

Silkroad Nickel signs heads of agreement with Shandong Xinhai for RKEF nickel smelter in Indonesia

Singapore, 20 April 2020 – SGX-Catalist listed Silkroad Nickel Ltd. (“**Silkroad Nickel**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that further to the non-binding memorandum of understanding entered into with Shandong Xinhai (Singapore) Pte Ltd, a subsidiary of Shandong Xinhai Technology Co Ltd¹ (“**Shandong Xinhai**”, and together with the Company, collectively known as the “**Parties**”) as announced by the Company on 15 August 2019, the Parties had, on 16 April 2020, signed a non-binding heads of agreement (“**HOA**”), pursuant to which the Parties will build and operate a Rotary Kiln Electric Furnace (“**RKEF**”) nickel smelter in Sambalagi Village, Sulawesi, Indonesia for the production of up to 350,000 metric tonnes of ferronickel per annum (“**RKEF Project**”).

Concurrently, PT Aneka Tambang Tbk² (“**Antam**”) had also signed a heads of agreement with Shandong Xinhai’s consortium to partner in the RKEF Project. It is expected that, on commissioning of the RKEF, Antam will acquire up to 49% in the RKEF Project with at least 51% of the RKEF Project being held jointly by the consortium of Shandong Xinhai (i.e. Shandong Xinhai and Silkroad Nickel). The estimated cost of the RKEF Project (excluding the cost of any supporting coal fired power plant) currently stands at approximately US\$400 million and the RKEF nickel smelter is expected to be built and commissioned for operations by the second quarter of 2022.

¹ Shandong Xinhai, a company established in Junan Economic Development Zone, Shandong, China, specialises in the production of high grade ferronickel and electric power.

² Antam, an Indonesian state controlled company, is one of Indonesia’s largest vertically integrated, export-oriented, diversified mining and metals company undertaking all activities from exploration, excavation, processing through to marketing of nickel ore, ferronickel and other minerals.

The HOA sets out the key terms of understanding of the Parties in relation to the intended partnership between the Parties, and serves as the basis for negotiation and finalization of a definitive agreement ("**Definitive Agreement**"). Under the HOA, the Parties have agreed to establish an investment company which will own at least 51% of the RKEF Project. Salient terms of the HOA include, among others, the following:

- The RKEF nickel smelter will be a 4-line 48 MVA (mega volt ampere) nickel smelter to be supported by a coal fired power plant wholly-owned and operated by Shandong Xinhai.
- Completion of a detailed feasibility report and any necessary due diligence on the RKEF Project by the Parties.
- Silkroad Nickel to acquire up to 20% (but not less than 15%) shareholding interest in the RKEF Project, subject to the approvals (where applicable) of the board of directors and shareholders of the Company as well as any necessary regulatory approvals.
- Silkroad Nickel shall be a long term supplier of nickel ore to the RKEF Project for a minimum quantity equal to its shareholding interest in the RKEF Project and on terms to be agreed separately under a long term offtake contract. In addition, Silkroad Nickel shall be responsible to obtain all necessary permits and licences as well as to obtain and manage the land required for the RKEF nickel smelter.
- Shandong Xinhai shall be responsible for the design, procurement, development, construction and operation of the RKEF nickel smelter, including the provision of suitably qualified and experienced personnel.

The execution and signing of the Definitive Agreement by the Parties is subject to the customary conditions precedent, including but not limited to the following:

- (a) each Party having obtained all regulatory and corporate approvals including approval from any stock exchange or central bank (where required);
- (b) the RKEF Project being carried out in compliance with all relevant laws as well as rules and regulations, including but not limited to, the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**"), as amended, modified, or supplemented from time to time;

- (c) completion of the conduct of legal, financial, operational and technical due diligence by the Parties; and
- (d) confirmation provided in writing by all Parties that each of the Parties is conducting, and has conducted, its business in compliance with environmental law and all material environmental permits have been obtained, are in force and are being and have been complied with (where applicable).

The detailed terms of the RKEF Project shall be set out and agreed upon in the Definitive Agreement, which are expected to be signed no later than six (6) months from the date of the HOA, and are subject to the approval of the board of directors of the Company, any necessary regulatory approvals and a feasibility study to be approved by the Company.

Mr Hong Kah Ing, Executive Director and Chief Executive Officer of Silkroad Nickel commented, “We are pleased to announce the signing of the HOA with Shandong Xinhai to build and operate the RKEF nickel smelter in Sambalagi village which is near our mine site. We are extremely proud to partner with both Shandong Xinhai, the largest ferronickel producer in China, and Antam, one of Indonesia’s largest mining and processing companies and the owner of Gag Island, one of Indonesia’s largest nickel ore concessions. Shandong Xinhai will provide its world class expertise to build and operate the RKEF nickel smelter with Antam and Silkroad Nickel supplying the nickel ore to the RKEF nickel smelter. Despite the current challenges in the world resulting from the COVID-19 pandemic, our Group has continued on its strategic path of becoming an integrated ferronickel manufacturing company by forging important world-class partnerships to build its smelter business”.

None of the directors or substantial shareholders of the Company and their respective associates has any interest, direct or indirect, in the HOA, save for their interests arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

The shareholders of the Company and potential investors should exercise caution when trading in the Company’s shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

The Company will make further announcements, in compliance with the requirements of Chapter 10 of the Catalist Rules, upon the execution of the Definitive Agreement and/or when there are material developments in respect of the RKEF Project.

End.

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 2012, the independent qualified person’s report dated 30 September 2019 estimated the mineral resources covering the mining concession area to be 146.6 million wet metric tonnes including an estimated 56.8 million wet metric tonnes being defined as indicated resources and an estimated 89.7 million wet metric tonnes being defined as inferred resources. Of the total resources, an estimated 44.5 million wet metric tonnes were defined as probable ore reserves.

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”).

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 4201.