



Silkroad Nickel Ltd.
(Company Registration Number 200512048E)

Silkroad Nickel Ltd. and its Subsidiaries

Condensed Interim Consolidated
Financial Statements
For the six months and full year ended
31 December 2021

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*This announcement has been prepared by Silkroad Nickel Ltd. (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, ZICO Capital Pte. Ltd. (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist.*

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

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.

A Condensed interim consolidated statement of profit or loss and other comprehensive income

		Group					
	Note	6 months ended 31/12/2021 (Unaudited) US\$'000	6 months ended 31/12/2020 (Unaudited) US\$'000	% change	12 months ended 31/12/2021 (Unaudited) US\$'000	12 months ended 31/12/2020 (Audited) US\$'000	% change
Revenue	6	18,936	-	n.m.	26,700	475	n.m.
Cost of goods sold		(10,558)	292	n.m.	(15,947)	(599)	n.m.
Gross profit/(loss)		8,378	292	n.m.	10,753	(124)	n.m.
Other income	8	538	171	n.m.	557	212	n.m.
Expenses							
Administrative	8	(4,897)	(1,718)	n.m.	(6,589)	(3,267)	n.m.
Impairment losses on trade and other receivables		(624)	(41)	n.m.	(624)	(41)	n.m.
Finance costs		(520)	(231)	n.m.	(717)	(398)	80.2
		(6,041)	(1,990)		(7,930)	(3,706)	
Profit/(loss) before tax	8	2,875	(1,527)	n.m.	3,380	(3,618)	n.m.
Tax expense	10	(1,025)	(10)	n.m.	(1,037)	(23)	n.m.
Profit/(loss) for the financial period/year		1,850	(1,537)	n.m.	2,343	(3,641)	n.m.
Other							
Remeasurement of post-employment benefits liabilities, net of tax		60	(10)	n.m.	60	(10)	n.m.
Total comprehensive income/(loss) for the financial period/year		1,910	(1,547)	n.m.	2,403	(3,651)	n.m.

Earnings/(loss) per share¹:

Basic and diluted ² (USD in cents)	0.71	(0.59)		0.90	(1.39)
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EBITDA:

Profit/(loss) after tax	1,850	(1,537)		2,343	(3,641)
Add: Depreciation	446	360		848	889
Add: Finance costs	520	231		717	398
Add: Tax expense	1,025	10		1,037	23
	3,841	(936)		4,945	(2,331)

EBITDA – Earnings before interest, tax, depreciation and amortisation

n.m.: Not meaningful

¹ Computed based on profit/(loss) after tax for the respective financial periods/years divided by the weighted average number of ordinary shares in issue during the respective financial periods/years.

² As there are no dilutive potential ordinary shares that were outstanding during the respective financial periods/years, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

B Condensed interim consolidated statements of financial position

	Note	Group As at		Company As at	
		31/12/2021 (Unaudited) US\$'000	31/12/2020 (Audited) US\$'000	31/12/2021 (Unaudited) US\$'000	31/12/2020 (Audited) US\$'000
Non-current assets					
Investment in subsidiaries		-	-	66,241	66,241
Property, plant and equipment	12	12,860	11,246	37	96
Deferred tax assets		387	248	-	-
Receivables		352	357	1,375	-
		13,599	11,851	67,653	66,337
Current assets					
Inventories		1,637	4,868	-	2,195
Receivables and prepayments		10,228	8,118	2,624	3,051
Cash and cash equivalents		9,457	33	8,659	8
		21,322	13,019	11,283	5,254
Total assets		34,921	24,870	78,936	71,591
Non-current liabilities					
Liabilities for post- employment benefits		583	507	-	-
Payables		-	756	-	756
Lease liabilities		186	39	-	39
Provisions		873	808	-	-
Borrowings	13	-	2,062	-	2,062
Financial liability	7	9,553	-	9,553	-
		11,195	4,172	9,553	2,857
Current liabilities					
Payables and accruals		4,272	9,194	4,276	807
Contract liabilities		-	61	-	61
Financial liability	7	5,517	-	1,609	-
Lease liabilities		179	138	40	56
Tax payables		1,873	1,078	17	38
Short-term borrowings	13	701	1,446	-	922
		12,542	11,917	5,942	1,884
Total liabilities		23,737	16,089	15,495	4,741
Net assets		11,184	8,781	63,441	66,850
Equity					
Share capital	14	8,979	8,979	86,387	86,387
Accumulated profits/(losses)		2,205	(198)	(22,946)	(19,537)
Total equity		11,184	8,781	63,441	66,850

