

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

UNAUDITED FINANCIAL STATEMENTS FOR THE FULL YEAR ENDED 31 DECEMBER 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

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

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF -YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		%
	12 months ended		
	31/12/2020	31/12/2019	
	US\$'000	US\$'000	Change
	(Unaudited)	(Audited)	
Revenue	475	15,498	(96.9)
Cost of goods sold	(599)	(9,501)	(93.7)
Gross (loss)/profit	(124)	5,997	n.m
Other income	69	237	(70.9)
Expenses			
Administrative expenses	(3,308)	(4,952)	(33.2)
Finance costs	(393)	(361)	8.9
(Loss)/profit before tax	(3,756)	921	n.m
Tax expense	(23)	(785)	(97.1)
(Loss)/profit after tax	(3,779)	136	n.m
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-employment benefits liabilities, net of tax	(10)	(32)	(68.8)
Other comprehensive loss for the financial year, net of tax	(10)	(32)	(68.8)
Total comprehensive (loss)/income for the financial year	(3,789)	104	n.m

n.m – not meaningful

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

	Group		%	Notes
	12 months ended			
	31/12/2020 US\$'000 (Unaudited)	31/12/2019 US\$'000 (Audited)		
(Loss)/profit for the year is arrived at after charging/(crediting):				
<i>Included in cost of goods sold:</i>				
Depreciation of property, plant and equipment	669	743	(10.0)	
<i>Included in other income:</i>				
Gain on disposal of property, plant and equipment	-	(19)	n.m	
Interest income	(9)	(8)	12.5	
Rental income	-	(194)	n.m	
Government grants	(43)	(2)	n.m	
<i>Included in administrative expenses:</i>				
Depreciation of property, plant and equipment	220	270	(18.5)	
Foreign exchange loss	230	158	45.6	
Loss on disposal of property, plant and equipment	88	-	n.m	
Professional fees	464	711	(34.7)	
Staff costs	1,208	1,353	(10.7)	
Travelling expenses	70	214	(67.3)	
Allowance for impairment of trade receivables	41	-	n.m	
<i>Included in finance expenses:</i>				
Interest expense on lease liabilities	23	48	(52.1)	
Interest expense on borrowings	358	300	19.3	
Amortisation of discount on provision for assets retirement obligations	12	13	(7.7)	

n.m – not meaningful

1(b)(i) A statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	As at 31/12/2020 (Unaudited) US\$'000	As at 31/12/2019 (Audited) US\$'000	As at 31/12/2020 (Unaudited) US\$'000	As at 31/12/2019 (Audited) US\$'000
Non-current assets				
Investment in subsidiaries	-	-	66,241	66,241
Property, plant and equipment	11,246	12,330	96	71
Deferred tax assets	248	241	-	-
Receivables	357	332	311	1,688
	<u>11,851</u>	<u>12,903</u>	<u>66,648</u>	<u>68,000</u>
Current assets				
Inventories	4,868	1,249	2,195	-
Receivables and prepayments	8,118	11,297	4,831	3,110
Cash and cash equivalents	33	64	8	2
	<u>13,019</u>	<u>12,610</u>	<u>7,034</u>	<u>3,112</u>
Total assets	<u>24,870</u>	<u>25,513</u>	<u>73,682</u>	<u>71,112</u>
Non-current liabilities				
Liabilities for post-employment benefits	507	521	-	-
Payables	894	-	894	-
Lease liabilities	39	52	39	-
Provisions	808	743	-	-
Long-term borrowings	2,062	741	2,062	741
	<u>4,310</u>	<u>2,057</u>	<u>2,995</u>	<u>741</u>
Current liabilities				
Payables and accruals	9,255	7,923	2,959	500
Lease liabilities	138	270	56	40
Tax payables	1,078	1,039	38	20
Short-term borrowings	1,446	1,792	922	1,792
	<u>11,917</u>	<u>11,024</u>	<u>3,975</u>	<u>2,352</u>
Total liabilities	<u>16,227</u>	<u>13,081</u>	<u>6,970</u>	<u>3,093</u>
Net assets	<u>8,643</u>	<u>12,432</u>	<u>66,712</u>	<u>68,019</u>
Equity				
Share capital	8,979	8,979	86,387	86,387
Accumulated (losses)/profits	(336)	3,453	(19,675)	(18,368)
Total equity	<u>8,643</u>	<u>12,432</u>	<u>66,712</u>	<u>68,019</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 December 2020		As at 31 December 2019	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
1,548	36	2,062	NA

