SILKROADNICKEL

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

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2019

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

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

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Background

Silkroad Nickel Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**"), formerly known as China Bearing (Singapore) Ltd., was formed subsequent to the successful reverse takeover ("**RTO**") by FE Resources Pte. Ltd. ("**FER**", and together with its subsidiaries, the "**FER Group**"). In December 2015, the Company completed the disposal of its principal and wholly-owned subsidiary (the "**Disposal**"). Following the completion of the Disposal, the Company became a "cash company" under Rule 1018 of the SGX-ST Listing Manual and ceased to have any operating subsidiaries or businesses up to 5 July 2018. On 5 July 2018, the Company completed the acquisition of the entire issued and paid-up capital of FER (the "**Proposed Acquisition**") and changed its name from "China Bearing (Singapore) Ltd." to "Silkroad Nickel Ltd.". Please refer to the Company's circular to shareholders (the "**Circular**") dated 31 May 2018 for further details on the RTO and the Proposed Acquisition.

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

Following the completion of the RTO, the Company changed the presentation currency and functional currency for its financial statements from Singapore Dollar ("**SGD**") to United States Dollar ("**USD**" or "**US$**"). The exchange rates of USD1: SGD1.35560 as at 31 March 2019 and USD1: SGD1.36555 as at 31 December 2018 were used for the translation, where applicable.

Group Level

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

Accordingly, the consolidated financial statements comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the 3 months ended 31 March 2019 have been presented as a continuation of the FER Group's financial results and operations, in accordance with the following:

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

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

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

Company Level

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

Notes:

I. The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the 3 months ended 31 March 2019 refer to the enlarged group which included the results of FER Group and the Company from 1 January 2019 to 31 March 2019.
II. The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the 3 months ended 31 March 2018 refer to the results of FER Group from 1 January 2018 to 31 March 2018.
III. The Group's consolidated statement of financial position as at 31 March 2019 and 31 December 2018 refers to the consolidated statement of financial position of the enlarged group comprising FER Group and the Company.
IV. The Company's statement of financial position as at 31 March 2019 and 31 December 2018 refer to that of the Company.
V. The Company's statement of changes in equity for the 3 months ended 31 March 2019 and 3 months ended 31 March 2018 refer to that of the Company.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF –YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Group 3 months ended		
	Notes	**31/03/2019 US$ (Unaudited)**	**31/03/2018 US$ (Unaudited)**	**% Change**
Revenue	8(a)	1,867,445	1,053,098	77.3
Cost of goods sold	8(b)	(1,627,044)	(561,520)	n.m.
Gross profit	8(c)	240,401	491,578	(51.1)
Other income	8(d)	165,581	2,569	n.m
Expenses				
Administrative expenses	8(e)	(928,332)	(306,091)	n.m
Finance expenses	8(f)	(12,456)	(110,078)	(88.7)
(Loss)/profit before tax		(534,806)	77,978	n.m
Tax expense		-	-	-
(Loss)/profit after tax		(534,806)	77,978	n.m
Other comprehensive income *Items that will not be reclassified subsequently to profit or loss:*				
Re-measurement of post-employment benefits liabilities, net of tax		-	-	-
Other comprehensive income for the financial period, net of tax		-	-	-
Total comprehensive (loss)/income for the financial period		(534,806)	77,978	n.m

n.m – not meaningful

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

	Group 3 months ended		
	31/03/2019 US$ (Unaudited)	31/03/2018 US$ (Unaudited)	% Change
(Loss)/profit for the period is arrived at after charging/(crediting):			
Included in cost of goods sold:			
Changes in inventories	46,059	(412,369)	n.m
Depreciation of property, plant and equipment	204,804	183,692	11.5
Mining contractor charges	760,349	418,072	81.9
Provision for mine reclamation and rehabilitation	3,836	3,214	19.4
Royalty fees	112,015	48,223	n.m
Staff costs	92,813	67,919	36.7
Transportation costs	273,033	171,646	59.1
Included in other income:			
Interest income	1,261	2,542	(50.4)
Foreign exchange gain, net	11,316(1)	-	n.m
Included in administrative expenses:			
Depreciation of property, plant and equipment	11,557	6,477	78.4
Depreciation of right-of-use assets	38,085	-	n.m
Foreign exchange loss, net	-	8,602(1)	n.m
Professional fees	154,439	30,700	n.m
Staff costs	295,669	102,782	n.m
Travelling expenses	46,099	48,558	(5.1)
Included in finance expenses:			
Interest expense on finance lease liabilities	6,570	2,781	n.m
Interest expense on operating lease liabilities	2,971	-	n.m
Interest expense on loan	-	102,210	n.m