C Condensed interim statements of changes in equity

	Share capital US\$'000	Accumulated profits/(losses) US\$'000	Total equity US\$'000
Group			
(Unaudited)			
Balance as at 1 January 2021	8,979	(198)	8,781
Total comprehensive income for the year	-	2,403	2,403
Balance as at 31 December 2021	8,979	2,205	11,184

(Audited)			
Balance as at 1 January 2020	8,979	3,453	12,432
Total comprehensive loss for the year	-	(3,651)	(3,651)
Balance as at 31 December 2020	8,979	(198)	8,781

	Share capital US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Company			
(Unaudited)			
Balance as at 1 January 2021	86,387	(19,537)	66,850
Total comprehensive loss for the year	-	(3,409)	(3,409)
Balance as at 31 December 2021	86,387	(22,946)	63,441

(Audited)			
Balance as at 1 January 2020	86,387	(18,368)	68,019
Total comprehensive loss for the year	-	(1,169)	(1,169)
Balance as at 31 December 2020	86,387	(19,537)	66,850

D Condensed interim consolidated statement of cash flows

	Note	Group 12 months ended	
		31/12/2021 (Unaudited) US\$'000	31/12/2020 (Audited) US\$'000
Cash flows from operating activities			
Profit/(loss) before tax		3,380	(3,618)
Adjustments for:			
Amortisation of discount on provision for assets retirement obligations	8	15	12
Depreciation of property, plant and equipment	8	848	889
Loss on disposal of property, plant and equipment	8	3	88
Fair value loss/(gain) on amounts due to related parties	8	111	(143)
Fair value gain of exchange right and option	8	(160)	-
Interest income	8	(9)	(9)
Interest expense	8	678	363
Interest expense on lease liabilities	8	24	23
Post-employment benefits		170	217
Provision for mine reclamation and rehabilitation		61	61
Impairment losses on trade receivables		609	41
Bad debt expenses of other receivables	8	15	-
Unrealised foreign exchange (gain)/loss		(16)	8
Operating cash flows before working capital changes		5,729	(2,068)
Changes in operating assets and liabilities			
Inventories		3,231	(3,619)
Receivables and prepayments		(2,643)	3,218
Payables and accruals		(5,193)	1,105
Contract liabilities		-	61
Cash generated from/(used in) operations		1,124	(1,303)
Interest received		9	9
Taxes paid		(534)	(16)
Net cash generated from / (used in) operating activities		599	(1,310)
Cash flows from investing activities			
Deposit of investment to a related party		-	(16)
Net payment on behalf to a related party		-	(86)
Net proceeds from disposal of property, plant and equipment		155	202
Purchase of property, plant and equipment	12	(2,087)	(101)
Net cash used in investing activities		(1,932)	(1)

	Group	
	12 months ended	
	31/12/2021	31/12/2020
Note	(Unaudited)	(Audited)
	US\$'000	US\$'000
Cash flows from financing activities		
Interest paid	(253)	(246)
Interest paid on lease liabilities	(24)	(23)
Loan received from related parties	-	210
Loans received from third parties	2,698	570
Loan repayment to third parties	(5,221)	-
Net advances from related parties	-	813
Net advances from ultimate holding company	(1,205)	90
Repayment of lease liabilities	(238)	(133)
Proceed from issuance of exchangeable bond	15,000	-
Net cash generated from financing activities	10,757	1,281
Net increase / (decrease) in cash and cash equivalents		
	9,424	(30)
Cash and cash equivalents at beginning of financial year	33	64
Effects of exchange rate changes on cash and cash equivalents	-*	(1)
Cash and cash equivalents at end of financial year	9,457	33

*Less than USD1,000

E Notes to the condensed interim consolidated financial statements

1. Corporate information

The Company (Co. Reg. No. 200512048E) 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 Catalist board of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of an investment holding company. The principal activity of the Group is mining of nickel ore.

The immediate and ultimate holding company is Far East Mining Pte. Ltd., a company incorporated in Singapore.

