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

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2020

*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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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 6 months ended		
	Notes	**30/06/2020 US$'000 (Unaudited)**	**30/06/2019 US$'000 (Unaudited)**	**% Change**
Revenue	8(a)	475	2,988	(84.1)
Cost of goods sold	8(b)	(891)	(2,544)	(65.0)
Gross profit	8(c)	(416)	444	n.m
Other income	8(d)	41	199	(79.4)
Expenses				
Administrative expenses	8(e)	(1,549)	(2,314)	(33.1)
Finance expenses	8(f)	(167)	(103)	62.1
Loss before tax		(2,091)	(1,774)	17.9
Tax expense		(13)	(14)	(7.1)
Loss after tax	8(g)	(2,104)	(1,788)	17.7

n.m – not meaningful

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

	Group 6 months ended		
	30/06/2020 US$'000 (Unaudited)	30/06/2019 US$'000 (Unaudited)	% Change
Loss for the period is arrived at after charging/(crediting):			
Included in cost of goods sold:			
Changes in inventories	(292)	83	n.m
Depreciation of property, plant and equipment	404	406	(0.5)
Mining contractor charges	-	1,136	(100.0)
Provision for mine reclamation and rehabilitation	28	8	250.0
Royalty fees	65	186	(65.1)
Staff costs	221	203	8.9
Transportation costs	4	280	(98.6)
Included in other income:			
Interest income	(5)	(4)	25.0
Rental income	-	(194)	(100.0)
Included in administrative expenses:			
Depreciation of property, plant and equipment	127	123	3.3
Foreign exchange loss	43	2	n.m
Loss on disposal of property, plant and equipment	32	-	n.m
Professional fees	307	372	(17.5)
Staff costs	627	701	(10.6)
Travelling expenses	33	112	(70.5)
Included in finance expenses:			
Interest expense on lease liabilities	4	15	(73.3)
Interest expense on borrowings	155	78	98.7

n.m – not meaningful

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

	Notes	Group As at 30/06/2020 (Unaudited) US$'000	Group As at 31/12/2019 (Audited) US$'000	Company As at 30/06/2020 (Unaudited) US$'000	Company As at 31/12/2019 (Audited) US$'000
Non-current assets					
Investment in subsidiaries		-	-	66,241	66,241
Property, plant and equipment	8(i)	11,905	12,330	40	71
Deferred tax assets	8(ii)	234	241	-	-
Receivables	8(iii)	354	332	1,804	1,688
		12,493	12,903	68,085	68,000
Current assets					
Inventories	8(iv)	1,541	1,249	-	-
Receivables and prepayments	8(v)	10,436	11,297	3,222	3,110
Cash and cash equivalents		63	64	8	2
		12,040	12,610	3,230	3,112
Total assets		24,533	25,513	71,315	71,112
Non-current liabilities					
Liabilities for post-employment benefits	8(vi)	535	521	-	-
Lease liabilities	8(vii)	-	52	-	-
Provisions	8(viii)	757	743	-	-
Long-term borrowings	8(ix)	-	741	-	741
		1,292	2,057	-	741
Current liabilities					
Payables and accruals	8(x)	8,566	7,923	1,187	500
Lease liabilities	8(xi)	139	270	22	40
Tax payables	8(xii)	1,086	1,039	28	20
Short-term borrowings	8(xiii)	3,122	1,792	2,665	1,792
		12,913	11,024	3,902	2,352
Total liabilities		14,205	13,081	3,902	3,093
Net assets		10,328	12,432	67,413	68,019
Equity					
Share capital		8,979	8,979	86,387	86,387
Accumulated profits/(losses)		1,349	3,453	(18,974)	(18,368)
Total equity		10,328	12,432	67,413	68,019

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 2020		As at 31 December 2019	
Secured (US$'000)	**Unsecured (US$'000)**	**Secured (US$'000)**	**Unsecured (US$'000)**
3,261*	NA	2,062	NA

Amount repayable after one year

As at 30 June 2020		As at 31 December 2019	
Secured (US$'000)	**Unsecured (US$'000)**	**Secured (US$'000)**	**Unsecured (US$'000)**
NA	NA	793	NA

** US$1.8 million of such secured borrowings has been refinanced in July 2020 and will be repayable in 2023.*

As at 30 June 2020 and 31 December 2019, the Group's borrowings and debt securities comprised (i) obligations under leases; and (ii) secured loans from third parties.