n.m – not meaningful

Note:

(1) In the 3 months ended 31 March 2019 ("**3M2019**"), the Group recorded a net foreign exchange gain of approximately US$11,000 mainly due to the appreciation of Indonesian Rupiah ("**IDR**") against USD in 3M2019. In the 3 months ended 31 March 2018 ("**3M2018**"), the Group recorded a net foreign exchange loss of approximately US$9,000 mainly due to the appreciation of USD against IDR in 3M2018.

1(b)(i) A statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

		Group		Company	
		As at		As at	
	Notes	31/03/2019 (Unaudited) US$	31/12/2018 (Audited) US$	31/03/2019 (Unaudited) US$	31/12/2018 (Audited) US$
Non-current assets					
Investments in subsidiaries		-	-	50,000,000	50,000,000
Property, plant and equipment	8(i)	11,934,272	12,139,203	39,846	43,686
Right-of-use assets	8(ii)	279,109	-	76,708	-
Deferred tax assets	8(iii)	202,245	198,935	-	-
Receivables	8(iv)	265,390	261,046	300,000	900,000
		12,681,016	12,599,184	50,416,554	50,943,686
Current assets					
Inventories	8(v)	1,073,661	1,111,459	-	-
Receivables and prepayments	8(vi)	1,799,328	1,308,712	3,074,666	2,606,392
Cash and cash equivalents		73,678	87,364	10,249	8,722
		2,946,667	2,507,535	3,084,915	2,615,114
Total assets		15,627,683	15,106,719	53,501,469	53,558,800
Non-current liabilities					
Liabilities for post-employment benefits	8(vii)	281,302	246,234	-	-
Finance lease liabilities		10,610	10,794	-	-
Provisions	8(viii)	663,860	646,202	-	-
		955,772	903,230	-	-
Current liabilities					
Payables and accruals	8(ix)	2,323,359	1,604,905	275,316	180,391
Finance lease liabilities	8(x)	125,882	167,895	-	-
Operating lease liabilities	8(xi)	284,623	-	80,970	-
Tax payables	8(xii)	145,104	102,940	9,881	9,270
		2,878,968	1,875,740	366,167	189,661
Total liabilities		3,834,740	2,778,970	366,167	189,661
Net assets		11,792,943	12,327,749	53,135,302	53,369,139
Equity					
Share capital		8,978,815	8,978,815	70,145,623	70,145,623
Accumulated profits/(losses)		2,814,128	3,348,934	(17,010,321)	(16,776,484)
Total equity		11,792,943	12,327,749	53,135,302	53,369,139

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

Amount repayable in one year or less, or on demand

As at 31 March 2019		As at 31 December 2018	
Secured (US$)	**Unsecured (US$)**	**Secured (US$)**	**Unsecured (US$)**
125,882	NA	167,895	NA

Amount repayable after one year

As at 31 March 2019		As at 31 December 2018	
Secured (US$)	**Unsecured (US$)**	**Secured (US$)**	**Unsecured (US$)**
10,610	NA	10,794	NA

The Group's borrowings and debt securities comprised obligations under finance leases as at 31 March 2019 and 31 December 2018.

Details of any collateral

The Group's borrowings, which comprised obligations under finance leases, are secured by property, plant and equipment with a net book value of US$604,103 as at 31 March 2019 (31 December 2018: US$625,115).

