful life of each of the items of the Group's property, plant and equipment is estimated based on the period over which the assets are expected to be available for use. Such estimation is based on internal technical evaluations and experience with similar assets.

4 Key sources of estimation uncertainty (cont'd)

(c) Estimated useful lives of property, plant and equipment (cont'd)

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of the operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A change in the estimated useful life of any item of property, plant and equipment would affect the recorded depreciation expense and carrying values of the assets. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in Note 13.

(d) Allowance for inventories

Management estimates net realisable value of inventories based on the estimation of market selling price and selling expenses. These estimates are based on the current market condition, which could change significantly as a result of market factors. The carrying amounts of inventories at the end of the reporting period are disclosed in Note 17.

(e) Deferred income tax assets

The Group recognises deferred income tax assets on deductible temporary differences to the extent that there are sufficient estimated future taxable profits and/or taxable temporary differences against which the deductible temporary differences can be utilised and that the Group is able to satisfy the continuing ownership test.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying amounts of deferred tax asset recognised at the end of the reporting period are disclosed in Note 15.

(f) Impairment of investments in subsidiaries

Management assesses impairment of the above-mentioned assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or indicate that the recoverable amount of an asset may be higher than the carrying amount. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss or write back of impairment. Fair value less cost to sell calculation is based on observable market prices or market valuations less incremental costs for disposing asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on the forecasted performance of the subsidiary. The carrying amount of the Company's investments in subsidiaries at the end of the reporting period is disclosed in Note 14.

(g) Impairment of loan to a subsidiary and amount due from a subsidiary

The method for determining the level of impairment for loan to a subsidiary and amount due from a subsidiary are described in the Note 2(m).

4 Key sources of estimation uncertainty (cont'd)

(g) Impairment of loan to a subsidiary and amount due from a subsidiary (cont'd)

When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on loan to a subsidiary and amount due from a subsidiary is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of a loan to a subsidiary and amount due from a subsidiary. Details of ECL measurement and carrying value of a loan to a subsidiary and amount due from a subsidiary at end of the reporting period are disclosed in Note 27 (b) and Note 16 respectively.

(h) Impairment of non-current assets

Property, plant and equipment and mining properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash-generating-units, have been determined based on the higher of fair value less cost to sell and value in use calculations. These calculations involve the use of estimates and assumptions such as forecasted revenue and operating costs, and discount rate. These estimates and assumption involve significant management judgement and are affected by future market and economic conditions. Changes to these estimates and assumptions could result in a change in the carrying value of these assets.

The carrying amounts of the property, plant and equipment and mining properties at the end of the reporting period are disclosed in Note 13.

5 Revenue

	Group	
	2018	2017
	US$	US$
Sales of nickel ore	**5,748,934**	6,939,427

The revenue is solely derived from Indonesia. The revenue is recognised at a point in time when the Group transfers control of the goods.

6 Other income

	Group	
	2018	2017
	US$	US$
Gain on foreign currency exchange, net	**58,357**	2,692
Interest income	**9,265**	8,500
Rental income	**231,049**	–
Waiver of interest by ultimate holding company	**129,088**	–
Waiver of interest by a third party	**52,432**	–
Others	**61**	12,759
	480,252	23,951

7 Finance costs

	Group	
	2018	2017
	US$	US$
Amortisation of discount on provision for assets retirement obligations (Note 19)	**12,405**	13,193
Interest expenses on:		
- loans	**90,037**	434,436
- finance lease liabilities	**68,344**	28,422
	170,786	476,051

8 Other expenses

	Group	
	2018	2017
	US$	US$
Professional fees incurred in relation to reverse acquisition	**2,133,151**	–
Acquisition cost arising from reverse acquisition (Note 24)	**3,385**	–
	2,136,536	–

9 (Loss)/profit before tax

	Group	
	2018	2017
	US$	US$
This is arrived at after charging/(crediting):		
Included in cost of goods sold:		
Agency fee	**–**	7,298
Changes in inventories	**(235,070)**	(166,124)
Depreciation of property, plant and equipment	**651,263**	669,650
Fuel expenses	**55,294**	67,908
Mining contractor charges	**2,171,609**	2,183,650
Provision for mine reclamation and rehabilitation (Note 19)	**15,212**	38,610
Rental of equipment and vehicles	**27,766**	54,442
Royalty fees	**244,332**	246,407
Staff costs	**285,781**	304,138
Transportation and port clearance expenses	**796,412**	802,744
Included in administrative expenses:		
Claims and penalties	**324,132**	–
Directors' fee	**48,608**	–
Depreciation of property, plant and equipment	**30,202**	94,370
Professional fees	**890,843**	297,426
Audit fees paid/payable to:		
- Auditor of the Company	**87,783**	11,220
- Other auditors of the Group*	**9,975**	11,764
Non-audit fees:		
- Auditor of the Company	**–**	–
- Other auditors of the Group*	**–**	–
Staff costs	**1,299,104**	472,223
Travelling expenses	**285,392**	136,665

* Includes overseas independent member firms of Baker Tilly International network.

10 Staff costs

	Group	
	2018	2017
	US$	US$
Directors of the Company:		
- Salaries and related costs	**266,681**	89,566
Directors of the subsidiaries:		
- Salaries and related costs	**–**	34,035
Other key management personnel (non-directors):		
- Salaries and related costs	**238,552**	13,435
Total key management personnel compensation	**505,233**	137,036
Other personnel:		
- Salaries and related costs	**954,732**	560,060
- Post-employment benefits (Note 22)	**124,920**	79,265
	1,584,885	776,361

11 Tax expense

	Group	
	2018	2017
	US$	US$
Tax expense attributable to (loss)/profits is made up of:		
Current income tax	**1,812**	55,123
Adjustment to prior year tax	**47,651**	–
Withholding tax	**4,456**	–
	53,919	55,123
Deferred tax (Note 15):		
- current year	**69,021**	50,388
- under recognition of deferred tax assets in prior years	**–**	(32,877)
	69,021	17,511
	122,940	72,634

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the domestic rates applicable in the countries where the Group entities operate due to the following factors:

	Group	
	2018	2017
	US$	US$
(Loss)/profit before tax	**(4,710,049)**	317,129
Tax calculated at domestic rate applicable to loss in the countries in which the Group entities operate	**(934,006)**	80,249
Expenses not deductible for tax purposes	**1,006,849**	27,667
Under recognition of deferred tax assets in prior years	**(2,010)**	(32,877)
Income not subject to tax	**47,651**	(2,405)
Others	**4,456**	–
	122,940	72,634

The corporate income tax rates applicable to the Company is 17% (2017: 17%). The corporate income tax rate applicable to the subsidiaries in Indonesia is 25% (2017: 25%).

