SILKROADNICKEL

Silkroad Nickel Ltd.

TOWARDS A SUSTAINABLE FUTURE

ANNUAL REPORT 2021

CONTENTS

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

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03, Robinson 77, Singapore 068896, telephone (65) 6636 4201.

CORPORATE **PROFILE**

Silkroad Nickel Ltd. ("**Silkroad Nickel**" or the "**Company**", and together with its subsidiaries, the "**Group**") is the first nickel mining company to be listed on the Singapore Exchange. The Company made its trading debut on the Catalist board of the Singapore Exchange on 30 July 2018, under the stock code "**STP**", following the completion of the reverse takeover of the Company by FE Resources Pte. Ltd. on 5 July 2018. Since inception, the Company's mission and vision is to be a carbon neutral, nickel supplier-of-choice, that is driving a Green and Sustainable Future. Silkroad Nickel is committed to reducing its carbon footprint and the Company has a clear path to developing nickel products with the ESG credentials to help drive sustainability in the Stainless Steel and Electric Vehicle ("**EV**") industries.

Through its wholly-owned subsidiary, PT Teknik Alum Services, the Company owns and carries out its nickel ore mining operations at an approximately 1,301 hectares mining concession area in the Morowali Regency, Central Sulawesi, Indonesia (the "**Mining Concession Area**"). The Group currently conducts its mining activities in the Mining Concession Area using an open pit mining method, which includes the exploration, planning and clearing of required surface areas, mining, transportation and stockpiling, delivery and barging, as well as reclamation and rehabilitation works throughout the mine's lifetime. The Group utilises its own local mining team as well as engaging third party mining contractors to undertake the necessary mining and production activities aforementioned.

The Group completed the acquisition of PT Anugrah Tambang Smelter in February 2022 to expedite its development of the Rotary-Kiln Electric Furnace smelter in Sulawesi, Indonesia. For the production of Nickel Pig Iron ("**NPI**"), which is vital for manufacturing stainless steel, the Group is pursuing smelter operation initiatives with various parties including Shandong Xinhai Technology Co. Ltd and PT Aneka Tambang Tbk. In addition, the Group's mine's laterite ore contains both nickel and cobalt, both are key components used in lithium-ion batteries. The Company has also partnered with Ganfeng Lithium Co. Ltd., the world's largest lithium producer, to develop further downstream and upstream initiatives in the industry.

These plans to develop and grow the Group's downstream NPI and EV initiatives will transition Silkroad Nickel from its primary nickel mining operations to a fully-integrated nickel producer.

CHAIRMAN'S MESSAGE

The Group continues to be far-sighted, and remains resolute and committed to its long-term vision of transitioning into a vertically integrated nickel producer.

Dear Valued Shareholders,

On behalf of the Board of Directors of Silkroad Nickel Ltd. ("**Silkroad Nickel**" or the "**Company**", and together with its subsidiaries, the "**Group**"), it is my pleasure to present to you the Company's annual report and its notable performance for the financial year ended 31 December 2021 ("**FY2021**").

YEAR IN REVIEW

Firstly, FY2021 has proven to be a milestone for the Group operationally and financially as we made significant progress in our upstream nickel mining business. Despite the challenges from the ongoing Novel Coronavirus ("**COVID-19**") global pandemic, we were well-prepared and committed to our vision, and I am proud to say that the Group achieved record production for FY2021 and the consequent improvement in our financial performance culminated in a positive year for us.

In March 2021, the Group had entered into a 2-year offtake agreement with PT Ekasa Yad Resources (a Tsingshan group company) which has an estimated contract value of over US$90 million based on the monthly benchmark price for nickel ore set by the Indonesia Government. In November 2021, the Group further signed a new 1-year offtake agreement with PT Mineral Maju Sejahtera (a subsidiary of Lygend Resources) which is focused on nickel ore trading and currently supplies to Virtue Dragon Nickel Industry. The Group is pleased to have secured two giants in the industry and believes that this is a testament to the ore quality and operational credibility of the Group. The Group will see a ramp up in its production and sales in 2022 and will continue to source for more offtake contracts and to diversify its customer base.

FY2021's performance has given us confidence for this financial year ending 31 December 2022 ("**FY2022**"). Barring unforeseen circumstances, we are optimistic that we will be able to achieve higher targets and perform even better operationally, in line with our planned increase in production capacity for FY2022.

Secondly, the Group continues to be far-sighted, and remains resolute and committed to its long-term vision of transitioning into a vertically integrated nickel producer. The Group has signed a definitive agreement with GFL International Co., Limited ("**GFL**"), a subsidiary of Ganfeng Lithium Co., Ltd. ("**GFC**"), for a US$30 million strategic investment as a foray into the EV industry. As announced in November 2021, the Company issued a US$15 million exchangeable bond to GFL. We are extremely pleased to be in partnership with GFC, one of the world's largest lithium producers and pioneers in EV battery technology and recycling. The Group looks forward to exploring more business opportunities with GFC in Indonesia and around the region.

Lastly, the Group has also remained focused on developing its downstream Rotary-Kiln Electric Furnace ("**RKEF**") business to produce Nickel Pig Iron/Ferronickel ("**NPI/FeNi**") and potentially even further downstream to produce Nickel Matte and Nickel Sulphates for the EV industry. The Group has been working with various project stakeholders on the development and financing aspects of this business, and we will announce any material developments to shareholders as and when appropriate.

The Group remains positive for the year ahead following the steady rally of nickel prices which have risen 47% since 2020 and 18% in 2021. Nickel prices had risen over the course of 2021 from its lowest range of US$15,950 per tonne at the beginning of March 2021 to breaking the US$20,000 per tonne mark in the last quarter of 2021[1], ultimately reaching the US$20,900 range at the end of 2021, as stated in the London Metal Exchange's report. This was mainly a result of the increasing global demand for nickel as the world shifts towards the electrification of vehicles and decarbonization. The Group is poised to capitalise on this long-term trend and aims to create value for all its shareholders.

OUTLOOK AND PROSPECTS

Barring unforeseen circumstances, FY2022 is expected to be another positive year for the Group as the world shifts away from the uncertainty of the different COVID-19 pandemic variants back towards the focus on accelerating growth for the global economy. The Group expects the demand for commodities, especially metals, including nickel to rise significantly as the manufacturing, infrastructure and EV industries are currently poised for expansion. The Group envisions many growth opportunities in Indonesia and around the region for nickel upstream and downstream industries.

The Group continues to explore opportunities to expand its revenue by way of potential joint ventures and joint operations. The Group will also look into maximising value of its existing nickel assets, including developing and/or acquiring other nickel mines in view of the strengthened nickel prices.

The Group's vision to be a Carbon Neutral vertically integrated nickel producer conforms with Indonesia's long term strategy for Low Carbon and Climate Resilience in the near future in which the Group has partnered with GFC to take advantage of these growth opportunities in the EV industry. Forecasted nickel demand growth for batteries has been raised to 31% CAGR[3] by 2025 from the previous 27% CAGR and the total nickel demand growth[2] by 2025 has been raised to 5.5% CAGR from the previous 4.8% CAGR. The Group is well-positioned to take advantage of this through its operations and developments into the downstream production of NPI/FeNi which is used increasingly in the production of stainless steel, as well as Nickel Matte for the EV industry.

Looking ahead, the Group remains optimistic about its long-term prospects and will continue to explore and identify new opportunities to successfully develop the Group's business into a fully-integrated nickel producer that is well-recognized in the region.

ACKNOWLEDGEMENTS AND APPRECIATION

On behalf of the Board of Directors, I would like to extend our deepest appreciation to our business partners and loyal shareholders for your unwavering belief and continuous support of Silkroad Nickel. I also would like to express my sincere appreciation to all our management and staff for their commitment and hard work in the face of challenges, especially in the continuing COVID-19 pandemic situation. With the continued support and confidence of all our stakeholders, I am convinced that Silkroad Nickel will emerge stronger. We will harness the innovative spirit of our people and build a resilient and sustainable company for the future.

Mr. Eddy Pratomo
Independent Chairman

[1] https://tradingeconomics.com/commodity/nickel
[2] DBS Nickel Industry Research (27 Jan 2022)
[3] CAGR = Compound Annual Growth Rate

FINANCIAL &
OPERATIONS REVIEW

OVERVIEW

FY2021 was a significantly stronger year for Silkroad Nickel as compared to FY2020. The Group managed to record improved financial results and had a profitable financial year despite the ongoing COVID-19 global pandemic, which persists to dampen the economic recovery across the globe. The Group remains committed and positive to continue producing strong results in this current financial year.

FINANCIAL REVIEW

Statement of Comprehensive Income
Revenue for FY2021 was US$26.7 million, as compared to US$0.5 million in FY2020. In FY2021, the Group successfully increased its production levels and sold 698,558 wet metric tonnes of nickel ore, as compared to 26,174 wet metric tonnes in FY2020. As a result of higher sales, the Group achieved a gross profit of US$10.8 million, as compared to a gross loss of US$0.1 million in FY2020. Overall, the gross profit margin increased to 40.3% in FY2021, as compared to a gross loss margin of 26.1% in FY2020.

The Group's EBITDA[1] for FY2021 was US$5.0 million (EBITDA margin of 18.8%), as compared to a loss of US$2.3 million in FY2020. Administrative expenses increased to US$4.4 million (FY2020: US$3.3 million) primarily due to the increased production and expansion activities resulting in higher staff costs, incentives and employee benefits, domestic travelling expenses, professional fees, modification loss from amount due from related parties and value-added tax.

Selling and distribution expenses of US$0.6 million relate to a flat fee of US$0.90 per wet metric tonne paid to the third party based on the delivery of nickel ore to a customer.

The Group's other expenses of US$1.5 million (FY2020: US$Nil) included payments for technical due diligence, feasibility studies and engineering design, professional advisory and consultancy fees, project management and utilities expenses in relation to the evaluation of the Group's smelter project. Finance expenses increased from US$0.4 million in FY2020, to US$0.8 million in FY2021, mainly due to the additional interest incurred on existing borrowings and new borrowings (including the Exchangeable Bond as detailed below) obtained in FY2021.

The Group recorded a profit after tax of US$2.4 million for FY2021, as compared to a loss after tax of US$3.6 million for FY2020.

Statement of Financial Position & Cashflow Highlights
As of 31 December 2021, the Group's total assets increased by US$10.1 million to US$34.9 million mainly due to:

- increase in property, plant and equipment of US$1.6 million due to expenditure incurred on improvements to the haulage roads, jetty, building and office infrastructure at the mine site;
- increase in the net cash balance of US$9.4 million after receipt of funds from the issuance of the Exchangeable Bond to GFL, partially offset by the repayment of borrowings; and
- increase in receivables and prepayments of US$2.1 million due to higher sales during the year, partially offset by a reduction in inventories of US$3.2 million.

As of 31 December 2021, the Group's total liabilities increased by US$7.7 million to US$23.7 million primarily due to the financial liability in respect of the Exchangeable Bond (as defined below) of US$15.0 million, partially offset by the decrease in payables and accruals, and short-term borrowings of US$8.5million.

In accordance with SFRS(I) 1-1 Presentation of financial statements paragraph 69 (d), the total liability of the exchangeable bond of US$15,070,000 has been classified under current liabilities. This is on the basis that, under the terms of the subscription agreement, the exercise of the exchange right of the Exchangeable Bond is at the sole option of GFL (as defined below) and that following the receipt of the exchange notice, the exchange of the entire Exchangeable Bond for shares representing 25% of the total issued and paid-up share capital of the Company's wholly-owned subsidiary, FE Resources Pte. Ltd. ("**FER**"), to GFL has to be completed within five business days. The settlement of the liability cannot be deferred beyond 12 months after the end of the reporting period.

Although this classification results in a negative working capital of US$773,000 as at 31 December 2021, the operations and business of the Group are not expected to be affected adversely as the Group has sufficient cash and cash equivalents of US$9,457,000 as at 31 December 2021 and that following such exercise of the exchange right of the exchangeable bond and transfer of 25% shares in FER to GFL, the total of the exchangeable bond liability of the exchangeable bond of US$15,070,000 will be extinguished without any cash payment.

[1] EBITDA – Earnings before interest, tax, depreciation and amortisation

As of 31 December 2021, (i) the Group's total equity increased by US$2.4 million or 27.2%, to US$11.2 million, from US$8.8 million as of 31 December 2020; and (ii) the Group's net asset value per share stood at 4.3 US cents (31 December 2020: 3.4 US cents).

Exchangeable Bond

On 19 November 2021, the Company issued a US$15.0 million exchangeable bond ("**Exchangeable Bond**") to GFL International Co., Limited ("**GFL**"), a wholly-owned subsidiary of Ganfeng Lithium Co., Ltd. ("**Ganfeng Lithium**"). The Exchangeable Bond is secured against the shares in the Company's wholly-owned subsidiaries, namely FER and PT Anugrah Tambang Sejahtera.

The Group engaged an external independent and qualified valuer to perform a fair value exercise for the Exchangeable Bond as a financial instrument at drawdown date and reporting date.

The fair values of the liability component and derivative components of the Exchangeable Bond have been determined based on the significant unobservable inputs and are categorised under level 3 of the fair value measurement hierarchy. Further details are disclosed in Note 3 and Note 20 to the Financial Statements.

OPERATIONAL REVIEW

Partnership with Ganfeng Lithium

The Group understands that Ganfeng Lithium is looking to diversify and expand its business in Indonesia which has the largest reserves of nickel laterite ore and a large growth market for future EV final assembly lines. Silkroad Nickel has partnered with Ganfeng Lithium through a definitive subscription agreement with GFL, a subsidiary of Ganfeng Lithium, for a total investment amount of US$30.0 million, comprising the Exchangeable Bond with principal amount of US$15.0 million and an option amounting to an additional aggregate consideration of US$15.0 million.

2-Year Offtake Agreement with Tsingshan Group

In March 2021, the Group entered into a new offtake agreement with PT Ekasa Yad Resources, a Tsingshan group company. The Group will supply an aggregate of 2.7 million wet metric tonnes of high-grade nickel ore starting from March 2021 to December 2022. The estimated contract value is over US$90 million based on the monthly benchmark price for nickel ore set by the Indonesia Government.

New 1-Year Offtake Agreement with PT Mineral Maju Sejahtera (a subsidiary of Lygend Resources)

In November 2021, the Group entered into a new offtake agreement of nickel ore with PT Mineral Maju Sejahtera. The Group will supply an aggregate of 600,000 wet metric tonnes of high-grade nickel ore starting from December 2021 to November 2022. The price would be based on the monthly benchmark price for nickel ore set by the Indonesia Government.

Completion of Acquisition of PT Anugrah Tambang Smelter

In line with the Group's strategy of expanding its business into operating a nickel smelter for the production of nickel pig iron, the Company completed its acquisition of PT Anugrah Tambang Smelter in February 2022. This acquisition will enable the Company to operate a nickel smelter independently with nickel ore being sourced from the Group's mine.

Our Carbon Footprint

The Group engaged a professional carbon consultant to perform an in-depth carbon assessment to quantify Greenhouse Gas ("**GHG**") emissions for the Group's operations in FY2021. The carbon assessment covers the operating Morowali nickel mine, Jakarta head office and the Singapore corporate office. Through the carbon assessment, the Group has gained a better understanding of its carbon footprint and will continue to assess and disclose its GHG emissions in the Group's Sustainability Report.

SUSTAINABILITY REPORTING

The Company's Sustainability Report for FY2021 will be made available by 31 May 2022 on SGX Net and on the Company's website: www.silkroadnickel.com. The Sustainability Report includes a Board Statement and it also sets out the Group's (i) material Economic, Environmental, Social and Governance ("**EESG**") factors; (ii) policies, practices and performance; (iii) targets; and (iv) sustainability reporting framework.

The Company has identified stakeholders as groups of people who have a material impact on the Group's business or may be materially impacted by the Group's business. These may include internal stakeholders such as employees and external stakeholders such as suppliers, customers and regulators. The Company engages its stakeholders through various channels to understand their concerns and expectations, and ensure that the business interests of the Group are balanced against the needs and interest of its stakeholders.

SET FOR A MORE SUSTAINABLE FUTURE

Silkroad Nickel places a high focus on efficiency and sustainability and is committed to continually make progress in this area. The Group's approach to sustainability is centred on assessing its capital and functionality in a way that also brings positive impact the environment.

BOARD OF DIRECTORS

Mr. EDDY PRATOMO
(Independent Chairman)

Mr. Eddy Pratomo, an Indonesian citizen, is the Independent Chairman of the Company. He is also the Chairman of the Nominating Committee as well as a member of the Audit and Risk Committee and the Remuneration Committee of the Company. Mr. Pratomo started his career in the Directorate of International Organisations, Directorate General of Politics, as Section Head of Humanitarian Affairs in 1982 at the Indonesian Foreign Ministry. In 1986, he was appointed as the Young Diplomat dealing with the economic affairs of the Permanent Mission of Indonesia to the United Nations, New York. He has more than 30 years of experience in domestic and foreign international affairs, economics, and public policies. Most notably, Mr. Pratomo was posted to the Embassy of the Republic of Indonesia in London, where he was appointed as the Deputy Head of Indonesian Representatives and subsequently the Acting Ambassador from 2004 to 2006. Furthermore, from 2006 to 2009, Mr. Pratomo was the Director General of Law and International Treaties Affairs and subsequently the Ambassador of the Republic of Indonesia to the Federal Republic of Germany until 2013. Mr. Pratomo had also acted as the legal advisor to the Senior Minister of Foreign Affairs of the Democratic Republic of Timor- Leste, and was appointed as the Senior Advisor/Special Staff of the Speaker of the House of Representatives in Foreign Relations. From October 2015 to December 2018, Mr. Pratomo held the position as Special Envoy to the President of the Republic of Indonesia, Maritime Delimitations between Indonesia and Malaysia. Currently, Mr. Pratomo holds the position as the Dean of Faculty of Law, University of Pancasila in Jakarta, Indonesia and he is also a Visiting Professor in the University of Diponegoro in Semarang, Indonesia. Mr. Pratomo obtained a Doctorate in International Law from Universitas Padjadjaran, Bandung, Indonesia in 2011. Mr. Pratomo obtained his professorship in international law at the University of Diponegoro in Semarang, Indonesia in 2019.

Mr. HONG KAH ING
(Executive Director and CEO)

Mr. Hong Kah Ing, an Indonesian citizen, is an Executive Director and the Chief Executive Officer of the Company. Mr. Hong has more than 10 years of experience in the natural resources industry. Mr. Hong started his career in MBf Leasing Sdn Bhd, a finance company based in Malaysia and Indonesia, as a credit marketing executive in 1993. He was eventually promoted to Director of Multi-Finance and Card Services at PT MBf Multi-Finance in Indonesia in 1996. In 1999, Mr. Hong founded PT Bina Mitra Serasi ("PT BMS"), which provided integrated IT solutions services. In 2003, PT BMS entered into a joint venture with DRB-Hicom to form PT Hicom BMS to provide integrated airport security systems to several airports in Indonesia where Mr. Hong was appointed as president director of PT Hicom BMS. In 2005, PT BMS acquired DRB-Hicom's interest in PT Hicom BMS. Mr. Hong is currently the director of PT BMS, the previous shareholder of PT Anugrah Tambang Sejahtera ("PT ATS"). Mr. Hong is also the director of PT Teknik Alum Service ("PT TAS") and President Commissioner of PT ATS. Mr. Hong obtained a Bachelor's degree in Business from the University of Central Queensland, Australia in 1992.

MR. SYED ABDEL NASSER BIN SYED HASSAN ALJUNIED
(Executive Director)

Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied, a Singapore citizen, is an Executive Director of the Company. He is also a director of PT TAS. Mr. Aljunied has extensive experience in banking, M&A and finance. In the 1990s, he was assistant vice president at both Chase Private Bank and later Smith Barney Shearson Asset Management where he managed a discretionary foreign exchange and interest rates and derivatives portfolio. Between 1995 and 1996, Mr. Aljunied was director of foreign exchange and fixed income group at the Swiss Bank Corporation, overseeing the emerging market foreign exchange and the options sales team. From 1996 to 2000, Mr. Aljunied was the director at Credit Suisse First Boston where he headed the Asian foreign exchange and fixed income derivatives team in the emerging markets group in Singapore. Mr. Aljunied had also previously sat on the board of Atlantic Oilfield Services Ltd., a Dubai based subsidiary of KS Energy Limited, an integrated onshore and offshore oil & gas service provider listed on the Mainboard of the SGX-ST from 2008 to 2010. In 2008, he was also on the board of and a shareholder of CMS Trust Berhad and CMS Asset Management, an asset management company with assets of RM2 billion under management. From 2006 to 2013, he was an independent director and the chairman of the audit committee of Maveric Ltd., a Singapore company that was previously listed on SGX-ST. Mr. Aljunied graduated from the National University of Singapore with a Bachelor's degree in Science in 1990.