Details of any collateral

The Group's obligations under leases are secured by property, plant and equipment with a net book value of US$531,732 as at 30 June 2020 (31 December 2019: US$759,344).

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 one of the Company's directors.

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 ended 30/06/2020 (Unaudited) US$'000	 30/06/2019 (Unaudited) US$'000
Cash flows from operating activities		
Loss before tax	(2,091)	(1,774)
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	8	8
Depreciation of property, plant and equipment	531	529
Interest income	(5)	(4)
Interest expense	159	93
Loss on disposal of property, plant and equipment	32	-
Post-employment benefits	102	63
Provision for mine reclamation and rehabilitation	28	8
Unrealised foreign exchange (loss)/gain	(52)	14
Operating cash flows before working capital changes	(1,288)	(1,063)
Changes in operating assets and liabilities		
Inventories	(292)	83
Receivables and prepayments	851	(205)
Payables and accruals	428	98
Cash used in operations	(301)	(1,087)
Interest received	5	4
Taxes paid	(9)	(36)
Net cash used in operating activities	(305)	(1,119)
Cash flows from investing activities		
Deposit of investment to a related party	(16)	-
Net proceeds from disposal of property, plant and equipment	15	-
Purchase of property, plant and equipment	(209)	(405)
Net cash used in investing activities	(210)	(405)
Cash flows from financing activities		
Interest paid	(129)	(95)
Net advances from related parties	510	-
Net advances from ultimate holding company	10	-
Net payment on behalf of ultimate holding company	-	(4)
Loan from third parties	524	3,212
Repayment of loans from third parties	-	(1,168)
Advances received from third parties	254	595
Repayment of advances from third parties	(620)	(595)
Repayment of lease liabilities	(33)	(196)
Net cash generated from financing activities	516	1,749
Net increase in cash and cash equivalents	1	225
Cash and cash equivalents at beginning of financial period	64	87
Effects of exchange rate changes on cash and cash equivalents	(2)	2
Cash and cash equivalents at end of financial period	63	314

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.

(Unaudited)	**Share capital US$'000**	**Accumulated profits US$'000**	**Total equity US$'000**
Group			
Balance as at 1 January 2020	8,979	3,453	12,432
Total comprehensive loss for the period	-	(2,104)	(2,104)
Balance as at 30 June 2020	8,979	1,349	10,328
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

(Unaudited)	**Share capital US$'000**	**Accumulated losses US$'000**	**Total equity US$'000**
Company			
Balance as at 1 January 2020	86,387	(18,367)	68,020
Total comprehensive loss for the period	-	(607)	(607)
Balance as at 30 June 2020	86,387	(18,974)	67,413
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

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, subdivision, consolidation, 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 December 2019 and 30 June 2020	261,213,792	86,387

The Company did not have any outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2020 and 30 June 2019.

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 2020	As at 31 December 2019
Total number of issued shares, excluding treasury shares	261,213,792	261,213,792

There were no treasury shares as at 30 June 2020 and 31 December 2019.

1(d)(iv) A statement showing all sales, transfers, 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, 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 modifications or emphasis of a matter).

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

3A. 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 financial statements for the financial year ended 31 December 2019 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the 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.

The same accounting policies and methods of computation have been applied in the presentation of the unaudited financial statements for the current financial period reported on, as compared with the Company's most recently audited financial statements for the financial year ended 31 December 2019.

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 all the applicable new and revised Singapore Financial Reporting Standards International ("SFRS(I)") that are mandatory for the accounting periods beginning on or after 1 January 2020. The adoption of the new and revised SFRS(I) is assessed to have no material financial effect on the results and financial position of the Group and of the Company for the current financial period reported on.