2. Basis of preparation

The condensed interim consolidated financial statements for the six months and full year ended 31 December 2021 have been prepared in accordance with Singapore Financial Reporting Standards International (“**SFRS(I)**”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last interim consolidated financial statements for the six months ended 30 June 2021.

The accounting policies and methods of computation adopted are consistent with those adopted by the Company in its most recently audited consolidated financial statements for the full year ended 31 December 2020, which were prepared in accordance with SFRS(I)s. The Group has adopted all the applicable new and revised SFRS(I)s and SFRS(I) Interpretations that are mandatory for the accounting periods beginning on or after 1 January 2021.

The financial statements, presented in United States dollar (“**US\$**” or “**USD**”), which is the Company’s functional currency and all financial information presented in United States dollar are rounded to the nearest thousand (US\$’000) except when otherwise indicated.

3. New and amended standards adopted by the Group

The Group and the Company have adopted all the new and revised SFRS(I)s and SFRS(I) Interpretations that are relevant to its operations and effective for annual period beginning on 1 January 2021. The adoption of the new and revised standards and interpretations is assessed to have no material financial effect on the performance and financial position of the Group and of the Company for the current financial period reported on. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new and revised standards and interpretations.

4. Use of judgements and estimates

In preparing the condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the full year ended 31 December 2020, except for those relating to the exchangeable bond issued in the full year ended 31 December 2021 where the fair values of different components of the exchangeable bond are based on valuation performed by independent and qualified valuer. The parameter and key assumptions used in the methodologies involve significant judgement and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

5. Seasonal operations

The Group's business has not been affected significantly by seasonal or cyclical factors during the financial year.

6. Segment and revenue information

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

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

	Indonesia US\$'000	Group Singapore US\$'000	Consolidated US\$'000
Revenue			
6 months ended 31 December 2021			
Total sales to external customers	18,832	104	18,936
6 months ended 31 December 2020			
Total sales to external customers	-	-	-
Revenue			
12 months ended 31 December 2021			
Total sales to external customers	24,746	1,954	26,700
12 months ended 31 December 2020			
Total sales to external customers	475	-	475
Non-current assets			
As at 31 December 2021			
	12,823	37	12,860
As at 31 December 2020			
	11,150	96	11,246

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

Information about major customers

Group revenue of US\$26.7 million (12 months ended 31 December 2020: US\$0.5 million), includes US\$22.8 million derived from one (12 months ended 31 December 2020: one) external customer who individually contributed 10% or more of the Group's revenue as detailed below:

	Group 12 months ended 31 December 2021 US\$'000	12 months ended 31 December 2020 US\$'000
Customer 1	22,836	475
Other customers	3,864	-
	<u>26,700</u>	<u>475</u>

A breakdown of sales:

	Financial year ended 31 December 2021 US\$'000	The Group Financial year ended 31 December 2020 US\$'000	Increase / (Decrease) %
Sales reported for the first half year	7,764	475	n.m.
Operating profit/(loss) after tax before deducting non-controlling interests reported for first half year	493	(2,104)	n.m.
Sales reported for second half year	18,936	-	n.m.
Operating profit/(loss) after tax before deducting non-controlling interests reported for second half year	1,307	(1,537)	n.m.

n.m.: Not meaningful

7. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2021 and 31 December 2020:

	Group		Company	
	31 December 2021 US\$'000	31 December 2020 US\$'000	31 December 2021 US\$'000	31 December 2020 US\$'000
<i>Financial assets</i>				
Cash and bank balances, trade and other receivables (Amortised cost)	18,907	8,170	12,639	3,054
<i>Financial liabilities</i>				
Trade and other payables and borrowings (Amortised cost)	7,867	13,635	4,314	4,642
Exchangeable bond:				
- At amortised cost	9,553	-	9,553	-
- Exchangeable right and Option carried at FVTPL	5,517	-	1,609	-
	<u>22,937</u>	<u>13,635</u>	<u>15,476</u>	<u>4,642</u>

On 19 November 2021, the Company issued a US\$15.0 million exchangeable bond to GFL International Co., Limited (“GFL”), a wholly-owned subsidiary of Ganfeng Lithium Co., Ltd.³. The exchangeable bond is secured against the shares in the Company’s wholly-owned