MR. GIANG SOVANN
(Lead Independent Director)

Mr. Giang Sovann, a Canadian Citizen and Singapore Permanent Resident, is the Lead Independent Director, Chairman of the Audit and Risk Committee, as well as a member of the Nominating Committee and the Remuneration Committee. Mr. Giang is a Senior Director of Business Consulting at RSM Singapore and is the Lead of Environmental Sustainability Service, Lead of Board Leadership Advisory, and Deputy Lead of Not-for-Profit Service. Outside RSM Singapore, Mr. Giang teaches at the Singapore Management University and the Singapore University of Social Sciences on corporate governance, listing rules, risk management and sustainability reporting. He also teaches charity governance at the Social Service Institute and the Institute of Singapore Chartered Accountants. He has written many articles on corporate governance, risk management and sustainability reporting. His management concepts, "Four pillars of effective corporate oversight" and "Eight drivers of effective risk management" have been adopted by many organisations. Mr. Giang was previously the Executive Director of the Singapore Institute of Directors where he also sat on the Organising Committee of the Singapore Corporate Awards. He has more than 10 years of experience serving as independent director of listed companies. His board responsibilities and experiences include non-executive chairman, lead independent director, chairman of the audit and risk committee, chairman of remuneration committee, and a member of the nominating committee. He is also independent director, chairman of the audit committee and member of the risk oversight committee of the Cambodia Post Bank PLC and Funan Microfinance PLC, as well as a director of Presbyterian Community Services. Mr. Giang had also served as a senior executive in a multinational company, an Indonesian regional conglomerate, a large public entity, and Singapore-listed companies, and has more than 30 years of operational and financial management experience in many industries. Mr. Giang is Chartered Professional Accountant, Canada, a Chartered Accountant of Singapore, and a member of the Singapore Institute of Directors. Mr. Giang was also a Member of the Complaints & Disciplinary Panel, the Public Accountants Oversight Committee, Accounting & Corporate Regulatory Authority (ACRA), Singapore.

BOARD OF **DIRECTORS**

MR. OMRI SAMOSIR
(Independent Director)

Mr. Omri Samosir, an Indonesian citizen, is an Independent Director of the Company. He is also the Chairman of the Remuneration Committee as well as a member of the Nominating Committee and the Audit and Risk Committee of the Company. Mr. Samosir has more than 20 years of experience in the mining industry. From 2003 to 2010, Mr. Samosir acted as the president director of PT Benchaario, a mining company, as well as the director of PT Cibadak Pramata. From 2007 to 2009, he was the president commissioner of PT Renown Resources. Between 2010 and 2012, Mr. Samosir acted as executive advisor of PT Pan China International, which was principally involved in the operation of nickel ore mines in Central Sulawesi, Indonesia. In 2012, Mr. Samosir was appointed executive advisor of PT Ifishdeco, an Indonesian nickel ore mining company, until 2013. From 2013 to 2015, Mr. Samosir acted as the executive advisor of PT Bintang Smelter Indonesia, a company which develops and operates nickel smelters in Indonesia. Mr. Samosir is currently a director of PT Kopa Mitra Tijari since 2009. Mr. Samosir obtained a Bachelor of Engineering in mining engineering from the Institute Technology of Bandung in 1975.

KEY MANAGEMENT

MR. KETAN RANADIVE
(Chief Financial Officer)

Mr. Ketan Ranadive, a British citizen and Singapore Permanent Resident, is the Chief Financial Officer of the Group. Mr. Ranadive is responsible for all accounting, financial and taxation matters of the Group. He started his career as an auditor with KPMG, London and after completing his MBA, joined JP Morgan in their M&A department. Mr. Ranadive has extensive experience in accounting, corporate finance and business management and has been responsible for finance, legal and compliance matters at various financial and corporate organisations as well as family managed businesses in UK and Singapore. Mr. Ranadive graduated from the University of Bombay, India, completed his MBA from London Business School and is a Fellow Chartered Accountant (FCA) of the Institute of Chartered Accountants in England and Wales (ICAEW), UK.

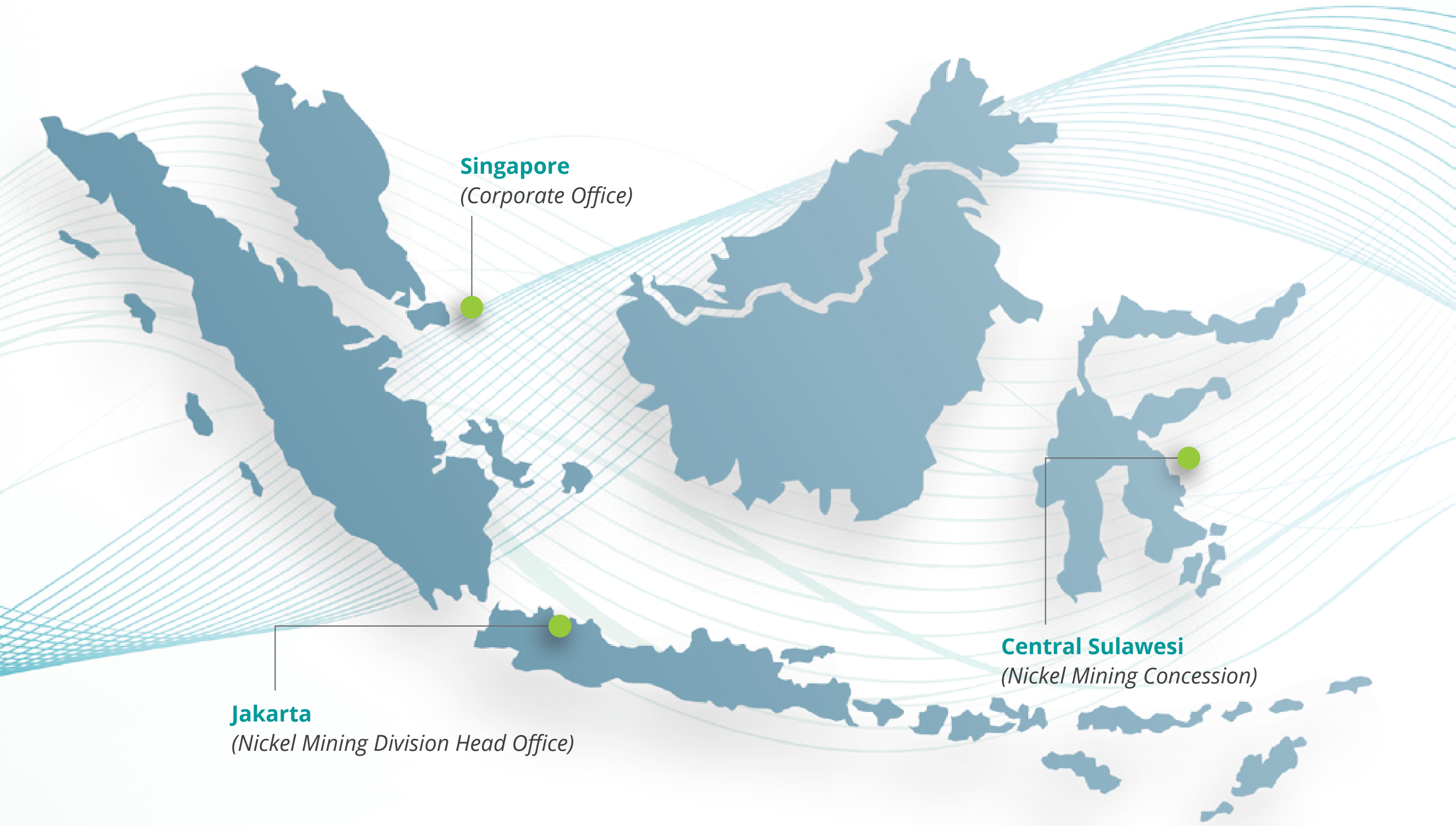
MR. EDY SANTI
(Chief Operations Officer)

Mr. Edy Santi, an Indonesian citizen, is the Chief Operations Officer of the Group. He is responsible for assisting the CEO in the overall management and operations of the Group and ensuring that its operational activities are in accordance with the policies, goals and objectives of the Group. Prior to joining the Group, Mr. Edy Santi was the head of business development and operations of PT HICOM BMS from 2001 to 2006, overseeing all aspects of PT HICOM BMS operations, including managing and developing the various business functions of PT HICOM BMS. From 2006 to 2013, Mr. Edy Santi joined PT BMS as business manager. Mr. Edy Santi joined PT TAS (a subsidiary of the Company) as head of mining operations in 2013, where he oversees the mining planning and operations, logistics, transport, regulatory issues, permits and licences matters. Mr. Edy Santi obtained a Diploma in Informatics Management from the College of Informatics and Computer Management, Yogyakarta, Indonesia in 1996.

MS. NOVIANTI BATU PASUMBUNG, ST.
(Head of Mining Engineering)

Ms. Novianti Batu Pasumbung, ST., an Indonesian citizen, is the Head of Mining Engineering of the Group. She is responsible for the entire mining operations, including the environmental, health, safety, and technology aspects of the mining operations. She also manages and controls all mine site operations in the Group's mining concessions and ensures that production and other specific targets are met. Ms. Novianti started her career as a junior geologist and mining plan engineer at PT. Konutara Sejati from May 2012 to March 2014. Since then, Ms. Novianti has worked in various nickel ore mining companies such as PT Karyatama Konawe Utara from March 2014 to March 2018 as supervisor mining engineer, G3 Wenang Exploration and Mining Consultants from May 2018 to June 2019 as senior geologist, PT Tambang Mineral from July 2019 to November 2019 as senior mining engineer. She was appointed as Head of Mining Engineering of PT TAS in August 2021. Ms. Novianti obtained her Bachelor of Engineering degree from the Veterans University of the Republic of Indonesia, Makassar, in 2011.

OUR AREAS OF **OPERATIONS**



SINGAPORE
Corporate Office

- Corporate, Finance & Accounting, Legal, Human Resources
- Oversees Group's Growth Strategy, M&A, Funding and Investor Relations

JAKARTA
Nickel Mining Division Head office

- Finance, Accounting, Human Resources, Marketing & Purchasing
- Oversees the Group's Business and Operations

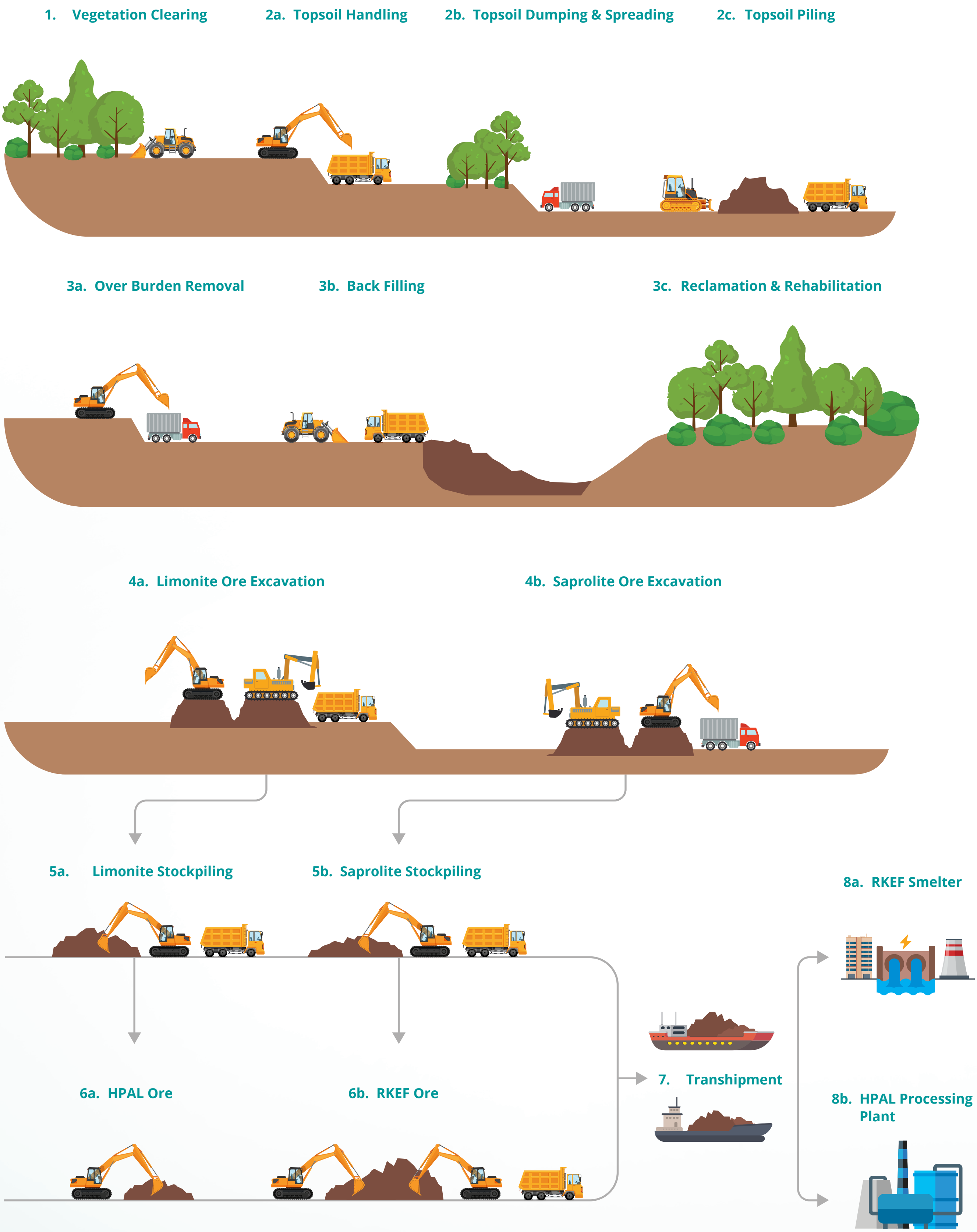
CENTRAL SULAWESI, INDONESIA
Nickel Mining Concession

- 1,301 Hectares Mining Concession
- Mineral Resources Estimates of 139 Million Wet Metric Tonnes of which, Probable Ore Reserves of 41.4 Million Wet Metric Tonnes

CLEAR PATH TOWARDS SUSTAINABILITY

Silkroad Nickel remains passionately committed to its purpose of delivering outstanding value to its shareholders in an excellence-driven and environmentally responsible way. It is also evident that its strong persistence and the abundant opportunities ahead of it are only possible due to the commitment of its people. Thus, the Group will continue to build relationships, have dialogues about enhancing structures and discover new laneways for growth

PROCESS
FLOW CHART



CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr. Eddy Pratomo
Independent Chairman

Mr. Hong Kah Ing
Executive Director and Chief Executive Officer

Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied
Executive Director

Mr. Giang Sovann
Lead Independent Director

Mr. Omri Samosir
Independent Director

AUDIT AND RISK COMMITTEE

Mr. Giang Sovann *(Chairman)*
Mr. Eddy Pratomo
Mr. Omri Samosir

REMUNERATION COMMITTEE

Mr. Omri Samosir *(Chairman)*
Mr. Eddy Pratomo
Mr. Giang Sovann

NOMINATING COMMITTEE

Mr. Eddy Pratomo *(Chairman)*
Mr. Giang Sovann
Mr. Omri Samosir

COMPANY SECRETARY

Mr. Abdul Jabbar Bin Karam Din

REGISTERED OFFICE

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Singapore 179938
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Website: www.silkroadnickel.com

SHARE REGISTRAR & SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road, #02-00
Singapore 068898

SPONSOR

ZICO Capital Pte. Ltd.
77 Robinson Road
#06-03 Robinson 77
Singapore 068896

INDEPENDENT AUDITOR

Baker Tilly TFW LLP
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Partner-in-charge: Mr. Ng Wei Lun (a member of the Institute of Singapore Chartered Accountants)
(Appointed since the financial year ended 31 December 2020)

PRINCIPAL BANKER

Standard Chartered Singapore

SUMMARY OF MINERAL RESERVES
AND RESOURCES

Date of Report :
31 December 2021

Date of Previous Report :
31 December 2020

Name of Asset/Country : Buleleng and Torete Nickel Project, Indonesia

CATEGORY	MINERAL TYPE	GROSS ATTRIBUTABLE TO LICENSE					NET ATTRIBUTABLE TO THE COMPANY						REMARKS
				Grade %					Grade %				
		Wet Tonnes (Millions)	Dry Tonnes (Millions)	Ni (%)	Co (%)	Fe (%)	Wet Tonnes (Millions)	Dry Tonnes (Millions)	Ni (%)	Co (%)	Fe (%)	Change from previous update (Wet Tonnes %)	
RESERVES													
Proved	–	–	–	–	–	–	–	–	–	–	–	–	
Probable	Limonite	17.4	11.0	0.72	0.07	32.00	17.4	11.0	0.72	0.07	32.00	-9.84%	
	Limonite & Saprolite	18.9	13.7	1.20	0.03	14.47	18.9	13.7	1.20	0.03	14.47	-3.57%	
	Saprolite	5.1	3.7	1.61	0.03	14.59	5.1	3.7	1.61	0.03	14.59	-8.92%	
Total		**41.4**	**28.4**	**1.03**	**0.06**	**25.91**	**41.4**	**28.4**	**1.03**	**0.06**	**25.91**	**-6.96%**	
RESOURCES*													
Measured	–	–	–	–	–	–	–	–	–	–	–	–	
Indicated	Limonite & Saprolite	51.3	35.0	1.01	0.06	25.00	51.3	35.0	1.01	0.06	25.00	-9.68%	
Inferred	Limonite & Saprolite	87.8	60.7	1.00	0.07	28.48	87.8	60.7	1.00	0.07	28.48	-2.11%	
Total		**139.0**	**95.6**	**1.00**	**0.06**	**27.21**	**139.0**	**95.6**	**1.00**	**0.06**	**27.21**	**-5.18%**	**Note 1**

- *Mineral Resources are inclusive of Ore Reserves
- All estimates are depleted using topographic survey data as at 30 August 2021
- All grades are reported on a dry basis
- Minimum cut-off criterion of 0.5% Ni was used to report Mineral Resources
- Mineral Resource and Ore Reserve estimates are not precise calculations. The totals contained in this table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies
- Net Attributable to the Company (Mineral Resources and Ore Reserves) is 100% of the Gross Attributable to License
- Previous Mineral Resources and Reserves classification reported as per Independent Qualified Person's Report ("**IQPR**") dated 30 September 2019
- WMT : Wet Metric Tonne, Ni : Nickel, Co : Cobalt, Fe : Iron

Note:

(1) The Mineral Resources reported in the IQPR dated 30 September 2019 were 146.6 MWMT. The reduction of 7.6 MWMT to 139.0 MWMT in the current IQPR report dated 30 August 2021 is after considering changes in topography, new pit designs, mined out areas, and actual mining activity and production to date.

NAME OF QUALIFIED PERSONS : Wahyu Asmantowi; Widadi Akso Prabu

PROFESSIONAL SOCIETY AFFILIATION / MEMBERSHIP : Australian Institute of Mining and Metallurgy/ MAusIMM #313740 and MAusIMM #328236 respectively

DATE : 12 April 2022

Silkroad Nickel Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") is committed to ensuring and maintaining a high standard of corporate governance within the Company to ensure effective self-regulation practices are in place to enhance corporate performance and accountability, as well as to protect shareholders' interest and enhance long-term shareholders' value.

This report describes the Group's corporate governance framework and practices for the financial year ended 31 December 2021 ("**FY2021**") with specific reference made to the principles and the provisions of the Code of Corporate Governance issued on 6 August 2018 (the "**Code**") which forms part of the continuing listing obligations of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

The board of directors (the "**Board**" or "**Directors**") of the Company confirms that, for FY2021, the Company has adhered to the principles of the Code, and the provisions of the Code (except where otherwise explained). In so far as any provision has not been complied with, appropriate explanations have been provided and how the practices the Company had adopted are consistent with the intent of the relevant principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the corporate strategies of the Company, and directions and goals for the management of the Company (the "**Management**"), by ensuring that the necessary financial and human resources are in place for the Company to meet its objectives. The Board supervises the Management and monitors performance of these goals to enhance shareholders' value. The Board also sets the tone for the Group in respect of ethics, values and desired organisation culture, and ensure proper accountability within the Group. The Board is responsible for the overall corporate governance of the Company.

Directors must avoid situations in which their own personal or business interests directly or indirectly conflict or potentially conflict, with the interest of the Group. Where a Director has a conflict or potential conflict of interest in relation to any matter, he will immediately declare his interest at the meeting of the Directors or send a written notice to the Chairman and/or Company Secretary, setting out the details of his interest and the conflict and recuse himself from any discussions on the matter and abstain from participating in any Board decision.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company.

Regular meetings are held to deliberate the strategic policies of the Company including the approval of significant acquisitions and disposals, review and approval of annual budgets, review of the performance of the business and approval of the release of periodic financial results and announcements on SGXNet.

Provision 1.2

The Board is also updated regularly, through emails, seminars and workshops or briefings at the Board meetings by the Management as well as the continuing sponsor, external auditors and legal advisers of the Company, on changes to the Catalist Rules, risk management, corporate governance and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as members of the Board or Board Committees. Directors are encouraged to constantly keep abreast of development in regulatory, legal and accounting frameworks and regulations that are of relevance to the Group through participation in seminars and workshops, which will be funded by the Company.

The Company does not have a formal training program for the Directors but all newly appointed Directors are given an orientation program to familiarise with the Company's operations. The Company will also arrange for first-time Directors to attend relevant training in relation to the roles and responsibilities of a director of a listed company as required under Rule 406(3)(a) of the Catalist Rules, as well as other courses in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company. Upon appointment, the newly appointed Directors will be provided a formal letter setting out their duties and obligations. No new directors were appointed by the Company in FY2021.

Provision 1.3

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Matters that require Board's approval include, but are not limited to, the following:

(a) Acquisition or disposal of a significant asset, including property, plant and equipment.

(b) Joint ventures and acquisition/merger or disposal of businesses.

(c) Employment or termination of key management personnel or general manager equivalent.

(d) Significant development projects.

(e) Borrowing of a significant amount of funds.

(f) Significant litigation.

The Management is responsible for the day-to-day operations and administration of the Company and is accountable to the Board. Clear directions have been given out to the Management that reserved matters as set out above must be approved by the Board.