12 (Loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the (loss)/earnings for the financial year, attributable to ordinary equity owners of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/earnings per share are calculated by dividing the (loss)/earnings for the financial year, attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

In connection with the Reverse Acquisition, the number of shares outstanding from the beginning of the financial year to the completion date of the Reverse Acquisition for purpose of calculating the weighted average number of ordinary shares is deemed to be the number of ordinary shares issued by the Company to the owners of FE Resources. The number of ordinary shares outstanding from the completion date to the end of the year is the weighted average number of ordinary shares outstanding during the period.

The calculation of basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2018	2017
	US$	US$
Net (loss)/profit attributable to equity owners of the Company	**(4,832,989)**	244,495

	Number of shares	
	2018	2017
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**111,233,821**	95,793,103
Basic and diluted (loss)/earnings per share (cents)	**(4.34)**	0.26

There was no difference between the basic and diluted (loss)/earnings per share as the effect of all potentially dilutive shares outstanding was anti-dilutive for the financial years ended 31 December 2018 and 31 December 2017.

13 Property, plant and equipment

	Mining properties US$	Buildings and infrastructure US$	Vehicles US$	Machineries US$	Office equipment US$	Heavy equipment US$	Lab equipment US$	Renovation US$	Total US$
Group									
Cost									
At 1 January 2017	3,231,268	8,724,703	151,601	70,699	203,422	1,081,708	79,624	–	13,543,025
Additions for the year	–	241,710	36,256	–	2,569	363,184	–	–	643,719
At 31 December 2017	3,231,268	8,966,413	187,857	70,699	205,991	1,444,892	79,624	–	14,186,744
Additions for the year	–	1,307,519	–	–	29,242	331,505	1,077	21,667	1,691,010
At 31 December 2018	3,231,268	10,273,932	187,857	70,699	235,233	1,776,397	80,701	21,667	15,877,754
Accumulated depreciation									
At 1 January 2017	149,321	1,642,860	30,140	39,510	136,539	281,279	13,417	–	2,293,066
Depreciation charge	78,266	483,408	21,329	5,792	55,197	97,649	22,379	–	764,020
At 31 December 2017	227,587	2,126,268	51,469	45,302	191,736	378,928	35,796	–	3,057,086
Depreciation charge	31,955	476,706	20,201	6,226	8,561	114,910	21,112	1,794	681,465
At 31 December 2018	259,542	2,602,974	71,670	51,528	200,297	493,838	56,908	1,794	3,738,551
Net carrying value									
At 31 December 2017	3,003,681	6,840,145	136,388	25,397	14,255	1,065,964	43,828	79,624	11,129,658
At 31 December 2018	**2,971,726**	**7,670,958**	**116,187**	**19,171**	**34,936**	**1,282,559**	**23,793**	**19,873**	**12,139,203**

13 **Property, plant and equipment (cont'd)**

	Office equipment US$	Renovation US$	Total US$
Company			
Cost			
At 1 January 2017 and 31 December 2017	822	–	822
Additions for the year	25,923	21,667	47,590
Disposals for the year	(822)	–	(822)
At 31 December 2018	**25,923**	**21,667**	**47,590**
Accumulated depreciation			
At 1 January 2017 and 31 December 2017	822	–	822
Depreciation charge	2,110	1,794	3,904
Disposals for the year	(822)	–	(822)
At 31 December 2018	**2,110**	**1,794**	**3,904**
Net carrying value			
At 31 December 2017	–	–	–
At 31 December 2018	**23,813**	**19,873**	**43,686**

a) The net carrying values of property, plant and equipment of the Group held under finance lease arrangements at the end of the reporting period are as follows:

	Group	
	2018 US$	2017 US$
Vehicles	**30,591**	82,613
Heavy equipment	**594,524**	329,136
	625,115	411,749

b) Additions to property, plant and equipment are as follows:

Cash outflow on acquisition	**1,469,931**	325,831
Acquisition under finance leases	**221,079**	317,888
	1,691,010	643,719

14 Investment in subsidiaries

	Company 2018 US$	Company 2017 US$
Unquoted equity shares, at cost		
Balance at beginning of financial year	**–**	–
Acquisition during financial year arising from the reverse acquisition	**50,000,000**	–
Balance at end of financial year	**50,000,000**	–

At the end of the reporting period, the Group has the following subsidiaries:

Name of subsidiary (Country of incorporation)	Principal activities	Effective ownership interests held by the Group 2018 %	Effective ownership interests held by the Group 2017 %
FE Resources Pte Ltd [(2)] (Singapore) ("FER")	Investment holding	**100**	–
Subsidiary held by FER PT Anugrah Tambang Sejahtera [(1)] (Indonesia) ("ATS")	Investment holding	**100***	–
Subsidiary held by ATS PT Teknik Alum Service [(1)] (Indonesia) ("TAS")	Mining of nickel ore	**100#**	–

(1) Audited by Johan Malonda Mustika & Rekan, an independent member firm of Baker Tilly International.

(2) Audited by Baker Tilly TFW LLP.

* PT Bina Mitra Serasi, a related party which holds 1% equity interest in this subsidiary, has executed a deed of assignment and a power of attorney, as well as other documents necessary to assign its shareholder and voting rights in ATS to the Company.

\# Mr Hong Kah Ing, a director who holds 1% equity interest in this subsidiary, has executed a deed of assignment and a power of attorney, as well as other documents necessary to assign his shareholder and voting rights in TAS to ATS.

15 Deferred tax assets

The movement in the deferred tax assets are as follows:

	Group	
	2018	2017
	US$	US$
At beginning of the financial year	**275,081**	294,284
Tax charge to profit or loss (Note 11)	**(69,021)**	(17,511)
Tax charge to other comprehensive loss (Note 22)	**(7,125)**	(1,692)
	198,935	275,081

The deferred tax assets on temporary differences recognised in the consolidated financial statements are in respect of tax effects arising from:

	Group	
	2018	2017
	US$	US$
Liabilities for post-employment benefits	**61,558**	40,033
Accelerated (accounting)/tax depreciation for property, plant and equipment	**(17,001)**	77,385
Provisions	**154,378**	157,663
	198,935	275,081

At 31 December 2018, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is US$9.0 million (2017: US$7.3 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

16 Receivables and prepayments

	Group		Company	
	2018	2017	**2018**	2017
	US$	US$	**US$**	US$
Current				
Trade receivables	**645,412**	460,912	**–**	–
Other receivables				
- third parties	**16,199**	15,870	**–**	–
- a subsidiary	**–**	–	**60,533**	–
- ultimate holding company	**33,134**	–	**9,292**	–
Loan to a subsidiary	**–**	–	**2,517,326**	–
Deposits	**14,170**	2,331	**14,170**	–
Prepayments	**517,741**	101,527	**5,051**	–
Tax recoverable	**82,056**	47,651	**–**	–
	1,308,712	628,291	**2,606,392**	–

16 Receivables and prepayments (cont'd)

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Non-current				
Preservation deposits	**261,046**	197,344	**–**	–
Loan to a subsidiary	**–**	–	**900,000**	–
	261,046	197,344	**900,000**	–

Amounts due from a subsidiary and ultimate holding company

The amounts due from a subsidiary and ultimate holding company are non-trade in nature, unsecured, interest-free and repayable on demand.

