Silkroad Nickel Ltd.
and its Subsidiaries
(Company Registration Number 200512048E)

Condensed Interim Consolidated Financial Statements
For the Six Months ended 30 June 2022

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

	Note	Group 6 months ended 30/6/2022 (Unaudited) US$'000	6 months ended 30/6/2021 (Unaudited) US$'000	% Change
Revenue	6	22,665	7,764	n.m.
Cost of goods sold		(11,058)	(5,389)	n.m.
Gross profit		**11,607**	**2,375**	n.m.
Other income		13	19	(31.6%)
Expenses				
Administrative expenses		(4,116)	(1,655)	n.m.
Selling and distribution expenses		(406)	(37)	n.m.
Other expenses		(209)	-	n.m.
Finance costs		(594)	(197)	n.m.
		(5,325)	(1,889)	
Profit before tax	8	**6,295**	**505**	n.m.
Tax expense	10	(2,125)	(12)	n.m.
Profit after tax		**4,170**	**493**	n.m.
Total comprehensive income for the period		**4,170**	**493**	n.m.
Earnings per share:				
- Basic[1] (US cents)		1.60	0.19	n.m.
- Diluted[2] (US cents)		0.42	0.19	n.m.
EBITDA:				
Profit after tax		**4,170**	**493**	
Add: Depreciation expense		515	402	
Add: Finance costs		594	197	
Add: Tax expense		2,125	12	
		7,404	**1,104**	

EBITDA – Earnings before interest, tax, depreciation and amortisation

n.m. – not meaningful

[1] Computed based on profit after tax for the respective financial periods divided by the weighted average number of ordinary shares in issue during the respective financial periods.
[2] Computed based on profit after tax adjusted for the effects of changes in income and expenses and non-controlling's share of profit of the subsidiaries that would result from the exercise of exchangeable rights and option of the exchangeable bond. Please refer to Note 20 to the Financial Statements of the Group's latest audited consolidated financial statements for the year ended 31 December 2021, as set out in the Company's annual report 2021, for information on the exchangeable bond.

B Condensed interim statements of financial position

	Note	Group As at 30/6/2022 (Unaudited) US$'000	Group As at 31/12/2021 (Audited) US$'000	Company As at 30/6/2022 (Unaudited) US$'000	Company As at 31/12/2021 (Audited) US$'000
Non-current assets					
Investment in subsidiaries		-	-	66,241	66,241
Property, plant and equipment	12	15,104	12,860	12	37
Deferred tax assets		372	387	-	-
Receivables		352	352	2,380	1,375
		15,828	**13,599**	**68,633**	**67,653**
Current assets					
Inventories		3,612	1,637	-	-
Receivables and prepayments		9,564	10,228	2,594	2,624
Cash and cash equivalents		10,962	9,457	6,816	8,659
		24,138	**21,322**	**9,410**	**11,283**
Total assets		**39,966**	**34,921**	**78,043**	**78,936**
Non-current liabilities					
Liabilities for post-employment benefits		652	583	-	-
Lease liabilities		249	186	-	-
Provisions		842	873	-	-
		1,743	**1,642**	**-**	**-**
Current liabilities					
Payables and accruals		3,002	4,272	4,731	4,276
Lease liabilities		15	179	15	40
Tax payables		4,109	1,873	22	17
Borrowings	13	673	701	-	-
Exchangeable bond		15,070	15,070	11,162	11,162
		22,869	**22,095**	**15,930**	**15,495**
Total liabilities		**24,612**	**23,737**	**15,930**	**15,495**
Net assets		**15,354**	**11,184**	**62,113**	**63,441**
Equity					
Share capital	14	8,979	8,979	86,387	86,387
Accumulated profits/(losses)		6,375	2,205	(24,274)	(22,946)
Total equity		**15,354**	**11,184**	**62,113**	**63,441**