Provision 1.4

To assist the Board in the execution of its responsibilities, the Board is supported by three Board Committees, namely the Audit and Risk Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). These Board Committees operate within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company. These terms of reference, as set out in the subsequent sections of this report, are reviewed on a regular basis to ensure their continued relevance with the Code. Please refer to the respective principles in this report for further information on the composition, description and activities of each Board Committee. The Constitution of the Company provides for the Directors to convene meetings other than physical meetings, by teleconferencing.

Provision 1.5

The following table discloses the number of general meetings as well as Board and Board Committees' meetings held during FY2021, and the attendance of all Directors at these meetings:

	AGM	EGM	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Number of meetings held	**1**	**1**	**4**	**4**	**1**	**1**
Mr. Eddy Pratomo	1	1	4	4	1	1
Mr. Hong Kah Ing	1	1	4	4*	1*	1*
Mr. Nasser Aljunied	1	1	4	4*	1*	1*
Mr. Giang Sovann	1	1	4	4	1	1
Mr. Omri Samosir	1	1	4	4	1	1
Datuk Lim Kean Tin(1)	0	0	0	N/A	N/A	N/A

* Attended by invitation.

Note:

(1) Datuk Lim Kean Tin ceased to be a Director of the Company with effect from 15 March 2021. Please refer to the Company's announcement dated 16 March 2021 for more information.

While the Board considers Directors' attendance at Board and Board Committee meetings to be important, it should not be the only criteria to measure their contributions to the Board. It also takes into account the other forms of contributions by Board members including periodic reviews, provision of guidance and advice on various matters relating to the Company.

The Board also considers the Directors' other board representations and principal commitments to ensure they have sufficient time to discharge their responsibilities to the Company adequately. However, the Board recognises that the individual circumstances and capacity of each Director are unique, and after consideration, the Board has not established a guideline for a maximum number of listed board representation which a director may have as it believes that putting a maximum limit on the number of listed directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

Provision 1.6

All Directors are from time to time furnished with information concerning the Company to enable them to be fully cognizant of the decisions and actions of the Management. The Board has unrestricted access to the Company's records and information.

Key management personnel are available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects.

The calendar of the meetings of the Board and the Board Committees ("**Meetings**") are planned in advance every quarter. Draft agendas for the Meetings are also circulated in advance to the respective Chairman for review, and if necessary, to provide additional agenda items for the respective Meetings. Periodic financial reports, budgets, forecasts and disclosure documents are provided to the Board, where appropriate, prior to the Meetings.

Provision 1.7

The Board has separate and independent access to the Company Secretary and the key management personnel of the Group at all times in carrying out their duties. The Company Secretary is legally trained, with experience in legal matters and company secretarial practices. The Company Secretary and/or his representative attend all Meetings and ensure that Board procedures are followed, and that applicable rules and regulations are complied with. The appointment and the removal of Company Secretary is a matter for the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1

The criteria for independence is based on the definition given in the Code, and taking into account Rule 406(3)(d) of the Catalist Rules. The Board considers an "Independent" Director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company, and does not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules.

Provision 2.2

The Chairman of the Board is an Independent Director.

As at the date of this report, Independent Directors comprise a majority of the Board. Accordingly, the Board is satisfied that there is a strong element of independent presence in the Board in FY2021 and as at the date of this report.

Provision 2.3

In FY2021 and as at the date of this report, Non-Executive Directors make up a majority of the Board. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of and to extend guidance to the Management. Non-Executive Directors have been actively participating in discussions and decision-making at the Board and the Board Committees meetings, and had open discussions with the Management.

Provision 2.4

As at the date of this report, the Board comprise the following Directors:

Executive Directors

Mr. Hong Kah Ing	(Executive Director and Chief Executive Officer)
Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied ("**Nasser Aljunied**")	(Executive Director)

Non-Executive Directors

Mr. Eddy Pratomo	(Independent Chairman)
Mr. Giang Sovann	(Lead Independent Director)
Mr. Omri Samosir	(Independent Director)

The Board has considered the present size and composition of the Board and each of the Board Committees, and is of the view that (i) the current size of the Board and each of the Board Committees has the appropriate mix of expertise and experience for facilitating effective decision-making and is appropriate for the nature and current scope of the Group's operations; and (ii) the current members of the Board and each of the Board Committees comprise persons whose diverse skills, experience and attributes provide for effective direction for the Company. The size and composition of the Board and each of the Board Committees are reviewed on an annual basis by the NC to ensure that the Board and each of the Board Committees have the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for effective functioning and informed decision-making.

Key information regarding the Directors is set out in the "Board of Directors" section of this Annual Report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and its related corporations, if any, (other than wholly-owned subsidiaries) are set out in the "Directors' Statement" section of this Annual Report.

The Company is committed to building a diverse, inclusive and collaborative culture. The Company recognises and embraces the benefits of diversity on the Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board noted that gender diversity on the Board is also one of the recommendations under the Code to provide an appropriate balance of diversity. Although there is currently no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration. In reviewing the Board composition and appointments, the Nominating Committee takes into consideration diversity of skills, experience, background, gender, age, ethnicity and other relevant factors although merit remains the key driver.

Provision 2.5

The Independent Directors are encouraged to meet, without the presence of Management, so as to facilitate a more effective check on Management. During FY2021, the Independent Directors have met informally at least once without the presence of Management to discuss matters such as the corporate governance initiatives, board processes as well as leadership development.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1

There is a clear separation of the roles and responsibilities of the Chairman and the Chief Executive Officer ("**CEO**") of the Company. This is to ensure appropriate balance of power and authority, accountability and decision-making. Mr. Eddy Pratomo, the Independent Chairman, and Mr. Hong Kah Ing, the Executive Director and CEO of the Company, are not related to each other.

Provision 3.2

The Chairman leads the Board to ensure its effectiveness on all aspects of its role, sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. He also promotes a culture of openness and debate at the Board, ensures that the Directors receive complete, adequate and timely information. He ensures effective communication with shareholders (see Principle 13), as well as encourages constructive relations within the Board and between the Board and Management. The Chairman also facilitates the effective contribution of Non-Executive Directors and promotes high standards of corporate governance.

The CEO is responsible for the overall management and operations of the Group, the strategic planning and development of the Group's business and spearheading the expansion and growth of the Group. He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines and monitors and translates the Board's decisions and plans into actions.

Provision 3.3

Notwithstanding that the Chairman of the Board is an Independent Director, the Board has a Lead Independent Director, Mr. Giang Sovann, who is available for shareholders of the Company in the event that they have any concerns and for which contact through the normal channels of communication with the Management are not appropriate or inadequate. Mr. Giang Sovann periodically communicates with the other Independent Directors without the presence of other Directors and provides feedback to the Management after such meetings.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1

The Board established the NC with written terms of reference which clearly sets out its authority and duties and report to the Board directly. The terms of reference of the NC include, *inter alia*, the following:

(a) to make recommendations to the Board on all Board appointments, re-appointments and re-nominations;

(b) to assess the effectiveness of the Board as a whole and the Board Committees, and contribution of each Director to the effectiveness of the Board;

(c) to make recommendation on the review of plans for succession of Directors and in particular, the Chairman, the CEO and key management personnel;

(d) to determine annually and as and when circumstances require, if a Director is independent pursuant to the Code;

(e) to review the training and professional development programs for the Board and the Directors;

(f) in respect of a Director who has multiple board representations on various companies, deciding whether or not such Director is able to and has been adequately carrying out his/her duties as a Director, having regard to the competing time commitments that are faced when serving on multiple boards and discharging his/her duties towards other principal commitments; and

(g) to review and approve any new employment of related persons and the proposed terms of their employment.

The NC is also responsible for developing a process for evaluating the performance of the Board, its Board Committees and each individual Director.

Provision 4.2

In FY2021 and up to the date of this report, the NC comprises three members, including the Lead Independent Director (Mr. Giang Sovann), all of whom are Independent Directors. The members of the NC are:

Mr. Eddy Pratomo (Independent Chairman)	Chairman
Mr. Giang Sovann (Lead Independent Director)	Member
Mr. Omri Samosir (Independent Director)	Member

Provision 4.3

The NC makes recommendations to the Board on all nominations for appointment and re-appointment of Directors to the Board. In the nomination and selection process, the NC reviews the composition of the Board by taking into consideration the mix of expertise, skills and attributes of existing Board members before sourcing for candidate through extensive network of contacts so as to identify desirable competencies for a particular appointment. In doing so, it strives to source for candidates who possess the skills and experience that will further strengthen the Board and are able to contribute to the Company in relevant strategic business areas, in line with the growth and development of the Company. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required. Directors are encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, SGX-ST, other business and financial institutions as well as consultants.

In accordance with Rule 720(4) of the Catalist Rules, all Directors must submit themselves for re-nomination and reappointment at least once every three years. Under the Constitution of the Company, the Company has adopted a provision that Directors shall retire from office once every three years, and for this purpose, at each Annual General Meeting of the Company (the "**AGM**"), one-third of the Directors for the time being shall retire from office by rotation (in accordance with Rule 720(4) of the Catalist Rules). In this regard, Regulation 103 of the Constitution of the Company provides that between persons who became or were last re-elected Directors on the same day, those to retire by rotation shall be determined by lot (unless they otherwise agree among themselves). Pursuant to Regulation 104 of the Constitution of the Company, two Directors will be required to retire by rotation. In this regard, the NC has recommended, and the Board has agreed that at the forthcoming AGM, Mr. Eddy Pratomo and Mr. Nasser Aljunied (collectively, the "**Retiring Directors**"), will be retiring and will be nominated for re-appointment. Mr. Eddy Pratomo and Mr. Nasser Aljunied, being eligible, have offered themselves for re-election.

The Retiring Director, Mr. Eddy Pratomo being the Chairman of the NC, has abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance or re-election as a Director.

Mr. Eddy Pratomo will, upon re-election as a Director, remain as Independent Chairman of the Company, a member of the AC, a member of the RC and the Chairman of the NC. Mr. Eddy Pratomo is considered by the Board to be independent for the purpose of Rule 704(6) of the Catalist Rules.

Mr. Nasser Aljunied will, upon re-election as a Director, remain as Executive Director of the Company.

Please refer to the section entitled "Appendix 7F to the Catalist Rules" of this Annual Report for information on the Retiring Directors pursuant to Rule 720(5) of the Catalist Rules.

Provision 4.4

The NC ascertains the independence of Directors and evaluates the Board's performance as a whole on an annual basis. The NC assesses the independence of Directors based on the definition given in the Code, and taking into account Rule 406(3)(d) of the Catalist Rules, and any other salient factors, as set out above under Provision 2.1.

Each Director is required to declare, on an annual basis, his independence by duly completing and submitting a 'Confirmation of Independence' form. The said form, which is drawn up based on the definitions and guidelines set forth in Principle 2 of the Code and the Guidebook for Audit Committees in Singapore (Second Edition) issued by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange in August 2014 ("**Guidebook**"), requires each Director to assess whether he considers himself independent despite not having any relationships identified in the Code. The Board, after taking into account the NC's views, is satisfied that Mr. Eddy Pratomo, Mr. Omri Samosir and Mr. Giang Sovann are independent, as there are no relationships or circumstances which could interfere, or could reasonably be perceived to interfere with the exercise of independent business judgement of each Independent Director. Further, none of the current Independent Directors has been serving on the Board beyond nine years from the date of his first appointment.

If the NC considers that a director who has one or more of the relationships mentioned in the Code can be considered independent, the NC shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he has no business or other relationships with the Company, its related companies or its officers.

Provision 4.5

The NC noted that Datuk Lim Kean Tin has failed to attend more than two Board Committee meetings in succession without special leave of absence from the Board. Pursuant to Regulation 102(viii) of the Company's Constitution, Datuk Lim Kean Tin ceased to be a Director of the Company with effect from 15 March 2021. Save for the aforementioned, the NC is satisfied that sufficient time and attention has been dedicated by the Directors to the affairs of the Company and the Directors have adequately carried out their duties as Directors of the Company during FY2021, despite their other board representations and/or personal commitments. The Board has not experienced competing time commitments among its Board members and Board Committee meetings are planned and scheduled in advance. The NC has not established a guideline for a maximum number of listed board representation which a director may have as it believes that putting a maximum limit on the number of listed directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

Information of the listed company directorships and principal commitments of each Director are set out in the "Board of Directors" section of this Annual Report. There is no alternate Director on the Board.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provisions 5.1 and 5.2

The Board has implemented a process carried out by the NC for assessing the effectiveness of the Board as a whole and of each of the Board Committees separately, and also assessing the contribution of the Chairman and each individual Director on an annual basis.

At the end of each financial year, each Board member is required to complete a Board assessment form and self-assessment form, both of which will be collated by the Company for review and discussion at the NC meeting. Based on the responses, the chairman of the NC will prepare a consolidated report and present the report to the Board at the Board meeting.

The evaluation of the Board is based on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board's processes and accountability, Board's performance in relation to discharging its principal responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole. The Board has taken the view that financial indicators may not be appropriate as these are more of a measurement of the Management's performance and therefore less applicable to Directors.

The evaluation of individual Directors assesses whether each Director continues to contribute effectively and demonstrates commitment to the role (including commitment of time for Board and Board Committee meetings and duties). The NC takes into account the results of the assessment of the effectiveness of the individual Director, the Director's annual confirmation and actual conduct on the Board, in making this determination.

During the re-nomination of the Directors at the end of each financial year, the NC assesses the contribution of such Directors to the effectiveness of the Board by considering factors such as attendance at meetings of the Board and Board Committees, the qualification, business knowledge and experience of such Directors, level of participation at meetings, and the overall contributions in time and efforts to the Company's business and affairs.

The evaluation of effectiveness and performance of each Board Committee as a whole is carried out annually on a self-evaluation basis by the respective members of each Board Committee. The results of the evaluation are reviewed and discussed by each respective Board Committee, and each Board Committee reports the evaluation results to the Board thereafter. The assessment criteria include but are not limited to the composition of the Board Committees and the procedure and accountability of each Board Committee.

Following the review, the Board is of the view that the Board and the Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. No external facilitator was engaged in FY2021.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

<u>Provision 6.1</u>

The Board established the RC with written terms of reference which clearly sets out its authority and duties and report to the Board directly. The terms of reference of the RC include, *inter alia*, the following:

(a) to review and recommend to the Board a general framework for remuneration for the Directors and key management personnel of the Company;

(b) to review and recommend specific remuneration package for each Director and key management personnel of the Company; and

(c) to review the Company's obligations arising in the event of termination of contracts of service of Executive Directors and key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The recommendations by the RC will be submitted for endorsement by the Board.

<u>Provision 6.2</u>

In FY2021 and up to the date of this report, the RC comprises three members, all of whom are Independent Directors. The members of the RC are:

Mr. Omri Samosir (Independent Director)	Chairman
Mr. Eddy Pratomo (Independent Chairman)	Member
Mr. Giang Sovann (Lead Independent Director)	Member

Provision 6.3

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, if applicable, and benefits in kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package.

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

The RC will also review the Company's obligations under (i) the service agreements entered into with the Executive Directors; and (ii) the contracts of service entered into with the key management personnel, that would arise in the event of termination of the service agreements and contracts of service. This is to ensure that such service agreements and contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Provision 6.4

The Company has not engaged a remuneration consultant in respect of the remuneration matters of the Company during FY2021.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provisions 7.1 and 7.3

The RC and the Board in determining the level and structure of remuneration of the Board and key management personnel will ensure that they are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account its strategic objectives, its long term interests and risk policies. The RC has structured remuneration packages for key management personnel on measured performance indicators, taking into account financial and non-financial factors. The Company adopts a remuneration system that is responsive to the market elements and performance of the Company and business divisions respectively. It is structured to link a significant and appropriate proportion of rewards to the Company and individual performance.

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. However, the RC will also consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. No Director is involved in deciding his or her own remuneration.

The Company had, on 17 May 2018, entered into service agreements (the "**Service Agreements**") with the Executive Directors, namely Mr. Hong Kah Ing and Mr. Nasser Aljunied. The Executive Directors do not receive any Directors' fees but are remunerated as a member of the Management. Pursuant to the terms of the Service Agreements, the remuneration package of each of the Executive Director comprises a basic monthly salary component, a fixed annual wage supplement component and a profit sharing bonus component, based on the financial performance of the Group as a whole. Each Service Agreement is valid for an initial term of three years, and upon expiry, the employment shall be automatically renewed for a further period of three years. The appointment of each of the Executive Directors may be terminated by either party giving to the other not less than six months' (or such period as may be mutually agreed) written notice.

Provision 7.2

The remuneration framework for Directors, CEO and key management personnel is aligned with the interest of shareholders and relevant stakeholders and appropriate to attract, retain and motivate them for the long term success of the Group. The Non-Executive Directors (including the Independent Directors) do not have any service agreement with the Company. They are paid fixed Directors' fees appropriate to their level of contribution, taking into account factors such as effort and time spent, and their responsibilities on the Board and Board Committees. They do not receive any other form of remuneration from the Company.

The payment of Directors' fees is subject to shareholders' approval at each AGM. Directors' fees for Non-Executive Directors (including the three Independent Directors and the Non-Executive and Non-Independent Director) of S$162,000 for FY2021 (with payment to be made quarterly in arrears) had been approved by shareholders at the last AGM held on 30 April 2021. Directors' fees for the three Independent Directors of up to S$162,000 for the current financial year ending 31 December 2022 (with payment to be made quarterly in arrears) have been recommended by the RC and the Board and will be tabled for approval by shareholders at the forthcoming AGM.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1 and 8.2

The summary remuneration table for the Directors (including CEO) and key management personnel (who are not Directors or CEO) of the Group for FY2021 is set out below:

Remuneration Band	Salary %	Bonus %	Allowances and Other Benefits %	Directors' Fees %	Total %
Below S$250,000					
Directors					
Mr. Hong Kah Ing	92	8	–	–	100
Mr. Nasser Aljunied	79	17	4	–	100
Mr. Eddy Pratomo	–	–	–	100	100
Mr. Omri Samosir	–	–	–	100	100
Mr. Giang Sovann	–	–	–	100	100
Datuk Lim Kean Tin(1)	–	–	–	100	100
Key Management Personnel*					
Mr. Edy Santi	89	7	4	–	100
Mr. Ketan Ranadive	77	10	13	–	100
Mr. Aris Pandin(2)	100	–	–	–	100
Ms. Novianti Batu Pasumbung, St.(3)	60	7	33	–	100

Notes:

(1) Datuk Lim Kean Tin ceased as the Non-Executive Director with effect from 15 March 2021.

(2) Mr. Aris Pandin resigned as the Head of Mining Operations with effect from 1 February 2021.

(3) Ms. Novianti Batu Pasumbung, St. was appointed as the Head of Mining Engineering with effect from 3 August 2021.

* The Group has only four key management personnel (who are not Directors or the CEO) during FY2021.

Save for Mr. Hong Kah Ing and Mr. Nasser Aljunied who are substantial shareholders of the Company, there is no employee of the Company who is a substantial shareholder of the Company or an immediate family member of a Director, the CEO or substantial shareholder and whose remuneration exceeds S$100,000 during FY2021.

Save as disclosed above, the Code recommends that:

(a) the Company should fully disclose the amount and breakdown of remuneration of each individual Director and the CEO on a named basis; and

(b) the Company should disclose in aggregate the total remuneration paid to the top five key management personnel of the Company (who are not Directors or the CEO).

The Board has decided not to disclose the abovementioned information as recommended by the Code in light of confidentiality and competitive reasons in relation to the Directors and to avoid poaching of the key management personnel of the Company.

The RC has reviewed and approved the remuneration packages of the Directors and key management personnel, having regard to their contributions as well as the financial performance and the commercial needs of the Company and has ensured that the Directors and key management personnel are adequately but not excessively remunerated.

There were no termination or retirement benefits and post-employment benefits that are granted to the Executive Directors and key management personnel in FY2021.

After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

<u>Provision 8.3</u>

The Company adopted a share plan known as the "SILKROAD Performance Share Plan" (the "**Plan**") on 25 June 2020 as a long term incentive plan for Executive Directors and employees of the Group whose services and contributions are vital to the Group's well-being and success. It is administered by Remuneration Committee of the Company. As at to-date, no awards have been granted under the Plan.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

<u>Provision 9.1</u>

The Board acknowledges its responsibility for the governance of risk and ensuring that the Management maintains a sound system of risk management and internal controls to safeguard interest of shareholders and the Group's assets. At this stage, the Board is of the view that a separate board risk committee need not be established as the Board and the AC are currently responsible for monitoring the implementation of the Group's risk management framework and policies and the current arrangement is effective for the time being.

The Management has conducted a review of the strategic, operational, financial, compliance and information technology risks faced by the Group and has implemented appropriate controls to mitigate these risks. On a quarterly basis, the Chief Financial Officer ("**CFO**") of the Company provides an update to the AC on the key risks faced by the Group and measures in place to ensure that material risks of the Group are being mitigated to an acceptable level.

Annually, the internal auditors prepare and execute a robust risk-based audit plan, which complements that of the external auditor, so as to review the adequacy and effectiveness of the Company's system of internal controls. These include operational, financial, compliance and information technology controls. In addition, the external auditor will highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. All audit findings and recommendations made by the internal and external auditors are reported to the AC. Significant issues are discussed at AC meetings. The internal auditors follow up on all recommendations by the AC and external auditors and reports the implementation status to the AC every year.