³ Ganfeng Lithium Co., Ltd., a public dual-listed company on the Shenzhen Stock Exchange (stock code: 002460.SZ) and Hong Kong Stock Exchange (stock code: 1772) with a market capitalisation of approximately US\$31 billion (as at 28 February 2022), is one of the world’s largest lithium compound producers in China operating across the entire lithium-ion battery supply chain. More information about Ganfeng Lithium Co., Ltd. is available at: <[https:// www.ganfenglithium.com](https://www.ganfenglithium.com)>.

subsidiaries, namely FE Resources Pte Ltd (“**FER**”) and PT Anugrah Tambang Sejahtera (“**PT ATS**”).

The Group engaged an external independent and qualified valuer to perform a fair value exercise for the financial instrument at drawdown date and reporting date.

The fair value of the exchangeable bond on the issue date of US\$15.0 million has been split into financial liability carried at amortised cost and derivative components. On issuance of the exchangeable bond, the fair values of the derivative components, representing the embedded derivative of the exchangeable right and option, are determined using an option pricing model and this amount is carried as derivative components until extinguished on conversion or redemption. The liability component is measured at fair value on the issue date and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative components are measured at fair value on the issue date and any subsequent changes in fair value of the derivative components at the end of the reporting period are recognised in profit or loss.

The fair values of the liability component and derivative components have been determined based on the significant unobservable inputs and are categorised under level 3 of the fair value measurement hierarchy.

8. Profit/(loss) before taxation

Profit/(loss) before tax has been arrived after charging/(crediting):

	Group			
	6 months ended 31 December 2021 US\$'000	6 months ended 31 December 2020 US\$'000	12 months ended 31 December 2021 US\$'000	12 months ended 31 December 2020 US\$'000
Staff costs	1,190	752	1,978	1,600
Interest income	(5)	(4)	(9)	(9)
Government grant	-	(7)	(15)	(43)
Interest expenses				
- borrowings	179	203	360	358
- lease liabilities	14	19	24	23
- amounts due to related parties	-	5	-	5
- exchangeable bond	318	-	318	-
Fair value gain of exchange right and option	(160)	-	(160)	-
Fair value loss/(gain) on amounts due to related parties	111	(143)	111	(143)
Bad debt expenses of other receivables	15	-	15	-
Amortisation of discount on provision for assets retirement obligations	9	4	15	12
Depreciation of property, plant and equipment	446	358	848	889
Foreign exchange (gain)/loss, net	(387)	187	(319)	230
Loss on disposal of property, plant and equipment	3	56	3	88
Costs expensed for evaluation of smelter project	1,489	-	1,489	-

9. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in this set of condensed interim consolidated financial statements.

10. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group				
	6 months ended 31 December 2021 US\$'000	6 months ended 31 December 2020 US\$'000	12 months ended 31 December 2021 US\$'000	12 months ended 31 December 2020 US\$'000	
	Current income tax expense	1,025	10	1,037	23

11. Net Asset Value

	Group		Company		
	As at 31 December 2021 US cents	As at 31 December 2020 US cents	As at 31 December 2021 US cents	As at 31 December 2020 US cents	
	Net asset value per ordinary share	4.28	3.36	24.29	25.59

The net asset value per ordinary share of the Group and the Company as at 31 December 2021 and 31 December 2020 are calculated based on the total number of issued ordinary shares (excluding treasury shares) of 261,213,792.

12. Property, plant and equipment

During the financial year ended 31 December 2021, the Group acquired assets amounting to US\$2.1 million (financial year ended 31 December 2020: US\$0.1 million) and disposed of assets amounting to US\$0.2 million (financial year ended 31 December 2020: US\$ Nil).

13. Borrowings

	Group		Company		
	As at 31 December 2021 US\$'000	As at 31 December 2020 US\$'000	As at 31 December 2021 US\$'000	As at 31 December 2020 US\$'000	
	<i>Amount repayable within one year or on demand</i>				
	Secured	-	-	-	-
Unsecured	701	1,446	-	922	
<i>Amount repayable after one year</i>					
Secured	9,553	-	9,553	-	
Unsecured	-	2,062	-	2,062	

The amounts repayable after one year are secured against the shares in the Company's wholly-owned subsidiaries, namely FER and PT ATS.

