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

UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 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 Group is principally engaged in the business of exploration, mining, production and sale of nickel ore.

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			**Group 6 months ended**		
	Notes	**30/6/2019 US$'000 (Unaudited)**	**30/6/2018 US$'000 (Unaudited)**	**% Change**	**30/6/2019 US$'000 (Unaudited)**	**30/6/2018 US$'000 (Unaudited)**	**% Change**
Revenue	8(a)	1,121	591	89.7	2,988	1,644	81.8
Cost of goods sold	8(b)	(917)	(860)	6.6	(2,544)	(1,422)	78.9
Gross profit	8(c)	204	(269)	n.m	444	222	100.0
Other income	8(d)	45	1	n.m	199	4	n.m
Expenses							
Administrative expenses	8(e)	(1,411)	(530)	n.m	(2,328)	(836)	n.m
Finance expenses	8(f)	(91)	(130)	(30.0)	(103)	(240)	(57.1)
Loss before tax		(1,253)	(928)	35.0	(1,788)	(850)	n.m
Tax expense		-	-	-	-	-	-
Loss after tax		(1,253)	(928)	35.0	(1,788)	(850)	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 for the financial period		(1,253)	(928)	35.0	(1,788)	(850)	n.m

n.m – not meaningful

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

	Group 3 months ended			Group 6 months ended		
	30/6/2019 US$'000 (Unaudited)	30/6/2018 US$'000 (Unaudited)	% Change	30/6/2019 US$'000 (Unaudited)	30/6/2018 US$'000 (Unaudited)	% Change
Loss for the period is arrived at after charging/(crediting):						
Included in cost of goods sold:						
Changes in inventories	41	429	(90.4)	87	16	n.m
Depreciation of property, plant and equipment[(1)]	201	94	n.m	406	278	46.0
Mining contractor charges	375	177	n.m	1,136	595	90.9
Provision for mine reclamation and rehabilitation	4	15	(73.3)	8	18	(55.6)
Royalty fees	74	29	n.m	186	77	n.m
Staff costs	110	62	77.4	203	130	56.2
Transportation costs[(2)]	7	72	(90.3)	280	243	15.2
Included in other income:						
Interest income	2	1	100	4	4	-
Included in administrative expenses:						
Depreciation of property, plant and equipment	14	48	(70.8)	25	54	(53.7)
Depreciation of right-of-use assets	60	-	n.m	98	-	n.m
Foreign exchange loss, net	13	7	85.7	2	16	(87.5)
Professional fees	217	29	n.m	372	60	n.m
Staff costs	306	182	68.1	601	285	n.m
Travelling expenses	66	32	n.m	112	80	40.0
Included in finance expenses:						
Interest expense on finance lease liabilities	3	18	(83.3)	9	21	(57.1)
Interest expense on operating lease liabilities	2	-	n.m	5	-	n.m
Interest expense on borrowings	78	102	(23.5)	78	204	(61.8)

n.m – not meaningful

Notes:

(1) The increase in the depreciation of property, plant and equipment in both the 3-month financial period ended 30 June 2019 ("**3M2019**") and the 6-month financial period ended 30 June 2019 ("**6M2019**") (as compared to the 3-month financial period ended 30 Jun 2018 ("**3M2018**") and the 6-month financial period ended 30 June 2018 ("**6M2018**") respectively) was mainly due to the increase in road infrastructure, as well as purchase of new furniture and office equipment in 2Q2019.

(2) The decrease in transportation costs in 3M2019 as compared to 3M2018 was mainly due to the change in selling arrangement, from selling on a Cost, Insurance, and Freight basis to a Free On Board basis, from April 2019 onwards.

The increase in transportation costs in 6M2019 as compared to 6M2018 was mainly due to the increase in the quantity of nickel ore sold.