C Condensed interim statements of changes in equity

(Unaudited)	Share capital US$'000	Accumulated profits/(losses) US$'000	Total equity US$'000
Group			
Balance as at 1 January 2022	**8,979**	**2,205**	**11,184**
Total comprehensive income for the period	-	4,170	4,170
Balance as at 30 June 2022	**8,979**	**6,375**	**15,354**
Balance as at 1 January 2021	**8,979**	**(198)**	**8,781**
Total comprehensive income for the period	-	493	493
Balance as at 30 June 2021	**8,979**	**295**	**9,274**

(Unaudited)	Share capital US$'000	Accumulated losses US$'000	Total equity US$'000
Company			
Balance as at 1 January 2022	**86,387**	**(22,946)**	**63,441**
Total comprehensive loss for the period	-	(1,328)	(1,328)
Balance as at 30 June 2022	**86,387**	**(24,274)**	**62,113**
Balance as at 1 January 2021	**86,387**	**(19,537)**	**66,850**
Total comprehensive loss for the period	-	(730)	(730)
Balance as at 30 June 2021	**86,387**	**(20,267)**	**66,120**

D Condensed interim consolidated statement of cash flows

	Note	Group 6 months ended 30/06/2022 (Unaudited) US$'000	Group 6 months ended 30/06/2021 (Unaudited) US$'000
Cash flows from operating activities			
Profit before tax		**6,295**	**505**
Adjustments for:			
Amortisation of discount on provision for assets retirement obligations	8	7	6
Depreciation of property, plant and equipment	8	515	402
Interest income	8	(5)	(4)
Interest expense	8	587	191
Post-employment benefits		97	108
Provision for mine reclamation and rehabilitation		31	31
Unrealised foreign exchange loss		(99)	(34)
Operating cash flows before working capital changes		7,428	1,205
Changes in operating assets and liabilities			
Inventories		(1,974)	1,764
Receivables and prepayments		982	(3,032)
Payables and accruals		(1,665)	(136)
Cash generated from/(used in) operations		4,771	(199)
Interest received		5	4
Taxes paid		(322)	(94)
Net cash generated from/(used in) operating activities		**4,454**	**(289)**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(2,759)	(13)
Net cash used in investing activities		**(2,759)**	**(13)**
Cash flows from financing activities			
Interest paid		(62)	(216)
Net repayment to ultimate holding company		-	(836)
Loan from third parties		-	2,498
Repayment of loans from third parties		-	(794)
Repayment of lease liabilities		(101)	(106)
Net cash (used in)/generated from financing activities		**(163)**	**546**
Net increase in cash and cash equivalents		1,532	244
Cash and cash equivalents at beginning of financial period		9,456	33
Effects of exchange rate changes on cash and cash equivalents		(26)	(1)
Cash and cash equivalents at end of financial period		**10,962**	**276**

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 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 ended 30 June 2022 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 consolidated 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 annual audited consolidated financial statements for the year ended 31 December 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 year ended 31 December 2021, 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 2022.

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 2022. The adoption of the new and revised standards and interpretations is assessed to have no material effect on the financial 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 most recently audited consolidated financial statements as at and for the year ended 31 December 2021.

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.

Areas involving assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities, are disclosed as below:

(a) Fair value estimation of derivative components in the exchangeable bond;
(b) Impairment of investment in subsidiaries;
(c) Calculation of loss allowance;
(d) Provision for mine reclamation and rehabilitation and assets retirement obligations;
(e) Estimated useful lives of property, plant and equipment;
(f) Reserve estimates;
(g) Income taxes; and
(h) Impairment of non-current assets.

5. Seasonal operations

The Group's business has not been affected significantly by seasonal or cyclical factors during the six months ended 30 June 2022.

6. Segment and revenue information

The Group is organised into the following main business segments:
- Segment 1: Mining; and
- Segment 2: Smelter

These operating segments are reported in a manner consistent with internal reporting provided to Mr. Hong Kah Ing, Executive Director and Chief Executive Officer of the Company, who is responsible for allocating resources and assessing performance of the operating segments.