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	3 months ended	
	31/03/2019 (Unaudited) US$	31/03/2018 (Unaudited) US$
Cash flows from operating activities		
(Loss)/profit before tax	(534,806)	77,978
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	4,174	1,046
Depreciation of property, plant and equipment	216,361	190,169
Depreciation of right-of-use assets	38,085	-
Post-employment benefits	31,230	-
Interest income	(1,261)	(2,542)
Interest expense	12,456	110,078
Provision for mine reclamation and rehabilitation	3,836	3,214
Unrealised foreign exchange loss/(gain)	4,126	(8,260)
Operating cash flows before working capital changes	(225,799)	371,683
Changes in operating assets and liabilities		
Inventories	37,798	(420,423)
Receivables and prepayments	(475,718)	224,691
Payables and accruals	239,747	290,605
Cash (used in)/generated from operations	(423,972)	466,556
Interest received	1,261	2,542
Taxes paid, net of taxes refunded	(19,241)	(4,451)
Net cash (used in)/generated from operating activities	(441,952)	464,647
Cash flows from investing activity		
Purchase of property, plant and equipment	(316)	(1,871)
Net cash used in investing activity	(316)	(1,871)
Cash flows from financing activities		
Interest paid	(12,456)	(323,630)
Net payment on behalf of ultimate holding company	(3,512)	(28,782)
Net advances from directors	-	7,096
Net advances from ultimate holding company	-	1,741
Advances from customers	1,116,240	-
Repayment of advances from customers	(595,166)	-
Repayment of finance leases	(78,237)	(33,121)
Net cash generated from/(used in) financing activities	426,869	(376,696)
Net (decrease)/increase in cash and cash equivalents	(15,399)	86,080
Cash and cash equivalents at beginning of financial period	87,364	77,157
Effects of exchange rate changes on cash and cash equivalents	1,713	(957)
Cash and cash equivalents at end of financial period	73,678	162,280

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Accumulated profits	Total equity
	US$	US$	US$
Group			
(Unaudited)			
Balance as at 1 January 2019	8,978,815	3,348,934	12,327,749
Total comprehensive loss for the period	-	(534,806)	(534,806)
Balance as at 31 March 2019	8,978,815	2,814,128	11,792,943
(Unaudited)			
Balance as at 1 January 2018	1	7,316,253	7,316,254
Total comprehensive income for the period	-	77,978	77,978
Balance as at 31 March 2018	1	7,394,231	7,394,232

	Share capital	Accumulated losses	Translation reserves	Total equity
	US$	US$	US$	US$
Company				
(Unaudited)				
Balance as at 1 January 2019	70,145,623	(16,776,484)	-	53,369,139
Total comprehensive loss for the period	-	(233,837)	-	(233,837)
Balance as at 31 March 2019	70,145,623	(17,010,321)	-	53,135,302
(Unaudited)				
Balance as at 1 January 2018	17,091,937	(9,035,310)	681,987	8,738,614
Total comprehensive (loss)/ income for the period	-	(430,247)	(14,100)	(444,347)
Balance as at 31 March 2018	17,091,937	(9,465,557)	667,887	8,294,267

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share option or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Issued and paid-up share capital US$
Balance as at 1 January 2019	127,103,447	70,145,623
Balance as at 31 March 2019	127,103,447	70,145,623

The Company did not have any outstanding convertibles, treasury shares and subsidiary holdings as at 31 March 2019 and 31 March 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 March 2019	As at 31 December 2018
Total number of issued shares, excluding treasury shares	127,103,447	127,103,447

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

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable. The figures have not been audited nor reviewed by the Company's auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in section 5 below, the Company has adopted the new accounting standard of SFRS (I) 16 Leases effective for annual periods beginning on or after 1 January 2019 in the presentation of the unaudited financial statements for the financial period ended 31 March 2019 as compared with the audited financial statements for the financial year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reason for, and the effect of, the change.

