

Silkroad Nickel signs definitive head of agreement to operate nickel pig iron smelter in Sulawesi, Indonesia

Singapore, 5 December 2019 – SGX-Catalist listed Silkroad Nickel Ltd. (“**Silkroad**” or the “**Company**”, and together with its subsidiaries, the “**Group**”), an Indonesian nickel mining group, is pleased to announce that, on 4 December 2019, the Company, together with its subsidiary, PT Teknik Alum Service (“**PT TAS**”), have signed a binding definitive head of agreement (“**Agreement**”) with Renewable and Sustainable Energy Holding Pte Ltd¹ (“**R&S**”), PT Artabumi Sentra Industri² (“**PT ASI**”) and PT Anugrah Tambang Smelter³ (“**PT ATSM**”) (the Company, PT TAS, R&S, PT ASI and PT ATSM, individually known as the “**Party**” and collectively known as the “**Parties**”) to form a joint venture to build and operate smelter facilities for the production of nickel pig iron (“**NPI**”) on the Group’s mine site in Sulawesi, Indonesia.

The Agreement sets out the key terms of understanding of the Parties in relation to the proposed transactions (“**Transactions**”) between and amongst the Parties, details as set out below, and serves as the basis for negotiation and finalization of the Completion Agreements (as defined below).

¹ R&S is an investment holding company incorporated under the laws of Singapore. R&S, its shareholders and directors are not related to any of the Company, its directors or substantial shareholders and their respective associates.

² PT ASI, a limited liability company duly established under the laws of the Republic of Indonesia, currently holds a valid location permit license for construction of a smelter factory in Laroenai Village, Bungku Pesisir Subdistrict, Morowali Regency, Sulawesi, Indonesia. PT ASI is owned by Qingdao Yunjia Electric Appliances Co. Ltd (95%) and Mr Wu Guilin (5%). Mr Wu Guilin, Qingdao Yunjia Electric Appliances Co. Ltd and its shareholders and directors are not related to any of the Company, its directors or substantial shareholders and their respective associates.

³ PT ATSM, a limited liability company duly established under the laws of the Republic of Indonesia, currently holds a valid location permit license for construction of a smelter factory in Buleleng Village, Bungku Pesisir Subdistrict, Morowali Regency, Sulawesi, Indonesia. PT ATSM has an issued share capital of Indonesian Rupiah (“**IDR**”) 12.5 billion and is 99% and 1% owned by PT Bina Mitra Serasi (“**PT BMS**”) and Mr Hong Kah Ing (“**Mr Hong**”), Executive Director and Chief Executive Officer of the Company, respectively. PT BMS is 4% and 96% owned by Mr Hong and his spouse, respectively.

Salient terms of the Agreement include, among others, the following Transactions between and amongst the Parties:

- Silkroad and R&S will set up a joint venture (“**New.Co**”) and will enter into a shareholders’ agreement (“**New.Co SHA**”) to give effect to their intentions and to record and regulate their relationship inter se and in the conduct of the business and affairs of the New.Co on the terms and subject to the conditions set out in the New.Co SHA. Silkroad will be the majority shareholder of the New.Co.
- New.Co intends to enter into an operating agreement with PT ASI (“**PT ASI Operating Agreement**”) to operate (with the option to purchase) twelve (12) blast furnaces (the “**Blast Furnaces**”) and ancillary equipment for the production of NPI. The total amount payable by the New.Co is USD 30 million and the payment terms are to be mutually agreed by the Parties. Any of the New.Co, Silkroad or PT TAS will have the option to acquire the Blast Furnaces from PT ASI, upon full payment of USD 30 million, at no further cost or payment.
- Pursuant to the PT ASI Operating Agreement, the New.Co or Silkroad shall acquire three (3) 7.5 MW power plants (“**Power Plants**”) and the corresponding ancillary equipment to supply power to the Blast Furnaces for a maximum price of USD 20 million payable by way of new ordinary shares in the share capital of Silkroad (“**Silkroad Shares**”) at an agreed price of S\$0.725 per Silkroad Share. The Silkroad Shares will be issued upon commissioning of each set of up to four (4) Blast Furnaces required to power one (1) Power Plant, subject to the conditions to be set out in the PT ASI Operating Agreement (“**Power Plant Acquisition**”). The value of the Power Plants and the corresponding ancillary equipment to supply power to the Blast Furnaces will be determined by an independent third party to be mutually appointed the Parties.
- PT TAS intends to enter into a nickel ore supply agreement with the New.Co or if required, PT ASI, and PT TAS intends to provide a guarantee on the quality and quantity of nickel ore necessary for the operation of the Blast Furnaces (“**PT TAS Supply Agreement**”).
- Silkroad or PT TAS intends to acquire 100% of the shareholdings in PT ATSM and will enter into a shareholders’ agreement (“**PT ATSM SHA**”) to give effect to their