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	
	6 months ended	
	30/06/2020 (Unaudited)	**30/06/2019 (Unaudited)**
Loss attributable to owners of the Company (US$'000)	(2,104)	(1,788)
Weighted average number of ordinary shares outstanding	261,213,792	127,103,447
Basic and diluted loss per share (US cents)	(0.81)	(1.41)

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 30/06/2020	**As at 31/12/2019**	**As at 30/06/2020**	**As at 31/12/2019**
Net assets value (US$'000)	10,328	12,432	67,413	68,019
Number of ordinary shares in issue	261,213,792	261,213,792	261,213,792	261,213,792
Net assets value per share (US cents)	3.95	4.76	25.81	26.04

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 half year ended 30 June 2020 ("1H2020") as compared to the half year ended 30 June 2019 ("1H2019")

(a) Revenue

The Group's revenue for 1H2020 decreased by US$2.5 million or 84.1%, from US$3.0 million in 1H2019 to US$0.5 million in 1H2020. The decrease was mainly due to the decrease in the quantity of nickel ore sold, from 170,667 metric tons in 1H2019 to 26,174 metric tons in 1H2020, partially offset by a marginal increase in the average selling price of the nickel ore. The decrease in the quantity of nickel ore sold was mainly due to the lower production in 1H2020. Production activities were temporarily suspended from February 2020 to March 2020 as the Chinese workers of the Group's mining contractor were unable to travel to Indonesia as a result of the COVID-19 pandemic and the travel ban to and from China declared by the Indonesia government in early February 2020. Production activities resumed with the deployment of the Group's local Indonesian employees in April 2020 albeit at lower levels in view of the current COVID-19 pandemic and safety considerations.

(b) Cost of goods sold

Cost of goods sold decreased by US$1.6 million or 65.0%, from US$2.5 million in 1H2019 to US$0.9 million in 1H2020. The rate of decrease in cost of goods sold of 65.0% was lower than the rate of decrease in revenue of 84.1%, mainly due to the continuing fixed operating costs such as direct labor and depreciation of the mining equipment in 1H2020, despite the decrease in revenue.

(c) Gross profit margin

The negative gross profit margin in 1H2020 and gross profit margin in 1H2019 was -87.6% and 14.9% respectively. The decrease in gross profit margin in 1H2020 was due to the lower rate of decrease in cost of goods sold as explained in 8(b) above, as compared to the decrease in revenue.

(d) Other income

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

Other income decreased by approximately US$158,000, from approximately US$199,000 in 1H2019 to approximately US$41,000 in 1H2020. This was mainly attributable to the absence of rental income generated from renting out the Group's excavators and off-highway trucks to the mining contractor in 1H2020 (1H2019: US$194,000) as the new mining contractor engaged by the Group since July 2019 is fully equipped with its own mining equipment, partially offset by the property tax rebate and the enhanced government grants received under the Jobs Support Scheme and Wage Credit Scheme from the Singapore government in 1H2020.

(e) Administrative expenses

Administrative expenses decreased by US$0.8 million, from US$2.3 million in 1H2019 to US$1.5 million in 1H2020. This was mainly due to (i) the decrease in overseas travelling expenses of US$0.1 million due to the COVID-19 global travel restrictions in place in 1H2020; (ii) the decrease in staff costs of US$0.1 million due to the decrease in the number of employees and temporary salary deduction in 1H2020 as part of the Group's cost-cutting measures; (iii) professional fees of US$0.2 million in relation to the development of mine plan and design of smelter was incurred in 1H2019 but was absent in 1H2020; (iv) the decrease in employee benefits of US$0.1 million due to the decrease in the number of employees in 1H2020 as part of the Group's cost-cutting measures; and (v) the decrease in value-added tax (VAT) expense of US$0.2 million due to the decrease in production in 1H2020; partially offset by (vi) the increase in net foreign exchange loss of approximately US$41,000 due to the appreciation of United States Dollars ("USD") against Indonesian Rupiah ("IDR") in 1H2020; and (vii) loss on disposal of equipment of approximately US$32,000 incurred in 1H2020 but was absent in 1H2019.

(f) Finance expenses

Finance expenses increased by approximately US$64,000, from approximately US$103,000 in 1H2019 to US$167,000 in 1H2020, mainly due to the interest incurred on the new borrowings obtained after 1H2019, partially offset by the decrease in interest incurred on lease liabilities due to repayment.

(g) Loss after tax

The Group recorded a loss after tax of US$2.1 million for 1H2020, as compared to a loss after tax of US$1.8 million for 1H2019, as a result of the above.