The Group has adopted the new accounting standard of SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019. The Group is using the modified retrospective approach and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 16 at the date of initial application in the opening accumulated losses as at 1 January 2019. Right-of-use assets and all other leases are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

The Group does not expect the adoption of SFRS(I) 16 to have any significant impact on its financial position and financial performance for the financial year ending 31 December 2019.

6. Earnings per ordinary share of the group for the current financial period reported on and the immediately preceding financial period, after deducting any provision for preference dividends.

	Group	
	3 months ended	
	31/03/2019 (Unaudited)	**31/03/2018 (Unaudited)**
(Loss)/profit attributable to owners of the Company (US$)	(534,806)	77,978
Weighted average number of ordinary shares outstanding	127,103,447	95,793,103
Basic and diluted (loss)/earnings per share (US cents)	(0.42)	0.08

For the immediately preceding financial period, the earnings per share was recomputed based on the weighted average number of shares of 95,793,103 shares (determined based on the number of issued shares upon completion of the share consolidation exercise (where every 10 existing issued shares were consolidated into one share as at 4 July 2018, fractional entitlements disregarded) and after taking into account the number of new shares issued for the RTO, excluding the new shares issued to the arranger and financial advisor).

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

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**
(a) current financial year reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 31/03/2019	**As at 31/12/2018**	**As at 31/03/2019**	**As at 31/12/2018**
Net assets value (US$)	11,792,943	12,327,749	53,135,302	53,369,139
Number of ordinary shares in issue	127,103,447	127,103,447	127,103,447	127,103,447
Net assets value per share (US cents)	9.28	9.70	41.80	41.99

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

<u>Review of Group's performance for the 3 months ended 31 March 2019 ("3M2019" or "1Q2019") as compared to the 3 months ended 31 March 2018 ("3M2018")</u>

(a) Revenue

The Group's revenue for 3M2019 increased by US$0.8 million or 77.3%, from US$1.1 million in 3M2018 to US$1.9 million in 3M2019. The increase was mainly due to the increase in the quantity of nickel ore sold by 93.8%, from 54,842 metric tons in 3M2018 to 106,309 metric tons in 3M2019.

(b) Cost of goods sold

Cost of goods sold increased by US$1.0 million, from US$0.6 million in 3M2018 to US$1.6 million in 3M2019, mainly due to the increase in mining contractor fees, fuel and transportation costs in 3M2019, as compared to that in 3M2018.

(c) Gross profit margin

The gross profit margin in 3M2019 and 3M2018 was 12.9% and 46.7%, respectively. The lower gross profit margin in 3M2019 was largely due to the higher rate of increase in cost of goods sold as explained in 8(b) above, as compared to the increase in revenue.

(d) Other income

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

Other income increased by approximately US$163,000, from US$3,000 in 3M2018 to US$166,000 in 3M2019. This was mainly due to the increase in rental income generated from renting out the Group's excavators and off-highway trucks to the mining contractor.

(e) Administrative expenses

Administrative expenses increased by US$0.6 million, from US$0.3 million in 3M2018 to US$0.9 million in 3M2019. This was mainly due to the increase in (i) professional fees incurred for the development of mine plan; (ii) professional fees incurred in relation to the Company's ongoing listing obligations on the Singapore Exchange; (iii) directors' remuneration; (iv) employee costs due to the increase in number of employees in the Group; and (v) depreciation costs due to the adoption of new accounting standard SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019 for the right-of-use assets.

(f) Finance expenses

Finance expenses decreased by approximately US$98,000, from US$110,000 in 3M2018 to US$12,000 in 3M2019 due to the settlement of loans payable to ultimate holding company.

As a result of the above, the Group recorded a loss after tax of approximately US$535,000 in 3M2019, as compared to a profit after tax of US$78,000 in 3M2018.

Review of Financial Position

Non-Current Assets

(i) Property, plant and equipment decreased by US$0.2 million, from US$12.1 million as at 31 December 2018 to US$11.9 million as at 31 March 2019. This was due to the depreciation of property, plant and equipment, and amortisation charges of mining property during 3M2019.