Amount repayable after one year

As at 31 December 2020		As at 31 December 2019	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
1,927	174	793	NA

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

Details of any collateral

The Group's obligations under leases are secured by property, plant and equipment with a net book value of US\$280,000 as at 31 December 2020 (31 December 2019: US\$759,000).

The Group's obligations under loans from third parties are secured by corporate guarantee from the Company and certain assets of a family member of one of the Company's directors.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	12 months ended	
	31/12/2020 (Unaudited) US\$'000	31/12/2019 (Audited) US\$'000
Cash flows from operating activities		
(Loss)/profit before tax	(3,756)	921
Adjustments for:		
Amortisation of discount on provision for assets retirement obligations	12	13
Depreciation of property, plant and equipment	889	1,013
Interest income	(9)	(8)
Interest expense	381	348
Loss/(gain) on disposal of property, plant and equipment	88	(19)
Post-employment benefits	217	221
Provision for mine reclamation and rehabilitation	61	56
Allowance for impairment of trade receivables	41	-
Unrealised foreign exchange (gain)/loss	(1)	80
Operating cash flows before working capital changes	(2,077)	2,625
Changes in operating assets and liabilities		
Inventories	(3,619)	(138)
Receivables and prepayments	3,218	(9,966)
Payables and accruals	931	5,623
Cash used in operations	(1,547)	(1,856)
Interest received	9	8
Taxes paid	(16)	(60)
Net cash used in operating activities	(1,554)	(1,908)
Cash flows from investing activities		
Deposit of investment to a related party	(16)	(85)
Net payment on behalf to a related party	-	(6)
Net proceeds from disposal of property, plant and equipment	202	71
Purchase of property, plant and equipment	(101)	(765)
Net cash generated from/(used in) investing activities	85	(785)
Cash flows from financing activities		
Interest paid	(269)	(298)
Repayment of advances from directors	-	(2)
Net advances from related parties	721	54
Net advances from ultimate holding company	105	31
Loan received from related parties	210	-
Loan received from third parties	570	4,611
Loan repayment to a third party	-	(2,170)
Advances received from a third party	855	800
Repayment of advances from a third party	(620)	(1)
Repayment of lease liabilities	(133)	(359)
Net cash generated from financing activities	1,439	2,666
Net decrease in cash and cash equivalents	(30)	(27)
Cash and cash equivalents at beginning of financial year	64	87
Effects of exchange rate changes on cash and cash equivalents	(1)	4
Cash and cash equivalents at end of financial year	33	64

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(Unaudited)	Share capital US\$'000	Accumulated (losses)/profits US\$'000	Total equity US\$'000
Group			
Balance as at 1 January 2020	8,979	3,453	12,432
Total comprehensive loss for the year	-	(3,789)	(3,789)
Balance as at 31 December 2020	8,979	(336)	8,643
Balance as at 1 January 2019	8,979	3,349	12,328
Total comprehensive income for the year	-	104	104
Balance as at 31 December 2019	8,979	3,453	12,432

(Unaudited)	Share capital US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Company			
Balance as at 1 January 2020	86,387	(18,368)	68,019
Total comprehensive loss for the year	-	(1,307)	(1,307)
Balance as at 31 December 2020	86,387	(19,675)	66,712
Balance as at 1 January 2019	70,146	(16,777)	53,369
Total comprehensive loss for the year	-	(1,591)	(1,591)
Issue of shares pursuant to earn-out consideration shares	16,241	-	16,241
Balance as at 31 December 2019	86,387	(18,368)	68,019

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share option or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Issued and paid-up share capital US\$'000
Balance as at 31 December 2019 and 31 December 2020	261,213,792	86,387

The Company did not have any outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2020 and 31 December 2019.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

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

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

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

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

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

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

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2019 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

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

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reason for, and the effect of, the change.