Review of Financial Position

Non-Current Assets

(i) Property, plant and equipment decreased by US$0.4 million, from US$12.3 million as at 31 December 2019 to US$11.9 million as at 30 June 2020. This was due to the depreciation charges of property, plant and equipment, amortisation of mining property, early termination of right-of-use assets in respect of office premise and the disposal of heavy equipment during 1H2020, partially offset by the additions of new property, plant and equipment acquired in 1H2020.

(ii) Deferred tax assets, which relate to tax benefits to be realised in the future, decreased by approximately US$7,000, from approximately US$241,000 as at 31 December 2019 to approximately US$234,000 as at 30 June 2020, due to the exchange differences recognized during 1H2020.

(iii) Receivables comprised fixed deposits placed as security deposits for mine reclamation purposes. Receivables increased by approximately US$22,000, from approximately US$332,000 as at 31 December 2019 to approximately US$354,000 as at 30 June 2020, due to the additional security deposits placed during 1H2020.

Current Assets

(iv) Inventories increased by US$0.3 million, from US$1.2 million as at 31 December 2019 to US$1.5 million as at 30 June 2020. The increase in inventories was due to the increase in average cost per metric ton of the nickel ore as a result of the decrease in production of the nickel ore during 1H2020.

(v) Receivables and prepayments, comprising trade receivables, other receivables and prepayments, decreased by US$0.9 million, from US$11.3 million as at 31 December 2019 to US$10.4 million as at 30 June 2020.

Trade receivables decreased by US$0.9 million, from US$10.3 million as at 31 December 2019 to US$9.5 million as at 30 June 2020. The decrease was due to the payment received from customer during 1H2020.

Non-Current Liabilities

(vi) Liabilities for post-employment benefits increased by approximately US$14,000, from approximately US$521,000 as at 31 December 2019 to US$535,000 as at 30 June 2020. The increase was due to the provision of retirement pension cost during 1H2020, partially offset by the reclassification of certain portion from non-current liabilities to current liabilities due to the retrenchment of some of the Group's employees as part of the Group's cost-cutting measures.

(vii) Lease liabilities decreased by approximately US$52,000, from approximately US$52,000 as at 31 December 2019 to US$ NIL as at 30 June 2020. The decrease was due to the reclassification from non-current liabilities to current liabilities, as the lease liabilities are payable within 12 months from 30 June 2020.

(viii) Provisions increased by approximately US$14,000, from approximately US$743,000 as at 31 December 2019 to approximately US$757,000 as at 30 June 2020, due to the increase in provisions in relation to mine reclamation and rehabilitation, as well as asset retirement obligation.

(ix) Long-term borrowings decreased by US$0.7 million, from US$0.7 million as at 31 December 2019 to US$ NIL as at 30 June 2020. The decrease was due to the reclassification from non-current liabilities to current liabilities, as the borrowings are payable within 12 months from 30 June 2020.

Current Liabilities

(x) Payables and accruals, comprising trade payables, other payables and accruals, increased by US$0.6 million, from US$7.9 million as at 31 December 2019 to US$8.5 million as at 30 June 2020.

Trade payables decreased by US$0.2 million, from US$4.2 million as at 31 December 2019 to US$4.0 million as at 30 June 2020. The decrease was due to the payment made to the suppliers.

Other payables increased by US$0.4 million, from US$1.0 million as at 31 December 2019 to US$1.4 million as at 30 June 2020. The increase was mainly due to advances from related parties and slight delay in payment to non-trade creditors in 1H2020.

Accruals increased by US$0.4 million, from US$2.7 million as at 31 December 2019 to US$3.1 million as at 30 June 2020. This was mainly due to the increase in accrual of demurrage charges, directors' fees, employee salaries and the retirement pension cost which was reclassified from non-current liabilities to current liabilities.

(xi) Lease liabilities decreased by US$0.2 million, from US$0.3 million as at 31 December 2019 to US$0.1 million as at 30 June 2020. The decrease was mainly due to the lease payment made and the early termination of right-of-use assets in respect of office premise during 1H2020, partially offset by the reclassification of lease liabilities from non-current liabilities to current liabilities, as they are payable within 12 months from 30 June 2020.

(xii) Tax payables increased by approximately US$47,000, from US$1.0 million as at 31 December 2019 to US$1.1 million as at 30 June 2020. The increase was due to the tax payment for employee income tax and withholding tax for directors' fees in 1H2020.