(ii) Right-of-use assets increased by US$0.3 million, from US$ NIL as at 31 December 2018 to US$0.3 million as at 31 March 2019. This was due to the adoption of new accounting standard SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019. The right-of-use assets consist of office lease liabilities starting from 1 January 2019.

(iii) Deferred tax assets, which relate to tax benefits to be realised in the future, increased by approximately US$3,000, from US$199,000 as at 31 December 2018 to US$202,000 as at 31 March 2019. The increase was due to exchange differences recognised during 3M2019.

(iv) Receivables comprised fixed deposits placed as security deposits for mine reclamation purposes. Receivables increased by approximately US$4,000, from US$261,000 as at 31 December 2018 to US$265,000 as at 31 March 2019 due to exchange differences recognised during 3M2019.

Current Assets

(v) Inventories decreased by approximately US$38,000, from US$1.11 million as at 31 December 2018 to US$1.07 million as at 31 March 2019 as the sales quantity of the nickel ore was higher than the production quantity during 3M2019.

(vi) Receivables and prepayments, comprising trade receivables, other receivables and prepayments, increased by approximately US$0.5 million, from US$1.3 million as at 31 December 2018 to US$1.8 million as at 31 March 2019.

Trade receivables increased by US$0.4 million, from US$0.6 million as at 31 December 2018 to US$1.0 million as at 31 March 2019 due to billings made to customers as at 31 March 2019.

Other receivables and prepayments increased by approximately US$97,000, from US$663,000 as at 31 December 2018 to US$760,000 as at 31 March 2019 due to deposit for investment and prepaid professional service fees incurred prior to the rendering of the services.

Non-Current Liabilities

(vii) Liabilities for post-employment benefits increased by approximately US$35,000, from US$246,000 as at 31 December 2018 to US$281,000 as at 31 March 2019. The increase was due to the provision of retirement pension cost during 3M2019.

(viii) Provisions were in relation to provisions made for mine reclamation and rehabilitation expenses. Provisions increased by approximately US$18,000, from US$646,000 as at 31 December 2018 to US$664,000 as at 31 March 2019 due to the increase in the production of the nickel ore.

Current Liabilities

(ix) Payables and accruals, comprising trade payables, other payables and accruals, increased by US$0.7 million, from US$1.6 million as at 31 December 2018 to US$2.3 million as at 31 March 2019.

Trade payables increased by US$0.6 million, from US$0.3 million as at 31 December 2018 to US$0.9 million as at 31 March 2019. The increase was due to the higher production cost incurred as a result of the higher quantity of nickel ore being produced in 3M2019.

Other payables increased approximately by US$0.5 million, from US$6,000 as at 31 December 2018 to US$524,000 as at 31 March 2019. This increase was due to sales advances from customers in 3M2019.

Accruals decreased by US$0.4 million, from US$1.3 million as at 31 December 2018 to US$0.9 million as at 31 March 2019. This was mainly due to the settlement in relation to the additional assessment of royalty fee for the period from January 2016 to July 2017 in 3M2019.

(x) Finance lease liabilities decreased by approximately US$42,000, from US$168,000 as at 31 December 2018 to US$126,000 as at 31 March 2019. This was due to lease payment made for heavy equipment in 3M2019.

(xi) Operating lease liabilities increased by US$0.3 million, from US$ NIL as at 31 December 2018 to US$0.3 million as at 31 March 2019. This was due to the adoption of new accounting standard SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019. This comprises office lease liabilities starting from 1 January 2019.

(xii) Tax payables increased by approximately US$42,000, from US$103,000 as at 31 December 2018 to US$145,000 as at 31 March 2019. The increase was due to tax payment for employee income tax and withholding tax for mining contractors in 3M2019.

Equity

As a result of the above, total equity of the Group decreased by US$0.5 million, from US$12.3 million as at 31 December 2018 to US$11.8 million as at 31 March 2019.