Loan to a subsidiary

The loan is unsecured, bears interest at 6% (2017: US$Nil) per annum and is to be repaid through monthly instalment of US$200,000 from December 2018 to May 2020. The carrying amount of the loan approximates its fair value at the end of the reporting period.

Preservation deposits

The preservation deposits as at 31 December 2018 amounting to US$261,046 (2017: US$197,344) are placed in fixed deposits as security deposits for mine reclamation purposes. The fixed deposits are refundable and bear interest at 3% to 6% (2017: 6%) per annum at the end of the reporting period.

17 Inventories

	Group 2018 US$	Group 2017 US$
At cost		
Nickel ore	**1,021,845**	786,775
Fuel	**6,166**	1,799
Spare parts	**83,448**	49,064
	1,111,459	837,638
Consolidated Statement of Comprehensive Income		
Inventories recognised as an expense in cost of goods sold	**3,314,199**	3,558,551

18 Finance lease liabilities

	Group			
	2018		2017	
	Minimum lease payments US$	**Present value US$**	Minimum lease payments US$	Present value US$
Not later than 1 year	**179,833**	**167,895**	185,325	165,470
Later than 1 year but not later than 5 years	**10,916**	**10,794**	53,472	51,854
Total minimum lease payments	**190,749**	**178,689**	238,797	217,324
Less: future finance charges	**(12,060)**	**–**	(21,473)	–
Present value of finance lease liabilities	**178,689**	**178,689**	217,324	217,324

	Group	
	2018 US$	2017 US$
Representing finance lease liabilities:		
Current	**167,895**	165,470
Non-current	**10,794**	51,854
	178,689	217,324

At 31 December 2018, the finance leases bear an effective rate of interest ranging from 11.36% to 14.50% (2017: 11.36% to 14.50%) per annum.

The net carrying values of property, plant and equipment acquired under finance lease arrangements are disclosed in Note 13(a).

Reconciliation of movements in finance lease liabilities to cash flows arising from financing activities:

	Group	
	2018 US$	2017 US$
Balance at beginning of financial year	**217,324**	31,831
Changes from financing cash flows:		
- Repayments	**(256,358)**	(132,395)
- Interest paid	**(68,344)**	(28,422)
Non-cash changes:		
- Interest expense	**68,344**	28,422
- Acquisition of property, plant and equipment	**221,079**	317,888
- Exchange differences	**(3,356)**	–
Balance at end of financial year	**178,689**	217,324

19 Provisions

	Group 2018 US$	Group 2017 US$
Provisions for mine reclamation and rehabilitation	**550,214**	572,107
Provision for assets retirement obligations	**95,988**	89,552
	646,202	661,659

Movements in provision for mine reclamation and rehabilitation are as follows:

	Group 2018 US$	Group 2017 US$
At beginning of the financial year	**572,107**	538,377
Provision for the year changed to profit or loss (Note 9)	**15,212**	38,610
Exchange difference	**(37,105)**	(4,880)
At the end of the financial year	**550,214**	572,107

Movements in provision for assets retirement obligations are as follows:

	Group 2018 US$	Group 2017 US$
At beginning of the financial year	**89,552**	77,143
Interest accretion charged to profit or loss (Note 7)	**12,405**	13,193
Exchange difference	**(5,969)**	(784)
At the end of the financial year	**95,988**	89,552

20 Payables and accruals

	Group		Company	
	2018 US$	2017 US$	**2018 US$**	2017 US$
Current				
Trade payables	**339,575**	155,035	**–**	–
Loans				
- third party	**–**	25,344	**–**	56,814
- ultimate holding company	**–**	3,499,025	**–**	–
Accrued operating expenses	**1,259,049**	957,050	**180,391**	351,464
Amount due to a related party	**54**	54	**–**	–
Amount due to a director	**2,198**	–	**–**	–
Amount due to ultimate holding company	**3,511**	2,088	**–**	–
Sales advances	**518**	–	**–**	–
	1,604,905	4,638,596	**180,391**	408,278

20 Payables and accruals (cont'd)

Loan from a third party

Loan 1
The loan from a third party was unsecured, bore interest at 4% per month and repayable in 14 November 2018. The loan has been settled and the interest was waived during the financial year.

Loan 2
The loan from a third party was transferred to the Group upon the Reverse Acquisition. The loan was unsecured, bore interest at 10% per annum, compounded daily on a 365-day year basis. The loan has been settled during the financial year.

Loans from ultimate holding company

Loan 1
As at the end of the previous reporting period, loan amounting US$3,407,000 from the ultimate holding company was unsecured and bore interest at 12% per annum. Pursuant to a deed of variation dated 8 March 2018 entered into between the directors, ultimate holding company, lenders to the ultimate holding company (the "Lenders") and the subsidiary, FE Resources Pte. Ltd., it was agreed, amongst others, that after the Reverse Acquisition, the subsidiary shall pay the balance of the loan due by ultimate holding company to the Lenders including the interest. In consideration for the payment by the subsidiary to the Lenders, the ultimate holding company has agreed to offset such payments to the Lenders against the principal owing by the Group under Loan 1 and waive the remaining balance of Loan 1 at the time of settlement. Subsequent to the Reverse Acquisition, the total balance due to Lenders of US$2,625,948 was settled by the subsidiary. The remaining principal of US$844,294 was waived. The ultimate holding company also waived the interest of US$129,088 during the financial year.

Loan 2
The balance of loan 2 as at the end of the previous reporting period was $92,025. The loan was unsecured, non-interest bearing and repayable on demand. The loan has been settled during the financial year.

Amounts due to a related party, a director and ultimate holding company

The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

20 Payables and accruals (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Loans			
	2018		2017	
	Principal US$	**Interest* US$**	Principal US$	Interest* US$
Balance at beginning of financial year	**3,524,369**	**464,883**	12,731,439	177,347
Changes from financing cash flows:				
- Repayments	**(4,079,050)**	**–**	(1,161,295)	–
- Interest paid	**–**	**(90,037)**	–	(146,535)
- Sales advances received	**457,882**	**–**	–	–
- Loans received	**–**	**–**	634,050	–
- Payment on behalf	**(28,783)**	**(279,752)**	(375,679)	–
Non-cash changes:				
- Transfer of loan resulted from Reverse Acquisition	**970,394**	**–**	–	–
- Interest expense	**–**	**90,037**	–	434,436
- Offset with related party receivables	**–**	**–**	(638,275)	–
- Foreign exchange translation	**–**	**(3,611)**	(235)	(365)
- Waiver by a director	**–**	**–**	(7,650,192)	–
- Waiver by ultimate holding company	**(844,294)**	**(129,088)**	–	–
- Waiver by a third party	**–**	**(52,432)**	–	–
- Offset with receivable from ultimate holding company	**–**	**–**	(15,444)	–
Balance at end of financial year	**518**	**–**	3,524,369	464,883