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

6. Earnings per ordinary share of the group for the current financial period reported on and the immediately preceding financial period, after deducting any provision for preference dividends.

	Group	
	12 months ended	
	31/12/2020 (Unaudited)	31/12/2019 (Audited)
(Loss)/profit attributable to owners of the Company (US\$'000)	(3,779)	136
Weighted average number of ordinary shares outstanding	261,213,792	142,167,897
Basic and diluted (loss)/earnings per share (US cents)	(1.45)	0.10

As there are no dilutive potential ordinary shares that were outstanding during the respective financial years, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**
(a) current financial year reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 31/12/2020	As at 31/12/2019	As at 31/12/2020	As at 31/12/2019
Net assets value (US\$'000)	8,643	12,432	66,712	68,019
Number of ordinary shares in issue	261,213,792	261,213,792	261,213,792	261,213,792
Net assets value per share (US cents)	3.31	4.76	25.54	26.04

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group's performance for the financial year ended 31 December 2020 ("12M2020") as compared to the financial year ended 31 December 2019 ("12M2019")

(a) Revenue

The Group's revenue for 12M2020 decreased by US\$15.0 million or 96.9%, from US\$15.5 million in 12M2019 to US\$0.5 million in 12M2020. The decrease was mainly due to the decrease in the quantity of nickel ore sold, from 674,007 metric tons in 12M2019 to 26,174 metric tons in 12M2020. The decrease in the quantity of nickel ore sold was mainly due to the lower production in 12M2020. Production activities were temporarily suspended in 1Q2020 as the Chinese workers of the Group's mining contractor were unable to travel to Indonesia as a result of the COVID-19 pandemic and the travel ban to and from China declared by the Indonesia government in early February 2020. Although production activities resumed with the deployment of the Group's local Indonesian employees in April 2020, it remained at lower levels for the rest of the year in view of the on-going COVID-19 pandemic and safety considerations. . No nickel ore was sold in the second half of 2020.

(b) Cost of goods sold

Cost of goods sold decreased by US\$8.9 million or 93.7%, from US\$9.5 million in 12M2019 to US\$0.6 million in 12M2020. Despite the decrease in revenue, the rate of decrease in cost of goods sold of 93.7% was lower than the rate of decrease in revenue of 96.9%, as the Group incurred the continuing fixed operating costs such as direct labor and depreciation of the mining equipment in 12M2020.

(c) Gross profit margin

The Group recorded negative gross profit margin of 26.1% in 12M2020 (12M2019: 38.7%). The negative gross profit margin in 12M2020 was due to gross loss due to higher cost of goods sold as compared to revenue, as a result of continuing fixed operating costs such as direct labor and depreciation of the mining equipment in 12M2020.

(d) Other income

Other income decreased by US\$0.1 million or 70.9%, from US\$0.2 million in 12M2019 to US\$0.1 million in 12M2020. This was mainly attributable to the absence of rental income generated from renting out the Group's excavators and off-highway trucks to the mining contractor in 12M2020 (12M2019: US\$0.2 million) as the new mining contractor, Sinohydro Powerchina, engaged by the Group since July 2019 is fully equipped with its own mining equipment. The Company recorded income of US\$43,000 from the property tax rebate and the enhanced government grants received under the Jobs Support Scheme and Wage Credit Scheme from the Singapore government in 12M2020 (12M2019: US\$2,000).