Provision 9.2

During FY2021, Mr. Hong Kah Ing, Executive Director and CEO of the Company, and the CFO of the Company Mr. Ketan Ranadive had provided assurance on a half yearly basis to the AC and the Board that, *inter alia*, (i) the financial records have been properly maintained and the financial statements give a true and fair view of the financial position of the Group, including the financial position and performance of the Group; and (ii) the risk management and internal compliance and control systems of the Group to the extent that financial reporting, operational and compliance risk are being reported effectively and efficiently, in all material aspects, based on the Group's risk management policies.

The Board, with the guidance from AC, will ensure that a review of the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems, is conducted annually. In this respect, the AC will review the audit plans and the findings of the internal auditors and external auditors, and will ensure that the Group follows up on the auditors' recommendations raised, if any, during the audit process.

Based on the (i) risk management system and internal controls established and maintained by the Group; (ii) results of the external audit; (iii) work performed by internal and external auditors; (iv) relevant reviews performed by the Management including quarterly updates by the CFO on the key risks of the Group as well as their mitigating actions; and (v) assurances provided by the Executive Director and CEO, and the CFO of the Company on a half yearly basis, the Board, with the concurrence of the AC, is of the view that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Group are adequate and effective and to ensure assets of the Group are safeguarded as at 31 December 2021.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1

The Board established the AC with written terms of reference which clearly sets out its authority and duties and report to the Board directly. The terms of reference terms of reference of the AC include, *inter alia*, the following:

(i) to review significant financial reporting issues and judgements so as to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(ii) to review and report to the Board annually the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems;

(iii) to review the independence, adequacy and effectiveness of the Company's internal audit function;

(iv) to review assurance from CEO and CFO on the financial records and financial statements;

(v) to review the scope and the results of the external audit, and the independence and objectivity of the external auditors;

(vi) to review the consolidated financial statements, balance sheets, profit and loss accounts and the independent auditor's report on financial statements, before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

(vii) to review the co-operation given by the Management to the auditors;

(viii) to make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;

(ix) to approve the remuneration and terms of engagement of external auditors;

(x) to review and approve any interested person transactions, falling within the scope of Chapter 9 of the Catalist Rules;

(xi) to review any potential conflicts of interest;

(xii) to review and approve any future hedging policies, instruments used for hedging and foreign exchange policies and practices of the Company;

(xiii) to undertake such other reviews and projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(xiv) to generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time; and

(xv) to review whistleblowing findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or key management personnel to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

Each member of the AC shall abstain from voting any resolutions in respect of matters he is interested in.

<u>Provisions 10.2 and 10.3</u>

In FY2021 and up to the date of this report, the AC comprises three members, all of whom are Independent Directors. The members of the AC are:

Mr. Giang Sovann (Lead Independent Director)	Chairman
Mr. Eddy Pratomo (Independent Chairman)	Member
Mr. Omri Samosir (Independent Director)	Member

The Board is of the view that the members of the AC (including the Chairman) are appropriately qualified and possess recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. All AC members have many years of experience in accounting, finance and/or legal related expertise and experience.

No former partner or director of the Company's existing auditing firm is a member of the AC.

The AC keeps abreast of new accounting standards and related issues which have a direct impact on the Company's financial statements through regular updates from the Company's relevant advisors.

Provision 10.4

Internal auditors

The Board believes in maintaining sound internal controls and systems to provide reasonable assurance against material financial losses or misstatements as well as to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with applicable legislations, regulations and best practices, and the identification and containment of business risks.

The current size of the operations of the Group does not warrant the Group to have an in-house internal audit function. The internal audit function of the Company is outsourced to Deloitte & Touche Enterprise Risk Services Pte. Ltd.. The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

The internal auditors report primarily to the AC. The internal auditors have unfettered access to all documents, records, properties and personnel, including access to members of the AC at all times. The internal auditors adopt the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by The Institute of Internal Auditors and staffed with persons with relevant qualifications and experience.

The functions of internal audit include the reviewing and evaluation of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The internal audit function performs regular audits of the Group's individual business units including its overseas operations. It reports its findings to the AC and follow up with the Management of the respective business units on remedial actions to be taken.

The AC annually reviews the independence, adequacy and effectiveness of the internal audit function to ensure that the internal audit function is independent, the internal audit resources are adequate and that the internal audits are performed effectively. The AC approves the hiring, removal, evaluation and compensation of internal auditing function. The AC is satisfied that the internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The AC is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience and adheres to professional standards including those promulgated by The Institute of Internal Auditors.

External auditors

The AC reviews the scope and results of the audit carried out by the external auditors, as well as the independence of the external auditors annually. The aggregate amount of fees paid/payable to the external auditors of the Company, Baker Tilly TFW LLP ("**Baker Tilly**"), for FY2021 was S$134,000 for audit services and S$3,800 for non-audit services rendered. The AC is of the view that the independence and objectivity of the external auditors of the Company are in place.

The AC also recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors is always subject to shareholders' approval at the AGM.

In reviewing the nomination of Baker Tilly for re-appointment for the financial year ending 31 December 2022, the AC has considered the adequacy of the resources, experience and competence of Baker Tilly, and has taken into account the Audit Quality Indicators relating to Baker Tilly (both at firm level and on the audit engagement level). Consideration was also given to the experience of the audit partner-in-charge and key team members in handling the audit of the Company which is a mining company. The Board also considered the audit team's ability to work in a cooperative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines. Baker Tilly has also confirmed its independence and that it is registered with the Accounting and Corporate Regulatory Authority and approved under the Accountants Act 2004 of Singapore. The audit partner in-charge assigned to the audit is a registered public accountant under the Accountants Act 2004 of Singapore. On the basis of the above, the AC and the Board are satisfied with the standard and quality of work performed by Baker Tilly and have recommended the nomination of Baker Tilly for re-appointment as external auditors of the Company for the ensuring year be tabled for shareholders' approval at the forthcoming AGM.

For FY2021, the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of audit firm for the Group. The AC and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent external auditors of the Company and its subsidiaries.

Provision 10.5

The AC meets with the external auditors, and with the internal auditors, in each case without the presence of the Management at least once a year.

Whistleblowing Policy

The Company has in place a whistleblowing policy (the "**Policy**") which provides a framework to promote responsible and secured whistleblowing without fear of adverse consequences. Details of the Policy have been disseminated and made available to all employees of the Company. The Policy sets out procedures for a whistleblower to make a report to the Company on misconduct or wrongdoing relating to the Company and its officers in confidence and in good faith, without fear of reprisal, discrimination or adverse consequences.

The AC is responsible for oversight and monitoring of whistleblowing. The Independent Chairman of the Board shall receive all complaints on behalf of the AC. The Group is committed to ensure protection of the whistleblowers against detrimental or unfair treatment. The Group will also take all reasonable steps to protect the identity of the whistleblower so as to ensure that the identity of the whistleblower is kept confidential, subject to legal or regulatory requirements.

For all incidents made in good faith, the Company has designated an independent function to investigate. The Independent Chairman of the Board and the AC, may, in consultation with the senior Management, lead the investigation to ensure prompt and appropriate investigation and resolution. All information disclosed during the course of investigation will remain confidential, except as necessary or appropriate to conduct the investigation and to take any remedial action, in accordance with any applicable laws and regulations. The Group prohibits discrimination, retaliation or harassment of any kind against a whistleblower who submits a complaint or report in good faith.

Any whistleblowing reports received will be reviewed and investigated in accordance with the Policy.

During FY2021, the AC had, among others, carried out the following activities:

(a) reviewed the half year and full year financial statements announcements of the Group, and recommended to the Board for approval and release via the SGXNet;

(b) reviewed the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls), and risk management systems;

(c) reviewed and approved the annual audit plan of the external auditors;

(d) reviewed the independence of the external auditors;

(e) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval;

(f) reviewed and approved the internal audit plan with the internal auditors, and evaluated the adequacy and effectiveness of the internal control and accounting system before submission of the results of such review to the Board for approval; and

(g) met with the external auditors and with the internal auditors once without the presence of the Management.

In the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The AC has reviewed the key audit matters disclosed in the external auditors' report for FY2021, and is of the view that there is no material inconsistency between the audit procedures adopted by the external auditors and the Management's assessment.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions 11.1, 11.2, 11.3 and 11.4

Shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay apprised of the Company's strategy and goals. If any shareholder is unable to attend, he/she is allowed to appoint proxies to vote on his/ her behalf at the general meetings through proxy forms sent to the Company within the prescribed period. The Company has introduced the system of voting, pursuant to which each resolution put forth at general meetings is voted by way of a poll. The percentages of votes in favour and against each resolution will be announced via SGXNet after the general meetings. Shareholders also have the opportunity to communicate their views and discuss with the Directors and Management matters affecting the Company after the general meetings. Under the new multiple proxy regime, "relevant intermediaries", such as banks, capital markets services license holders that provide custodial services for securities and the Central Provident Fund Board ("**CPF**") and Supplementary Retirement Scheme ("**SRS**"), are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings. Voting in absentia by mail, facsimile or email is currently not permitted. Such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identities.

Notice of the general meeting will be advertised in newspapers and announced on SGXNet. Each item of special business will be accompanied by full explanation of the effects of a proposed resolution. The Company provides for separate resolutions at general meetings of shareholder on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each resolution in the AGM agenda is in the explanatory notes to the AGM Notice in the Annual Report.

An independent scrutineer is appointed to validate the proxy forms submitted by the shareholders and the votes of all such valid proxy forms are counted and verified. Votes cast for, or against, each resolution will be tallied and announced to shareholders immediately at the general meeting. The total numbers and percentage of votes cast for or against the resolutions are also announced after the general meeting via SGXNet.

All Directors, including the Chairman of each of the AC, NC and RC and external auditors, are present at general meetings to address queries from the shareholders and meeting attendees on the conduct of audit and the preparation and content of the auditors' report. Please refer to the table set out under Provision 1.5 above for the Directors' attendance at the Company's general meetings held during FY2021.

For FY2021, due to the COVID-19 outbreak and the circuit breaker put in place by the Singapore Government, the Company's last AGM held on 30 April 2021 ("**2021 AGM**") and the Company's extraordinary general meeting held on 30 September 2021 ("**2021 EGM**") were held by way of electronic means, through "live webcast" and "audio-only means", pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**COVID-19 Order**"). The notices of the 2021 AGM and the 2021 EGM were not published in the newspaper, but were instead disseminated to shareholders through publication on SGXNet and the Company's corporate website, in accordance with the alternative arrangements for holding of general meetings pursuant to the COVID-19 Order. The Company had also published a letter to shareholders, together with the respective notices of 2021 AGM and 2021 EGM, detailing the alternative arrangements for the 2021 AGM and 2021 EGM respectively, during the COVID-19 pandemic.

Pursuant to Part 4 of the COVID-19 (Temporary Measures) Act 2020, a member of the Company (whether individual or corporate and including a relevant intermediary) entitled to vote at the general meeting must appoint the Chairman of the general meeting to act as proxy and direct the vote at the general meeting. In appointing the Chairman of the general meeting as proxy, a member (whether individual or corporate and including a relevant intermediary) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid. Shareholders participated in the 2021 AGM and 2021 EGM via electronic means, voting by appointing the Chairman of the 2021 AGM and 2021 EGM as proxy and their questions in relation to any resolution set out in the notices of AGM and EGM were sent to the Company in advance of the 2021 AGM and 2021 EGM, and responses to the questions were provided via announcement on SGXNet and the Company's corporate website.

Provision 11.5

The proceedings of all general meetings including substantial and relevant comments/queries from shareholders and responses exchanged between the Company and shareholders are recorded in the minutes book of the Company, and will be published on the Company's corporate website. Minutes of the 2021 AGM and 2021 EGM had been published by the Company on its corporate website and on the SGXNet within one month from the date of the 2021 AGM and 2021 EGM respectively.

Provision 11.6

The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends that the Directors may recommend or declare in respect of any particular financial year or period are subject to various other factors including the level of cash and retained earnings. The Board has not declared or recommended any dividend for FY2021 as the Group wishes to conserve its cash resources for its mining operations and smelter project.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions 12.1, 12.2 and 12.3

Shareholders are informed of general meetings through notices sent to all shareholders, made available electronically. Shareholders may download the Annual Report and Notice of AGM from the Company's website. The general meeting procedures provide shareholders the opportunity to raise questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage and openly communicate their views on matters relating to the Company to the Directors. Please refer to Principle 11 on communications with shareholders in relation to the 2021 AGM and 2021 EGM.

Though the Company does not currently have an investor relations policy it believes in regular, effective and fair communication with members of the investing community. As such, shareholders may contact the Company with their questions via emails and phone calls and the Company will respond to such questions in a timely manner.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions 13.1, 13.2 and 13.3

In line with continuous obligations of the Company pursuant to the Catalist Rules, the Board's policy is that all shareholders be informed of all material developments that impact the Company.

Material development information is disseminated to shareholders on a timely basis through:

(a) SGXNet announcements;

(b) Annual Reports and Annual Sustainability Report prepared and issued to all shareholders;

(c) Press releases on material developments of the Company; and

(d) Notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings.

The Company's general meetings are the principal forums for dialogue with shareholders. The respective Chairmen of the Board, AC, RC, NC and senior Management are normally present and available at the general meetings to answer any question relating to the scope of matters considered by the Board and the respective Board Committees. The external auditors are also present to assist the Directors in addressing any relevant queries by the shareholders. The AGM is held within four months after the close of the financial year.

The Board adopts a balanced approach towards the needs and interests of key stakeholders, taking into account the best interests of the Company. The Company has identified key stakeholders who have an impact on the Group's business and operations and during the COVID-19 outbreak, the Group has stayed committed to prioritising the health and safety of its employees. The Group has also undertaken a process to determine the economic, environmental, social and governance issues which are important to these stakeholders.

Detailed approach to the stakeholder engagement and materiality assessment will be disclosed in the Group's sustainability report for FY2021, which will be published by the Company on SGXNet and on the Company's corporate website by 31 May 2022, to keep stakeholders informed on the Group's business and operations.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company, its financial performance and sustainability report are disclosed in an accurate and timely manner via SGXNet. Shareholders are also informed of rules, including voting procedures that govern the general meeting. The Company maintains a current corporate website, https://www.silkroadnickel.com/, to communicate and engage with stakeholders. The annual report sets out the Group's strategy and key areas of focus in managing stakeholder relationships.

Dealing In Company's Securities

In compliance with Rule 1204(19) of the Catalist Rules, the Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealing in securities and these are applicable to the Company and its officers in relation to their dealings in the Company's securities. The Company and its officers are advised not to deal in the Company's shares during the period commencing one month before the announcement of the Company's half year and full year financial statements, until the release of the financial statements to SGXNet, or if they are in possession of unpublished price-sensitive information of the Company. In addition, the Company and its officers are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period and they should not deal in the Company's securities on short-term consideration.

Interested Person Transactions

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

Pursuant to Rule 920(1)(a)(ii) of the Catalist Rules, the aggregate value of interested person transactions entered into by the Group for FY2021 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 less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'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 Company; and (ii) Mr Hong's spouse, respectively	139	–
Total		139	–

Material Contracts

Save as disclosed above in the section entitled "Interested Person Transactions" and the Service Agreements, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director, or controlling shareholder of the Company which are either still subsisting at the end of FY2021, or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2020.

Non-Sponsorship Fees

Pursuant to Rule 1204(21) of the Catalist Rules, no non-sponsorship fees were payable or paid to ZICO Capital Pte. Ltd. for FY2021.

DIRECTORS' STATEMENT

Year ended 31 December 2021

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Silkroad Nickel Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 43 to 97 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Hong Kah Ing
Syed Abdel Nasser Bin Syed Hassan Aljunied
Eddy Pratomo
Omri Samosir
Giang Sovann

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The following directors of the Company, who held office at the end of the financial year, had, according to the Register of Directors' Shareholdings required to be kept under Section 164 of the Act, an interest in shares, share options and debentures of the Company and related corporations, as stated below:

	Number of ordinary shares					
	Shareholdings registered in the name of director			Shareholdings in which the director is deemed to have an interest		
Name of directors and corporations in which interest is held	**At 1.1.2021**	**At 31.12.2021**	**At 21.1.2022**	**At 1.1.2021**	**At 31.12.2021**	**At 21.1.2022**
The Company						
Hong Kah Ing	–	–	–	184,111,555	162,318,253	162,318,253
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	184,111,555	162,318,253	162,318,253
Ultimate holding corporation						
Far East Mining Pte. Ltd.						
Hong Kah Ing	64,308	8,083,618	8,083,618	–	–	–
Syed Abdel Nasser Bin Syed Hassan Aljunied	24,387	3,054,124	3,054,124	–	–	–
Subsidiary corporations						
FE Resources Pte. Ltd.						
Hong Kah Ing	–	–	–	2	2	2
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	2	2	2
PT Anugrah Tambang Sejahtera						
Hong Kah Ing	–	–	–	500,000	500,000	500,000
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	500,000	500,000	500,000
PT Teknik Alum Service						
Hong Kah Ing	25*	25*	25*	2,500	2,500	2,500
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	2,500	2,500	2,500
Silkroad Metal Industries Pte. Ltd.						
Hong Kah Ing	–	–	–	100	100	100
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	100	100	100

* Mr Hong Kah Ing, who holds 1% equity interest in this subsidiary has executed a deed of assignment and a power of attorney to assign his shareholder and voting rights in PT Teknik Alum Service to PT Anugrah Tambang Sejahtera.

The deemed interests of Mr Hong Kah Ing and Mr Syed Abdel Nasser Bin Syed Hassan Aljunied in the shares of the Company are by virtue of their shareholdings in Far East Mining Pte. Ltd., which in turn holds shares in the Company. At 31 December 2021, Far East Mining Pte. Ltd. holds 162,318,253 shares in the Company.

Mr Hong Kah Ing and Mr Syed Abdel Nasser Bin Syed Hassan Aljunied, by virtue of their interests of not less than 20% of the issued share capital of the Company, are deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiary corporations.

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit and Risk Committee

The members of the Audit and Risk Committee during the financial year and at the date of this statement are:

Giang Sovann (Chairman)
Eddy Pratomo
Omri Samosir

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Act and the SGX Listing Manual. Their functions are detailed in the Corporate Governance Report included in this Annual Report.

In performing its functions, the Audit and Risk Committee met with Company's independent and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Group's internal accounting control system.

The Audit and Risk Committee also reviewed the following:

- assistance provided by the Group's management to the internal and independent auditors;
- half yearly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions, if any, during the financial year (as defined in Chapter 9 of the SGX Listing Manual).

The Audit and Risk Committee is satisfied with the independence and objectivity of the independent auditors and has recommended to the Board that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Hong Kah Ing Director	Syed Abdel Nasser Bin Syed Hassan Aljunied Director

14 April 2022

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Silkroad Nickel Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 43 to 97, which comprise the statements of financial position of the Group and of the Company as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Exchangeable bonds
(Refer to Notes 3 and 20 to the financial statements)

On 28 May 2021, the Group entered into a subscription agreement for issuance of US$15,000,000 7% exchangeable bonds to a third party, GFL International Co., Limited. On 19 November 2021, the Group has drawdown total proceeds of US$15,000,000 from the exchangeable bonds facility.

At 31 December 2021, the Group's exchangeable bonds of US$15,070,000 represented 63% of the total liabilities of the Group. Management engaged an external valuer to assist with the valuation exercise for the exchangeable bonds at valuation dates including the issue date and reporting date. The exchangeable bonds were allocated between the liability and derivative components. The liability component is recognised initially at fair value and subsequently measured at amortised costs while 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.

The valuation exercise involves significant judgement and estimates made by external valuer in determining the appropriate valuation methodology and in estimating the fair value of the exchangeable bonds. Significant inputs used in valuation exercise include expected volatility, risk-free rate, risky rate and dividend yield. Accordingly, we determined that this is a key audit matter.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Exchangeable bonds (cont'd)

Our audit procedures to address the key audit matter

We obtained and reviewed the terms and conditions of the subscription agreement and subsequent supplementary agreements. We assessed the appropriateness of the accounting treatment in accordance with SFRS(I) 9 *Financial Instruments*. We obtained an understanding on the process of the management's selection of external valuer, the determination of the scope of work of the external valuer, and the review and acceptance of the professional valuation report.

We evaluated the objectivity, qualifications and competence of the external valuer. We involved our internal valuation specialist in the discussion with the external valuer and the management to understand the valuation process on the exchangeable bonds. We assessed the valuation methodology adopted and significant inputs applied by external valuer in the valuation with the assistance of our internal valuation specialist. We also assessed the sensitivity of the valuation amounts to reasonably possible changes in the significant inputs applied.

In addition, we assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Impairment assessment of trade receivables
(Refer to Notes 3, 14 and 26(b) to the financial statements)

As at 31 December 2021, the Group's trade receivables of US$8,684,000 comprise 3 debtors and represented 41% of the total current assets of the Group.

The Group determines expected credit loss ("ECL") of trade receivables by applying the simplified approach to measure the lifetime ECL for its trade receivables. These assessments required management to exercise judgement and make estimates with respect to the credit risk of the counterparties, the probability of default and loss given default. The assessment involves considering forward-looking information such as forecasts of future economic conditions and current information to-date such as age of the balances, recent and subsequent payments, expected realisable value of collateral and the credit terms. Accordingly, we determined that this is a key audit matter.

Our audit procedures to address the key audit matter

We obtained an understanding of the Group's processes and key controls relating to the monitoring of trade receivables and assessment of expected credit loss.

We evaluated the assumptions and estimates used by management to determine the ECL through testing the ageing profile of the trade receivables, and reviewing recent and subsequent payments, expected realisable value of collateral and documentary evidence to verify the credit terms and explanations from management to assess the recoverability, where applicable. We assessed the reasonableness of management's judgement and assumptions applied in the credit loss assessment. We also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2021, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

To the members of Silkroad Nickel Ltd.