	2018 US$	2017 US$
Represented by:		
- Loan from a third party	**–**	25,344
- Loans from ultimate holding company	**–**	3,499,025
	–	3,524,369

21 Share capital

	2018		2017	
	Number of ordinary shares	**US$**	Number of ordinary shares	US$
Group				
Balance at beginning of financial year	**276,000,000**	**1**	276,000,000	500,001
Adjustment pursuant to the Restructuring Exercise	**–**	**–**	–	(500,000)
Share consolidation (1)	**(248,400,001)**	**–**	–	–
Issuance of consideration shares (3)	**95,793,103**	**6,980,324**	–	–
Issuance of arranger shares (4)	**2,772,414**	**1,500,000**	–	–
Issuance of ZICO shares (5)	**937,931**	**498,490**	–	–
Balance at end of financial year	**127,103,447**	**8,978,815**	**276,000,000**	**1**
Company				
Balance at beginning of financial year	**276,000,000**	**17,091,937**	276,000,000	17,091,937
Effect of change in functional currency	**–**	**1,055,196**	–	–
Share consolidation (1)	**(248,400,001)**	**–**	–	–
Issuance of consideration shares (2)	**95,793,103**	**50,000,000**	–	–
Issuance of arranger shares (4)	**2,772,414**	**1,500,000**	–	–
Issuance of ZICO shares (5)	**937,931**	**498,490**	–	–
Balance at end of financial year	**127,103,447**	**70,145,623**	276,000,000	17,091,937

All issued shares are fully paid ordinary shares with no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

(1) On 4th July 2018, the Company consolidated its every ten existing shares into one new consolidated share.

(2) This represents the purchase consideration for the Company's acquisition of the Target Group which was satisfied by the allotment and issuance of 95,793,103 ordinary shares at S$0.725 (equivalent to US$0.522) per share.

(3) This represents the fair value of the consideration transferred in relation to the Reverse Acquisition. As FE Resources is a private entity, the quoted market price of the Company's shares provides a more reliable basis for measuring the fair value of the share in the Target Group. The consideration transferred is determined using the fair value of the issued equity of the Company before the acquisition, being 27,599,999 consolidated shares at S$0.345 (equivalent to US$0.253) per share which represents the quoted and traded price of the shares as at 1st trading day upon completion of the Reverse Acquisition.

(4) This represents part payment of the arranger fee to Strategic Advisory & Capital Pte Ltd, in respect of the professional services rendered to the Company in connection to the Reverse Acquisition.

(5) This represents part payment of the professional fee to ZICO Capital, in respect of the professional services rendered to the Company in connection to the Reverse Acquisition.

22 Liabilities for post-employment benefits

The Group's subsidiaries recognised liabilities for post-employment benefits based on the actuarial calculation by an independent actuary. The actuarial calculation in regard to the compensation cost adheres to the current value principle from the total payment of compensation due to retirement, demise and disability. The calculation of current value is obtained from the use of various actuarial assumptions, not only based on the level of interest but also based on salary increment, mortality, disability and resignation levels.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. No funding has been made for this defined benefit scheme.

The principal assumptions used in determining post-employment benefits as at the end of the reporting periods were as follows:

	Group	
	2018	**2017**
	US$	**US$**
Normal retirement age	55 years	55 years
Salary increment rate per annum	10%	10%
Discount rate per annum	8.3%	7.0%
Mortality rate	TMI - 2011	TMI - 2011
Disability level	5% of TMI - 2011	5% of TMI - 2011
Resignation level per annum	2.5% for the age 20 and decrease linearly	2.5% for the age 20 and decrease linearly

If the discount rate had been 1 percent higher with all other variables held constant, the present value of defined benefits obligation would have been US$24,167 (2017: US$16,055) lower, while if the discount rate had been 1 percent lower, the present value of defined benefits obligation would have been US$28,656 (2017: US$19,336) higher.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	Group	
	2018	2017
	US$	US$
Present value of defined benefit obligations	**246,234**	160,132
Movements in the account are as follows:		
At beginning of the financial year	**160,132**	88,365
Remeasurement recognised in other comprehensive income, gross of tax	**(28,501)**	(6,768)
Post-employment benefits expense (Note 10)	**124,920**	79,265
Exchange difference	**(10,317)**	(730)
At end of the financial year	**246,234**	160,132

22 Liabilities for post-employment benefits (cont'd)

The following table summarises the components of defined post-employment benefits expense recognised in consolidated statements of comprehensive income:

	Group	
	2018	2017
	US$	US$
Current service cost	**114,433**	72,347
Interest cost on defined benefit obligation	**10,487**	6,918
Post-employment benefits expense	**124,920**	79,265

Defined post-employment benefits expense is recognised in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

The following table summarises the changes in liabilities for post-employment benefits recognised in consolidated statement of comprehensive income:

	Group	
	2018	2017
	US$	US$
At beginning of the financial year	**7,021**	13,789
Other comprehensive income	**(28,501)**	(6,768)
At the end of the financial year	**(21,480)**	7,021

The remeasurement of post-employment benefits recognised in the other comprehensive (income)/loss is as follows:

	Group	
	2018	2017
	US$	US$
Gross amount of remeasurement	**(28,501)**	(6,768)
Less tax (Note 15)	**7,125**	1,692
Amount net of tax	**(21,376)**	(5,076)

Management has reviewed the assumptions used and agreed that these assumptions are adequate. Management believes that the liabilities for post-employment benefits are sufficient to cover the Group's liability for its employee benefits.

23 Significant related party transactions

In addition to information disclosed elsewhere in these financial statements, the following significant transactions took place between the Group and the related parties on terms agreed by the parties:

	2018 US$	2017 US$
With director of the Company		
Expenses paid on behalf by the Group	–	226,023
Rental expenses paid to director	**50,373**	29,229
Payments made on behalf by director	**4,808**	–
Loan received from director	–	120,442
Offset of related parties receivables against payable to a director	–	638,275
Waiver of loan by a director	–	7,650,192
With ultimate holding company		
Assignment of loan	**2,625,948**	–
Loans from ultimate holding company	–	244,464
Expenses paid on behalf by the Group	**308,535**	149,655
Interest charged by ultimate holding company	–	403,731
Expenses paid on behalf by the ultimate holding company	–	1,258
Waiver of loan by ultimate holding company to retained earnings	**844,294**	–
Wavier of interest by ultimate holding company to other income	**129,088**	–
With other related parties		
Expenses paid on behalf by the Group	–	588,056
Rental expenses paid to a related party	**117,177**	81,891
Disposal of APN to a related party	–	27,734
Offset of related parties receivables against payable to a director	–	638,275

The other related parties comprise:
- close family members of a director of the Company;
- companies in which a director of the Company or a close family member of the director has controlling interest; and
- a non-controlling interest of a subsidiary who is also the commissioner of that subsidiary.