(e) Administrative expenses

Administrative expenses decreased by US\$1.7 million or 33.2%, from US\$5.0 million in 12M2019 to US\$3.3 million in 12M2020. This was mainly due to (i) the decrease in overseas travelling expenses of US\$0.2 million due to the COVID-19 global travel restrictions in place in 12M2020; (ii) the decrease in agency fee of US\$0.2 million due to decrease in sales in 12M2020; (iii) the decrease in staff costs and employee benefits of US\$0.3 million due to the decrease in the number of employees and temporary salary deduction in 12M2020 as part of the Group's cost-cutting measures; (iv) professional fees of US\$0.4 million in relation to the development of mine plan and design of smelter was incurred in 12M2019 but was absent in 12M2020; and (v) the decrease in value-added tax (VAT) expense of US\$0.3 million due to the decrease in sales in 12M2020; (vi) the decrease in tax penalties of withholding tax of 0.2 million; (vii) the decrease in depreciation of right-of-use assets of 0.1 million; partially offset by (viii) the increase in net foreign exchange loss of approximately US\$0.1 million due to the appreciation of United States Dollars against Indonesian Rupiah in 12M2020; (ix) loss on disposal of equipment of US\$0.1 million incurred in 12M2020 but was absent in 12M2019; and (x) allowance for impairment of trade receivables of US\$41,000 incurred in 12M2020 but was absent in 12M2019.

(f) Finance costs

Finance expenses increased by approximately US\$32,000, from approximately US\$361,000 in 12M2019 to US\$393,000 in 12M2020, mainly due to the interest incurred on the new borrowings obtained after 12M2019.

(g) Loss after tax

The Group recorded a loss after tax of US\$3.8 million for 12M2020, as compared to a profit after tax of US\$0.1 million for 12M2019, as a result of the above.

Review of Financial Position

Non-Current Assets

Non-current assets decreased by US\$1.0 million, from US\$12.9 million as at 31 December 2019 to US\$11.9 million as at 31 December 2020, mainly due to the decrease in property, plant and equipment.

- (i) Property, plant and equipment decreased by US\$1.1 million, from US\$12.3 million as at 31 December 2019 to US\$11.2 million as at 31 December 2020. This was due to the depreciation charges of property, plant and equipment, amortisation of mining property, early termination of right-of-use assets in respect of office premise and the disposal of heavy equipment during 12M2020, partially offset by the additions of new property, plant and equipment acquired in 12M2020.

Current Assets

Current assets increased by US\$0.4 million, from US\$12.6 million as at 31 December 2019 to US\$13.0 million as at 31 December 2020, mainly due to the increase in inventories, partially offset by the decrease in receivables and prepayments.

- (ii) Inventories increased by US\$3.6 million, from US\$1.3 million as at 31 December 2019 to US\$4.9 million as at 31 December 2020. The increase was mainly due to the purchase of nickel pig iron to fulfill the sales order in 1Q2021.
- (iii) Receivables and prepayments decreased by US\$3.2 million, from US\$11.3 million as at 31 December 2019 to US\$8.1 million as at 31 December 2020. The decrease was mainly due to adjustments for trade payables to the same customers during the year.

Non-Current Liabilities

Non-current liabilities increased by US\$2.2 million, from US\$2.1 million as at 31 December 2019 to US\$4.3 million as at 31 December 2020, mainly due to the increase in payables and long-term borrowing.

- (iv) Payables increased by US\$0.9 million, from US\$Nil as at 31 December 2019 to US\$0.9 million as at 31 December 2020. The increase was mainly due to the interest free advances received from related parties, US\$0.7 million is repayable in September 2022 and US\$0.2 million is repayable in September 2023.
- (v) Long-term borrowings increased by US\$1.3 million, from US\$0.7 million as at 31 December 2019 to US\$ 2.0 million as at 31 December 2020. The increase was mainly due to the reclassification from current liabilities to non-current liabilities, as the Group refinanced one of its financing facilities of US\$1.9 million in July 2020 which will now be repayable in 2023.

Current Liabilities

Current liabilities increased by US\$0.9 million, from US\$11.0 million as at 31 December 2019 to US\$11.9 million as at 31 December 2020, mainly due to the increase in payables and accruals, partially offset by lease liabilities and short-term borrowing.

- (vi) Payables and accruals, comprising trade payables, other payables and accruals, increased by US\$1.3 million, from US\$7.9 million as at 31 December 2019 to US\$9.2 million as at 31 December 2020.