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	30/6/2019 (Unaudited) US$'000	31/12/2018 (Audited) US$'000	30/6/2019 (Unaudited) US$'000	31/12/2018 (Audited) US$'000
Non-current assets					
Investment in subsidiaries		-	-	50,000	50,000
Property, plant and equipment	8(i)	12,124	12,139	41	44
Right-of-use assets	8(ii)	394	-	64	-
Deferred tax assets	8(iii)	204	199	-	-
Receivables	8(iv)	327	261	-	900
		13,049	12,599	50,105	50,944
Current assets					
Inventories	8(v)	1,028	1,112	-	-
Receivables and prepayments	8(vi)	1,485	1,309	4,447	2,606
Cash and cash equivalents		314	87	51	9
		2,827	2,508	4,498	2,615
Total assets		15,876	15,107	54,603	53,559
Non-current liabilities					
Liabilities for post-employment benefits	8(vii)	315	246	-	-
Finance lease liabilities		8	11	-	-
Provisions	8(viii)	676	646	-	-
Long-term borrowings	8(ix)	1,658	-	-	-
		2,657	903	-	-
Current liabilities					
Payables and accruals	8(x)	1,628	1,605	1,909	181
Finance lease liabilities	8(xi)	69	168	-	-
Operating lease liabilities	8(xii)	404	-	64	-
Tax payables	8(xiii)	191	103	17	9
Short-term borrowings	8(xiv)	387	-	-	-
		2,679	1,876	1,990	190
Total liabilities		5,336	2,779	1,990	190
Net assets		10,540	12,328	52,613	53,369
Equity					
Share capital		8,979	8,979	70,146	70,146
Accumulated profits/(losses)		1,561	3,349	(17,533)	(16,777)
Total equity		10,540	12,328	52,613	53,369

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

Amount repayable in one year or less, or on demand

As at 30 June 2019		As at 31 December 2018	
Secured (US$'000)	**Unsecured (US$'000)**	**Secured (US$'000)**	**Unsecured (US$'000)**
456	NA	168	NA

Amount repayable after one year

As at 31 June 2019		As at 31 December 2018	
Secured (US$'000)	**Unsecured (US$'000)**	**Secured (US$'000)**	**Unsecured (US$'000)**
1,666	NA	11	NA

As at 30 June 2019, the Group's borrowings and debt securities comprised (i) obligations under finance leases; and (ii) secured loans from third parties. As at 30 June 2018, the Group's borrowings and debt securities comprised obligations under finance leases.

Details of any collateral

The Group's obligations under finance leases are secured by property, plant and equipment with a net book value of US$600,800 as at 30 June 2019 (31 December 2018: US$625,115).

The Group's obligations under loans from third parties are secured by corporate guarantee from the Company and certain assets of a family member of the Company's director.

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	
	6 months period ended	
	30/6/2019	30/6/2018
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Cashflows from operating activities		
Loss before tax	(1,788)	(850)
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	8	2
Depreciation of property, plant and equipment	431	332
Depreciation of right-of-use assets	98	-
Interest income	(4)	(4)
Interest expense	103	240
Post-employment benefits	63	35
Provision for mine reclamation and rehabilitation	8	18
Unrealised foreign exchange loss	14	(62)
Operating cash flows before working capital changes	(1,067)	(289)
Changes in operating assets and liabilities		
Inventories	83	29
Receivables and prepayments	(205)	117
Payables and accruals	110	907
Cash (used in)/generated from operations	(1,079)	764
Interest received	4	4
Taxes paid, net of taxes refunded	(36)	(19)
Net cash (used in)/generated from operating activities	(1,111)	749
Cash flows from investing activity		
Purchase of property, plant and equipment	(405)	(119)
Net cash used in investing activity	(405)	(119)
Cash flows from financing activities		
Interest paid	(103)	(517)
Payment on behalf of ultimate holding company	(4)	(29)
Net advances from director	-	14
Net advances from ultimate holding company	-	22
Loan from third parties	3,212	-
Repayment of loans	(1,168)	-
Sales advances	595	-
Repayment of sales advances	(595)	-
Repayment of finance leases	(196)	(109)
Net cash generated from/(used in) financing activities	1,741	(619)
Net increase in cash and cash equivalents	225	11
Cash and cash equivalents at beginning of financial period	87	77
Effects of exchange rate changes on cash and cash equivalents	2	(4)
Cash and cash equivalents at end of financial period	314	84

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 (cont'd).