Review of Statement of Cash Flows

3M2019

Net cash used in operating activities of US$0.4 million was attributable to (i) operating cash outflows of US$0.2 million; and (ii) a net working capital outflow of US$0.2 million resulting from an increase of US$0.47 million in receivables and prepayments for sales invoiced in 3M2019, partially offset by a decrease of US$0.24 million in payables and accruals due to rescheduling of supplier payments to the next quarter.

Net cash used in investing activity in 3M2019 was insignificant.

Net cash generated from financing activities of US$0.4 million was attributable to the net sales advances received from a customer, which was partially offset by interest payments of approximately US$12,000 and finance lease payments of US$78,000.

As a result of the above, the Group's cash and cash equivalents (after netting the effects of exchange rate changes) stood at approximately US$74,000 as at 31 March 2019. Since April 2019, the Group has secured financing facilities for working capital to further strengthen its financial position.

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

No forecast or prospect statement was previously disclosed to shareholders.

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

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

As announced by the Company on 9 April 2019, the Company's subsidiary, PT Teknik Alum Service had on 8 April 2019, successfully received the approval from the Central Sulawesi's Provincial Environmental Assessment Committee and barring any unforeseen circumstances, is expecting to receive the export quota from the competent Indonesian authorities by June 2019. With the receipt of the export quota, the Group is expected to be able to negotiate with its customers to obtain sales advances prior to the sales delivery which will improve the Group's receivable turnover.

In anticipation of the receipt of the export quota, the new mining contractor (comprising Sinohydro Corporation Limited and PT. Sepco II Indo) is completing the preparatory activities and intends to commence mining operation by the end of May 2019. Further, the Group intends to increase the production of export grade nickel ore (<1.7% grade) and sell it on a Free On Board basis to achieve better gross profit margins.

11. If a decision regarding dividend has been made

(a) Whether an interim (final) ordinary dividend has been declared (recommended).

None.

(b) (i) Amount per share

Not Applicable.

(ii) Previous corresponding period

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Not Applicable.

(d) The date the dividend is payable

Not Applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.

Not Applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared / recommended for 3M2019 as the Group recorded net loss in 3M2019.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a general mandate from shareholders for interested person transactions. Save for interested person transactions each amounting to less than S$100,000, no interested person transaction was entered into between the Group and any interested person in 1Q2019.

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

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

(i) Use of funds/cash for the quarter

For 1Q2019, funds were mainly used for the following activities:-

Purpose	**Forecasted usage of funds (US$)**	**Actual usage of funds (US$)**
Development activities*	77,000	160,000
Production activities	2,058,000	1,377,000
General working capital	1,216,000	632,000
Total	**3,351,000**	**2,169,000**

*Development activities include capital expenditures.

Actual funds used for development activities in 1Q2019 was approximately US$83,000 higher than forecasted due to the unbudgeted professional fee for the development of mine plan.

Actual funds used for production activities in 1Q2019 was US$0.7 million lower than forecasted due to the lower quantity of nickel ore being produced as compared to the forecasted production quantity.

Actual funds used for general working capital in 1Q2019 was US$0.6 million lower than forecasted due to the extended credit terms received from suppliers.

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

For the next immediate quarter from 1 April 2019 to 30 June 2019, the Group's use of funds are expected to be as follows:-

Purpose	**Amount (US$)**
Development activities	90,000
Production activities	1,350,000
General working capital	1,383,000
Total	**2,823,000**

Principal assumptions

Projected use of funds for certain items, including, but not limited to, expenses incurred for the Group's mine development activities, will vary according to the Group's rate of nickel mining and production. Accordingly, if the Group's rate of nickel mining and production changes, the Group's use of funds for mine development activities will change as well.

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

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

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

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

During 3M2019, exploration activities were carried out to identify mine pits for production purpose. In relation to production activities, a total of 89,453 metric tons of nickel ore was produced during 3M2019.

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

15. Negative Confirmation Pursuant to Rule 705(5)

The directors confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial results of the Company and the Group for the 3-month financial period ended 31 March 2019 to be false or misleading in any material aspect.

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

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

On behalf of the Board of Directors

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

15 May 2019