intentions and to record and regulate their relationship *inter se* and in the conduct of the business and affairs of PT ATSM on the terms and subject to the conditions set out in the PT ATSM SHA ("**Acquisition of PT ATSM**"), (the New.Co SHA, the PT ASI Operating Agreement, the PT TAS Supply Agreement, the PT ATSM SHA, and any other agreements to be agreed amongst the Parties, collectively known as the "**Completion Agreements**").

The execution and signing of the Completion Agreements ("**Completion**") by the Parties are subject to the customary conditions precedent, including but not limited to the following:

- (a) each Party having obtained all regulatory and corporate approvals required to enter into the relevant Transactions including approval from any stock exchange or central bank (where required);
- (b) the Transactions being carried out in compliance with all relevant laws including but not limited to the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), as amended, modified, or supplemented from time to time;
- (c) completion of the conduct of legal, financial, operational and technical due diligence by Silkroad on PT ASI and R&S, and Silkroad being, in its sole opinion, satisfied with the results of such due diligence review (including the completion of the technical due diligence report) unless otherwise agreed by Silkroad in writing;
- (d) verification of operational readiness of the Blast Furnaces and Power Plants by independent consultants in writing;
- (e) recruitment of sufficient and technically qualified employees by PT ASI to operate the Blast Furnaces and Power Plants, to the satisfaction of Silkroad;
- (f) the New.Co having obtained the financing for the Transactions on such terms as are satisfactory to Silkroad and such financing has not been revoked or cancelled by the lender on or prior to Completion; and
- (g) confirmation provided in writing by all Parties that each of the Parties is conducting, and has conducted, its business in compliance with environmental law and all material environmental permits have been obtained, are in force and are being and have been complied with (where applicable).

Mr Hong Kah Ing, Executive Director and Chief Executive Officer of Silkroad commented, “We are pleased to announce the signing of the Agreement to form a joint venture to build and operate the nickel smelter plant at our mine site. This is an important milestone in our Group strategy to build its downstream business and is a significant step towards our Group’s strategy of becoming an integrated nickel mining company.”

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

During the term of the Agreement, each of the Parties shall:

- (a) not, directly or indirectly initiate or engage in, or respond to any approach that might lead to, any discussions or negotiations with any third party in relation to the Transactions;
- (b) cease all ongoing discussions and negotiations with any third party in relation to any the Transactions; and
- (c) not enter into any letter of intent, agreement, arrangement or understanding (whether or not legally binding) relating to the Transactions.

Pursuant to Chapter 9 of the Catalist Rules, PT ATSM, being an associate of Mr Hong, is deemed as an “interested person”, and accordingly, the Acquisition of PT ATSM would constitute an “interested person transaction”. Save as disclosed above, none of the directors or substantial shareholders of the Company and their respective associates has any interest, direct or indirect, in the Agreement, save for their interests arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

The Agreement sets out the key terms of understanding of the Parties in relation to the Transactions and serves as the basis for negotiation and finalization of the Completion Agreements. The Agreement is not exhaustive and is subject to the signing by the Parties of the Completion Agreements. The Agreement shall be effective from the date of signing and

shall terminate on the earlier of: (a) the execution of all of the Completion Agreements; or (b) 30 June 2020, whichever earlier.

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

The Company will make further announcements, in compliance with the requirements of Chapter 9 and Chapter 10 of the Catalist Rules, upon the execution of the Completion Agreements and/or when there are material developments in respect of the Transactions.

End.

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

Silkroad Nickel Ltd. ("Silkroad", and together with its subsidiaries, the "Group") is listed on the Catalist board of the Singapore Exchange Securities Trading Limited. The Group is principally engaged in the business of exploration, mining, production and sale of nickel ore and has been granted the Production Operations IUP to conduct nickel ore mining operations in the mining concession area, covering approximately 1,301 hectares located in Morowali, Sulawesi, Indonesia. Based on the standards of the JORC Code 2012, the independent qualified person's report dated 30 September 2019 estimated the mineral resources covering the mining concession area to be 146.6 million wet metric tonnes including an estimated 56.8 million wet metric tonnes being defined as indicated resources and an estimated 89.7 million wet metric tonnes being defined as inferred resources. Of the total resources, an estimated 44.5 million wet metric tonnes were defined as probable ore reserves.

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

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

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road. #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.