	Group	
	3 months period ended	
	30/6/2019	30/6/2018
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Cashflows from operating activities		
Loss before tax	(1,253)	(928)
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	4	1
Depreciation of property, plant and equipment	215	142
Depreciation of right-of-use assets	60	-
Interest income	(2)	(1)
Interest expense	91	130
Post-employment benefits	31	35
Provision for mine reclamation and rehabilitation	4	15
Unrealised foreign exchange loss	10	(54)
Operating cash flows before working capital changes	(840)	(660)
Changes in operating assets and liabilities		
Inventories	46	449
Receivables and prepayments	270	(108)
Payables and accruals	(130)	617
Cash (used in)/generated from operations	(654)	298
Interest received	2	1
Taxes paid	(17)	(15)
Net cash (used in)/generated from operating activities	(669)	284
Cash flows from investing activity		
Purchase of property, plant and equipment	(405)	(117)
Net cash used in investing activity	(405)	(117)
Cash flows from financing activities		
Interest paid	(91)	(193)
Net advances from director	-	7
Net advances from ultimate holding company	-	20
Loan from third parties	2,691	-
Repayment of loans	(1,168)	-
Repayment of finance leases	(118)	(76)
Net cash generated from/(used in) financing activities	1,314	(242)
Net increase/(decrease) in cash and cash equivalents	240	(75)
Cash and cash equivalents at beginning of financial period	74	162
Effects of exchange rate changes on cash and cash equivalents	-	(3)
Cash and cash equivalents at end of financial period	314	84

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

	Share capital US$'000	Accumulated profits US$'000	Total equity US$'000
Group			
Balance as at 1 January 2019	8,979	3,349	12,328
Total comprehensive loss for the period	-	(1,788)	(1,788)
Balance as at 30 June 2019	8,979	1,561	10,540
Balance as at 1 January 2018	-*	7,316	7,316
Total comprehensive loss for the period	-	(850)	(850)
Balance as at 30 June 2018	-*	6,466	6,466

	Share capital US$'000	Accumulated losses US$'000	Translation reserves US$'000	Total equity US$'000
Company				
Balance as at 1 January 2019	70,146	(16,777)	-	53,369
Total comprehensive loss for the period	-	(756)	-	(756)
Balance as at 30 June 2019	70,146	(17,533)	-	52,613
Balance as at 1 January 2018	17,092	(9,035)	682	8,739
Total comprehensive loss for the period	-	(991)	(150)	(1,141)
Balance as at 30 June 2018	17,092	(10,026)	532	7,598

Note:
*The share capital is less than US$1,000.

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 (cont'd).

Group	Share capital US$'000	Accumulated profits US$'000	Total equity US$'000
Balance as at 1 April 2019	8,979	2,814	11,793
Total comprehensive loss for the period	-	(1,253)	(1,253)
Balance as at 30 June 2019	8,979	1,561	10,540
Balance as at 1 April 2018	-*	7,394	7,394
Total comprehensive loss for the period	-	(928)	(928)
Balance as at 30 June 2018	-*	6,466	6,466

Company	Share capital US$'000	Accumulated losses US$'000	Translation reserves US$'000	Total equity US$'000
Balance as at 1 April 2019	70,146	(17,011)	-	53,135
Total comprehensive loss for the period	-	(522)	-	(522)
Balance as at 30 June 2019	70,146	(17,533)	-	52,613
Balance as at 1 April 2018	17,092	(9,466)	668	8,294
Total comprehensive loss for the period	-	(560)	(136)	(696)
Balance as at 30 June 2018	17,092	(10,026)	532	7,598

Note:
*The share capital is less than US$1,000.

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$'000**
Balance as at 31 March 2019	127,103,447	70,146
Balance as at 30 June 2019	127,103,447	70,146

The Company did not have any outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2019 and 30 June 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 30 June 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 30 June 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.

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. Save for the above, the same accounting policies and methods of computation have been applied in the presentation of the unaudited financial statements for the financial period ended 30 June 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.

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		6 months ended	
	30/6/2019 (Unaudited)	30/6/2018 (Unaudited)	30/6/2019 (Unaudited)	30/6/2018 (Unaudited)
Loss attributable to owners of the Company (US$'000)	(1,253)	(928)	(1,788)	(850)
Weighted average number of ordinary shares outstanding	127,103,447	95,793,103	127,103,447	95,793,103
Basic and diluted loss per share (US cents)	(0.99)	(0.97)	(1.41)	(0.89)

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 per share is the same as the basic loss 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 30/6/2019	**As at 31/12/2018**	**As at 30/6/2019**	**As at 31/12/2018**
Net assets value (US$'000)	10,540	12,328	52,613	53,369
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)	8.29	9.70	41.39	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.