	Mining	Smelter	Consolidated
	US$'000	**US$'000**	**US$'000**
1 January 2022 to 30 June 2022			
Revenue			
External sales/Total revenue	22,665	-	22,665
Segment results			
Segment profit/(loss)	7,705	(547)	7,158
Corporate expenses			(274)
Interest income			5
Finance costs			(594)
Profit before taxation			6,295
Tax expense			(2,125)
Profit for the period ended 30 June 2022			4,170
Segment assets			
Segment assets	38,979	987	39,966
Consolidated total assets as at 30 June 2022			39,966
Segment liabilities			
Segment liabilities	4,448	48	4,496
Exchangeable bond			15,070
Income tax liabilities			4,109
Borrowings and lease liabilities			937
Consolidated total liabilities as at 30 June 2022			24,612
Other information			
Capital expenditure on			
- Property, plant and equipment	1,991	768	2,759
Other non-cash expense:			
- Depreciation of property, plant and equipment	515	-*	515

* Amount less than US$1,000

In 1H2021, the Group had only one reportable segment, which was 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 30 June 2022			
Total sales to external customers	22,665	-	22,665
6 months ended 30 June 2021			
Total sales to external customers	5,914	1,850	7,764
Non-current assets			
As at 30 June 2022	15,092	12	15,104
As at 31 December 2021	12,823	37	12,860

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

Information about major customers

Sale of nickel ore of US$22.7 million (six months ended 30 June 2021: US$5.9 million) is derived from two (six months ended 30 June 2021: one) external customers who individually contributed 10% or more of the Group's total revenue as detailed below:

	Group 6 months ended 30 June 2022 US$'000	 6 months ended 30 June 2021 US$'000
Nickel ore		
Customer 1	19,598	5,914
Customer 2	3,067	-
	22,665	5,914
Nickel pig iron		
Customer 3	-	1,850
	22,665	7,764

7. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 31 December 2021:

	Group		Company	
	30 June 2022 US$'000	31 December 2021 US$'000	30 June 2022 US$'000	31 December 2021 US$'000
Financial assets				
At amortised cost	17,742	18,907	11,772	12,639
Financial liabilities				
At amortised cost	19,094	17,420	14,299	13,867
At fair value through profit and loss	5,517	5,517	1,609	1,609
	24,611	22,937	15,908	15,476

The Group engages external, independent and qualified valuer to determine the fair value of the Group's exchangeable bond at the end of financial year. Discussions on the valuation process, key inputs applied in the valuation approach and the reasons for the fair value changes are held between the management and the independent valuer at the end of the financial year.

The Group's exchangeable bond was allocated between liability and derivative components. The liability component is measured at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components, representing the exchangeable rights and option are recognised at fair value on issue date and any subsequent changes in fair values at the end of reporting period are recognised in profit or loss. This is a level 3 recurring fair value measurement due to significant unobservable inputs. The external valuer applied the Binomial Tree Model to estimate fair values of the exchangeable right and option at each valuation dates. Estimating fair values for the exchangeable right and option require determining the most appropriate valuation model and determining the most appropriate inputs to the valuation model including expected volatility, risk-free rate, risky rate and dividend yield.

8. Profit before tax

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

	Group	
	6 months ended 30 June 2022 US$'000	**6 months ended 30 June 2021 US$'000**
Staff costs	1,429	788
Interest income	(5)	(4)
Government grant	(2)	(15)
Interest expenses		
- borrowings	45	181
- lease liabilities	17	10
- exchangeable bond	525	-
Amortisation of discount on provision for assets retirement obligations	7	6
Depreciation of property, plant and equipment	515	402
Foreign exchange loss, net	320	68

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 for the six months ended 30 June 2022.

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 30 June 2022 US$'000	**6 months ended 30 June 2021 US$'000**
Current income tax expense	2,125	12

11. Net Asset Value

	Group		Company	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
	US cents	US cents	US cents	US cents
Net asset value per ordinary share	5.88	4.28	23.78	24.29

The net asset value per ordinary share of the Group and the Company as at 30 June 2022 and 31 December 2021 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 six months ended 30 June 2022, the Group acquired assets amounting to US$2,759,000 (six months ended 30 June 2021: US$13,000) and disposed of assets amounting to US$Nil (six months ended 30 June 2021: US$Nil).

