

**(I) INCORPORATION OF A NEW SUBSIDIARY; AND
 (II) ACQUISITION OF PT ANUGRAH TAMBANG SMELTER**

The board of directors (the “**Board**” or “**Directors**”) of Silkroad Nickel Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to provide the following corporate updates to shareholders of the Company (the “**Shareholders**”):

(I) INCORPORATION OF A NEW SUBSIDIARY

The Board wishes to announce that, on 1 December 2020, the Company has incorporated a wholly-owned subsidiary, Silkroad Metal Industries Pte. Ltd. (“**SMI**”), in Singapore (the “**Incorporation**”), with an issued and fully paid-up share capital of S\$100 comprising 100 ordinary shares held by the Company.

The principal activities of SMI are to carry out businesses in manufacturing, trading and distribution of nickel pig iron. The Incorporation is in line with the Group’s strategy to invest and expand its nickel pig iron smelter operations.

The Incorporation was funded by the Group’s internal resources and is not expected to have any material impact on the net tangible assets per share and earnings per share of the Company and the Group for the current financial year ending 31 December 2020.

(II) ACQUISITION OF PT ANUGRAH TAMBANG SMELTER

1. Introduction

1.1 The Board wishes to announce that, on 2 December 2020, SMI (the Company’s newly incorporated and wholly-owned subsidiary as set out in Section (I) above) has entered into a sale and purchase agreement (“**Agreement**”) with the shareholders of PT Anugrah Tambang Smelter (“**PT ATSM**”) to acquire 99% equity interests in PT ATSM, comprising 2,475 shares (the “**Sale Shares**”) (the “**Acquisition**”).

1.2 Prior to the entry of the Agreement, PT ATSM is 99% and 1% owned PT Bina Mitra Serasi (“**PT BMS**”) and Hong Kah Ing (“**Mr Hong**”). PT BMS is 4% and 96% owned by Mr Hong and his spouse, respectively. Mr Hong is a controlling Shareholder, as well as the Executive Director and Chief Executive Officer of the Company.

1.3 Pursuant to the Agreement, PT BMS and Mr Hong have agreed to sell their respective equity interests of 98% (comprising 2,450 shares) and 1% (comprising 25 shares) in PT ATSM to SMI for an aggregate cash consideration of US\$20,000 to be paid before 31 December 2020. (“**Purchase Consideration**”). The Acquisition has been completed on 2 December 2020, and since then, PT ATSM is 99% and 1% owned by SMI and PT BMS, respectively.

*Unless otherwise stated, all currency translation of Singapore dollar (“**S\$**”), Indonesia Rupiah (“**IDR**”) and United States dollar (“**US\$**”) used in this announcement are based on an exchange rate of S\$1.00 : IDR10,600 and US\$1.00 : IDR14,200, as at 2 December 2020.*

2. Information on PT ATSM

- 2.1 PT ATSM was incorporated on 6 May 2015 in the Republic of Indonesia. As at the date of this announcement, PT ATSM has a total issued and paid-up share capital of IDR2,500,000,000, comprising 2,500 shares.
- 2.2 PT ATSM currently holds a valid location permit license for construction of a smelter factory in Buleleng Village, Bungku Pesisir Subdistrict, Morowali Regency, Sulawesi, Indonesia. It is in the process of commencing its smelter operations in the first quarter of 2021 for the manufacturing and selling nickel pig iron to its customers in the steel making industry. The smelter operations will be adjacent to the Group's nickel ore mining concession.
- 2.3 Based on the unaudited management accounts of PT ATSM for the six-month financial period ended 30 June 2020 ("**6M2020**"), PT ATSM reported (i) net loss before tax of IDR211,770,350 (equivalent to approximately US\$14,900) for 6M2020; and (ii) net tangible assets ("**NTA**") of IDR10,531,252,935 (equivalent to approximately US\$741,640) as at 30 June 2020.

On 26 September 2020, PT ATSM implemented a share reduction scheme to reduce its issued share capital from IDR12,500,000,000 to IDR2,500,000,000.

Based on the unaudited management accounts of PT ATSM for the nine-month financial period ended 30 September 2020 ("**9M2020**"), PT ATSM reported (i) net loss before tax of IDR446,529,282 (equivalent to approximately US\$31,440) for 9M2020; and (ii) NTA of IDR296,494,003 (equivalent to approximately US\$20,900) as at 30 September 2020.