Trade payables decreased by US\$0.1 million, from US\$4.3 million as at 31 December 2019 to US\$4.2 million as at 31 December 2020. The trade payables as at 31 December 2020 are amounts payable to the Group's mining contractors which have been outstanding for more than 120 days. Of the US\$4.2 million, US\$3.9 million is payable to Sinohydro Powerchina which has a 5-year mining contract with the Group. Barring unforeseen circumstances the Group expects to commence production activities from April 2021 and repayments to the contractors will be made from May 2021.

Other payables increased by US\$0.3 million, from US\$1.0 million as at 31 December 2019 to US\$1.3 million as at 31 December 2020. Of the US\$1.3 million other payables as at 31 December 2020, US\$0.4 million relates to advances from a third party and US\$0.5 million relates to advances from related parties both of which are repayable on demand. The remaining US\$0.4 million relates to non-trade creditors which are outstanding for less than 120 days.

Accruals increased by US\$1.0 million, from US\$2.7 million as at 31 December 2019 to US\$3.7 million as at 31 December 2020. Of the US\$3.7 million accruals as at 31 December 2020, US\$1.0 million relates to accruals for royalty fee, US\$0.8 million relate to accruals for reclamation and rehabilitation, US\$0.2 million relate to accruals for rental of vehicle, US\$0.2 million relate to accruals for Corporate Social Responsibility activities, US\$0.1 relates to accrual for demurrage charges, US\$0.6 million relates to accruals for employee salaries and the retirement pension cost which was reclassified from non-current liabilities to current liabilities.

- (vii) Lease liabilities decreased by US\$0.2 million, from US\$0.3 million as at 31 December 2019 to US\$0.1 million as at 31 December 2020. The decrease was mainly due to the lease payment made and the early termination of right-of-use assets in respect of office premise during 12M2020, partially offset by the reclassification of lease liabilities from non-current liabilities to current liabilities, as they are payable within 12 months from 31 December 2020.

- (viii) Short-term borrowings decreased by US\$0.3 million, from US\$1.8 million as at 31 December 2019 to US\$1.5 million as at 31 December 2020. The decrease was due to the Group refinancing one of its financing facilities of US\$1.9 million in July 2020 and will be repayable in 2023. Accordingly, such amount of current liabilities will be reclassified to non-current liabilities, partially offset against the additional short-term loans obtained from third parties and related parties in 12M2020.

Working Capital Position

The Group reported a positive working capital position of US\$1.1 million as at 31 December 2020, as compared to a positive working capital position of US\$1.6 million as at 31 December 2019. In July 2020, the Group successfully refinanced one of its financing facilities of US\$1.9 million to be repayable in year 2023. The Group continued to receive funding support from its related parties which have also agreed to extend the repayments to after 12 months from 31 December 2020.

The Group continues to explore various options to raise funds for the Group's general working capital requirements and improve its working capital position.

In June 2020, the Company signed a term sheet with Trafigura Asia Trading Pte Ltd to provide US\$7.0 million prepayment financing and nickel pig iron offtake contract. The parties are in the process of finalising definitive agreements and this financing facility will be used to commence the smelter operations in 2Q2021.

Additionally, in January 2021, the Company has entered into an exclusive term sheet with Ganfeng Lithium Co., Ltd. ("Ganfeng Lithium") for a potential investment in the Company including a long-term cobalt offtake contract. Ganfeng Lithium is one of the world's largest lithium compound producers and electric vehicle battery manufacturer and its shares are dual-listed on the Shenzhen Stock Exchange and Hong Kong Stock Exchange. Definitive agreements will be entered into following the completion of due diligence and obtaining necessary shareholders and regulatory approvals.

Equity

As a result of the above, total equity of the Group decreased by US\$3.8 million, from US\$12.4 million as at 31 December 2019 to US\$8.6 million as at 31 December 2020.

Review of Statement of Cash Flows

12M2020

Net cash used in operating activities of US\$1.6 million was mainly attributable to operating cash outflows before working capital changes of US\$2.1 million offset by a net working capital inflow of US\$0.5 million. The net working capital inflow results from an increase of US\$3.6 million in inventories, a decrease of US\$3.2 million in receivables and prepayments offset by an increase of US\$0.9 million in payables, accruals and liabilities for post-employment benefits in 12M2020.