24 Reverse acquisition

As disclosed in Note 2, on 5 July 2018, the Company completed its acquisition of the entire share capital of the Target Group via the issuance of 95,793,103 new ordinary shares at S$0.725 (equivalent to US$0.522) to the shareholders of the Target Group. The transaction is treated as a reverse acquisition for accounting purposes as the shareholders of the Target Group became the ultimate holding company of the Company upon completion of the transaction. The Target Group is deemed to have issued equity shares as purchase consideration for the assets and liabilities of the Company using the accounting principles in SFRS(I) 2, as the Company's operations did not constitute a business under SFRS(I) 3 at the time of completion of the Reverse Acquisition.

In the consolidated financial statements, the acquisition cost arising from the Reverse Acquisition was determined using the fair value of the issued equity of the Company before the acquisition, being 95,793,103 shares at S$0.345 (equivalent to US$0.253) per share, which represents the market value of the Company based on the quoted and traded price of the shares as at 1st trading day upon completion of the Reverse Acquisition.

24 Reverse acquisition (cont'd)

The identifiable assets of the Company were as follows:

	US$
Cash and cash equivalents	8,978,179
Prepayments	7,833
Total assets	8,986,012
Payables and accruals, representing total liabilities	(2,009,073)
Total identifiable net assets	6,976,939
Fair value of consideration transferred	6,980,324
Acquisition cost arising from reverse acquisition	(3,385)

The difference between the purchase consideration and identifiable net assets of the Company, amounting to $3,385 has been recognised in the consolidated statement of comprehensive income as acquisition costs arising from the Reverse Acquisition incurred by the Company in accordance with SFRS(I) 2.

25 Commitments

a) Capital commitments

	Group	
	2018	2017
	US$	US$
Capital commitments in respect of property, plant and equipment	**–**	117,872

b) Lease commitments - where the Group is a lessee

The Group leases office premises under non-cancellable operating lease agreement. The lease has a tenure of 3 years with varying rates for different period during the lease term.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are as follows:

	Group	
	2018	2017
	US$	US$
Not later than one year	**52,726**	78,092
Later than one year but not later than five years	**39,545**	19,911
	92,271	98,003

26 Segment information

The Group has only one reportable segment, which is nickel ore mining.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Indonesia US$	Singapore US$	Consolidated US$
Revenue			
31 December 2018			
Total sales to external customer	**5,748,934**	**–**	**5,748,934**
31 December 2017			
Total sales to external customer	6,939,427	–	6,939,427
Non-current assets			
31 December 2018	**12,095,517**	**43,686**	**12,139,203**
31 December 2017	11,129,658	–	11,129,658

Non-current assets information presented above are non-current assets as presented on the statement of financial position excluding financial instruments and deferred tax assets.

Information about major customers

Revenue of US$5,748,934 (2017: US$6,939,427) is derived from two (2017: two) external customers who individually contributed 10% or more of the Group's revenue as detailed below:

	Group	
	2018 **US$**	2017 US$
Customer 1	**–**	4,315,805
Customer 2	**1,530,496**	2,623,622
Customer 3	**4,218,438**	–
	5,748,934	6,939,427

27 Financial instruments

a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	US$	US$	**US$**	US$
Financial assets				
Loan and receivables	**–**	753,614	**–**	9,146,892
Financial assets at amortised costs	**1,057,325**	–	**3,510,063**	–
	1,057,325	753,614	**3,510,063**	9,146,892
Financial liabilities				
At amortised costs	**1,783,594**	4,855,920	**180,391**	408,278

b) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company manages and measures such financial risks in the same manner as the Group. The Group's risk management, which remains unchanged from the prior year, seeks to minimise the potential adverse effects from these exposures. There has been no change to the exposure to financial risks or the manner in which these risks are managed and measured. The management reviews and agrees policies for managing each of these risks.

Foreign currency risk

The Group and the Company have exposures arising from transactions, assets and liabilities that are denominated in currencies other than their respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly Indonesian Rupiah ("IDR") and Singapore dollar ("SGD").

The Group and the Company seek to manage its foreign currency exposure by natural hedges, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which are primarily used for payments in the same currency. The Group and the Company endeavour to keep the net exposure at a level that is deemed acceptable by management.

27 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

The Group and Company have the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

	Group		Company
2018			
Denominated in	**IDR**	**SGD**	**SGD**
Receivables	922,776	38,012	74,723
Cash and cash equivalents	77,365	8,722	8,722
	1,000,141	46,734	83,445
Financial liabilities			
Payables and accruals	(1,407,532)	(188,973)	(171,991)
Finance lease liabilities	(178,689)	–	–
	(1,586,221)	(188,973)	(171,991)
Net exposure	**(586,080)**	**(142,239)**	**(88,546)**
2017			
Denominated in	IDR	SGD	SGD
Financial assets			
Receivables	1,623,228	–	–
Cash and cash equivalents	77,128	–	9,146,892
	1,700,356	–	9,146,892
Financial liabilities			
Payables and accruals	(1,676,527)	–	(408,278)
Finance lease liabilities	(217,324)	–	–
	(1,893,851)	–	(408,278)
Net exposure	(193,495)	–	8,738,614

27 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the IDR, SGD and AUD exchange rates against the functional currency of the Group and the Company with all other variables held constant, of the Group's profit after tax:

	Group		**Company**	
	2018	2017	**2018**	2017
	US$	US$	**US$**	US$
Increase/(decrease) in (loss)/profits after tax				
IDR/USD				
- Strengthened 5% (2017: 5%)	**21,978**	(7,256)	**–**	–
- Weakened 5% (2017: 5%)	**(21,978)**	7,256	**–**	–
SGD/USD				
- Strengthened 5% (2017: 5%)	**5,903**	–	**3,675**	(362,652)
- Weakened 5% (2017: 5%)	**(5,903)**	–	**(3,675)**	362,652

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's income and operating cash flows are substantially independent on changes in market interest rates as the Group and the Company has no significant interest-bearing assets and liabilities, except for finance lease liabilities (Note 18) and certain receivables and prepayments (Note 16).

Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be impacted from an adverse movement in interest rate.

Sensitivity analysis for interest rate risk

The sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant of the Group's result net of tax has not been disclosed as the Group's exposure to changes in market interest rate is not significant as the majority of the Group's borrowings are charged at a fixed rate.