14. Share capital

	FY2021		FY2020	
	Number of ordinary shares	US\$'000	Number of ordinary shares	US\$'000
Group				
As at 1 January, 30 June and 31 December	261,213,792	8,979	261,213,792	8,979
Company				
As at 1 January, 30 June and 31 December	261,213,792	86,387	261,213,792	86,387

The Company did not have any outstanding convertibles or outstanding options in its own shares as at 31 December 2021 and 31 December 2020. As disclosed in Note 7 above, the Company issued an exchangeable bond to GFL in November 2021, secured against the shares in the Company's wholly-owned subsidiaries, namely FER and PT ATS. Please refer to the Company's announcement dated 19 November 2021 for further information on the aforesaid exchangeable bond.

The Company did not hold any treasury shares as at 31 December 2021 and 31 December 2020.

The Company's subsidiaries did not hold any shares in the Company as at 31 December 2021 and 31 December 2020.

15. Subsequent events

On 25 February 2022, the Company's wholly-owned subsidiary, Silkroad Metal Industries Pte Ltd effected the transfer of the equity interest of 99% of the issued share capital of PT Anugrah Tambang Smelter ("**PT ATSM**") from PT Bina Mitra Serasi ("**PT BMS**") and Mr Hong Kah Ing ("**Mr Hong**") (Executive Director and Chief Executive Officer of the Company), and completed the acquisition of PT ATSM for a cash consideration of US\$20,000. Please refer to the Company's announcements dated 3 December 2020 and 28 February 2022 for further information on the aforesaid acquisition. The provisionally determined fair value of the net identifiable assets of PT ATSM as at 31 December 2021, based on the latest available information prior to the date of transfer of the equity interest, was US\$22,616 and there should be no amount attributable to purchased goodwill.

The financial effects of the aforesaid acquisition have not been included in this set of condensed interim consolidated financial statements for the six months and full year ended 31 December 2021. The operating results and assets and liabilities of PT ATSM will be reflected in the condensed interim consolidated financial statements of the Group for the six months ending 30 June 2022.

F Other Information Required by Catalyst Rule Appendix 7C

1. Review

The condensed interim consolidated statement of financial position of Silkroad Nickel Ltd. and its subsidiaries as at 31 December 2021 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the six months and full year ended 31 December 2021 and explanatory notes have not been audited or reviewed by the Company's auditors.

2. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion

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

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

Not applicable. The Group's latest audited consolidated financial statements for the financial year ended 31 December 2020 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

3. Review of performance of the Group

Review of the consolidated profit or loss and other comprehensive income for the 12 months ended 31 December 2021 ("FY2021") as compared to the 12 months ended December 2020 ("FY2020")

(a) Revenue

The Group completed the sale of 698,558 metric tonnes of nickel ore in FY2021 generating a revenue of US\$24.8 million, a significant increase as compared to a revenue of US\$0.5 million generated in FY2020 from the sale of 26,174 metric tonnes of nickel ore.

During FY2021, the Group entered into sales agreements with PT Ekasa Yad Resources ("**Ekasa**") and PT Mineral Maju Sejahtera ("**MMS**"). The nickel ore sales to Ekasa commenced in April 2021 under the two-year nickel ore sales agreement to deliver a total of 2.7 million metric tonnes of nickel ore. The nickel ore sales to MMS commenced in November 2021 under the one-year nickel ore sales agreement to deliver a total of 0.6 million metric tonnes of nickel ore. In addition to the higher quantity of nickel ore sold in FY2021, the average selling price of nickel ore in FY2021 was higher based on the Indonesian Government's benchmark pricing, as compared to FY2020.

The Group also completed a one-off US\$1.9 million sale of nickel pig iron to a customer in FY2021. There was no such sale of nickel pig iron in FY2020.

(b) Cost of goods sold

The Group's total cost of goods sold increased by US\$15.3 million, from US\$0.6 million in FY2020 to US\$15.9 million in FY2021, mainly due to the increase in sale of nickel ore and nickel pig iron in FY2021, as compared to FY2020.

(c) Gross profit margin

As a result of the above, gross profit increased by US\$10.9 million, from a gross loss of US\$0.1 million in FY2020 to a gross profit of US\$10.8 million in FY2021. Overall, the gross profit margin increased to 40.3% in FY2021, as compared to a gross loss margin of 26.1% in FY2020.