Review of Group's performance for the 3 months ended 30 June 2019 ("2Q2019") as compared to the 3 months ended 30 June 2018 ("2Q2018")

(a) Revenue

The Group's revenue for 2Q2019 increased by US$0.5 million or 89.7%, from US$0.6 million in 2Q2018 to US$1.1 million in 2Q2019. The increase was mainly due to the increase in the quantity of nickel ore sold, from 33,985 metric tons in 2Q2018 to 64,358 metric tons in 2Q2019.

(b) Cost of goods sold

Cost of goods sold increased by approximately US$57,000, from approximately US$860,000 in 2Q2018 to approximately US$917,000 in 2Q2019. The increase in cost of goods sold of 6.6% was not in line with the corresponding increase in the Group's revenue of 89.7% due to the under accrual of contractor fee and transportation cost in 1Q2018 where the adjustment was made in 2Q2018.

(c) Gross profit margin

The gross profit margin in 2Q2019 and 2Q2018 was 18.2% and -45.5% respectively. The increase in gross profit margin in 2Q2019 was mainly due to the lower 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 and miscellaneous income.

Other income increased by approximately US$44,000, from approximately US$1,000 in 2Q2018 to approximately US$45,000 in 2Q2019. This was mainly attributable to the increase in rental income generated from renting out the Group's excavators and off-highway trucks to the mining contractor in 2Q2019.

(e) Administrative expenses

Administrative expenses increased by US$0.9 million, from US$0.5 million in 2Q2018 to US$1.4 million in 2Q2019. This was mainly due to the increase in (i) professional fees incurred for the development of smelter operations and their supporting facilities; (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$39,000, from approximately US$130,000 in 2Q2018 to approximately US$91,000 in 2Q2019 due to the settlement of loans payable to ultimate holding company and the repayment of finance lease for the heavy machinery, partially offset by the new borrowings obtained in 2Q2019.

As a result of the above, the Group recorded a loss after tax of US$1.3 million for 2Q2019, as compared to a loss after tax of US$0.9 million for 2Q2018.

Review of Group's performance for the 6 months ended 30 June 2019 ("6M2019") as compared to the 6 months ended 30 June 2018 ("6M2018")

(a) Revenue

The Group's revenue increased by US$1.4 million or 81.8%, from US$1.6 million in 6M2018 to US$3.0 million in 6M2019. The increase was due to the increase in the quantity of nickel ore sold, from 88,827 metric tons in 6M2018 to 170,667 metric tons in 6M2019, partially offset by a marginal decrease in the average selling price of nickel ore.

(b) Cost of goods sold

Cost of goods sold increased by US$1.1 million, from US$1.4 million in 6M2018 to US$2.5 million in 6M2019. The increase in cost of goods sold was in line with the increase in the Group's revenue.

(c) Gross profit margin

The gross profit margin in 6M2018 and 6M2019 was 13.5% and 14.9%, respectively. Although the average selling price of the nickel ore in 6M2019 was marginally lower than that in 6M2018, the increase in gross profit margin in 6M2019 as compared to 6M2018 was mainly due to a decrease in the cost of goods sold per metric ton as a result of lower transportation costs on a Free On Board basis from April 2019 onwards.

(d) Other income

Other income comprises interest income from bank deposits and miscellaneous income.

Other income increased by approximately US$195,000, from approximately US$4,000 in 6M2018 to approximately US$199,000 in 6M2019. 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 in 6M2019.

(e) Administrative expenses

Administrative expenses increased by US$1.5 million, from US$0.8 million in 6M2018 to US$2.3 million in 6M2019. This was mainly due to the increase in (i) professional fees incurred for the development of smelter operations and their supporting facilities; (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$137,000, from US$240,000 in 6M2018 to US$103,000 in 6M2019 due to the settlement of loans payable to ultimate holding company and the repayment of finance lease for the heavy machinery, partially offset by the new borrowings obtained in 6M2019.

As a result of the above, the Group recorded a loss after tax of US$1.8 million in 6M2019, as compared to a loss after tax of US$0.9 million in 6M2018.