27 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	**Basis for recognition and measurement of ECL**
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been significant increase in credit risk since initial recognition	Lifetime ECL - not-credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

27 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

27 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

The Group's trade receivables comprise 2 debtors (2017: 2 debtors) that individually represented 100% of the trade receivables.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statement of financial position.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2018	2017
	US$	US$
By geographical areas		
Indonesia	**5,748,934**	6,939,427
By type of customers		
Third parties	**5,748,934**	6,939,427

The credit loss for cash and cash equivalents and other receivables are immaterial as at 31 December 2018

Trade receivables

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

There has been no change in the estimation techniques or significant assumptions made during the current financial year. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

The Group assesses the concentration of risk with respect to trade receivables as high, as there are only two customers during the financial year. The Group assesses that the credit risk exposure is low as there is no expected credit loss for current year's trade receivables hence the gross trade receivables approximates their net trade receivables as at year end.

27 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Other financial assets at amortised cost

Other financial assets at amortised costs include loans to subsidiaries, other receivables and cash and cash equivalents.

The table below details the credit quality of the Group's and the Company's financial assets (other than trade receivables):

	12-month or lifetime ECL	Gross carrying amount US$	Loss allowance US$	Net carrying amount US$
Group				
Deposits	N.A. Exposure limited	275,216	–	275,216
Amounts due from third parties	12-month ECL	16,199	–	16,199
Amount due from ultimate holding company	12-month ECL	33,134	–	33,134
Cash and cash equivalents with financial institutions	N.A. Exposure limited	87,364	–	87,364

	12-month or lifetime ECL	Gross carrying amount US$	Loss allowance US$	Net carrying amount US$
Company				
Deposits	N.A. Exposure limited	14,170	–	14,170
Amount due from ultimate holding company	12-month ECL	9,292	–	9,292
Amount due from a subsidiary	12-month ECL	60,553	–	60,533
Loan to subsidiary	12-month ECL	3,417,326	–	3,417,326
Cash and cash equivalents with financial institutions	N.A. Exposure limited	8,722	–	8,722

Previous accounting policy for impairment of financial assets

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are neither past due nor impaired are placed with reputable financial institutions or companies with high credit ratings and no history of default.

There are no financial assets that are past due nor impaired.

27 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Management monitors and reviews the Group's and Company's forecasts of liquidity reserves (comprise cash and cash equivalents) on the basis of expected cash flows determined at local level in the respective operating companies of the Group in accordance with limits set by the Group.

In view of the Group's liquidity position and the liquidity risk management approach as described in Note 4, directors of the Company have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within 1 year US$	Within 2 to 5 years US$	Total US$
Group			
At 31 December 2018			
Payables and accruals	**1,604,905**	**–**	**1,604,905**
Finance lease liabilities	**179,833**	**10,916**	**190,749**
	1,784,738	**10,916**	**1,795,654**
At 31 December 2017			
Payables and accruals	4,638,596	–	4,638,596
Finance lease liabilities	185,325	53,472	238,797
	4,823,921	53,472	4,877,393
Company			
At 31 December 2018			
Payables and accruals	**180,391**	**–**	**180,391**
At 31 December 2017			
Payables and accruals	408,278	–	408,278

28 Fair values of assets and liabilities

The carrying amounts of financial assets and liabilities (except for non-current receivables, non-current finance lease liabilities and non-current payables) of the Group and the Company are reasonable approximation of their fair values due to relatively short-term maturity of these financial instruments.

Based on the discounted cash flow analysis using a discount rate based upon market lending rate for similar borrowings which the directors expect would be available to the Group and the Company at the end of the reporting period, the carrying amounts of non-current receivables, non-current finance lease liabilities and non-current payables approximates their fair values at the end of the reporting period as the market lending rates at the end of the reporting period were not significantly different from either their respective coupon rates of the agreements or effective interest rates of the Group's existing finance lease liabilities. This fair value measurement for disclosure purposes is categorised in Level 3 of the fair value hierarchy.

29 Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain borrowings or sell assets to reduce borrowings.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

30 Subsequent events

(a) On 5 January 2019, the subsidiary of the Company, PT TAS entered into a 5-year nickel mining exploration agreement with Sinohydro Corporation Limited and PT. Sepco II Indo (collectively known as the "Mining Contractor"). Details of this agreement has been announced by the Company on 7 January 2019 via SGXnet. Among others, the Mining Contractor is responsible for excavation, production and transportation of the nickel ore based on the predetermined price per tonne. The Mining Contractor has committed to produce and deliver a minimum of 1.2 million tonnes of nickel ore annually to the Group, upon completion of certain preparatory activities within six months from commencement date. In March 2019, PT TAS has issued the notice to proceed.

(b) On 8 April 2019, PT TAS received a recommendation and approval from the Central Sulawesi's Provincial Environmental Assessment Committee for its Environmental Impact Assessment document of mining activities and its plan for the construction of nickel smelter and supporting facilities at its mine site at Morowali, Sulawesi, Indonesia. Details of this approval has been announced by the Company on 9 April 2019 via SGXnet. Management stated that PT TAS has received all the necessary approvals and has satisfied all the necessary conditions for the grant of the export quota. Under the guidelines prescribed by the Indonesian Ministry of Energy and Mineral Resources the export quota will be approved no later than 14 days after the full submission by the Group of the JORC resources, smelter plans, designs and the AMDAL documents. Taking into account the guidelines and barring any unforeseen circumstances, the Group expects to receive the export quota by the end of June 2019.

30 Subsequent events (cont'd)

(c) On 9 April 2019, PT TAS entered into offtake financing agreement with a third party to obtain funding of up to IDR40 billion (approximately US$2.8 million). The loan is secured on certain assets of a family member of the Company's director, bears interest at 7.5% per annum and repayable in the 13th month from the date of drawdown of the funding. PT TAS has the option to extend the repayment period by another 12 months, if required.

31 Authorisation of financial statements

The financial statements of the Company for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors dated 11 April 2019.

Appendix 7F to the Catalist Rules

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr. Giang Sovann and Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied ("Mr. Nasser Aljunied") being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Mr. Nasser Aljunied	Mr. Giang Sovann
Date of first appointment	5 July 2018	5 July 2018
Date of last re-appointment (if applicable)	N/A	N/A
Age	52	62
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Nasser Aljunied as the Executive Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Nasser Aljunied's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Giang Sovann as the Lead Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Giang Sovann's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr. Nasser Aljunied is responsible for certain strategic matters of the Group, encompassing fundraising, financing, as well as mergers and acquisitions strategies of the Group.	No
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Director	Lead Independent Director, Chairman of the AC and a member of the NC and RC
Professional qualifications	Bachelor of Science	Bachelor of Business Administration Certified Public Accountant Canada Chartered Accountant and a member of the Institute of Singapore Chartered Accountants