13. Borrowings

	Group		Company	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
	US$'000	US$'000	US$'000	US$'000
Amount repayable within one year or on demand				
Unsecured	673	701	-	-

The Group and the Company did not have any borrowings repayable after one year as at 30 June 2022 and 31 December 2021.

14. Share capital

	30 June 2022		31 December 2021	
	Number of ordinary shares	US$'000	Number of ordinary shares	US$'000
Group				
Beginning and end of interim period/financial year	261,213,792	8,979	261,213,792	8,979
Company				
Beginning and end of interim period/financial year	261,213,792	86,387	261,213,792	86,387

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

The Company did not have any outstanding convertible shares as at 30 June 2022 and 30 June 2021.

The Company did not hold any treasury shares as at 30 June 2022, 31 December 2021 and 30 June 2021.

The Company's subsidiaries did not hold any shares in the Company as at 30 June 2022, 31 December 2021 and 30 June 2021.

15. Acquisition of subsidiary

On 25 February 2022, the Company's wholly-owned subsidiary, Silkroad Metal Industries Pte. Ltd., acquired 99% of the issued share capital of PT Anugrah Tambang Smelter ("**PT ATSM**") for a cash consideration of US$20,000.

	US$'000
Purchase consideration	
Cash paid	20

Fair value of identifiable assets and liabilities at acquisition date

	US$'000
Cash and cash equivalents	10
Property, plant and equipment	1
Receivables	11
Total identifiable assets acquired at estimated fair value	22

The gain on acquisition of US$2,000 has been included in other income.

16. Subsequent events

There are no known subsequent events which have led to adjustments to this set of condensed interim consolidated financial statements for the six months ended 30 June 2022.

F Other Information Required Pursuant to Appendix 7C of the Catalist Rules

1. Review

The condensed interim consolidated statement of financial position of Silkroad Nickel Ltd. and its subsidiaries as at 30 June 2022 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 ended 30 June 2022 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 2021 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

<u>Review of the consolidated profit or loss and other comprehensive income for the six months ended 30 June 2022 ("1H2022") as compared to the six months ended 30 June 2021 ("1H2021")</u>

(a) Revenue

The Group recorded a total revenue of US$22.7 million in 1H2022 from the sale of nickel ore.

The Group completed the sale of 448,065 metric tonnes of nickel ore in 1H2022 generating a revenue of US$22.7 million, which was a significant increase as compared to a revenue of US$5.9 million generated in 1H2021 from the sale of 159,341 metric tonnes of nickel ore. In addition to the higher quantity of nickel ore sold in 1H2022, the quality of nickel ore sold by the Group was higher in 1H2022, which commended higher selling prices, and the average selling price of nickel ore in 1H2022 was higher based on the benchmark pricing as determined by Indonesia's Ministry of Energy and Mineral Resources, as compared to 1H2021.

There was no sale of nickel pig iron in 1H2022, as compared to 1H2021 where the Group completed a one-off US$1.9 million sale of nickel pig iron to a customer.

(b) Cost of goods sold

The Group's total cost of goods sold increased by US$5.7 million, from US$5.4 million in 1H2021 to US$11.1 million in 1H2022, mainly due to the increase in sale of nickel ore in 1H2022, as compared to 1H2021.

(c) Gross profit margin

As a result of the above, gross profit increased by US$9.2 million, from a gross profit of US$2.4 million in 1H2021 to a gross profit of US$11.6 million in 1H2022. Overall, the gross profit margin increased to 51.2% in 1H2022, as compared to a gross profit margin of 30.6% in 1H2021.

(d) Administrative expenses

The Group's administrative expenses increased by US$2.5 million, from US$1.7 million in 1H2021 to US$4.2 million in 1H2022. The increase in administrative expenses related to an increase in costs in the mining business as a result of higher sales in 1H2022. Professional fees increased by US$0.5 million, staff costs including incentives increased by US$0.3 million, value-added tax expenses increased by US$0.3 million, coordination and logistics expenses increased by US$0.9 million, foreign exchange loss increased by US$0.3 million, as well as travelling and entertainment expenses increased by US$0.2 million in 1H2022, as compared to 1H2021.