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Wei Lun.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

14 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021 US$'000	2020 US$'000
Revenue	4	**26,700**	475
Cost of goods sold		**(15,947)**	(599)
Gross profit/(loss)		**10,753**	(124)
Other income	5	**557**	212
Expenses			
Administrative expenses		**(4,401)**	(3,267)
Selling and distribution expenses		**(629)**	–
Other expenses		**(1,489)**	–
Finance costs	6	**(787)**	(398)
Impairment losses on trade and other receivables		**(624)**	(41)
Profit/(loss) before tax	7	**3,380**	(3,618)
Tax expense	9	**(1,037)**	(23)
Profit/(loss) for the financial year		**2,343**	(3,641)
Other comprehensive income/(loss) for the financial year, net of tax:			
Remeasurement of post-employment benefits liabilities, net of tax		**60**	(10)
Total comprehensive income/(loss) for the financial year		**2,403**	(3,651)
		US cents	US cents
Earnings/(loss) per share	10		
Attributable to equity holders of the Company			
- Basic		**0.90**	(1.39)
- Diluted		**(0.14)**	(1.39)

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group 2021 US$'000	Group 2020 US$'000	Company 2021 US$'000	Company 2020 US$'000
Non-current assets					
Property, plant and equipment	11	**12,860**	11,246	**37**	96
Investment in subsidiaries	12	**–**	–	**66,241**	66,241
Deferred tax assets	13	**387**	248	**–**	–
Receivables	14	**352**	357	**1,375**	–
		13,599	11,851	**67,653**	66,337
Current assets					
Inventories	15	**1,637**	4,868	–	2,195
Receivables and prepayments	14	**10,228**	8,118	**2,624**	3,051
Cash and cash equivalents		**9,457**	33	**8,659**	8
		21,322	13,019	**11,283**	5,254
Total assets		**34,921**	24,870	**78,936**	71,591
Non-current liabilities					
Liabilities for post-employment benefits	16	**583**	507	**–**	–
Payables	21	**–**	756	**–**	756
Lease liabilities	17	**186**	39	**–**	39
Provisions	18	**873**	808	**–**	–
Borrowings	19	**–**	2,062	**–**	2,062
		1,642	4,172	**–**	2,857
Current liabilities					
Payables and accruals	21	**4,272**	9,194	**4,276**	807
Contract liabilities	22	**–**	61	**–**	61
Lease liabilities	17	**179**	138	**40**	56
Tax payables		**1,873**	1,078	**17**	38
Borrowings	19	**701**	1,446	**–**	922
Exchangeable bonds	20	**15,070**	–	**11,162**	–
		22,095	11,917	**15,495**	1,884
Total liabilities		**23,737**	16,089	**15,495**	4,741
Net assets		**11,184**	8,781	**63,441**	66,850
Equity					
Share capital	23	**8,979**	8,979	**86,387**	86,387
Accumulated profits/(losses)		**2,205**	(198)	**(22,946)**	(19,537)
Total equity		**11,184**	8,781	**63,441**	66,850

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Share capital US$'000	Accumulated (losses)/profits US$'000	Total equity US$'000
Group			
Balance at 1 January 2020	8,979	3,453	12,432
Loss for the financial year	–	(3,641)	(3,641)
Other comprehensive loss			
Remeasurement of post-employment benefits liabilities	–	(10)	(10)
Loss and total comprehensive loss for the financial year	–	(3,651)	(3,651)
Balance at 31 December 2020	8,979	(198)	8,781
Profit for the financial year	–	2,343	2,343
Other comprehensive income			
Remeasurement of post-employment benefits liabilities	–	60	60
Profit and total comprehensive income for the financial year	–	2,403	2,403
Balance at 31 December 2021	**8,979**	**2,205**	**11,184**

STATEMENT OF
CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Share capital US$'000	Accumulated losses US$'000	Total equity US$'000
Company			
Balance at 1 January 2020	86,387	(18,368)	68,019
Loss and total comprehensive loss for the financial year	–	(1,169)	(1,169)
Balance at 31 December 2020	86,387	(19,537)	66,850
Loss and total comprehensive loss for the financial year	–	(3,409)	(3,409)
Balance at 31 December 2021	**86,387**	**(22,946)**	**63,441**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Group	
	2021	2020
	US$'000	US$'000
Cash flows from operating activities		
Profit/(loss) before tax	**3,380**	(3,618)
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	**15**	12
Allowance for impairment losses on trade receivables	**609**	41
Bad debt written off	**15**	–
Depreciation of property, plant and equipment	**848**	889
Fair value gain of derivative liabilities	**(160)**	–
Modification loss on amounts due to related parties	**111**	–
Fair value gain on amounts due to related parties	**–**	(143)
Interest income	**(9)**	(9)
Interest expense	**748**	363
Interest expense on lease liabilities	**24**	23
Loss on disposal of property, plant and equipment	**3**	88
Post-employment benefits	**170**	217
Provision for mine reclamation and rehabilitation	**61**	61
Unrealised foreign exchange (gain)/loss	**(16)**	8
Costs expensed for evaluation of smelter project	**1,489**	–
Operating cash flow before working capital changes	**7,288**	(2,068)
Changes in operating assets and liabilities		
Inventories	**3,231**	(3,619)
Receivables and prepayments	**(2,665)**	3,218
Payables and accruals	**(5,132)**	1,105
Contract liabilities	**(61)**	61
Cash generated from/(used in) operations	**2,661**	(1,303)
Interest received	**9**	9
Taxes paid	**(534)**	(16)
Net cash generated from/(used in) operating activities	**2,136**	(1,310)
Cash flows from investing activities		
Deposit for investment to a related party	**–**	(16)
Net payment on behalf to a related party	**–**	(86)
Net proceeds from disposal of property, plant and equipment	**155**	202
Purchases of property, plant and equipment [Note 11(b)]	**(2,087)**	(101)
Payment for evaluation of smelter project	**(1,467)**	–
Net cash used in investing activities	**(3,399)**	(1)

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2021

	Group	
	2021	2020
	US$'000	US$'000
Cash flows from financing activities		
Interest paid	**(323)**	(246)
Interest paid on lease liabilities	**(24)**	(23)
Loan received from related parties	**–**	210
Loans received from third parties	**2,698**	570
Loan repayment to third parties	**(5,221)**	–
Net advances from related parties	**–**	813
Net advances from ultimate holding company	**–**	90
Repayment to ultimate holding company	**(1,205)**	–
Repayment of lease liabilities	**(238)**	(133)
Proceeds from issuance of exchangeable bonds	**15,000**	–
Net cash generated from financing activities	**10,687**	1,281
Net increase/(decrease) in cash and cash equivalents	**9,424**	(30)
Cash and cash equivalents at beginning of financial year	**33**	64
Effect of exchange rate changes on cash and cash equivalents	**–***	(1)
Cash and cash equivalents at end of financial year	**9,457**	33

* Less than US$ 1,000

Cash and cash equivalents are represented by cash and bank balances.

These notes form an integral part of and should be read in conjunction with the accompanying 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 activities of the subsidiaries are disclosed in Note 12.

The immediate and ultimate holding companies is Far East Mining Pte. Ltd., a company incorporated in Singapore.

2 Summary of significant accounting policies

a) Basis of preparation

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. The financial statements have been prepared in accordance with the provisions of the Companies Act, 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, current receivables, current payables and accruals and current borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards that are adopted

In the current financial year, the Group and the Company have adopted all the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are relevant to its operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT.

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial performance or position of the Group and the Company.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards not yet effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2021 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to the equity holders of the Company.

When a change in the Company's ownership interest in subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific SFRS(I).

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

2 Summary of significant accounting policies (cont'd)

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investment are recognised in profit or loss.

d) Revenue recognition

Sales of nickel ore

The Group sells nickel ore. The Group transfers control and recognises a sale when they deliver goods to the customers. The amount of revenue recognised is the amount of transaction price allocated to the satisfied performance obligation ("PO") as per specified in the contract with no element of financing deemed present. The transaction price determined is the amount of consideration in the contract to which the Group expects to be entitled in exchange for satisfying the PO. A receivable is recognised when the nickel ore are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. A contract liability is recognised when the Group has not yet performed under the contract but has received advanced payment from the customer. Contract liabilities are recognised as revenue as the Group performs under the contract.

Interest income

Interest income is recognised using the effective interest method.

e) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

2 Summary of significant accounting policies (cont'd)

e) Employee benefits (cont'd)

Post-employment benefits

Long-term and post-employment benefits, such as pension, severance pay, service pay and other benefits are calculated in accordance with the "Company Regulation" of the subsidiaries in Indonesia which is in line with Labor Law No. 13/2003 in Indonesia.

The obligation for post-employment benefits recognised in the consolidated statement of financial position is calculated at present value of estimated future benefits that the employees have earned in return for their services in the current and prior years, deducted by any plan assets. The calculation is performed by an independent actuary using the projected unit credit method.

When the benefits of a plan change, the portion of the increased or decreased benefits relating to past services by employees is charged or credited to the profit or loss using the straight-line method over the average remaining service period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit or loss. Actuarial gain or loss arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income or loss.

Other long-term employment benefits

The Group provides other long-term employment benefits in the form of long service leave award which is determined in compliance with the Company Regulation of the subsidiaries in Indonesia. The expected costs of these benefits are calculated and recognised over the year of employment, using a method which is applied in calculating obligation for post-employment benefits. These obligations are calculated minimum once a year by an independent actuary. Other long term employment benefits that are vested are recognised as expense immediately in the profit or loss.

f) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a Group entity is the lessee

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2 Summary of significant accounting policies (cont'd)

f) Leases (cont'd)

When a Group entity is the lessee (cont'd)

Lease liabilities (cont'd)

The lease liabilities are presented as a separate line in the statements of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and useful life of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within "property, plant and equipment" in the statements of financial position.

The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(k).

g) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

2 Summary of significant accounting policies (cont'd)

g) Income taxes (cont'd)

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred tax is provided on all taxable temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

h) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

2 Summary of significant accounting policies (cont'd)

h) Property, plant and equipment (cont'd)

Depreciation of property, plant and equipment (except for mining properties) is calculated on a straight-line basis to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Years
Office premises	1.75 - 3.75
Buildings and infrastructure	20
Vehicles	4 - 8
Machineries	8
Office equipment	3 - 8
Heavy equipment	8 - 16
Lab equipment	4
Renovation	3

No depreciation is provided on construction in progress. Properties in the course of construction for administrative purposes are carried at cost, less any recognised impairment loss until construction is completed. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Mining properties

Mining properties comprise costs incurred in relation to land compensation and exploration and development expenditures when proved reserves are determined.

The mining property balance is amortised using the unit-of-production method based on estimated nickel ore reserves from commencement of commercial production and having regard to the term of the mining business license.

i) Mine reclamation and rehabilitation and asset retirement obligations

Mine reclamation and rehabilitation expenditures are costs associated with mine reclamation during the mine operation period, mine closure and decommissioning and demobilisation of facilities and other closure activities.

Provision for estimated costs of mine reclamation and rehabilitation is recorded on an incremental basis based on the quantity produced. The rate used is subject to a regular review based on mine reclamation and mine closure plans.

2 Summary of significant accounting policies (cont'd)

i) Mine reclamation and rehabilitation and asset retirement obligations (cont'd)

The asset retirement obligations are recognised as liabilities when a legal obligation with respect to the retirement of an asset is incurred, with the initial measurement of the obligation at present value. These obligations are accreted to full value over time through charges to profit or loss. In addition, an asset retirement cost equivalent to the liabilities is capitalised as part of the related asset's carrying value and is subsequently depreciated or depleted over the asset's useful life. A liability for an asset retirement obligation is incurred over more than one reporting period. For example, if a facility is permanently closed but the closure plan is developed over more than one reporting period, the cost of the closure of the facility is incurred over the reporting periods when the closure plan is finalised.

For environmental issues that may not involve the retirement of an asset, where the Group is a responsible party and it is determined that a liability exists, and the amount can be quantified, the Group accrues for the estimated liability. In determining whether a liability exists in respect of such environmental issues, the Group applies the criteria for liability recognition under applicable accounting standards, as follows:

- there is clear indication that an obligation has been incurred at the end of the financial reporting period resulting from activities which have already been performed; and

- there is a reasonable basis to calculate the amount of the obligation incurred.

j) Inventories

Nickel inventories represent nickel ore on hand and are valued at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes an appropriate allocation of materials, labour, depreciation and overheads related to mining activities. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Nickel pig iron in-transit are stated a cost, determined on a first-in, first-out basis.

Fuel and spare parts are stated at cost, determined using the weighted average method, less allowance for obsolete inventories.

k) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

2 Summary of significant accounting policies (cont'd)

k) Impairment of non-financial assets excluding goodwill (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

m) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are classified at amortised cost. The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

Debt instruments include cash and cash equivalents and receivables (excluding prepayments and tax recoverable). The financial assets are subsequently measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

2 Summary of significant accounting policies (cont'd)

m) Financial assets (cont'd)

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

n) Financial liabilities

Financial liabilities include payables and accruals (excluding provision for unutilised leave), borrowings, lease liabilities and exchangeable bonds. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit and loss ("FVTPL"), directly attributable transaction costs. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest method.

For financial liabilities other than FVTPL, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of financial liabilities at FVTPL are recognised in profit or loss. Net gains or losses on financial liabilities at FVTPL include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

2 Summary of significant accounting policies (cont'd)

n) Financial liabilities (cont'd)

Exchangeable bond

Exchangeable bond gives the holder the option to exchange the bond for the shares of a subsidiary at a future date and under prescribed conditions. On issuance of the exchangeable bond, the proceeds are allocated between the liability component and derivative components, representing exchangeable right and option.

The liability component is initially recognised at fair value on the issue date and subsequently measured at amortised cost basis using the effective interest method until the liability is extinguished on conversion or redemption.

The derivative components are measured at fair value on the issue date and subsequently carried at its fair value with fair value changes recognised in profit or loss.

When a conversion is exercised, the carrying amounts of the liability component and the derivative components are derecognised with a corresponding derecognition of the assets and liabilities of the subsidiary including other components of equity related to the subsidiary when the changes in the Company's ownership interest in a subsidiary result in a loss of control over a subsidiary or as an equity transaction to reflect relative interest in the subsidiary as controlling and non-controlling interests when the changes in the Company's ownership interest in a subsidiary do not result in a loss of control as disclosed in Note 2(b).

Transaction costs that relate to the issue of the exchangeable bonds are allocated to the liability and derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the derivatives components are recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the exchangeable bond using the effective interest method.

o) Functional and foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The financial statements of the Group and Company are presented in USD, which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2 Summary of significant accounting policies (cont'd)

p) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 *Revenue from Contracts with Customers* and the amount of expected loss computed using the impairment methodology under SFRS(I) 9 *Financial Instruments*.

q) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

r) Provision for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

s) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

2 Summary of significant accounting policies (cont'd)

u) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

3 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) *Impairment of investment in subsidiaries*

Management assesses impairment of the above-mentioned assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or indicate that the recoverable amount of an asset may be higher than the carrying amount. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss or write back of impairment.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The amount and timing of future cash flows are estimated based on the forecasted performance of the subsidiary. The carrying amount of the investment in subsidiaries are disclosed in Note 12. Changes in assumptions made and discount rate applied could affect the carrying amount of the investment in subsidiaries.

b) *Calculation of loss allowance*

When measuring ECL, the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions and how these conditions will affect the Group's ECL assessment. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group determines ECL of trade receivables by applying the simplified approach to measure the lifetime ECL for its trade receivables. The Group estimates the expected credit loss rates of the debtors based on multiple factors, including the age of the balances, recent and subsequent payments, credit terms, credit risk of counterparties, the probability of default, loss given default. The assessment also involves considering forward-looking information such as forecasts of future economic conditions.

The Group determines ECL of other financial assets at amortised costs by applying the 'three-stage' model to assess the changes in credit quality since initial recognition and measure the risk provision for expected credit losses based on the probability of default rate and expected realisable value of collateral.

3 Key sources of estimation uncertainty (cont'd)

b) ***Calculation of loss allowance (cont'd)***

The assessment of the correlation between probability of default rate, historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As the calculation of loss allowance on trade and other receivables, loan to a subsidiary and amount due from a subsidiary is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade and other receivables, loan to a subsidiary and amount due from a subsidiary. The information about the ECL and the carrying amounts of trade and other receivables, loan to a subsidiary and amount due from a subsidiary at the end of the reporting period are disclosed in Notes 14 and 26(b) respectively.

c) ***Provision for mine reclamation and rehabilitation and assets retirement obligations***

The Group's accounting policy for the recognition of mine reclamation and rehabilitation provisions requires significant estimates and assumptions such as requirements of the relevant legal and regulatory framework, the magnitude of possible land disturbance and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time.

Assets retirement obligations are recognised in the period in which they are incurred if a reasonable estimate of fair value can be made. This requires an estimation of the cost to restore/dismantle per location basis and is based on the best estimate of the expenditure required to settle the obligation on the future restoration/dismantlement date, discounted using a pre-tax rate that reflects the current market, assessment of the time value of money and where appropriate the risk specific to the liability.

The carrying amounts of provision for mine reclamation and rehabilitation and assets retirement obligations at the end of the reporting period are disclosed in Note 18.

d) ***Estimated useful lives of property, plant and equipment***

The useful life of each of the items of the Group's property, plant and equipment is estimated based on the period over which the assets are expected to be available for use. Such estimation is based on internal technical evaluations and experience with similar assets.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of the operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A change in the estimated useful life of any item of property, plant and equipment would affect the recorded depreciation expense and carrying values of the assets. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in Note 11.

e) ***Reserve estimates***

The Group determines and reports its nickel reserve under the principles incorporated in the Code for Reporting of Mineral Resources and Ore Reserves (the "JORC Code"). In order to estimate nickel reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, production costs, transport costs, commodity demand, commodity prices and exchange rates.

3 Key sources of estimation uncertainty (cont'd)

e) *Reserve estimates (cont'd)*

Because the economic assumptions used to estimate reserves change from period to period and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the amortisation of mining properties as well as the recovery of the carrying amounts of mining properties. The carrying amounts of mining properties at the end of the reporting period are disclosed in Note 11.

f) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of the Group's deferred tax assets at the end of the reporting period are US$0.4 million (2020: US$0.3 million). The carrying amounts of the Group's and the Company's tax payables at the end of the reporting period are US$1.9 million (2020: US$1.1 million,) and US$17,000 (2020: US$38,000) respectively.

g) *Impairment of non-current assets*

Property, plant and equipment and mining properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash-generating-units, have been determined based on the higher of fair value less cost to sell and value in use calculations. These calculations involve the use of estimates and assumptions such as forecasted revenue and operating costs, and discount rate. These estimates and assumption involve significant management judgement and are affected by future market and economic conditions. Changes to these estimates and assumptions could result in a change in the carrying value of these assets.

The carrying amounts of the property, plant and equipment and mining properties at the end of the reporting period are disclosed in Note 11.

h) *Fair value estimation of derivative components in the exchangeable bonds*

On 19 November 2021 (i.e. the issue date), the Company issued 7% exchangeable bonds to a third party, GFL International Co., Limited ("GFL") with an aggregate principal amount of US$15,000,000 due on 3 November 2024 (i.e. the maturity date). The exchangeable bonds will mature at their principal amount or can be converted into 25% of the total issued ordinary shares of its wholly-owned subsidiary, FE Resources Pte. Ltd. ("FER") at any time during the period of 6 months after the issue date of the Bonds to a month prior to the maturity date. In addition to the exchangeable rights, GFL is entitled to a call option to purchase additional 25% of the total enlarged issued share capital after issuance of newly allotted shares in FER at an aggregate consideration of US$15,000,000. Details of the exchangeable bonds are disclosed in Note 20.

3 Key sources of estimation uncertainty (cont'd)

h) *Fair value estimation of the exchangeable bonds (cont'd)*

The Group engaged an external valuer to assist with the valuation exercise for the exchangeable bonds at valuation dates including the issue date and reporting date. The exchangeable bonds were allocated between liability and derivative components. The liability component is recognised initially at fair value on the issue date based on a market interest rate for an equivalent non-exchangeable bond of 27.4% per annum and subsequently measured at amortised cost basis using the effective interest method.

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. 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. The fair values for the liability and derivative components of exchangeable bonds including the assumptions and models used for estimating fair values are disclosed in Note 20.

4 Revenue

	Group	
	2021	2020
	US$'000	US$'000
Sales of nickel ore	**26,700**	475

The revenue is solely derived from Indonesia and Singapore (2020: Indonesia). The revenue is recognised at a point in time when the Group transfers control of the goods.

Revenue of US$61,000 (2020: US$Nil) recognised during the financial year was included in the contract liability balance at the beginning of the financial year.

5 Other income

	Group	
	2021	2020
	US$'000	US$'000
Gain on foreign currency exchange, net	**319**	–
Fair value gain on derivative liabilities	**160**	–
Fair value gain on amounts due to related parties	**–**	143
Interest income	**9**	9
Government grants	**15**	43
Others	**54**	17
	557	212

Government grant income of US$12,000 (2020: US$36,000) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objective of helping employers retain local employees. The JSS is a temporary scheme introduced in the Singapore Budget 2020 and had been extended up to 2021 by the Government.