Appendix 7F to the Catalist Rules

Name of Director	Mr. Nasser Aljunied	Mr. Giang Sovann
Working experience and occupation(s) during the past 10 years	2007 to 2015: Bumi Hijau Resources Pte. Ltd. – Director, Body Matters Private Pte. Ltd. – Director, Far East Sugar Pte. Ltd. – Director, Greenworld Nickel Holdings Pte. Ltd. – Director, Greenworld Nickel Resources Pte. Ltd. – Director, Far East Sugar Global Pte. Ltd., – Director and Transform Point Pte. Ltd. – Director 2008 to 2010: Atlantic Oilfield Services Ltd. – Board Member 2008: CMS Trust Berhad and CMS Asset Management – Board Member	2015 to Present: RSM Risk Advisory Pte. Ltd. – Senior Director 2013: RHT Academy Pte. Ltd. – Director 2013 to 2014: SBI Offshore Ltd. – Executive Director 2010: Singapore Institute of Directors – Executive Director 2009: ARA Managers (Asia Dragon) Pte. Ltd. – Finance Director, Golden Polindo Industries Group – Finance Director
Shareholding interest in the listed issuer and its subsidiaries	Yes. As at 18 March 2019, Mr. Nasser Aljunied is deemed to be interested in the 88,896,103 shares of the Company owned by Far East Mining Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act (Chapter 289) of Singapore ("SFA").	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	As at 18 March 2019, Mr. Nasser Aljunied is a 24.4% shareholder of Far East Mining Pte. Ltd., which in turn has a direct interest in the 88,896,103 shares of the Company. Mr. Hong Kah Ing (Executive Director and CEO of the Company) is also a 64.3% shareholder of Far East Mining Pte. Ltd. Mr. Nasser Aljunied is a director on FE Resources Pte. Ltd., a subsidiary of the Company.	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Appendix 7F to the Catalist Rules

Name of Director	Mr. Nasser Aljunied	Mr. Giang Sovann
Other Principal Commitments* Including Directorships# *** "Principal Commitments" has the same meaning as defined in the Code.** **# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)**		
Past (for the last 5 years)	Splode Pte. Ltd. The Music Lab LLP (struck off on 6 April 2017) Greenworld Nickel Resources Pte. Ltd. (struck off on 13 June 2014) Greenworld Nickel Holdings Pte. Ltd. (struck off on 12 May 2014) Transform Point Pte. Ltd. (struck off on 18 February 2015) Far East Capital Partners Pte. Ltd.	SBI Offshore Limited Resources Prima Group Limited Epicentre Holdings Limited
Present	FE Resources Pte. Ltd. Far East Mining Pte. Ltd. Smith & Rosenthal Pte. Ltd. Sumatra Energy Pte. Ltd. The Music Lab Academy Pte. Ltd. Asiawerks Global Investment Group Pte. Ltd. Anugerah Jabar Development Pte. Ltd. Jabar Education City Pte. Ltd. Far East Industrial Park Pte. Ltd Far East Smelter (S) Pte. Ltd. ITB Square Pte. Ltd. Asian Palette Pte. Ltd. Carbondale Pte. Ltd. (gazette to be struck off as at 1 May 2018)	Cambodia Post Bank PLC Rich Capital Holdings Limited RSM Risk Advisory Limited Funan Microfinance PLC

Appendix 7F to the Catalist Rules

Name of Director	Mr. Nasser Aljunied	Mr. Giang Sovann
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

Appendix 7F to the Catalist Rules

Name of Director	Mr. Nasser Aljunied	Mr. Giang Sovann
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	On 13 July 2014, the Monetary Authority of Singapore issued a supervisory warning to Mr. Giang Sovann in respect of Mr. Giang Sovann's breach of the SFA in respect of his failure to make timely disclosures of his interests or changes in interests in the listed corporation of which he was a director of. No sanctions or penalties were issued and no further action was taken against Mr. Giang Sovann apart from the supervisory warning.
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Yes • Maveric Ltd.	Yes • Rich Capital Holdings Limited • Resources Prima Group Limited • Epicentre Holdings Limited
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.

Statistics of Shareholdings

As at 18 March 2019

DISTRIBUTION OF SHAREHOLDERS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	7	0.67	259	0.00
100 - 1,000	345	32.83	228,810	0.18
1,001 - 10,000	539	51.28	2,280,450	1.79
10,001 - 1,000,000	155	14.75	9,946,560	7.83
1,000,001 AND ABOVE	5	0.47	114,647,368	90.20
	1,051	**100.00**	**127,103,447**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	95,221,884	74.92
2	MAYBANK KIM ENG SECURITIES PTE LTD	8,731,280	6.87
3	OCBC SECURITIES PRIVATE LTD	4,872,790	3.83
4	DBS NOMINEES PTE LTD	3,233,000	2.54
5	STRATEGIC ADVISORY AND CAPITAL PTE LTD	2,588,414	2.04
6	TAN CHONG JIN	884,100	0.70
7	TAN KIM SENG	772,500	0.61
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	626,000	0.49
9	NG SOON KAI	450,000	0.35
10	SONG KIM HUAT	400,000	0.31
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	343,360	0.27
12	GHIRARDELLO LUIGI FORTUNATO	342,800	0.27
13	YAP THIAM JOO	321,370	0.25
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	212,000	0.17
15	LEE KIM LEONG STEVEN (LI JINLIANG)	200,000	0.16
16	CHUA SOH HAR	192,000	0.15
17	LEYNG THAI WENG	184,000	0.14
18	SIN HENG THONG	151,600	0.12
19	LIOW LEONG SAN	130,000	0.10
20	RAFFLES NOMINEES (PTE) LIMITED	121,810	0.10
	TOTAL:	**119,978,908**	**94.39**

Statistics of Shareholdings

As at 18 March 2019

GENERAL INFORMATION ON SHARE CAPITAL

ISSUED AND FULLY PAID-UP CAPITAL	:	S$98,686,201.80
TOTAL NO. OF ISSUED SHARES	:	127,103,447
CLASS OF SHARES	:	Ordinary shares
VOTING RIGHTS	:	One vote per ordinary share (excluding treasury shares)
NO. OF TREASURY SHARES	:	Nil
NO. OF SUBSIDIARY HOLDINGS	:	Nil

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders at 18 March 2019)

	DIRECT INTEREST		DEEMED INTEREST	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Far East Mining Pte. Ltd.	88,896,103	69.9	–	–
Lim Kean Tin	8,252,400	6.5	–	–
Hong Kah Ing	–	–	88,896,103[1]	69.9
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	88,896,103[2]	69.9

(1) Mr Hong owns 64.3% of the issued share capital of Far East Mining Pte. Ltd. As such, he is deemed to be interested in the shares of the Company owned by Far East Ming Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act.

(2) Mr Aljunied owns 24.4% of the issued share capital of Far East Mining Pte. Ltd. As such, he is deemed to be interested in the shares of the Company owned by Far East Mining Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on the information available to the Company as at 18 March 2019 and to the best knowledge of the Directors of the Company, approximately 23.6% of the Company's total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) were held in the hands of the public as defined in the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "Catalist Rules"). Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10% of a listed issuer's equity securities to be in the hands of the public.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Silkroad Nickel Ltd. (the "**Company**") will be held at Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Tuesday, 30 April 2019 at 14:00 p.m., for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2018, together with the Auditor's Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$192,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears [2018: S$120,000]. **(Resolution 2)**

3. To re-elect Mr. Giang Sovann and Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied who are retiring under Article 103 of the Constitution of the Company, and who, being eligible, offer themselves for re-election, as Directors of the Company.