(d) Other income

In FY2021, the Group's other income increased by US\$0.4 million, from US\$0.2 million in FY2020 to US\$0.6 million in FY2021 primarily due to fair value gain arising from exchange right and option of US\$0.2 million, foreign exchange gain of US\$0.3 million which arose from a stronger US\$ as SG\$ repayments were made in US\$, partially offset by the reversal of fair value gain on amounts due to related parties of US\$0.1 million recorded in FY2020.

(e) Administrative expenses

In FY2021, the Group's administrative expenses increased by US\$3.3 million, from US\$3.3 million in FY2020 to US\$6.6 million in FY2021.

The increase of US\$3.3 million included US\$1.5 million incurred by the Company in FY2021, in relation to the evaluation of the smelter projects. Expenses incurred were (i) US\$0.3 million on technical due diligence, feasibility studies and engineering design, (ii) US\$0.7 million on professional advisory and consultancy fees, (iii) US\$0.4 million on project management consultant fees and administration, and (iv) US\$0.1 million for utilities.

The remaining US\$1.8 million increase in administrative expenses related to increase in costs in the mining business as a result of higher sales in FY2021. Marketing and agency fees increased by US\$1.0 million, staff costs including incentives increased by US\$0.4 million, professional fees increased by US\$0.1 million, fair value loss on amounts due to related parties of US\$0.1 million was recorded and value-added tax expenses increased by US\$0.2 million in FY2021, as compared to FY2020.

(f) Impairment losses on trade and other receivables

In FY2021, the Group provided for an impairment loss of US\$0.6 million (FY2020: US\$41,000) in relation to the recoverability of amounts resulting from adjustments to the grade of nickel ore sold on certain shipments. The Group continues to discuss with its trade customer regarding the recoverability of these amounts.

(g) Finance costs

Finance costs increased by US\$0.3 million, from US\$0.4 million in FY2020 to US\$0.7 million in FY2021, mainly due to interest incurred on exchangeable bond obtained in FY2021.

(h) Tax expense

Tax expense increased by US\$1.0 million, from US\$23,000 in FY2020 to US\$1.0 million in FY2021 due to taxable profits recorded in FY2021, as compared to net loss recorded in FY2020.

(i) Profit after tax

The Group recorded a profit after tax of US\$2.3 million for FY2021 (profit after tax margin 8.8%), as compared to a loss after tax of US\$3.6 million for FY2020, as a result of the above.

(j) EBITDA

The Group's EBITDA was US\$4.9 million in FY2021 (EBITDA margin 18.5%), as compared to a loss of US\$2.3 million in FY2020.

Review of Financial Position as at 31 December 2021 as compared to 31 December 2020

Non-Current Assets

The Group's non-current assets increased by US\$1.7 million, from US\$11.9 million as at 31 December 2020 to US\$13.6 million as at 31 December 2021, mainly due to the increases in property, plant and equipment and deferred tax assets.

- (i) Property, plant and equipment increased by US\$1.6 million, from US\$11.2 million as at 31 December 2020 to US\$12.8 million as at 31 December 2021. The increase was mainly due to infrastructure costs incurred to increase production and delivery of nickel ore to fulfill the sales contracts.
- (ii) Deferred tax asset increased by US\$0.1 million, from US\$0.3 million as at 31 December 2020 to US\$0.4 million as at 31 December 2021. The increase was mainly due to deductible temporary difference arising from the provision of impairment in trade receivables during the year.

Current Assets

Current assets increased by US\$8.3 million, from US\$13.0 million as at 31 December 2020 to US\$21.3 million as at 31 December 2021, due to the increases in cash and cash equivalents, and receivables and prepayments, partially offset by the decrease in inventories.