Net cash generated from investing activities of US\$0.1 million was mainly attributable to the net proceed from sale of property, plant and equipment of US\$0.2 million partially offset by purchase of property, plant and equipment of US\$0.1 million in 12M2020.

Net cash generated from financing activities of US\$1.4 million was mainly attributable to the loans received from third parties of US\$0.6 million, loans received from related parties of US\$0.2 million, net advances received from related parties of US\$0.7 million, net advances received from ultimate holding company of US\$0.1 million and net advances received from third parties of US\$0.2 million, partially offset interest payments of US\$0.3 million and repayment of lease liabilities of US\$0.1 million in 12M2020.

As a result of the above, the Group's cash and cash equivalents (after netting the effects of exchange rate changes) decreased by US\$31,000, from US\$64,000 as at 1 January 2020 to US\$33,000 as at 31 December 2020.

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

No forecast or prospect statement was previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Current review of the Indonesian Mining Industry

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

Additionally, nickel is widely considered a "future-facing" commodity as it is a critical raw ingredient for steel, as well as the batteries which power the growing market for electric vehicles (EV). Global nickel supply is expected to grow with a CAGR of 4.6% by 2025, with EV batteries being the most prominent driver for nickel demand, estimated to grow 23% annually until 2030¹.

Commodities analysts anticipate nickel to be the best positioned for a global rebound among base metals, with its exposure to electric vehicle demand and to China's economic recovery. From June 2020 until February 2021, nickel prices have increased by almost 52% from US\$12,400/t to US\$18,900/t.

The current macroeconomic headwinds arising from the COVID-19 pandemic still remain with travel restrictions presenting near-term downside risks to the global nickel market. Nickel and other metal smelting projects are still expected to be delayed in 2021 due to the COVID-19 pandemic². However, as reported previously, the impact on nickel smelting projects is likely to be lesser than anticipated.

Update on blast furnace smelter project

The Group announced its strategy to build and operate smelter facilities for the production of nickel pig iron on the Group's mine site in Sulawesi, Indonesia. The Company is in the process of finalising the necessary financing and operating agreements in relation to this project which is expected to be operational by 2Q2021. The Group is making arrangements to deploy the necessary manpower to commence the blast furnace operations. Being able to operate the blast furnace smelter will allow the Company to export the processed material – nickel pig iron. Barring unforeseen circumstances, this is expected to improve the financial performance of the Group.

In December 2020, the Group announced its acquisition of 99% equity interest in PT Anugrah Tambang Smelter ("PT ATSM") for a purchase consideration of US\$20,000. PT ATSM will be the main operating company for the Group's nickel pig iron smelter operations. The Group will complete this acquisition following the completion of the financing and prior to the smelter becoming operational.

¹ Lee, E. Y., 2019. *Nickel and the Battery Revolution: A New Dawn for Nickel in Batteries*. DBS Asian Insights Sector Briefing 80. DBS Group Research. Available at: <https://www.dbs.com/aics/templatedata/article/generic/data/en/GR/092019/190918_insights_nickel.xml> [Accessed 4 August 2020].

² Decena, K., 2020. *Indonesia Sees Delay In US\$3.7B Of Smelter Projects Due To COVID-19* – Reuters. [online] S&P Global. Available at: <<https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/indonesia-sees-delay-in-us-3-7b-of-smelter-projects-due-to-covid-19-8211-reuters-59157608>> [Accessed 4 August 2020].

Update on Electric furnace smelter project

As announced in April 2020, the Group is continuing discussion with Shandong Xinhai Technology Co Ltd regarding the feasibility and financing of the project.

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

11. If a decision regarding dividend has been made

(a) Whether an interim (final) ordinary dividend has been declared (recommended).

None.

(b) (i) Amount per share

Not Applicable.

(ii) Previous corresponding period

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Not Applicable.

(d) The date the dividend is payable

Not Applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.