   (i) Mr. Giang Sovann **(Resolution 3)**

   [See Explanatory Note 1]

   (ii) Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied **(Resolution 4)**

   [See Explanatory Note 2]

4. To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. (**Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolution (with or without amendments):

6. **Authority to allot and issue shares in the capital of the Company**

   (a) "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors of the Company may in their absolute discretion deem fit, to:

   (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase of shares (collectively, "**Instruments**"), including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares;

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while the resolution was in force,

provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued shares excluding treasury shares and subsidiary holdings, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a *pro rata* basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings, and for the purpose of this resolution, the total number of issued shares excluding treasury shares and subsidiary holdings shall be the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this resolution is passed, after adjusting for;

   (a) new shares arising from the conversion or exercise of convertible securities; or

   (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(ii) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 6)**
[See Explanatory Note 3]

By Order of the Board

Mr. Lau Yan Wai
Company Secretary
Singapore
15 April 2019

Explanatory Notes:

1. Mr. Giang Sovann will, upon re-election as a Director of the Company, remain as the Lead Independent Director of the Company, Chairman of the Audit and Risk Committee of the Company and a member of the Nominating Committee and the Remuneration Committee of the Company respectively. The board of directors of the Company (the "Board") considers Mr. Giang Sovann to be independent for the purpose of Rule 704(7) of the Catalist Rules.

   Detailed information on Mr. Giang Sovann can be found in the sections entitled "Board of Directors", "Corporate Governance Report", "Directors' Statement" and "Appendix 7F to the Catalist Rules" of the Annual Report 2018. There are no material relationships (including immediate family relationships) between Mr. Giang Sovann and the other Directors of the Company, the Company or its 10% shareholders.

2. Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied ("Mr. Nasser Aljunied") will, upon re-election as a Director of the Company, remain as an Executive Director of the Company. Detailed information on Mr. Nasser Aljunied can be found in the sections entitled "Board of Directors", "Corporate Governance Report", "Directors' Statement" and "Appendix 7F to the Catalist Rules" of the Annual Report 2018. Save as disclosed therein, there are no material relationships (including immediate family relationships) between Mr. Nasser Aljunied and the other Directors of the Company, the Company or its 10% shareholders.

3. The Ordinary Resolution 10, if passed, will empower the Directors of the Company from the date of the Annual General Meeting of the Company until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is earliest, to issue shares and convertible securities in the Company up to (a) the aggregate number of shares to be issued (including shares to be issued in pursuance of Instruments made or granted) on a *pro rata* basis to shareholders of the Company does not exceed 100% of the Company's total number of issued shares excluding treasury shares and subsidiary holdings, and (b) of which the aggregate number of shares to be issued (including shares to be issued in pursuance of Instruments made or granted) other than on a *pro rata* basis to shareholders of the Company does not exceed 50% of the Company's total number of issued shares excluding treasury shares and subsidiary holdings.

Notes:

1. A member of the Company (other than a Relevant Intermediary as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) entitled to attend and vote at the Annual General Meeting of the Company may appoint not more than two proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company and where a member appoints two proxies, he or she shall specify the proportion of his or her shareholding to be represented by each proxy.

2. A member of the Company who is a Relevant Intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company and where a member appoints more than two proxies, the appointment shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

3. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Annual General Meeting of the Company.

4. The instrument appointing a proxy or proxies, together with the power of attorney or other authority, if any, under which it is signed, or a duly certified copy thereof, must be deposited at the office of the Company's share registrar at 80 Robinson Road #02-00, Singapore 068898, not less than 72 hours before the time appointed for the holding of the Annual General Meeting of the Company.

Personal Data Privacy

By submitting the instrument appointing a proxy or proxies to attend and vote at the Annual General Meeting of the Company, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxy or proxies appointed for the Annual General Meeting of the Company and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company, and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy or proxies to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy or proxies for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy or proxies for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), ZICO Capital Pte. Ltd., for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this notice.*

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

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.

SILKROAD NICKEL LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200512048E)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT:
1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 of Singapore, Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the annual general meeting of the Company ("**Meeting**").
2. An investor who holds shares under the Supplementary Retirement Scheme ("SRS Investor") may attend and cast his vote(s) at the Meeting in person. SRS Investors who are unable to attend the Meeting but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending the Meeting.
3. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ______________________________ (Name) ______________ (NRIC/Passport No.)

of ____(Address)

being a member/members of SILKROAD NICKEL LTD. (the "**Company**") hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the annual general meeting of the Company (the "**Meeting**") as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Meeting to be held at Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Tuesday, 30 April 2019 at 14:00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

All resolutions put to the vote at the Meeting shall be decided by way of poll. Please indicate the number of votes as appropriate.

** Delete as appropriate*

No.	**Ordinary Resolutions**	**No. of Votes For****	**No. of Votes Against****
	Ordinary Business		
1	To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2018, together with the Auditor's Report thereon		
2	To approve the payment of Directors' fees of S$192,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears [2018: S$120,000]		
3	To re-elect Mr Giang Sovann who is retiring under Article 103 of the Constitution of the Company as a Director of the Company		
4	To re-elect Mr Syed Abdel Nasser Bin Syed Hassan Aljunied who is retiring under Article 103 of the Constitution of the Company as a Director of the Company		
5	To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration		
	Special Business		
6	Authority to allot and issue shares in the capital of the Company		

*** If you wish to exercise all your votes "For" or "Against", please indicate with a "√" within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of ____________________ 2019.

Total no. of shares in	No. of shares
(a) Depository Register	
(b) Register of Members	

____
Signature(s) of Member(s)/ Common Seal of Corporate Member(s)
* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM OVERLEAF

NOTES FOR PROXY FORM

1. A member of the Company should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

2. Except for a member of the Company who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), a member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. Such proxy need not be a member of the Company.

3. Where a member of the Company appoints more than one (1) proxy, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

4. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that each proxy is appointed to exercise the rights attached to different shares held by the members. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

6. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act.

7. The instrument appointing a proxy or proxies, together with the power of attorney or other authority, if any, under which it is signed, or a duly certified copy thereof, must be deposited at the office of the Company's share registrar at 80 Robinson Road #02-00 Singapore 068898 not less than 72 hours before the time appointed for the holding of the Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for the holding of the Meeting as certified by The Central Depository (Pte) Limited to the Company.

9. A Depositor shall not be regarded as a member of the Company entitled to attend the Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the holding of the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2019.

SILKROADNICKEL

SILKROAD NICKEL LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number 200512048E)

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