- (i) Cash and cash equivalents increased by US\$9.4 million, from US\$33,000 as at 31 December 2020 to US\$9.5 million as at 31 December 2021. The increase in cash and cash equivalents was mainly attributable to funds received by the Company from the issuance of the exchangeable bond to GFL in November 2021. Please refer to subsection below titled "Review of Statement of Cash Flows" on the reasons for the increase in cash and cash equivalents.
- (ii) Receivables and prepayments increased by US\$2.1 million, from US\$8.1 million as at 31 December 2020 to US\$10.2 million as at 31 December 2021. The increase was mainly due to increase in sales in FY2021 as mentioned in section 3(a) above.
- (iii) Inventories decreased by US\$3.3 million, from US\$4.9 million as at 31 December 2020 to US\$1.6 million as at 31 December 2021. The decrease was mainly due to the sales of nickel ore and nickel pig iron in FY2021.

Non-Current Liabilities

Non-current liabilities increased by US\$7.0 million, from US\$4.2 million as at 31 December 2020 to US\$11.2 million as at 31 December 2021, mainly due to the US\$9.6 million financial liability related to the loan component of exchangeable bond issued to GFL (as further explained in Section E Note 7 of this announcement), partially offset by the reduction in payables and borrowings of US\$2.6 million. The exchangeable bond is repayable in 2024 being more than 12 months after the end of the reporting period.

Current Liabilities

Current liabilities increased by US\$0.6 million, from US\$11.9 million as at 31 December 2020 to US\$12.5 million as at 31 December 2021. The increase was mainly due to (i) financial liability of US\$5.5 million as at 31 December 2021 (31 December 2020: Nil) which relates to the exchange right and option component of the exchangeable bond issued to GFL (as further explained in Section E Note 7 of this announcement), and (ii) the increase in tax payables of US\$0.8 million attributable to higher taxable profits in FY2021, which are (iii) partially offset by the decrease in short-term borrowings and payables of US\$5.6 million, as a result of settlement with the improved cashflow of the Group in FY2021.

Equity

As a result of the above, total equity of the Group increased by US\$2.4 million, from US\$8.8 million as at 31 December 2020 to US\$11.2 million as at 31 December 2021.

Working Capital Position

The Group reported an improved positive working capital position, from US\$1.1 million as at 31 December 2020 to US\$8.8 million as at 31 December 2021.

Review of Statement of Cash Flows

FY2021

Net cash generated from operating activities of US\$0.6 million in FY2021 was attributable to (i) operating cash inflows before working capital changes of US\$5.7 million; (ii) a net working capital outflow of US\$4.6 million resulting from an increase of US\$2.6 million in receivables and prepayments and a decrease of US\$5.2 million in payables and accruals, partially offset by a decrease of US\$3.2 million in inventories in FY2021; and (iii) tax paid of US\$0.5 million.

Net cash used in investing activities of US\$1.9 million in FY2021 was mainly attributable to the purchase of plant and equipment of US\$2.1 million, partially offset by proceeds received from the disposal of property, plant and equipment of US\$0.2 million.

Net cash generated from financing activities of US\$10.7 million in FY2021 was mainly attributable to the US\$15.0 million exchangeable bond issued to GFL (as further explained in Section E Note 7 of this announcement) and short-term loans received from third parties of US\$2.7 million. The increased cash resources were used to repay existing loans of US\$6.4 million from third parties and ultimate holding company, interest payments of US\$0.3 million and repayment of lease liabilities of US\$0.2 million.

As a result of the above, the Group's cash and cash equivalents (after netting the effects of exchange rate changes) increased by US\$9.4 million, from US\$33,000 as at 1 January 2021 to US\$9.5 million as at 31 December 2021.

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

No forecast or prospect statement was previously disclosed to shareholders.

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

The COVID-19 pandemic remains an evolving situation with new variants emerging in Asia. As at the date of this announcement, the COVID-19 pandemic has not caused significant disruption to the Group's business and operations. Notwithstanding this, the Group will continue to monitor its operations and health and safety of its employees in Singapore and Indonesia.

Current review of the Indonesian Mining Industry

The Indonesian government has made a strategic shift towards supporting domestic value-added nickel pig iron production and there is a rapidly growing demand for nickel and cobalt from the electric vehicle ("EV") battery manufacturers. Nickel is widely considered a "future-facing" commodity as it is a critical raw ingredient for steel, as well as the batteries which power the growing market for EVs. Global nickel supply is expected to grow with a CAGR of 4.6% by 2025, with EV batteries being the most prominent driver for nickel demand, estimated to grow 23% annually until 2030⁴. In FY2021, the average nickel prices had increased by almost 12% from US\$17,800/t to US\$20,000/t.