(xiii) Short-term borrowings increased by US$1.3 million, from US$1.8 million as at 31 December 2019 to US$3.1 million as at 30 June 2020. The increase was due to the additional short-term secured loan obtained from a third party in 1H2020 and the reclassification of borrowings from non-current liabilities to current liabilities, as they are payable within 12 months from 30 June 2020.

Working Capital Position

The Group reported a negative working capital position of US$0.9 million as at 30 June 2020, as compared to a positive working capital position of US$1.6 million as at 31 December 2019.

Since the beginning of 2020, the Group has obtained additional drawdown from an existing financing facility and advances from related parties for working capital requirement. One of the Group's financing facilities of US$0.8 million will be due within the next 12 months from 30 June 2020 and accordingly, it has been reclassified from non-current liabilities to current liabilities, which is the main cause of the negative working capital position of the Group as at 30 June 2020.

Subsequent to 30 June 2020, the Group refinanced one of its financing facilities of US$1.8 million in July 2020 and will be repayable in 2023. Accordingly, such amount of current liabilities will be reclassified to non-current liabilities, which will improve the Group's working capital position.

The Group also continues to explore various options to raise funds for the Group's general working capital requirements.

Equity

As a result of the above, total equity of the Group decreased by US$2.1 million, from US$12.4 million as at 31 December 2019 to US$10.3 million as at 30 June 2020.

Review of Statement of Cash Flows

1H2020

Net cash used in operating activities of US$0.3 million was attributable to (i) operating cash outflows before working capital changes of US$1.3 million; and (ii) a net working capital inflow of US$1.0 million resulting from a decrease of US$0.9 million in receivables and prepayments and an increase of US$0.4 million in payables and accruals, partially offset by an increase of US$0.3 million in inventories in 1H2020.

Net cash used in investing activities of US$0.2 million was attributable to the purchase of property, plant and equipment of US$0.2 million and the deposit for investment to a related party of approximately US$16,000, partially offset by net proceeds from sale of equipment of approximately US$15,000 in 1H2020.

Net cash generated from financing activities of US$0.5 million was attributable to the net loans received of US$0.5 million and net advances received from related parties of US$0.5 million, partially offset by net repayment of advances from third parties of US$0.4 million and interest payments of US$0.1 million in 1H2020.

As a result of the above, the Group's cash and cash equivalents (after netting the effects of exchange rate changes) decreased by approximately US$1,000, from approximately US$64,000 as at 1 January 2020 to approximately US$63,000 as at 30 June 2020.

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.

Current review of the Indonesian Mining Industry

The current macroeconomic headwinds arising from the COVID-19 pandemic, the possibility of secondary peaks in COVID-19 infections, as cautioned by the World Health Organization and travel restrictions present near-term downside risks to the global nickel market. The Indonesian government indicated on 23 June 2020 that US$3.7 billion worth of nickel and other metal smelting projects will be delayed until 2021 due to the COVID-19 pandemic[1]. However, this projection is significantly lesser (66%) than the US$11 billion of nickel smelting projects that were originally expected to be delayed, according to the government's guidance issued earlier in February 2020. This indicates that the impact on nickel smelting projects could be far lesser than previously anticipated.

Additionally, 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 electric vehicles (EV). Global nickel supply is expected to growth with a CAGR of 4.6% by 2025, with EV batteries being the most prominent driver for nickel demand, estimated to grow 23% annually until 2030[2].

Commodities analysts anticipate nickel to be the best positioned for a global rebound among base metals, with its exposure to electric vehicle demand and to China's economic recovery. Additionally, nickel prices could find some upside support if economic activity recovers and pent-up demand is released at a faster pace than currently expected[3]. Already, fund managers such as Baker Steel Capital Managers have been able to outperform key indices like the S&P500, as well the EMIX Global Mining Index by as much as 32.8% (in euro terms) through strategic exposure to nickel equities[4].

The Indonesian government’s strategic shift towards supporting domestic value-added nickel pig iron production, the rapidly growing demand for nickel from the EV battery market, and the stellar performance of nickel on major commodities exchanges relative to major indices during the pandemic are all positive signals for the nickel sector.

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[1] Decena, K., 2020. *Indonesia Sees Delay In US$3.7B Of Smelter Projects Due To COVID-19 – Reuters*. [online] S&P Global. Available at: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/indonesia-sees-delay-in-us-3-7b-of-smelter-projects-due-to-covid-19-8211-reuters-59157608> [Accessed 4 August 2020].