6 Finance costs

	Group	
	2021	2020
	US$'000	US$'000
Amortisation of discount on provision for assets retirement obligations (Note 18)	**15**	12
Interest expenses on:		
- Loans	**430**	358
- Amounts due to related parties	**–**	5
- Lease liabilities	**24**	23
- Exchangeable bonds (Note 20)	**318**	–
	787	398

7 Profit/(loss) before tax

	Group	
	2021	2020
	US$'000	US$'000
This is arrived at after charging/(crediting):		
Included in cost of goods sold:		
Changes in inventories	**1,072**	(1,452)
Depreciation of property, plant and equipment	**628**	669
Fuel expenses	**1,415**	23
Mining contractor charges	**337**	284
Provision for mine reclamation and rehabilitation (Note 18)	**61**	61
Rental of equipment and vehicles	**2,265**	12
Royalty fees	**2,655**	65
Staff costs	**408**	392
Transportation and port clearance expenses	**3,286**	52
Included in selling and distribution expenses:		
Marketing fee[@]	**629**	–
Included in administrative expenses:		
Directors' fee	**126**	139
Depreciation of property, plant and equipment	**220**	220
Loss on disposal of property, plant and equipment	**3**	88
Loss on foreign currency exchange, net	**–**	230
Professional fees	**538**	464
Audit fees paid/payable to:		
- Auditor of the Company	**101**	83
- Other auditors of the Group*	**25**	20
Non-audit fees:		
- Auditor of the Company	**3**	2
- Other auditors of the Group*	**–**	–
Rental of office premises and vehicles	**180**	129
Staff costs	**1,570**	1,208
Travelling expenses	**131**	70
Modification loss on amounts due to related parties	**111**	–
Included in other expenses:		
Costs expensed for evaluation of smelter project[#] (Note 24)	**1,489**	–

7 Profit/(loss) before tax (cont'd)

* Includes overseas independent member firms of Baker Tilly International network.

@ Related to marketing introducer fee of a flat fee of US$0.90 per wet metric tonne from the delivery of nickel ore to a specific customer.

Pursuant to an agreement entered into by the Group on 2 December 2020 for the acquisition of PT Anugrah Tambang Smelter ("PT ATSM"), an entity controlled by a director and controlling shareholder of the Company, the Group embarked onto the preliminary stage of the smelter project and incurred evaluation costs during the financial year which comprise technical due diligence, feasibility studies and engineering design, professional advisory and consultancy fees, project management and utilities expenses. These evaluation costs totalled US$1.489 million. In accordance with the acquisition agreement, the Group agreed to absorb the costs, risk and rewards in respect of the smelter project from the date of the agreement until the completion of the acquisition of PT ATSM.

Included in the total costs expensed for evaluation of smelter project, 18% of the costs are billed directly by the vendors and service providers to PT ATSM, but which the Group bore the costs and made payments pursuant to the above-mentioned agreement.

Subsequent to the end of the reporting period, the Company, through its wholly-owned subsidiary, Silkroad Metal Industries Pte. Ltd. ("SMI") completed the acquisition of PT ATSM by effecting the legal transfer of the shares in PT ATSM to SMI. As a result, PT ATSM is the subsidiary of the Company with effect from 25 February 2022 as disclosed under Note 30.

8 Staff costs

	Group	
	2021	2020
	US$'000	US$'000
Directors of the Company:		
- Salaries and related costs	**398**	304
- Contribution to defined contribution plans	**9**	9
Other key management personnel (non-directors):		
- Salaries and related costs	**271**	136
- Contribution to defined contribution plans	**13**	10
Total key management personnel compensation	**691**	459
Other personnel:		
- Salaries and related costs	**1,106**	910
- Contribution to defined contribution plans	**11**	14
- Post-employment benefits (Note 16)	**170**	217
	1,978	1,600

9 Tax expense

	Group	
	2021	2020
	US$'000	US$'000
Tax expense attributable to profit/(loss) is made up of:		
Current income tax	**1,170**	–
Withholding tax	**23**	27
	1,193	27
Deferred tax (Note 13):		
- Current year	**(109)**	(4)
- Prior year	**(47)**	–
	1,037	23

9 Tax expense (cont'd)

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the domestic rates applicable in the countries where the Group entities operate due to the following factors:

	Group	
	2021	2020
	US$'000	US$'000
Profit/(loss) before tax	**3,380**	(3,618)
Tax calculated at domestic rate applicable to profit/(loss) in the countries in which the Group entities operate	**910**	(738)
Expenses not deductible for tax purposes	**788**	388
Current year losses for which no deferred tax asset is recognised	**21**	355
Income not subject to tax	**(44)**	(9)
Over provision in prior year	**(47)**	–
Utilisation of previously unrecognised tax losses	**(506)**	–
Others	**(85)**	27
	1,037	23

The corporate income tax rates applicable to companies incorporated in Singapore is 17% (2020: 17%). The corporate income tax rate applicable to companies incorporated in Indonesia is 22% (2020: 22%).

10 Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the earnings/(loss) for the financial year, attributable to ordinary equity owners of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

The calculation of basic earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2021	2020
Net profit/(loss) attributable to equity owners of the Company (US$'000)	**2,343**	(3,641)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share ('000)	**261,214**	261,214
Basic earnings/(loss) per share (cents per share)	**0.90**	(1.39)

10 Earnings/(loss) per share (cont'd)

For the purpose of calculating diluted earnings/(loss) per share, the net profit/(loss) attributable to equity owners of the Company is 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.

The calculation of diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2021	2020
Adjusted net loss attributable to equity owners of the Company (US$'000)	**(354)**	(3,641)
Weighted average number of ordinary shares for the purpose of diluted loss per share ('000)	**261,214**	261,214
Diluted loss per share (cents per share)	**(0.14)**	(1.39)

11 Property, plant and equipment

	Office premises US$'000	Mining properties US$'000	Buildings and Infrastructure US$'000	Vehicles US$'000	Machineries US$'000	Office equipment US$'000	Heavy equipment US$'000	Lab equipment US$'000	Renovation US$'000	Construction in progress US$'000	Total US$'000
Group											
Cost											
At 1 January 2020	489	3,231	10,962	188	71	312	1,704	81	22	–	17,060
Additions for the year	–	–	–	–	–	2	–	99	–	–	101
Modification of lease liabilities	(130)	–	–	–	–	–	–	–	–	–	(130)
Disposals for the year	–	–	–	–	–	(5)	(416)	–	–	–	(421)
At 31 December 2020	359	3,231	10,962	188	71	309	1,288	180	22	–	16,610
Additions for the year	341	–	1,694	229	–	48	–	16	–	292	2,620
Disposals for the year	–	–	–	(15)	–	–	(291)	–	–	–	(306)
At 31 December 2021	**700**	**3,231**	**12,656**	**402**	**71**	**357**	**997**	**196**	**22**	**292**	**18,924**
Accumulated depreciation											
At 1 January 2020	216	328	3,111	94	57	225	611	79	9	–	4,730
Modification of lease liabilities	(124)	–	–	–	–	–	–	–	–	–	(124)
Depreciation charge	166	–*	496	21	4	31	159	5	7	–	889
Disposals for the year	–	–	–	–	–	(4)	(127)	–	–	–	(131)
At 31 December 2020	258	328	3,607	115	61	252	643	84	16	–	5,364
Depreciation charge	150	78	487	24	3	31	43	26	6	–	848
Disposals for the year	–	–	–	(12)	–	–	(136)	–	–	–	(148)
At 31 December 2021	**408**	**406**	**4,094**	**127**	**64**	**283**	**550**	**110**	**22**	**-**	**6,064**
Net carrying amount											
At 31 December 2020	101	2,903	7,355	73	10	57	645	96	6	–	11,246
At 31 December 2021	**292**	**2,825**	**8,562**	**275**	**7**	**74**	**447**	**86**	–	**292**	**12,860**

* Amount less than US$1,000

11 Property, plant and equipment (cont'd)

	Office premises US$'000	Office equipment US$'000	Renovation US$'000	Total US$'000
Company				
Cost				
At 1 January 2020	89	31	22	142
Modification of lease liabilities	84	–	–	84
At 31 December 2020 and 2021	**173**	**31**	**22**	**226**
Accumulated depreciation				
At 1 January 2020	51	11	9	71
Depreciation charge	41	11	7	59
At 31 December 2020	92	22	16	130
Depreciation charge	46	7	6	59
At 31 December 2021	**138**	**29**	**22**	**189**
Net carrying amount				
At 31 December 2020	81	9	6	96
At 31 December 2021	**35**	**2**	**–**	**37**

a) Included in property, plant and equipment of the Group and the Company are right-of-use assets of US$496,000 (2020: US$280,000) and US$35,000 (2020: US$81,000) respectively (Note 17).

b) Additions to property, plant and equipment are as follows:

	Group	
	2021 US$'000	2020 US$'000
Aggregate cost of property, plant and equipment	**2,620**	101
Less: acquired under lease agreement (Note 17)	**(425)**	–
Less: amount unpaid included under accrued operating expenses	**(108)**	–
Net cash outflow on acquisition of property, plant and equipment	**2,087**	101

12 Investment in subsidiaries

	Company	
	2021	2020
	US$'000	US$'000
Unquoted equity shares, at cost		
Balance at beginning of financial year	**66,241**	66,241
Incorporation of a subsidiary	**–**	–*
Balance at end of financial year	**66,241**	66,241

* Amount less than US$1,000

i) At the end of the reporting period, the Group has the following subsidiaries:

Name of subsidiary (Country of incorporation)	**Principal activities**	**Effective ownership interests held by the Group**	
		2021	2020
		%	%
Held by the Company			
FE Resources Pte. Ltd. [2] (Singapore) ("FER")	Investment holding	**100**	100
Silkroad Metal Industries Pte. Ltd. [2] (Singapore) ("SMI")	Manufacturing, trading and distribution of nickel pig iron	**100**	100
Subsidiary held by FER			
PT Anugrah Tambang Sejahtera [1] (Indonesia) ("ATS")	Investment holding	**100[a]**	100[a]
Subsidiary held by ATS			
PT Teknik Alum Service [1] (Indonesia) ("TAS")	Mining of nickel ore	**100[b]**	100[b]

(1) Audited by Johan Malonda Mustika & Rekan, an independent member firm of Baker Tilly International.

(2) Audited by Baker Tilly TFW LLP.

(a) PT Bina Mitra Serasi, a related party which holds 1% equity interest in this subsidiary, has executed a deed of assignment and a power of attorney, as well as other documents necessary to assign its shareholder and voting rights in ATS to the Company.

(b) Mr Hong Kah Ing, a director who holds 1% equity interest in this subsidiary, has executed a deed of assignment and a power of attorney, as well as other documents necessary to assign his shareholder and voting rights in TAS to ATS.

13 Deferred tax assets

The movements in the deferred tax assets are as follows:

	Group	
	2021	2020
	US$'000	US$'000
At beginning of the financial year	**248**	241
Tax credit to profit or loss (Note 9)	**156**	4
Tax (charge)/credit to other comprehensive loss (Note 16)	**(17)**	3
At end of the financial year	**387**	248

The deferred tax assets on temporary differences recognised in the consolidated financial statements are in respect of tax effects arising from:

	Group	
	2021	2020
	US$'000	US$'000
Liabilities for post-employment benefits	**128**	112
Accelerated accounting depreciation for property, plant and equipment	**(73)**	(45)
Provisions	**332**	181
	387	248

The Group has potential tax benefits arising from unabsorbed tax losses of approximately US$0.1 million (2020: US$2.3 million) that are available for carry-forward up to five years from the year of loss to offset against future taxable profits and/or taxable temporary differences of the Indonesia subsidiaries, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in Indonesia. The potential deferred tax asset in respect of the unabsorbed tax losses has not been recognised in the financial statements as it is not probable that the future taxable profit will be available and sufficient to allow the deductible temporary difference to be realised in the foreseeable future.

At 31 December 2021, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is US$13 million (2020: US$9 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

14 Receivables and prepayments

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Preservation deposits	**352**	357	**–**	–
Loan to a subsidiary				
- Loan C	**–**	–	**1,375**	–
	352	357	**1,375**	–
Current				
Trade receivables	**9,334**	7,343	**–**	–
Other receivables				
- Third parties	**553**	41	**–**	–
- A subsidiary	**–**	–	**216**	80
- A related party	**–**	92	**–**	–
- Directors	**90**	100	**–**	–
- Ultimate holding company	**24**	24	**–**	–
Interest receivables from a subsidiary	**–**	–	**800**	–
Loan to a subsidiary - Loan A	**–**	–	**839**	986
Loan to a subsidiary - Loan B	**–**	–	**750**	1,966
Deposits	**14**	14	**14**	14
Deposit for investment to a related party	**–**	207	**–**	–
Prepayments	**728**	249	**5**	5
Tax recoverable	**135**	89	**–**	–
	10,878	8,159	**2,624**	3,051
Less: Allowance for impairment loss of trade receivables	**(650)**	(41)	**–**	–
	10,228	8,118	**2,624**	3,051

Trade receivables

In 2019, an amount of US$7.1 million included in the trade receivables was secured by approximately 450,000 metric tonnes of nickel ore held by the debtor. During the financial year, the Group has recovered an amount of US$1.5 million from the debtor.

As at 31 December 2021, the remaining outstanding balance of US$5.6 million is repayable in 3 equal monthly instalments of approximately US$0.5 million (equivalent to IDR 6,737,367,682) from January to March 2022 and another 3 equal monthly installment of approximately US$1.4 million (equivalent to IDR 20,212,103,046) from April to June 2022. The amount is secured by approximately 241,330 metric tonnes of nickel ore held by the debtor. The collateral shall be discharged upon full repayment of the outstanding balance. The Group has received US$1.4 million subsequent to the end of the reporting period.

Amounts due from a subsidiary, a related party, directors and ultimate holding company

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

14 Receivables and prepayments (cont'd)

Amounts due from third parties

Included in the amounts due from third parties is an amount of US$0.5 million which is secured by approximately 5,300 metric tonnes of anthracite held by a joint business partner. The amount relates to a payment made for purchase of anthracite of an intended project with a joint business partner. During the financial year, the project was aborted, and the joint business partner took the ownership of the anthracite. Subsequent to the end of the reporting period, ownership for the anthracite of 5,300 metric tonnes was transferred to the Company as settlement for the amount due from the joint business partner.

Loan to a subsidiary

a) Loan A is unsecured, bears interest at 6% (2020: 6%) per annum and is to be repaid on 30 November 2022.

b) Loan B is unsecured, bears interest at 6% (2020: 6%) per annum and repayable in full on 31 December 2022.

c) Loan C is unsecured, bears interest at 8% (2020: Nil%) per annum and repayable in full on 23 May 2024. The carrying amount of the loan approximates its fair value at the end of the reporting period.

Preservation deposits

The preservation deposits as at 31 December 2021 amounting to US$0.3 million (2020: US$0.3 million) are placed in fixed deposits as security deposits for mine reclamation purposes. The fixed deposits are refundable and bear interest at 3% to 6% (2020: 3% to 6%) per annum at the end of the reporting period.

15 Inventories

	Group		**Company**	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Nickel ore	**1,536**	2,609	**–**	–
Fuel	**53**	3	**–**	–
Spare parts	**48**	61	**–**	–
Nickel pig iron in-transit	**–**	2,195	**–**	2,195
	1,637	4,868	**–**	2,195
Statement of Comprehensive Income				
Inventories recognised as an expense in cost of goods sold	**19,484**	280	**1,918**	–

16 Liabilities for post-employment benefits

The Group's subsidiaries recognised liabilities for post-employment benefits based on the actuarial calculation by an independent actuary. The actuarial calculation in regard to the compensation cost adheres to the current value principle from the total payment of compensation due to retirement, demise and disability. The calculation of current value is obtained from the use of various actuarial assumptions, not only based on the level of interest but also based on salary increment, mortality, disability and resignation levels.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. No funding has been made for this defined benefit scheme.

The principal assumptions used in determining post-employment benefits as at the end of the reporting periods were as follows:

	Group	
	2021	2020
	US$'000	US$'000
Normal retirement age	**55 years**	55 years
Salary increment rate per annum per annum	**10%**	10%
Discount rate per annum annum	**7.18%**	7.00%
Mortality rate	**TMI – 2019**	TMI – 2011
Disability level	**5% of TMI – 2019**	5% of TMI – 2011
Resignation level per annum	**2.5% for the age 20 and decrease linearly**	2.5% for the age 20 and decrease linearly

If the discount rate had been 1 percent higher with all other variables held constant, the present value of defined benefits obligation would have been US$45,000 (2020: US$43,000) lower, while if the discount rate had been 1 percent lower, the present value of defined benefits obligation would have been US$52,000 (2020: US$50,000) higher.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	Group	
	2021	2020
	US$'000	US$'000
Present value of defined benefit obligations	**583**	507
Movements in the account are as follows:		
At beginning of the financial year	**507**	521
Remeasurement recognised in other comprehensive (gain)/loss, gross of tax	**(78)**	13
Post-employment benefits expense (Note 8)	**170**	217
Benefit payment during the financial year	**(11)**	(236)
Exchange difference	**(5)**	(8)
At end of the financial year	**583**	507

16 Liabilities for post-employment benefits (cont'd)

The following table summarises the components of defined post-employment benefits expense recognised in consolidated statement of comprehensive income:

	Group	
	2021	2020
	US$'000	US$'000
Current service cost	**136**	140
Interest cost on defined benefit obligation	**35**	31
Termination cost	**–**	46
Post-employment benefits expense	**171**	217

Defined post-employment benefits expense is recognised in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

The following table summarises the changes in liabilities for post-employment benefits recognised in consolidated statement of comprehensive income:

	Group	
	2021	2020
	US$'000	US$'000
At beginning of the financial year	**34**	21
Other comprehensive (income)/loss	**(78)**	13
At end of the financial year	**(44)**	34

The remeasurement of post-employment benefits recognised in the other comprehensive (income)/loss is as follows:

	Group	
	2021	2020
	US$'000	US$'000
Gross amount of remeasurement	**(78)**	13
Tax charge/(credit) (Note 13)	**17**	(3)
Exchange difference	**1**	–
Amount net of tax	**(60)**	10

Management has reviewed the assumptions used and agreed that these assumptions are adequate. Management believes that the liabilities for post-employment benefits are sufficient to cover the Group's liability for its employee benefits.

17 Lease liabilities

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Non-current	186	39	–	39
Current	179	138	40	56
	365	177	40	95

Reconciliation of movements of lease liabilities to cash flows arising from financing activities:

	Group	
	2021	2020
	US$'000	US$'000
Balance at 1 January	**177**	322
Changes from financing cash flows:		
- Repayments	**(238)**	(133)
- Interest paid	**(24)**	(23)
Non-cash changes:		
- Interest expense	**24**	23
- New leases (Note 11)	**425**	–
- Modification of lease liabilities	**–**	(6)
- Exchange difference	**1**	(6)
Balance at 31 December	**365**	177

a) The Group as a lessee

Nature of the Group's and the Company's leasing activities

i) The Group and the Company lease office premises, vehicles and heavy equipment from both related and non-related parties. The leases have an average tenure of between one to three years.

ii) In addition, the Group leases office premises, certain equipment and vehicles with no contractual terms. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The maturity analysis of the lease liabilities is disclosed in Note 26(b).

17 Lease liabilities (cont'd)

a) The Group as a lessee (cont'd)

Information about leases for which the Group and the Company are a lessee is presented below:

Carrying amount of right-of-use assets

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Classified within property, plant and equipment				
Office premises	**292**	104	**35**	81
Vehicles	**116**	22	**–**	–
Heavy equipment	**88**	154	**–**	–
	496	280	**35**	81
Additions to right-of-use assets	**425**	–	**–**	–

Amounts recognised in profit or loss

	Group	
	2021	2020
	US$'000	US$'000
Depreciation charge for the year		
Office premises	**150**	166
Vehicles	**20**	5
Heavy equipment	**39**	62
	209	233
Interest expense on lease liabilities	**24**	23
Lease expense not included in the measurement of lease liabilities		
Lease expense - short-term leases		
- Equipment and vehicles	**2,265**	141
- Premises	**180**	–
Total	**2,445**	141

During the financial year, total cash flow for leases amounted to US$2,707,000 (2020: US$297,000).

As at 31 December 2021 and 2020, the Group and the Company are not committed to short-term leases.

18 Provisions

	Group	
	2021	2020
	US$'000	US$'000
Provision for mine reclamation and rehabilitation	**738**	684
Provision for assets retirement obligations	**135**	124
	873	808

Movements in provision for mine reclamation and rehabilitation are as follows:

	Group	
	2021	2020
	US$'000	US$'000
At beginning of the financial year	**684**	630
Provision for the year charged to profit or loss (Note 7)	**61**	61
Exchange difference	**(7)**	(7)
At end of the financial year	**738**	684

Movements in provision for assets retirement obligations are as follows:

	Group	
	2021	2020
	US$'000	US$'000
At beginning of the financial year	**124**	113
Interest accretion charged to profit or loss (Note 6)	**15**	12
Exchange difference	**(4)**	(1)
At end of the financial year	**135**	124

19 Borrowings

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Loans from third parties - Loan 1	**–**	1,888	**–**	1,888
Loan from a related party - Loan 4	**–**	174	**–**	174
	–	2,062	**–**	2,062
Current				
Loan from a third party - Loan 1	**–**	116	**–**	116
Loans from third parties - Loan 2	**–**	581	**–**	581
Loan from a third party - Loan 3	**–**	189	**–**	189
Loan from a related party - Loan 4	**–**	4	**–**	4
Loan from a related party - Loan 5	**–**	32	**–**	32
Loan from a third party - Loan 6	**–**	524	**–**	–
Loan from a third party - Loan 7	**701**	–	**–**	–
	701	1,446	**–**	922
	701	3,508	**–**	2,984

Loan 1

The loans from third parties are unsecured, bear interest at Nil% (2020: 12%) per annum and repayable in full on 31 July 2023. The loans, including interest, were fully repaid during the financial year.