⁴ Lee, E. Y., 2019. *Nickel and the Battery Revolution: A New Dawn for Nickel in Batteries*. DBS Asian Insights Sector Briefing 80. DBS Group Research. Available at: <https://www.dbs.com/aics/templatedata/article/generic/data/en/GR/092019/190918_insights_nickel.xml> [Accessed on 15 February 2022].

Group's strategic investment partnership with GFL

Please refer to the announcement released by the Company on 19 November 2021 in respect of the completion of the issuance of 7% US\$15.0 million exchangeable bond due 2024 to GFL. The Group has significantly strengthened its financial position and intends to use these funds for the expansion of its mining activities, capital expenditure for its smelter projects, repayment of existing debt, general working capital requirements and investment in partnerships and initiatives in the EV battery business.

Update on smelter projects

The Group is committed to its strategy of expanding its business for the production and export of nickel pig iron. The Group continues to assess and discuss with various financing and operating partners the feasibility and financing of the smelter facilities in Sulawesi, Indonesia. The Company will provide its shareholders with updates on such development, in accordance with the requirements of the Catalyst Rules.

6. Dividend Information

No dividend has been declared or recommended for FY2021 as the Group wishes to conserve its cash resources for its mining operations and smelter project.

7. Interested person transactions

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

Details of the interested person transactions for FY2021 are as follows:

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (S\$'000)
<u>PT Bina Mitra Serasi ("PT BMS")</u> - Rental of cars by PT Teknik Alum Service (a subsidiary of the Company) from PT BMS	PT BMS is 4% and 96% owned by (i) Mr. Hong Kah Ing ("Mr. Hong"), who is a controlling shareholder of the Company and the Executive Director and Chief Executive Officer of the Group; and (ii) Mr Hong's spouse, respectively.	139	-
Total		139	-

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

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

(i) Use of funds/cash for the quarter

For the fourth quarter from 1 October 2021 to 31 December 2021 (“4Q2021”), funds/cash were mainly used by the Group for the following activities:

Purpose	Forecasted usage of funds (US\$'000)	Actual usage of funds (US\$'000)
Development activities	50	-
Production activities	5,000	4,755
General working capital	1,400	2,829
Total	6,450	7,584

There were no development activities in 4Q2021.

Actual funds used for production activities in 4Q2021 was US\$0.3 million lower than forecasted as a result of the Group's efficient production cost management measures.

Actual funds used for general working capital in 4Q2021 was US\$1.4 million higher than forecasted primarily due to the increase in manpower costs and operating expenses including costs for rental of heavy equipment as the Group increased its production capacity to meet the requirements of the new sales agreements.

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

For the next immediate quarter from 1 January 2022 to 31 March 2022 (“1Q2022”), the Group's use of funds is expected to be as follows:

Purpose	Amount (US\$'000)
Development activities	100
Production activities	5,000
General working capital	3,000
Total	8,100

Principal assumptions

Projected use of funds is based on the current production and sales estimates to fulfill the sales contracts. Expenses incurred for the Group's mine development activities, will vary according to the Group's rate of nickel mining and production. Accordingly, if the Group's rate of nickel mining and production changes, the Group's use of funds for mine development activities will change as well.

In addition, the level of exploration and production activities at the Group's mine site will vary depending on the weather conditions, the development of the COVID-19 pandemic as well as the COVID-19 safety considerations and travel restrictions imposed by the Indonesian Government and/or regulatory authorities.

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

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

(c) Rule 705(7) of the Catalist Rules

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

During 4Q2021, no exploration and development activities were carried out.

In relation to production activities, a total of approximately 314,532 metric tons of nickel ore was produced during 4Q2021. Please refer to part (i) to Rule 705(6)(a) of the Catalist Rules above for information on the amount of expenditure incurred on the production activities in 4Q2021.

9. Additional Information Required for Full Year Announcement

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

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

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

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

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

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

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

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

10. Disclosure of acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period pursuant to Rule 706A of the Catalist Rules

The Group does not have any acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period, up to 31 December 2021.

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

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

**By Order of the Board
Silkroad Nickel Ltd.**

Hong Kah Ing
Executive Director and Chief Executive Officer

1 March 2022, Singapore