[2] Lee, E. Y., 2019. *Nickel and the Battery Revolution: A New Dawn for Nickel in Batteries*. DBS Asian Insights Sector Briefing 80. DBS Group Research. Available at: <https://www.dbs.com/aics/templatedata/article/generic/data/en/GR/092019/190918_insights_nickel.xml> [Accessed 4 August 2020].

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[4] BakerSteel. 2020. *What Is Next For Nickel In The Era Of Covid -19 And Beyond? Update On “Future Facing” Metals Equities.* [online] Available at: <http://www.bakersteelglobalfunds.com/wp-content/uploads/2020/05/Whats-next-for-nickel-Baker-Steel-May-2020.pdf> [Accessed 4 August 2020].

Recent developments in blast furnace smelter

On 5 December 2019, the Group announced its strategy to form an operating joint venture to build and operate smelter facilities for the production of nickel pig iron on the Group's mine site in Sulawesi, Indonesia. The Company is in the process of finalising the necessary financing and operating agreements in relation to this project.

Once the necessary agreements are finalised and when the COVID-19 travel restrictions imposed by the Indonesian government are eased, barring unforeseen circumstances, the Company expects to be able to commence operations of the blast furnace smelter by 4Q 2020. The Group is making arrangements to deploy the necessary manpower to commence the blast furnace operations, however it recognises that a delay in bringing qualified engineers into the worksite could push the commissioning of the smelter operations to 1Q 2021. Being able to operate the blast furnace smelter will allow the Company to export the processed material – nickel pig iron. Barring unforeseen circumstances, this is expected to improve the financial performance of the Group.

Recent developments in Electric furnace smelter

On 16 April 2020, the Group entered into a non-binding heads of agreement with Shandong Xinhai (Singapore) Pte Ltd, a subsidiary of Shandong Xinhai Technology Co Ltd ("**Shandong Xinhai**"), to build and operate a Rotary Kiln Electric Furnace (RKEF) in Sambalagi Village, Sulawesi, Indonesia for the production of up to 350,000 metric tonnes of ferronickel per annum. Shandong Xinhai will provide its world class expertise to build and operate the RKEF nickel smelter with the Group supplying the nickel ore raw material. The Group is currently having discussions with its partners on the project details and has commenced exploring financing options for funding of the project. Please refer to the separate announcement released by the Company on 20 April 2020, for more information.

The Company continues to explore various options to raise funds for the Group's general working capital requirements and capital expenditure. Despite the operational hurdles imposed by the COVID-19 pandemic, the Group believes that the current risks facing the business will not derail the Group's long-term strategy of becoming an integrated ferronickel manufacturing company by forging important world-class partnerships.

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 1H2020 as the Group recorded a net loss in 1H2020.

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.

Details of the interested person transactions for 1H2020 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 office space by PT Teknik Alum Service ("**PT TAS**") from PT BMS - Rental of cars by PT TAS 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.	111	-
Total		**111**	**-**

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 the second quarter from 1 April 2020 to 30 June 2020 ("**2Q2020**"), 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*	114	131
Production activities	1,440	551
General working capital	735	239
Total	**2,289**	**921**

*Development activities include capital expenditures.

Actual funds used for production activities in 2Q2020 was US$0.9 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 2Q2020 was US$0.5 million lower than forecasted as outstanding payments will be made in subsequent quarter as part of the Group's measures to manage its cash flow.

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

For the next immediate quarter from 1 July 2020 to 30 September 2020 ("**3Q2020**"), the Group's use of funds are expected to be as follows:-

Purpose	**Amount (US$'000)**
Development activities	47
Production activities	480
General working capital	300
Total	**827**

<u>Principal assumptions</u>

Projected use of funds is based on local 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.

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 the COVID-19 travel restrictions imposed by the Indonesian government and/or regulatory authorities.

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

The Board 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.

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 2Q2020, no exploration activities were carried out. In relation to production activities, with the deployment of the Group's local Indonesian employees in April 2020, production activities resumed albeit at lower levels in view of the current COVID-19 pandemic and safety considerations and a total of approximately 961 metric tons of nickel ore was produced during 2Q2020.

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 first half year financial period ended 30 June 2020 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 2020