Review of Financial Position

Non-Current Assets

(i) Property, plant and equipment decreased by approximately US$15,000, from US$12,139,000 as at 31 December 2018 to US$12,124,000 as at 30 June 2019. This was due to the depreciation of property, plant and equipment, and amortisation of mining property made during 6M2019, partially offset by the additions of new property, plant and equipment acquired during 6M2019.

(ii) Right-of-use assets increased by approximately US$394,000, from US$ NIL as at 31 December 2018 to US$394,000 as at 30 June 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$5,000, from approximately US$199,000 as at 31 December 2018 to approximately US$204,000 as at 30 June 2019. The increase was due to exchange differences recognised during 6M2019.

(iv) Receivables comprised fixed deposits placed as security deposits for mine reclamation purposes. Receivables increased by approximately US$66,000, from US$261,000 as at 31 December 2018 to US$327,000 as at 30 June 2019 due to additional security deposits placed during 6M2019.

Current Assets

(v) Inventories decreased by US$0.1 million, from US$1.1 million as at 31 December 2018 to US$1.0 million as at 30 June 2019 as the sales quantity of the nickel ore was higher than the production quantity during 6M2019.

(vi) Receivables and prepayments, comprising trade receivables, other receivables and prepayments, increased by approximately US$0.2 million, from US$1.3 million as at 31 December 2018 to US$1.5 million as at 30 June 2019.

Trade receivables increased by approximately US$36,000, from US$645,000 as at 31 December 2018 to US$681,000 as at 30 June 2019. The increase was due to the slight delay in collection of payments from customers in 6M2019.

Other receivables and prepayments increased by approximately US$140,000, from US$663,000 as at 31 December 2018 to US$803,000 as at 30 June 2019 due to advance payments to suppliers 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$69,000, from approximately US$246,000 as at 31 December 2018 to approximately US$315,000 as at 30 June 2019. The increase was due to the provision of retirement pension cost during 6M2019.

(viii) Provisions were in relation to provisions made for mine reclamation and rehabilitation expenses. Provisions increased by approximately US$30,000, from approximately US$646,000 as at 31 December 2018 to approximately US$676,000 as at 30 June 2019 due to the increase in the production of the nickel ore.

(ix) Long-term borrowings increased by US$1.7 million, from US$ NIL as at 31 December 2018 to US$1.7 million as at 30 June 2019. The increase was due to the non-current portion of the secured loans obtained from third parties in 6M2019, which is due and payable after the next 12 months from 30 June 2019.

Current Liabilities

(x) Payables and accruals, comprising trade payables, other payables and accruals, increased by approximately US$23,000, from US$1.6 million as at 31 December 2018 to US$1.6 million as at 30 June 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 30 June 2019. The increase was due to the higher production cost incurred as a result of the higher quantity of nickel ore produced in 6M2019.

Accruals decreased by US$0.6 million, from US$1.3 million as at 31 December 2018 to US$0.7 million as at 30 June 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 6M2019.

(xi) Finance lease liabilities decreased by approximately US$99,000, from approximately US$168,000 as at 31 December 2018 to approximately US$69,000 as at 30 June 2019. This was due to lease payment made for heavy equipment in 6M2019.

(xii) Operating lease liabilities increased by US$0.4 million, from US$ NIL as at 31 December 2018 to US$0.4 million as at 30 June 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.

(xiii) Tax payables increased by approximately US$88,000, from approximately US$103,000 as at 31 December 2018 to approximately US$191,000 as at 30 June 2019. The increase was due to tax payment for employee income tax and withholding tax for mining contractors in 6M2019.

(xiv) Short-term borrowings increased by US$0.4 million, from US$ NIL as at 31 December 2018 to US$0.4 million as at 30 June 2019. This increase was due to the current portion of the secured loans obtained from third parties in 6M2019, which is due within the next 12 months from 30 June 2019.

Working Capital Position

The Group reported a positive working capital position of US$0.1 million as at 30 June 2019, as compared to a positive working capital position of US$0.6 million as at 31 December 2018.

Since April 2019, the Group has obtained several financing facilities for working capital requirement and capital expenditure on the infrastructure required to increase its production capability to fulfil its offtake agreements. The new mining contractor (comprising Sinohydro Corporation Limited and PT Sepco II Indo) has commenced mining operation on 22 July 2019. With the longer credit terms provided by the new mining contractor, the Group will be able to manage its working capital more effectively by selling its nickel ore to the customer first before paying the supplier. The Group has also managed to obtain sales advances prior to the sales delivery which will further improve the Group's working capital position.