Loan 2

The loans from third parties are unsecured, bear interest at Nil% (2020: 15%) per annum and repayable on 31 January 2021. The loans, including interest, were fully repaid during the financial year.

Loan 3

The loan from a third party is unsecured, bear interest at Nil% (2020: 15%) per annum and repayable on 31 May 2021. The loan, including interest, was fully repaid during the financial year.

Loan 4

The loan from a related party is unsecured, bears interest at Nil% (2020: 10%) per annum and repayable in full on 30 September 2023. The loan, including interest, was fully repaid during the financial year.

Loan 5

The loan from a related party is unsecured, bears interest at Nil% (2020: 2%) per month and repayable in full on 30 April 2021. The loan, including interest, was fully repaid during the financial year.

Loan 6

The loan from a third party is unsecured, bears interest at Nil% (2020: 7.5%) per annum and repayable in the 13th month from the date of drawdown of the funding. During the financial year, the loan was extended to another 12 months from April 2021 subsequent to year end 31 December 2020. The loan, including interest was fully repaid during the financial year.

19 Borrowings (cont'd)

Loan 7

On 26 March 2021, the Group entered into an offtake financing agreement entered with a third party to obtain funding of up to IDR10 million (approximately US$0.7 million). The loan from the third party is unsecured, bears interest of US$0.10 per wet metric tonne from the delivery of nickel ore to a specific customer and repayable in full on 31 December 2022.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Borrowings	
	2021	2020
	US$'000	US$'000
Balance at beginning of financial year	**3,508**	2,533
Changes from financing cash flows:		
- Repayments	**(5,221)**	–
- Interest paid	**(323)**	(246)
- Loans received	**2,698**	780
Non-cash changes:		
- Interest expense	**430**	358
- Offset against receivables	**(84)**	–
- Net payment on behalf by ultimate holding company (Note 21)	**(387)**	–
- Exchange difference	**80**	83
Balance at end of financial year	**701**	3,508

20 Exchangeable bonds

<u>The Group and the Company</u>

On 19 November 2021 (i.e. the issue date), the Company issued 7% exchangeable bonds to a third party, GFL International Co., Limited ("GFL") with an aggregate principal amount of US$15,000,000 due on 3 November 2024 (i.e. the maturity date). The exchangeable bonds will mature three years from the issue date at their principal amount or can be converted into 25% of the total issued ordinary shares of its wholly-owned subsidiary, FE Resources Pte. Ltd. ("Exchange Property") at any time during the period of 6 months after the issue date of the Bonds to a month prior to the maturity date. The interest will be payable by the Company annually in arrears. The exchangeable bonds are secured against the shares in the Company's wholly-owned subsidiaries, namely FE Resources Pte. Ltd. ("FER") and PT Anugrah Tambang Sejahtera ("PT ATS").

The Company is to redeem the exchangeable bonds under the following conditions:

(a) If at any time following the occurrence where the Company is specifically notified by the prevailing authority or government in Indonesia requiring a change in the legal ownership structure of ATS and TAS to be effected by foreign shareholders divest 51% of the shares in TAS to Indonesian parties, pursuant to Law 4 Number 4 of 2009 on Coal and Mineral Mining, as amended by Law Number 3 of 2020 on the Amendments to the Law Number 4 of 2009 within four years from the issue date, GFL shall have the option to require the Company, to redeem all (and not only some) of the exchangeable bonds at 110% of their principal amount together with the accrued interest; or

(b) Redeem at the principal together with accrued interest if GFL did not opt for the conversion option by not later than 30 days following the occurrence of (a).

20 Exchangeable bonds (cont'd)

The Group and the Company (cont'd)

The exchangeable bonds are covered by a corporate guarantee from FER. In conjunction to the conversion option, GFL is entitled to a call option to purchase additional 25% of the total enlarged issued share capital after issuance of newly allotted shares in FER at an aggregate consideration of US$15,000,000. The aggregate interest of the GFL will total up to 50% of the total issued share capital after exercising the exchangeable rights and option.

On issuance of the exchangeable bonds, the issue price of US$15,000,000 is allocated between the liability and derivative components. The fair value of the liability component is estimated based on a market interest rate for an equivalent non-exchangeable bond of 27.4% per annum, and the fair values of the derivative liabilities, representing the exchangeable right and option, are determined using the Binomial Tree Model.

The liability component is subsequently measured at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are subsequently measured at fair value and changes in fair values are recognised in profit or loss.

The Group engaged an external valuer to perform a fair value exercise for the exchangeable bonds at drawdown date and reporting date. This is a level 3 recurring fair value measurement due to significant unobservable inputs. The inputs in the Binomial Tree Model were as follows:

	At valuation dates
Expected volatility	49.4% - 49.7%
Risk-free rate	1.0% - 1.5%
Risky rate	26.4% - 27.9%
Time to maturity	2.84 - 2.96 years
Dividend yield	0.0%

The following table presents the relationship of significant unobservable inputs to the fair values of the liability and derivative components:

		Relationship of unobservable inputs to the fair values of		
Unobservable inputs	**Sensitivity analysis**	**Exchangeable right**	**Option**	**Liability component**
		US$'000	**US$'000**	**US$'000**
Expected volatility	Increase/(decrease) by 1%	30/(30)	52/(52)	–
Risk-free rate	Increase/(decrease) by 1%	82/(80)	105/(108)	(190)/195
Risky rate	Increase/(decrease) by 1%	(20)/19	–	(190)/195

Expected volatility was determined by reference to the median of the equity volatilities of comparable companies for the exchange property over the period commensurate with the expected remaining life of the exchangeable bonds and the option as at each valuation date. Risk-free rate was determined based on the USD Indonesia Government Bond Yield as at each valuation date.

As the option can only be exercised in conjunction with the exercise of the exchangeable right, the external valuer estimated the fair value of the option based on the decision tree of the exchangeable bonds at nodes that GFL chooses to exercise the exchangeable right, the fair value of the option is determined based a formula on 50% of the post equity value of FER subsequent to the aggregate capital consideration of US$15,000,000. As such the fair value of the option is significantly higher than the exchangeable right as the equity value of FER increases over time.

20 Exchangeable bonds (cont'd)

The Group and the Company (cont'd)

The movements of the current liability and derivative components of the exchangeable bonds during the financial year are as follows:

	Liability component	Derivative components		
		Exchangeable right	Option	Total
	US$'000	US$'000	US$'000	US$'000
Group				
At 1 January 2021	–	–	–	–
Additions	9,323	1,712	3,965	15,000
Interest expenses (Note 6)	318	–	–	318
Fair value gain (Note 7)	–	(103)	(57)	(160)
Reclassified to other payable	(88)	–	–	(88)
At 31 December 2021	**9,553**	**1,609**	**3,908**	**15,070**
Company				
At 1 January 2021	–	–	–	–
Additions	9,323	1,712	–	11,035
Interest expenses	318	–	–	318
Fair value gain	–	(103)	–	(103)
Reclassified to other payable	(88)	–	–	(88)
At 31 December 2021	**9,553**	**1,609**	–	**11,162**

In accordance with SFRS(I) 1-1 *Presentation of Financial Statements* paragraph 69 (d), the total exchangeable bonds liability of US$15,070,000 was classified under current liabilities. This is on the basis that, under the terms of the subscription agreement, the exercise of the exchangeable right is at the sole option of GFL and that following the receipt of the exchange notice, the exchange of the entire exchangeable bond for shares representing 25% of the total issued and paid-up share capital of FER, to GFL has to be completed within five business days.

21 Payables and accruals

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Amounts due to related parties	**–**	641	**–**	641
Amount due to ultimate holding company	**–**	115	**–**	115
	–	756	**–**	756
Current				
Trade payables	**573**	4,208	**7**	79
Accrued operating expenses	**2,748**	3,733	**207**	370
Accrued interest	**88**	–	**88**	–
Other payables	**63**	355	**–**	354
Amounts due to related parties	**–**	98	**–**	4
Advances from a third party	**800**	800	**8**	–
Amount due to a subsidiary	**–**	–	**3,966**	–
	4,272	9,194	**4,276**	807

Non-current amounts due to related parties and ultimate holding company are non-trade in nature, unsecured, non-interest bearing and repayable on 30 September 2022, except for amount due to a related party amounted to US$174,000, which is repayable on 30 September 2023. The amounts due to related parties and ultimate holding company were fully repaid during the year.

The fair value of non-current amounts due to related parties and ultimate holding company were computed based on cash flows discounted at 10% per annum based on borrowing interest rate for similar financial liabilities at end of the reporting period. The fair value measurement for disclosure purposes was categorised within Level 3 of the fair value hierarchy.

Current amounts due to related parties, ultimate holding company and advances from a third party are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Amount due to a subsidiary relates to the amount liable to subsidiary equivalent to the value of the option arising from the arrangement of the exchangeable bonds which the subsidiary provides to the subscriber, a call option to purchase a number of newly allotted shares, representing 25% of the total enlarged issued share capital after issuance of such newly allotted shares in FE Resources Pte. Ltd. at an aggregate consideration of US$15,000,000. The amount is due within 5 months after the date of exercise of option. Further information about the exchangeable bonds is disclosed in Note 20.

21 Payables and accruals (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Amounts due to related parties		Amount due to ultimate holding company		Advances from a third party	
	2021	2020	**2021**	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Balance at beginning of financial year	**739**	55	**115**	25	**800**	800
Changes from financing cash flows:						
- Repayments	**–**	–	**(1,205)**	(32)	**–**	–
- Net advances received	**–**	813	**–**	122	**–**	–
Non-cash changes:						
- Fair value adjustment arising from early settlement	**111**	–	**–**	–	**–**	–
- Fair value adjustment at inception	**–**	(143)	**–**	–	**–**	–
- Repayment on behalf by ultimate holding company to related parties	**(850)**	–	**850**	–	**–**	–
- Net repayment of borrowings on behalf by ultimate holding company	**–**	–	**387**	–	**–**	–
- Net payment of expenses on behalf	**–**	–	**(144)**	–	**–**	–
- Interest expense	**–**	5	**–**	–	**–**	–
- Exchange differences	**–**	9	**(3)**	–	**–**	–
	–	739	**–**	115	**800**	800

22 Contract liabilities

Contract liabilities relate to advance consideration received from customers, billings in excess of revenue recognised to-date and deferred revenue. Contract liabilities are recognised as revenue as (or when) the Group and the Company satisfies the performance obligations under its contracts.

The following table provides information about contract liabilities.

	2021	2020	1.1.2020
	US$'000	US$'000	US$'000
Group			
Trade receivables	**8,684**	7,302	10,315
Contract liabilities	**–**	61	–
Company			
Contract liabilities	**–**	61	–

23 Share capital

	2021		2020	
	Number of ordinary shares	**US$'000**	Number of ordinary shares	US$'000
<u>Group</u>				
Balance at beginning and end of financial year	**261,213,792**	**8,979**	261,213,792	8,979
<u>Company</u>				
Balance at beginning and end of 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 holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

24 Significant related party transactions

In addition to information disclosed elsewhere in these financial statements, the following significant transactions took place between the Group and the related parties on terms agreed by the parties:

	2021	2020
	US$'000	US$'000
With director of the Company		
Rental expenses paid to director	**36**	36
With other related parties		
Deposit for investment to a related party	**–**	16
Expenses paid on behalf by the Group	**–**	86
Lease payments paid to a related party	**105**	152
Loan received from related parties	**–**	210
Expenses paid on behalf by related parties	**1**	209
Interest expenses on loans from related parties	**10**	7
Cost expensed for evaluation of smelter project that are billed to director-controlled entity (Note 7).	**273**	–

The other related parties comprise:

- close family members of a director of the Company;
- companies in which a director of the Company or a close family member of the director has controlling interest; and
- a non-controlling interest of a subsidiary who is also the commissioner of that subsidiary.

25 Segment information

The Group has only one reportable segment, which is nickel ore mining.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Indonesia US$'000	Singapore US$'000	Consolidated US$'000
Revenue			
31 December 2021			
Total sales to external customer	**24,746**	**1,954**	**26,700**
31 December 2020			
Total sales to external customer	475	–	475

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows (cont'd):

	Indonesia US$'000	Singapore US$'000	Consolidated US$'000
Non-current assets			
31 December 2021	**12,823**	**37**	**12,860**
31 December 2020	11,150	96	11,246

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

Information about major customers

Revenue of US$22.8 million (2020: US$0.5 million) is derived from two (2020: one) external customers who individually contributed 10% or more of the Group's revenue as detailed below:

	Group	
	2021	2020
	US$'000	US$'000
Customer 1	**22,836**	475

26 Financial instruments

a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	31 December 2021 US$'000	31 December 2020 US$'000	**31 December 2021 US$'000**	31 December 2020 US$'000
Financial assets				
At amortised cost	**18,907**	8,170	**12,639**	3,054
Financial liabilities				
At amortised cost	**17,420**	13,635	**13,867**	4,642
At fair value through profit and loss	**5,517**	–	**1,609**	–
	22,937	13,635	**15,476**	4,642

b) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company manages and measures such financial risks in the same manner as the Group. The Group's risk management, which remains unchanged from the prior year, seeks to minimise the potential adverse effects from these exposures. There has been no change to the exposure to financial risks or the manner in which these risks are managed and measured. The management reviews and agrees policies for managing each of these risks.

Foreign currency risk

The Group and the Company have exposures arising from transactions, assets and liabilities that are denominated in currencies other than their respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly Indonesian Rupiah ("IDR") and Singapore dollar ("SGD").

The Group and the Company seek to manage its foreign currency exposure by natural hedges, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which are primarily used for payments in the same currency. The Group and the Company endeavour to keep the net exposure at a level that is deemed acceptable by management.

26 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

The Group and Company have the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

	Group		Company
Denominated in	**IDR**	**SGD**	**SGD**
	US$'000	**US$'000**	**US$'000**
2021			
Financial assets			
Receivables	9,651	38	230
Cash and cash equivalents	671	82	81
	10,322	120	311
Financial liabilities			
Payables and accruals	(3,965)	(308)	(300)
Lease liabilities	(325)	(40)	(40)
Borrowings	(701)	–	–
	(4,991)	(348)	(340)
Net exposure	**5,331**	**(228)**	**(29)**
2020			
Financial assets			
Receivables	7,847	39	94
Cash and cash equivalents	24	4	3
	7,871	43	97
Financial liabilities			
Payables and accruals	(8,443)	(1,489)	(1,478)
Lease liabilities	(82)	(95)	(95)
Borrowings	(524)	(2,983)	(2,983)
	(9,049)	(4,567)	(4,556)
Net exposure	(1,178)	(4,524)	(4,459)

26 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the IDR and SGD exchange rates against the functional currency of the Group and the Company with all other variables held constant, of the Group's and Company's profit/(loss) after tax:

	Group		**Company**	
	Increase/(decrease) in profit/(loss) after tax		**Increase/(decrease) in loss after tax**	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
IDR/USD				
- Strengthened 5% (2020: 5%)	**208**	(46)	**–**	–
- Weakened 5% (2020: 5%)	**(208)**	46	**–**	–
SGD/USD				
- Strengthened 5% (2020: 5%)	**(9)**	188	**1**	185
- Weakened 5% (2020: 5%)	**9**	(188)	**(1)**	(185)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings. Borrowings at fixed rates expose the Group and the Company to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates).

Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be impacted from an adverse movement in interest rate.

Sensitivity analysis for interest rate risk

The sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant of the Group's result net of tax has not been disclosed as the Group's exposure to changes in market interest rate is not significant as the majority of the Group's borrowings are charged at a fixed rate.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties.

The Group's trade receivables comprise 3 (2020: 2) debtors that represented 100% (2020: 100%) of the trade receivables. The Company has no significant concentration of credit risk.

26 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Except for those disclosed with collaterals under Note 14, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statements of financial position.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been significant increase in credit risk since initial recognition	Lifetime ECL – not-credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL – credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

26 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

26 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Estimation techniques and significant assumptions (cont'd)

Movements in credit loss allowance are as follows:

	Trade receivables	
	2021	2020
	US$'000	US$'000
Group		
Balance at 1 January	**41**	–
Loss allowance measured:		
Lifetime ECL - simplified approach	**609**	41
Balance at 31 December	**650**	41

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit loss allowance on a debtor-specific basis. The Group estimates the expected credit loss rates of the debtors based on multiple factors, including the age of the balances, recent and subsequent payments, credit terms, credit risk of counterparties, the probability of default, loss given default, expected realisable value of collateral and forward-looking information such as forecast of future economic conditions on the ability of the customers to settle the receivables.

There has been no change in the estimation techniques or significant assumptions made during the current financial year. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

The Group assesses the concentration of risk with respect to trade receivables as high, as there are only three (2020: two) customers during the financial year. The Group assesses that the credit risk exposure relating to specific outstanding invoices overdue for more than 365 days is high. At 31 December 2021, the Group recognised an expected credit loss allowance of US$650,000 (2020: US$41,000).

The Group hold inventories collateral as security for trade receivables. They are considered integral part of trade receivables and considered in the calculation of impairment. As at 31 December 2021, 64.5% (2020: 97.3%) of the Group's trade receivables are covered by 241,330 (2020: 450,000) metric tonnes of nickel ore. The Group's credit loss in respect of trade receivables is mitigated by the collaterals held with fair values of US$9.2 million (2020: US$13.5 million).

Other financial assets at amortised cost

Other financial assets at amortised costs include cash and cash equivalents, loan to a subsidiary, deposits and other receivables. The credit quality of the loan to a subsidiary is 12-month ECL. The credit loss exposure for cash and cash equivalents, loan to a subsidiary, deposits and other receivables are immaterial as at 31 December 2021 and 31 December 2020.

During the current financial year, the Group recognised a bad debt written off for a specific other debtor of US$15,000 (2020: US$Nil) as the Group has no reasonable expectation of recovery of payment.

26 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Other financial assets at amortised cost (cont'd)

The Group holds inventories collateral as security for the amount due from a third party. They are considered integral part of the amount due from a third party and considered in the calculation of impairment. As at 31 December 2021, 5% (2020: Nil%) of the Group's other receivables are covered by 5,300 metric tonnes of anthracite. The Group's credit loss in respect of amount due from a third party is mitigated by the collaterals held at the end of the reporting period.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and support from the ultimate holding company.

Management monitors and reviews the Group's and Company's forecasts of liquidity reserves (comprise cash and cash equivalents) on the basis of expected cash flows determined at local level in the respective operating companies of the Group in accordance with limits set by the Group.

In view of the Group's and the Company's liquidity position, the directors of the Company have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total US$'000
Group			
2021			
Payables and accruals	**6,800**	**–**	**6,800**
Lease liabilities	**201**	**194**	**395**
Borrowings	**787**	**–**	**787**
Exchangeable bonds	**18,063**	**–**	**18,063**
	25,851	**194**	**26,045**
2020			
Payables and accruals	8,394	894	9,288
Lease liabilities	143	43	186
Borrowings	1,730	2,647	4,377
	10,267	3,584	13,851

26 Financial instruments (cont'd)

b) Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The table below summaries the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total US$'000
Company			
2021			
Payables and accruals	**4,276**	**–**	**4,276**
Lease liabilities	**42**	**–**	**42**
Exchangeable bonds	**18,063**	**–**	**18,063**
	22,381	**–**	**22,381**
2020			
Payables and accruals	807	894	1,701
Lease liabilities	60	43	103
Borrowings	1,190	2,647	3,837
	2,057	3,584	5,641

c) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting arrangements

In the previous financial year, the Group purchases inventories nickel pig iron from and sell nickel ore to a third party. Both parties have an arrangement to settle the net amount due to or from each other on a repayable on demand basis.

The Group's and the Company's receivables and payables that are off-set in the financial year ended 31 December 2020 are as follows:

	Gross carrying amounts US$'000	Gross amounts offset in the statement of financial position US$'000	Net amounts in the statement of financial position US$'000
2020			
Group			
Trade receivables	9,434	(2,091)	7,343
Trade payables	(6,299)	2,091	(4,208)
Company			
Receivables - loan to a subsidiary	5,043	(2,091)	2,952
Trade payables	(2,170)	2,091	(79)

27 Fair values of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value measurements of assets and liabilities that are measured at fair value

The following table presents the level of fair value hierarchy for each class of assets and liabilities measured at fair value on the statements of financial position at the end of the reporting period:

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
2021				
Group				
Liabilities				
Financial liabilities at FVTPL	**–**	**–**	**5,517**	**5,517**
Company				
Liabilities				
Financial liability at FVTPL	–	–	1,609	1,609

The basis for determining fair values at the end of the reporting period and the movements in Level 3 are disclosed in Note 20.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and liabilities (except for non-current receivables, non-current borrowings, non-current payables, lease liabilities and exchangeable bonds) are reasonable approximation of their fair values due to relatively short-term maturity of these financial instruments or where the effect of discounting is immaterial.

Based on the discounted cash flow analysis using a discount rate based upon market lending rate for similar borrowings which the directors expect would be available to the Group and the Company at the end of the reporting period, the carrying amounts of non-current receivables, non-current borrowings and non-current payables approximates their fair values at the end of the reporting period as the market lending rates at the end of the reporting period were not significantly different from either their respective coupon rates of the agreements or market lending rates at initial measurement date. This fair value measurement for disclosure purposes is categorised in Level 3 of the fair value hierarchy.

The basis of determining fair values of amounts due to related parties and ultimate holding company, for disclosures at the end of the reporting period are disclosed in Note 21.