- 2.4 Pursuant to Chapter 9 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), as PT BMS and Mr Hong are "interested persons" of the Group, the Acquisition would constitute an "interested person transaction". As the value at risk of "interested person transaction" (i.e. the Acquisition), being the Purchase Consideration of US\$20,000, is below S\$100,000, Rules 905 and 906 of the Catalist Rules (whereby the Company must make an immediate announcement or obtain Shareholders' approval for the Acquisition) are not applicable.

3. Rationale for the Acquisition

- 3.1 As announced by the Company in December 2019, the Group is pursuing its strategy of becoming an integrated nickel mining company. It is intended for PT ATSM to be the main operating company for the Group's nickel pig iron smelter operations and accordingly, the Acquisition of PT ATSM is a significant step towards the Group's strategy.
- 3.2 The Board considers the Acquisition to be in the interests of and is beneficial to the Group and Shareholders.

4. Purchase Consideration

- 4.1 The Purchase Consideration was arrived at following arm's length negotiations, on a willing buyer willing seller basis, and taking into consideration the unaudited net assets of PT ATSM as at 30 September 2020 of IDR296,494,003 (equivalent to approximately US\$20,900).
- 4.2 No independent valuation of PT ATSM was conducted for the purpose of the Acquisition.
- 4.3 The Purchase Consideration will be satisfied wholly in cash, to be paid before 31 December 2020, through internal resources of the Group. The Acquisition is not expected to have any material impact on the net tangible assets per share and earnings per share of the Company and the Group for the current financial year ending 31 December 2020.

5. Chapter 10 of the Catalist Rules

Under Rule 1007(1) of the Catalist Rules, if any of the relative figures computed pursuant to Rule 1006 of the Catalist Rules involves a negative figure, Chapter 10 of the Catalist Rules may

still be applicable to the transaction in accordance with the applicable circumstances in Practice Note 10A of the Catalist Rules.

Pursuant to Practice Note 10A paragraph 4.1 of the Catalist Rules, tests based on assets under Rule 1006(a) of the Catalist Rules and profits under Rule 1006(b) of the Catalist Rules may involve a negative figure in the numerator, denominator or both, which may not give a meaningful indication of the significance of a transaction to the issuer, in instance where, for example, the issuer is loss-making and/or an acquisition of a loss-making asset. It is noted that both the Group and PT ATSM are loss making for 6M2020.

Pursuant to Practice Note 10A paragraph 4.3 of the Catalist Rules, as (i) the absolute relative figure computed on the basis of Rule 1006(c) of the Catalist Rules amounts to less than 5%; and (ii) the net loss attributable to the Sale Shares for 6M2020 amounts to less than 5% of the consolidated net loss of the Group for 6M2020 (in each case taking into account only the absolute values), no announcement and Shareholders' approval of the Acquisition are required. Accordingly, the disclosure requirements of this announcement have been made in accordance to Rule 1008 of the Catalist Rules for the voluntary announcement of a "non-discloseable" transaction.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above, none of the Directors or controlling Shareholders and their respective associates has any interest, direct or indirect, in the Incorporation and/or the Acquisition (other than through their respective shareholdings in the Company, if any).

CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. If in doubt about the action they should take, Shareholders and potential investors should consult their stockbrokers, bankers, solicitors, accountants, tax advisers and/or other professional advisers.

By Order of the Board

Hong Kah Ing
Executive Director and Chief Executive Officer
3 December 2020

About Silkroad Nickel Ltd. (Bloomberg Ticker: SROAD SP; SGX Ticker STP)

Silkroad Nickel Ltd. ("**Silkroad**", and together with its subsidiaries, the "**Group**") is listed on the Catalist board of the Singapore Exchange Securities Trading Limited. The Group is principally engaged in the business of exploration, mining, production and sale of nickel ore and has been granted the Production Operations IUP to conduct nickel ore mining operations in the mining concession area, covering approximately 1,301 hectares located in Morowali, Sulawesi, Indonesia. Based on the standards of the JORC Code, the independent qualified person's report dated 30 September 2019 had estimated nickel resources covering the mining concession area to be at 146.6 million wet metric tonnes with nickel reserves of 44.5 million wet metric tonnes.

*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 (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 420