Equity

As a result of the above, total equity of the Group decreased by US$1.8 million, from US$12.3 million as at 31 December 2018 to US$10.5 million as at 30 June 2019.

Review of Statement of Cash Flows

6M2019

Net cash used in operating activities of US$1.1 million was attributable to (i) operating cash outflows of US$1.1 million; and (ii) a net working capital outflow of approximately US$12,000 resulting from an increase of US$0.2 million in receivables and prepayments, partially offset by an increase of US$0.1 million in payables and accruals, and a decrease of approximately US$83,000 in inventories in 6M2019.

Net cash used in investing activity of US$0.4 million was attributable to the purchase of property, plant and equipment in 6M2019.

Net cash generated from financing activities of US$1.7 million was attributable to the net loans received of US$2.0 million, which was partially offset by interest payments of US$0.1 million and finance lease payments of US$0.2 million.

As a result of the above, the Group's cash and cash equivalents increased by US$0.2 million, from US$0.1 million as at 1 January 2019 to US$0.3 million as at 30 June 2019.

2Q2019

Net cash used in operating activities of US$0.7 million was attributable to (i) operating cash outflows of US$0.8 million; and (ii) a net working capital inflow of US$0.1 million resulting from a decrease of US$0.3 million in receivables and prepayments for sales and a decrease of approximately US$46,000 in inventories, partially offset by a decrease of US$0.1 million in payables and accruals in 2Q2019.

Net cash used in investing activity of US$0.4 million was attributable to the purchase of property, plant and equipment in 2Q2019.

Net cash generated from financing activities of US$1.3 million was attributable to the net loans received of US$1.5 million, which was partially offset by interest payments of US$0.1 million and finance lease payments of US$0.1 million.

As a result of the above, the Group's cash and cash equivalents increased by US$0.2 million, from approximately US$74,000 as at 1 April 2019 to US$0.3 million as at 30 June 2019.

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.

On 19 July 2019, the Company's subsidiary, PT Teknik Alum Service ("**PT TAS**") submitted the full documents such as JORC resources, smelter plans, designs and the AMDAL for the grant of the export quota and the Group believes that PT TAS has satisfied all the necessary conditions for the grant of the export quota by the competent authorities in Indonesia. Barring any unforeseen circumstances, the Group expects to receive the export quota by end of 3Q 2019.

On 22 July 2019, the new mining contractor (comprising Sinohydro Corporation Limited and PT. Sepco II Indo) has commenced mining operation at the Group's mine site at Morowali, Sulawesi, Indonesia. With the commitment from the new mining contractor, PT TAS is expected to be able to ramp up its monthly production volume to between 100,000 and 200,000 tonnes of nickel ore.

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 2Q2019 as the Group recorded net loss in 2Q2019.

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.

14. 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 2Q2019, funds were mainly used for the following activities:-

Purpose	Forecasted usage of funds (US$'000)	Actual usage of funds (US$'000)
Development activities*	90	403
Production activities	1,350	1,154
General working capital	1,383	1,640
Total	**2,823**	**3,197**

*Development activities include capital expenditures.

Actual funds used for development activities in 2Q2019 was US$0.3 million higher than forecasted due to higher actual capital expenditures incurred on infrastructure improvement works on road at the mine site. Such infrastructure improvement works were incurred in late May 2019 to support the increase in production of nickel ore prior the grant of export quota.

Actual funds used for production activities in 2Q2019 was US$0.2 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 2Q2019 was US$0.3 million higher than forecasted due to the professional fees incurred in relation to the grant of export quota such as the design and the development plan of smelter plant, as well as the payment for the development of mine plan.

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

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

Purpose	Amount (US$'000)
Development activities	80
Production activities	4,200
General working capital	1,553
Total	**5,833**

Principal assumptions

Projected use of funds is based on export sales and 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 2Q2019, exploration activities were carried out to identify mine pits for production purpose. In relation to production activities, a total of 44,137 metric tons of nickel ore was produced during 2Q2019. The low production in 2Q2019 was mainly due to the flood that occurred in Sulawesi, Indonesia in June 2019.

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 and 6-month financial periods ended 30 June 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

14 August 2019