(e) Selling and distribution expenses

Selling and distribution expenses increased by US$369,000, from US$37,000 in 1H2021 to US$406,000 in 1H2022, mainly due to the higher sales in 1H2022, as compared to 1H2021.

(f) Other expenses

Other expenses of US$0.2 million incurred in 1H2022 were in relation to the evaluation, technical due diligence, feasibility studies and engineering design of the smelter projects. There were no such other expenses incurred in 1H2021.

(g) Finance costs

Finance costs increased by US$0.4 million, from US$0.2 million in 1H2021 to US$0.6 million in 1H2022, mainly due to interest expenses accrued on the exchangeable bond.

(h) Tax expense

Tax expense increased by US$2.1 million, from US$12,000 in 1H2021 to US$2.1 million in 1H2022 due to an increase in taxable profits recorded in 1H2022, as compared to 1H2021.

(i) Profit after tax

The Group recorded a profit after tax of US$4.2 million for 1H2022, as compared to a profit after tax of US$0.5 million for 1H2021, as a result of the above.

(j) EBITDA

The Group's EBITDA was US$7.4 million in 1H2022, as compared to an EBITDA of US$1.1 million in 1H2021.

Review of Financial Position as at 30 June 2022 as compared to 31 December 2021

Non-Current Assets

The Group's non-current assets increased by US$2.2 million, from US$13.6 million as at 31 December 2021 to US$15.8 million as at 30 June 2022, mainly due to the increase in property, plant and equipment. Property, plant and equipment increased mainly due to infrastructure costs incurred for (i) expanding and improving of roads; (ii) upgrading of jetties and new staff accommodation buildings; and (iii) expanding of mining pit areas required to increase nickel ore production.

Current Assets

Current assets increased by US$2.8 million, from US$21.3 million as at 31 December 2021 to US$24.1 million as at 30 June 2022, mainly due to the increase in inventories and the increase in cash and cash equivalents, partially offset by the decrease in receivables and prepayments.

(i) Inventories increased by US$2.0 million, from US$1.6 million as at 31 December 2021 to US$3.6 million as at 30 June 2022. The increase was mainly due to the increase in production of nickel ore for the fulfillment of customers' order in the second half of 2022.

(ii) Receivables and prepayments decreased by US$0.6 million, from US$10.2 million as at 31 December 2021 to US$9.6 million as at 30 June 2022. The decrease was mainly due to repayment from customers.

Please refer to sub-section below titled “Review of Statement of Cash Flows” on the reasons for the increase in cash and cash equivalents.

Non-Current Liabilities

Non-current liabilities remained relatively stable at US$1.7 million as at 30 June 2022, as compared to US$1.6 million as at 31 December 2021.

Current Liabilities

Current liabilities increased by US$0.8 million, from US$22.1 million as at 31 December 2021 to US$22.9 million as at 30 June 2022, mainly due to the increase in tax payables of US$2.3 million attributable to higher taxable profits in 1H2022, partially offset by a US$1.5 million decrease in payables and accruals, mainly due to repayment of outstanding payables as at 31 December 2021.

Equity

As a result of the above, total equity of the Group increased by US$4.2 million, from US$11.2 million as at 31 December 2021 to US$15.4 million as at 30 June 2022.

Working Capital Position

The Group reported an improved positive working capital position of US$1.3 million as at 30 June 2022, as compared to a negative working capital position of US$0.8 million as at 31 December 2021.

Review of Statement of Cash Flows

1H2022

Net cash generated from operating activities of US$4.5 million in 1H2022 was attributable to (i) operating cash inflows before working capital changes of US$7.4 million; and (ii) a net working capital outflow of US$2.7 million resulting from a decrease of US$1.0 million in receivables and prepayments and a decrease of US$1.7 million in payables and accruals, together with an increase of US$2.0 million in inventories in 1H2022. The Group also paid tax amounting to US$0.3 million in 1H2022.

Net cash used in investing activities of US$2.8 million in 1H2022 were all related to expansion and improvements of the mining infrastructure.

Net cash used in financing activities of US$163,000 in 1H2022 was attributable to interest paid of US$62,000 and payment of lease liabilities of US$101,000.