Not Applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared / recommended for 12M2020 as the Group recorded a net loss in 12M2020.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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

Details of the interested person transactions for 12M2020 are as follows:-

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (S\$'000)
PT Bina Mitra Serasi (" PT BMS ") - Rental of office space by PT Teknik Alum Service (" PT TAS ") from PT BMS - Rental of cars by PT TAS from PT BMS	PT BMS is 4% and 96% owned by (i) Mr. Hong Kah Ing (" Mr. Hong "), who is a controlling shareholder of the Company and the Executive Director and Chief Executive Officer of the Group; and (ii) Mr Hong's spouse, respectively.	208	-
Total		208	-

14. Additional disclosures required for mineral, oil and gas companies

(a) Rule 705(6)(a) of the Catalist Rules

(i) Use of funds/cash for the quarter

For the fourth quarter from 1 October 2020 to 31 December 2020 ("**4Q2020**"), funds/cash were mainly used by the Group for the following activities:-

Purpose	Forecasted usage of funds (US\$'000)	Actual usage of funds (US\$'000)
Development activities*	50	-
Production activities	400	50
General working capital	700	660
Total	1,150	710

*Development activities include capital expenditures.

Actual funds used for production activities in 4Q2020 was US\$50,000, significantly lower than forecasted as explained in 8(a).

Actual funds used for general working capital in 4Q2020 was US\$40,000 lower than forecasted as part of the Group's measures to manage its cash flow.

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

For the next immediate quarter from 1 January 2021 to 31 March 2021 ("**1Q2021**"), the Group's use of funds are expected to be as follows:-

Purpose	Amount (US\$'000)
Development activities	50
Production activities	300
General working capital	300
Total	650

Principal assumptions

Projected use of funds is based on local sales and for certain items, including, but not limited to, expenses incurred for the Group's mine development activities, will vary according to the Group's rate of nickel mining and production. Accordingly, if the Group's rate of nickel mining and production changes, the Group's use of funds for mine development activities will change as well.

In addition, the level of exploration and production activities at the Group's mine site will vary depending on the weather conditions, the development of the COVID-19 pandemic as well as the COVID-19 safety considerations and the COVID-19 travel restrictions imposed by the Indonesian government and/or regulatory authorities.

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

The Board confirms that, to the best of its knowledge, nothing has come to its attention which may render the information provided in this announcement to be false or misleading in any material aspect.

14(c) Rule 705(7) of the Catalyst Rules

Details of any exploration (including geophysical surveys), development and/or production activities undertaken by the Company and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.

During 12M2020, no exploration activities were carried out. In relation to production activities, with the deployment of the Group's local Indonesian employees, production activities resumed albeit at lower levels in view of the current COVID-19 pandemic and safety considerations and a total of approximately 961 metric tons of nickel ore was produced during 12M2020.

15. Additional Information Required for Full Year Announcement

15(a) Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable. The Group's operations constitute a single segment which is the exploration and mining of nickel ore in Indonesia.

15(b) In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Not applicable. The Group's operations constitute a single segment which is the exploration and mining of nickel ore in Indonesia.

15(c) A breakdown of sales as follows:

	12M2020 US\$'000	12M2019 US\$'000	% increase/ (decrease)
	Group	Group	Group
(a) Sales reported for first half year	475	2,988	(84.1)
(b) Operating loss after tax before deducting non-controlling interests reported for first half year	(2,104)	(1,788)	17.7
(c) Sales reported for second half year	-	12,510	n.m
(d) Operating profit/(loss) after tax before deducting non-controlling interests reported for second half year	(1,675)	1,924	n.m

n.m – not meaningful

15(d) A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

Not applicable. The Company has neither declared nor recommended any dividend for its latest and previous full financial year.

15(e) Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10).

There is no person occupying a managerial position in the Group who is related to a director or Chief Executive Officer or substantial shareholder of the Company.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured the required undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

On behalf of the Board of Directors

Syed Abdel Nasser Bin Syed Hassan Aljunied
Director

Hong Kah Ing
Director

1 March 2021