27 Fair values of assets and liabilities (cont'd)

(d) Valuation process applied by the Group

For valuation of exchangeable rights and option performed by external valuer, the management considers the appropriateness of the valuation methodology and significant inputs applied by the external valuer. The valuation report and changes in fair value measurements are analysed and reported to the Group's Chief Financial Officer regularly. Significant valuation issues are reported to the Audit Committee.

28 Capital commitments

Capital commitments not provided for in the financial statements:

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Capital commitments in respect to the construction in progress under property, plant and equipment	**157**	–	**–**	–

29 Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain borrowings or sell assets to reduce borrowings.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2021 and 31 December 2020.

30 Subsequent events

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. PT ATSM is owned by a director of the Group and a director-related company. The provisional determined fair value of the net identifiable assets of PT ATSM based on the latest available information prior to the date of acquisition was US$22,616. The operating results and assets and liabilities of PT ATSM will be reflected in the 2022 half yearly financial information results announcement.

31 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors dated 14 April 2022.

APPENDIX 7F TO
THE CATALIST RULES

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr. Eddy Pratomo and Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied ("**Mr. Nasser Aljunied**") being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming Annual General Meeting of the Company, is set out below:

Name of Director	**Mr. Eddy Pratomo**	**Mr. Nasser Aljunied**
Date of first appointment	5 July 2018	5 July 2018
Date of last re-appointment (if applicable)	25 June 2020	30 April 2019
Age	68	55
Country of principal residence	Indonesia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Eddy Pratomo as the Independent Chairman of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Eddy Pratomo's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Nasser Aljunied as the Executive Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Nasser Aljunied's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Mr. Nasser Aljunied is responsible for certain strategic matters of the Group, encompassing fundraising, financing, as well as mergers and acquisitions strategies of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Independent Chairman, Chairman of the NC and a member of the AC and RC	Executive Director
Professional qualifications	Doctorate in International Law Professorship in International Law	Bachelor's degree in Science

Name of Director	Mr. Eddy Pratomo	Mr. Nasser Aljunied
Working experience and occupation(s) during the past 10 years	2020 to Present: Dean of Faculty of Law - University of Pancasila 2019 to Present: Visiting Professor in University of Diponegoro in Semarang, Indonesia 2015 to 2018: Special Envoy to the President of the Republic of Indonesia, Maritime Delimitations between Indonesia and Malaysia 2015: Senior Advisor/Special Staff of the Speaker of the House of Representatives in Foreign Relations 2014 to 2015: Legal advisor to the Senior Minister of Foreign Affairs of the Democratic Republic of Timor-Leste 2009 to 2013: Ambassador of the Republic of Indonesia to the Federal Republic of Germany	2018 - Present: Silkroad Nickel Ltd. – Executive Director 2016 - Present: FE Resources Pte. Ltd. – Director 2007 to 2015: Bumi Hijau Resources Pte. Ltd. – Director, Body Matters Private Pte. Ltd. – Director, Far East Sugar Pte. Ltd. – Director, Greenworld Nickel Holdings Pte. Ltd. – Director, Greenworld Nickel Resources Pte. Ltd. – Director, Far East Sugar Global Pte. Ltd., – Director and Transform Point Pte. Ltd. – Director
Shareholding interest in the listed issuer and its subsidiaries	No	Yes. As at 21 March 2022, Mr. Nasser Aljunied is deemed to be interested in the 162,318,253 shares of the Company owned by Far East Mining Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act 2001 of Singapore.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	As at 21 March 2022, Mr. Nasser Aljunied is a 26.6% shareholder of Far East Mining Pte. Ltd., which in turn has a direct interest in the 162,318,253 shares of the Company. Mr. Hong Kah Ing (Executive Director and CEO of the Company) is also a 70.5% shareholder of Far East Mining Pte. Ltd. Mr. Nasser Aljunied is a director on FE Resources Pte. Ltd., a subsidiary of the Company.
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Past (for the last 5 years)	- PT Titik Mitra Dirgantara (Commissioner)	- Carbondale Pte. Ltd. - Sumatra Energy Pte. Ltd. - ITB Square Pte. Ltd - Far East Capital Partners Pte. Ltd. - Asian Palette Pte. Ltd.

Name of Director	Mr. Eddy Pratomo	Mr. Nasser Aljunied
Present	- PT Bino Artomas (Commissioner) - PT Anugrah Triniti Properti (Commissioner)	- FE Resources Pte. Ltd. - Far East Mining Pte. Ltd. - Smith & Rosenthal Pte. Ltd. - Asiawerks Global Investment Group Pte. Ltd. - Anugerah Jabar Development Pte. Ltd. - Jabar Education City Pte. Ltd. - Far East Industrial Park Pte. Ltd - Far East Smelter (S) Pte. Ltd. - Silkroad Metal Industries Pte. Ltd.
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

Name of Director	Mr. Eddy Pratomo	Mr. Nasser Aljunied
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

Name of Director	Mr. Eddy Pratomo	Mr. Nasser Aljunied
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

Name of Director	Mr. Eddy Pratomo	Mr. Nasser Aljunied
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.

STATISTICS OF SHAREHOLDINGS

As at 21 March 2022

DISTRIBUTION OF SHAREHOLDERS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	8	0.81	227	0.00
100 - 1,000	322	32.49	213,226	0.08
1,001 - 10,000	482	48.64	2,091,900	0.80
10,001 - 1,000,000	167	16.85	12,726,530	4.87
1,000,001 AND ABOVE	12	1.21	246,181,909	94.25
	991	**100.00**	**261,213,792**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CITIBANK NOMS SPORE PTE LTD	119,707,604	45.83
2	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	57,083,231	21.85
3	UOB KAY HIAN PTE LTD	37,835,524	14.48
4	MAYBANK SECURITIES PTE. LTD.	9,081,180	3.48
5	DBS NOMINEES PTE LTD	4,972,930	1.90
6	GHIRARDELLO LUIGI FORTUNATO	4,602,297	1.76
7	OCBC SECURITIES PRIVATE LTD	4,413,790	1.69
8	LUK WAI HONG WILLIAM	2,299,034	0.88
9	SCHILLO VALENTIN WOLF	1,986,365	0.76
10	RAFFLES NOMINEES(PTE) LIMITED	1,574,510	0.60
11	TAN CHIN KOK VICTOR @TAN CHIN KOK	1,324,244	0.51
12	TIGER BROKERS (SINGAPORE) PTE. LTD.	1,301,200	0.50
13	DB NOMINEES (SINGAPORE) PTE LTD	938,500	0.36
14	TAN CHONG JIN	891,100	0.34
15	PHILLIP SECURITIES PTE LTD	781,380	0.30
16	CHEN CHUAN	692,900	0.27
17	TAN KIM SENG	592,300	0.23
18	WANG PING HSUN @MICHAEL	490,130	0.19
19	NG SOON KAI	450,000	0.17
20	TEOH HAI THOW	417,100	0.16
	TOTAL:	**251,435,319**	**96.26**

GENERAL INFORMATION ON SHARE CAPITAL

ISSUED AND FULLY PAID-UP CAPITAL	:	S$ 195,916,201.93
TOTAL NUMBER OF ISSUED SHARES	:	261,213,792
CLASS OF SHARES	:	Ordinary shares
VOTING RIGHTS	:	One vote per ordinary share (excluding treasury shares and subsidiary holdings)
NUMBER OF TREASURY SHARES	:	NIL
NUMBER OF SUBSIDIARY HOLDINGS	:	NIL

SUBSTANTIAL SHAREHOLDERS

(As per the Company's Register of Substantial Shareholders as at 21 March 2022)

	DIRECT INTEREST		DEEMED INTEREST	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Far East Mining Pte. Ltd.	162,318,253	62.1	–	–
Hong Kah Ing	–	–	162,318,253[1]	62.1
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	162,318,253[2]	62.1

Notes:

(1) Mr. Hong owns 70.5% of the issued share capital of Far East Mining Pte. Ltd. As such, he is deemed to be interested in the shares of the Company owned by Far East Ming Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act 2001 of Singapore.

(2) Mr. Aljunied owns 26.6% of the issued share capital of Far East Mining Pte. Ltd. As such, he is deemed to be interested in the shares of the Company owned by Far East Mining Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act 2001 of Singapore.

PERCENTAGE OF SHAREHOLDINGS HELD IN PUBLIC HANDS

Based on the information available to the Company as at 21 March 2022 and to the best knowledge of the Directors of the Company, approximately 37.9% of the Company's total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) were held in the hands of the public as defined in the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10% of a listed issuer's equity securities to be in the hands of the public.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of SILKROAD NICKEL LTD. (the "**Company**") will be held by way of electronic means on **Friday, 29 April 2022 at 10:00 a.m.** for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 December 2021 ("**FY2021**") and the Auditor's Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of up to S$162,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears (FY2021: S$162,000). **(Resolution 2)**

3. To re-elect Mr. Eddy Pratomo, a Director of the Company who is retiring under Regulation 103 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director of the Company.
[See Explanatory Note (a)] **(Resolution 3)**

4. To re-elect Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied, a Director of the Company who is retiring under Regulation 103 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director of the Company.
[See Explanatory Note (b)] **(Resolution 4)**

5. To re-appoint Messrs Baker Tilly TFW LLP as the Company's Independent Auditors and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions, with or without modifications:

ORDINARY RESOLUTIONS

7. **AUTHORITY TO ALLOT AND ISSUE SHARES IN THE CAPITAL OF THE COMPANY**

   That pursuant to Section 161 of the Companies Act 1967 of Singapore and the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:

   a. (i) issue shares in the capital of the Company ("**shares**") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "**instruments**") that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   b. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to be issued other than on a *pro-rata* basis to shareholders of the Company ("**Shareholders**") does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings shall be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings at the time of the passing of this Resolution, after adjusting for:

(1) new shares arising from the conversion or exercise of any convertible securities;

(2) new shares arising from exercising of share options or vesting of share awards provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(3) any subsequent bonus issue, consolidation or subdivision of shares,

provided that adjustments in accordance with sub-paragraphs (1) and (2) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iv) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; or (ii) in the case of shares to be issued in pursuance of the instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the instruments.

[See Explanatory Note (c)] **(Resolution 6)**

8. **AUTHORITY TO OFFER AND GRANT AWARDS AND ALLOT AND ISSUE SHARES UNDER THE SILKROAD PERFORMANCE SHARE PLAN**

That the Directors of the Company be and are hereby authorised to:

(a) offer and grant awards ("**Awards**") in accordance with the provisions of the Silkroad Performance Share Plan (the "**Plan**"); and

(b) pursuant to Section 161 of the Companies Act, allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of Awards granted under the Plan,

provided always that the aggregate number of shares to be delivered pursuant to the vesting of Awards granted or to be granted under the Plan, when added to the number of shares issued and/or issuable under such other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding the relevant date of grant of Awards and such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (d)] **(Resolution 7)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary

Singapore, 14 April 2022

EXPLANATORY NOTES:

(a) **Resolution 3** is to re-elect Mr. Eddy Pratomo as a Director of the Company. Mr. Eddy Pratomo will, upon re-election as a Director of the Company, remain as the Independent Chairman of the Company, the Chairman of the Nominating Committee as well as a member of the Audit and Risk Committee and the Remuneration Committee of the Company.

Detailed information on Mr. Eddy Pratomo can be found in the sections entitled "Board of Directors", "Corporate Governance Report", "Directors' Statement" and "Appendix 7F to the Catalist Rules" of the Company's Annual Report 2021. The Board considers Mr. Eddy Pratomo to be independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr. Eddy Pratomo and the other Directors of the Company, the Company, its related corporations, its substantial Shareholders or its officers, which may affect his independence.

(b) **Resolution 4** is to re-elect Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied as a Director of the Company. Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.

Detailed information on Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied can be found in the sections entitled "Board of Directors", "Corporate Governance Report", "Directors' Statement" and "Appendix 7F to the Catalist Rules" of the Company's Annual Report 2021.

(c) **Resolution 6** is to empower the Directors of the Company to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 6 (including shares to be issued in pursuance of instruments made or granted) shall not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings, with a sub-limit of fifty per cent (50%) for shares issued other than on a *pro-rata* basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to Shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings will be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings at the time of the passing of Resolution 6, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercising of share options or vesting of share awards provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or subdivision of shares. The adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of Resolution 6.

(d) **Resolution 7** is to empower the Directors of the Company, from the date of this Annual General Meeting of the Company until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to (i) offer and grant Awards in accordance with the provisions of the Plan; and (ii) pursuant to Section 161 of the Companies Act, from time to time, to allot and issue shares in the capital of the Company pursuant to the vesting of Awards granted under the Plan, provided that the aggregate number of shares to be delivered pursuant to the vesting of Awards granted or to be granted under the Plan, when added to the number of shares issued and/or issuable in respect of such other share-based incentive schemes of the Company shall not exceed fifteen per cent (15%) of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding the relevant date of grant of Awards. As at the date of this Notice of AGM, (a) apart from the Plan, there are no other share-based incentive schemes of the Company in force; and (b) no Awards have been granted under the Plan.

Notes:

1. The Annual General Meeting of the Company to be held on **Friday, 29 April 2022 at 10:00 a.m.** (the "**Meeting**") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM and the accompanying proxy form for the Meeting will not be sent to members of the Company. Instead, this Notice of AGM and the accompanying proxy form for the Meeting will be sent to members of the Company by electronic means via publication on (i) the SGX's website at the URL https://www.sgx.com/securities/company-announcements; and (ii) the Company's corporate website at the URL https://silkroadnickel.com/sgx-announcements/.

2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Meeting, are set out in the accompanying Company's announcement dated 14 April 2022 (the "**Announcement**"), which has been uploaded together with this Notice of AGM on SGXNet on the same day. The Announcement may also be accessed at the Company's corporate website at the URL https://silkroadnickel.com/sgx-announcements/. For the avoidance of doubt, the Announcement is circulated together with and forms part of this Notice of AGM in respect of the Meeting.

   In particular, the Meeting will be held by way of electronic means and a member of the Company will be able to observe the proceedings of the Meeting through a "live" audio-visual webcast ("**LIVE WEBCAST**") via smart phones, tablets or laptops/computers or listen to these proceedings through a "live" audio-only stream ("**AUDIO ONLY MEANS**") via telephone. In order to do so, a member of the Company who wishes to observe the proceedings of the Meeting via the LIVE WEBCAST or listen to these proceedings via the AUDIO ONLY MEANS must pre-register by **10:00 a.m. on 26 April 2022** (being not less than seventy-two (72) hours before the time appointed for holding the Meeting), at the URL **http://SRN.availeasemgdwebinar.com/.** Following authentication of his/her/its status as members of the Company, authenticated members of the Company will receive email instructions on how to access the LIVE WEBCAST and AUDIO ONLY MEANS to observe or listen to the proceedings of the Meeting **by 28 April 2022**.

   A member of the Company who pre-registers to observe the proceedings of the Meeting via the LIVE WEBCAST or listen to these proceedings via the AUDIO ONLY MEANS may also submit questions related to the resolutions to be tabled for approval at the Meeting. To do so, all questions must be submitted **by 9:00 a.m. on 22 April 2022** via email to be received by the Company at **jfoo@silkroadnickel.com**.

3. As a precautionary measure due to the current COVID-19 situation in Singapore, a member of the Company will not be able to attend the Meeting in person. If a member of the Company (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:

   (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), at 80 Robinson Road, #11-02, Singapore 068898; or

   (b) if submitted by email, be received by the Company's Share Registrar, Tricor Barbinder Share Registration Services at **sg.is.proxy@sg.tricorglobal.com**,

   in either case, **by 10:00 a.m. on 26 April 2022** (being not less than seventy-two (72) hours before the time appointed for holding the Meeting or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   In view of the current COVID-19 situation in Singapore, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its director or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, or (b) submitting details for the pre-registration to observe or listen to the proceedings of the Meeting via LIVE WEBCAST or AUDIO ONLY MEANS, or (c) submitting any question prior to the Meeting in accordance with this Notice of AGM, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof);

(ii) processing of the pre-registration for purpose of granting access to members of the Company (or their corporate representatives in the case of members of the Company which are legal entities) to the LIVE WEBCAST or AUDIO ONLY MEANS to observe or listen to the proceedings of the Meeting and providing them with any technical assistance where necessary;

(iii) addressing substantial and relevant questions from members of the Company received before the Meeting and if necessary, following up with the relevant members of the Company in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the Meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

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

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03, Robinson 77, Singapore 068896, telephone (65) 6636 4201.

SILKROAD NICKEL LTD.

(Incorporated in Singapore)
(Registration No. 200512048E)

IMPORTANT:

1. The Annual General Meeting of the Company to be held on Friday, 29 April 2022 at 10:00 a.m. (the "**AGM**") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM, are set out in the accompanying Company's announcement dated 14 April 2022 (the "**Announcement**"), which has been uploaded together with the Notice of AGM dated 14 April 2022 on SGXNet on the same day. The Announcement may also be accessed at the Company's corporate website at the URL https://silkroadnickel.com/sgx-announcements/. For the avoidance of doubt, the Announcement is circulated together with and forms part of the Notice of AGM dated 14 April 2022 in respect of the AGM.
3. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their SRS Operators to submit their votes by 5:00 p.m. on 19 April 2022.

By submitting an instrument appointing the Chairman of the AGM as proxy, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2022.

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

This proxy form has been made available on the SGX's website at the URL https://www.sgx.com/securities/company-announcements and the Company's corporate website at the URL https://silkroadnickel.com/sgx-announcements/. A printed copy of this proxy form will NOT be despatched to members of the Company.

I/We, ________________________ (Name) ____________ (NRIC/Passport Number/ Company Regn. No.)

of ____ (Address)

being a member/members of SILKROAD NICKEL LTD. (the "**Company**"), hereby appoints the Chairman of the Annual General Meeting of the Company (the "**AGM**"), as *my/our proxy to vote for *me/us on *my/our behalf at the AGM to be held by way of electronic means on Friday, 29 April 2022 at 10:00 a.m. and at any adjournment thereof. *I/We direct the Chairman of the AGM, being *my/our proxy, to vote for or against, or abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as *my/our proxy will be treated as invalid.

All Resolutions put to the vote at the AGM shall be decided by way of poll.

* Delete as appropriate

** If you wish to exercise all your votes "For" or "Against", or "Abstain" from voting the relevant Resolutions, please mark an "X" in the appropriate box provided. Alternatively, please indicate the number of votes "For" or "Against", or "Abstain" each Resolution in the boxes provided as appropriate. If you mark an "X" in the abstain box for a particular Resolution, you are directing your proxy, who is the Chairman of the AGM, not to vote on that Resolution.

No.	Resolutions relating to:	For**	Against**	Abstain**
	ORDINARY BUSINESS			
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 December 2021 and the Auditor's Report thereon			
2.	Approval of the payment of Directors' fees of up to S$162,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears			
3.	Re-election of Mr. Eddy Pratomo as a Director of the Company retiring under Regulation 103 of the Constitution of the Company			
4.	Re-election of Mr. Syed Abdel Nasser Bin Syed Hassan Aljunied as a Director of the Company retiring under Regulation 103 of the Constitution of the Company			
5.	Re-appointment of Messrs Baker Tilly TFW LLP as auditors of the Company and authority for Directors of the Company to fix their remuneration			
6.	Authority for Directors of the Company to allot and issue shares pursuant to Section 161 of the Companies Act 1967 of Singapore			
7.	Authority for Directors of the Company to offer and grant awards and allot and issue shares under the Silkroad Performance Share Plan			

Dated this ________ day of ______________ 2022

Total Number of Shares held in:	
CDP Register	
Register of Members	

____

Signature(s) of member(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.

NOTES:

1. Please insert the total number of shares in the capital of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the AGM as proxy shall be deemed to relate to all the Shares held by you.

2. As a precautionary measure due to the current COVID-19 situation in Singapore, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.

4. This instrument appointing the Chairman of the AGM as proxy must:

   (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), at 80 Robinson Road, #11-02, Singapore 068898; or

   (b) if submitted by email, be received by the Company's Share Registrar, Tricor Barbinder Share Registration Services at **sg.is.proxy@sg.tricorglobal.com**,

   in either case, by **10:00 a.m. on 26 April 2022** (being not less than seventy-two (72) hours before the time appointed for holding the AGM or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   In view of the current COVID-19 situation in Singapore, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.

5. This proxy form must be under the hand of the appointor or of his/her/its attorney duly authorised in writing.

   (i) Where this proxy form is executed by a corporation, it must be executed either under its common seal (or otherwise in accordance with its constitution) or under the hand of an officer or attorney duly authorised.

   (ii) Where this proxy form is executed by an attorney on behalf of the appointor, the letter or the power of attorney or a duly certified true copy thereof must be lodged with this proxy form, failing which the instrument of proxy may be treated as invalid.

6. A corporation which is a member of the Company may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore, the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

7. This proxy form is not valid for use by an investor who holds shares under the Supplementary Retirement Scheme ("**SRS Investor**") and shall be ineffective for all intents and purposes if used or purported to be used by him/her. A SRS Investor who wishes to appoint the Chairman of the AGM as proxy should approach his/her respective SRS Operators to submit his/her votes at least seven (7) working days before the AGM (i.e. **by 5:00 p.m. on 19 April 2022**).

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject this proxy form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject any proxy form lodged if the member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this proxy form appointing the Chairman of the AGM as proxy, the member of the Company accepts and agrees to the personal data privacy terms as set out in the Notice of AGM dated 14 April 2022.

SILKROADNICKEL

Silkroad Nickel Ltd.

(Company Registration Number 200512048E)
(Incorporated in the Republic of Singapore)

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