As a result of the above, the Group’s cash and cash equivalents (after netting the effects of exchange rate changes) increased by US$1.5 million, from US$9.5 million as at 1 January 2022 to US$11.0 million as at 30 June 2022.

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

The condensed interim consolidated financial statements for 1H2022 as set out in this announcement, are in line with the profit guidance announcement for 1H2022 released by the Company on 2 August 2022.

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. The global stainless steel production has increased by 10.6% year-on-year to 56.3 million tons in 2021, and the forecast production for 2022 is 60 million tons, up by 6.5% for 2021[3]. The stainless steel market is projected to grow from US$176 billion in 2021 to US$268 billion by 2028 at a CAGR of 6.2% during the 2021-2028 period (average price range US$3,100 to US$4,400 per metric ton)[4]. In addition, the outlook for nickel prices is expected to remain positive as Class 1 London Metal Exchange nickel prices are expected to stabilise above their recently established range of US$25,000 per tonne to US$30,000 per tonne. Nickel prices had risen over the course of 2021 from its lowest range of US$15,950 per tonne at the beginning of 2021 to reach US$22,700 per tonne at the end of June 2022, as quoted on the London Metal Exchange[5].

Update on smelter projects

On 25 February 2022, the Group has completed the acquisition of PT ATSM. 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 on the feasibility and financing of the smelter facilities in Sulawesi, Indonesia. The Company will provide its shareholders with updates on any such material developments, in accordance with the requirements of the Catalist Rules.

6. Dividend Information

No interim dividend has been declared or recommended for 1H2022 as the Group wishes to conserve its cash resources for its mining operations and downstream smelter projects. No interim dividend had been declared or recommended for 1H2021.

[3] https://bssa.org.uk/stainless-steel-production-increases-by-10-6-to-56-3-million-tons-in-2021-2/

[4] https://www.globenewswire.com/news-release/2022/03/22/2407696/0/en/Stainless-Steel-Market-to-Worth-USD-268-46-Billion-by-2021-2028-Stainless-Steel-Industry-CAGR-of-6-2.html

[5] As quoted from the London Metal Exchange (Nickel)

7. Interested person transactions

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

Details of the interested person transactions (excluding any transaction below S$100,000) for 1H2022 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)
PT Bina Mitra Serasi ("**PT BMS**") - 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.	79	-
Total		**79**	**-**

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 second quarter from 1 April 2022 to 30 June 2022 ("**2Q2022**"), 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	100	-
Production activities	5,000	6,276
General working capital	2,500	2,174
Total	**7,600**	**8,450**

There were no development activities in 2Q2022.

Actual funds used for production activities in 2Q2022 was US$1.3 million higher than forecasted as the Group increased its production capacity to fulfill its customer contracts.

Actual funds used for general working capital in 2Q2022 was US$0.3 million lower than forecasted primarily as a result of the Group's continued prudent cost management measures, which resulted in cost reduction.

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

For the next immediate quarter from 1 July 2022 to 30 September 2022 ("**3Q2022**"), the Group's use of funds are expected to be as follows:

Purpose	**Amount (US$'000)**
Development activities	300
Production activities	6,500
General working capital	2,500
Total	**9,300**

<u>Principal assumptions</u>

Projected use of funds is based on the current production and sales estimates to fulfill the customer contract. 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 2Q2022, no exploration and development activities were carried out.

In relation to production activities, a total of approximately 280,452 metric tons of nickel ore was produced during 2Q2022. 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 2Q2022.

9. 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

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 ATSM from Mr. Hong (Executive Director and Chief Executive Officer of the Company) (1%) and PT BMS (an associate of Mr. Hong) (98%), 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.

Save for the above, the Group does not have any acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period, up to 30 June 2022.

10. 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.

11. Confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim consolidated financial statements of the Group for the six months ended 30 June 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Hong Kah Ing Executive Director and Chief Executive Officer	Syed Abdel Nasser Bin Syed Hassan Aljunied Executive Director

By Order of the Board
Silkroad Nickel Ltd.

Hong Kah Ing
Executive Director and Chief Executive Officer

8 August 2022, Singapore