SILKROADNICKEL

MINING THE TOOLS **FOR SUCCESS**

Annual Report 2019

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 (the "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 8 Robinson Road #09-00 ASO Building Singapore 048544, telephone (65) 6636 4201.

CORPORATE **PROFILE**

Silkroad Nickel Ltd. ("**Silkroad**" or the "**Company**", and together with its subsidiaries, the "**Group**") is the first nickel mining company to be listed on the Singapore Exchange. Formerly known as China Bearing (Singapore) Ltd., 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.

The Group is primarily engaged in the exploration, mining, production and sales of nickel ore. It has been granted a mining business license to carry out nickel ore mining operations at an approximately 1,301 ha mining concession area located 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. The Group engages third party contractors to undertake the necessary mining and production activities such as the stripping of overburden, excavation, transportation and stockpiling of the nickel ore as well as the maintenance of hauling roads within the Mining Concession Area.

The Company has plans to develop its downstream business, transitioning from its primary nickel mining operations to a fully-integrated nickel producer that subcontracts its nickel mining operations. This will allow Silkroad to change its current business model from operating as a relatively small scale mining operator in an environment of high capital expenditure and relatively low operational efficiency, to being a low-cost nickel producer with high-quality nickel mining assets.

CHAIRMAN'S **MESSAGE**

> *"While we have recorded notable progress for the year under review, the Group remains clear-sighted and focused on its long-term goals."*

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"), I am pleased to present to you the annual report for the financial year ended 31 December 2019 ("FY2019").

YEAR IN REVIEW

It has been an eventful year as we reached new milestones following our successful transformation into a nickel mining company in 2018. The challenges highlighted in 2018 such as the ongoing US-China trade war and nickel price volatility continued to have an impact in 2019. Global economy activity continues to be subdued by the trade war which had a spillover effect on various industries globally.

Meanwhile, nickel prices were higher in FY2019 due to the Indonesian government's ban on nickel ore exports which took effect on 1 January 2020 – two years ahead of schedule. The London Metal Exchange reported that in 2019, nickel prices ranged between approximately US$10,000 and US$18,000 a tonne. Nickel prices were lowest in early 2019 before peaking in September and declining again toward the end of the year[1]. While lower prices have narrowed margins in the past, the higher price has helped fuel the increase in Group's revenue for FY2019.

The Group has entered an agreement to acquire majority equity interest of PT Barru Bahari Lines ("PT BBL"), a shipping logistics company in Indonesia that provides tug and barge transportation services for the mining industry. PT BBL has a fleet of two tugs and two barges that will complement our mining operations by providing a stable supply of tug and barge transportation. The acquisition is yet to be completed as at to-date, pending the satisfaction of conditions precedent of the agreement. The Company will update the shareholders on material development in due course.

MOVING FORWARD

While we have recorded notable progress for the year under review, the Group remains clear-sighted and focused on its long-term goals.

The Group has signed a definitive heads of agreement to form a joint venture to build and operate smelter facilities for the production of nickel pig iron at the Group's mine site in Sulawesi, Indonesia. The Company will update shareholders on material development on the establishment of the joint venture in due course. The Group has started to supply the nickel ore required to operate the smelter facilities which would mark a further step towards the Group's strategy of becoming an integrated nickel mining company.

OUTLOOK AND PROSPECTS

The coming financial year ending 31 December 2020 ("FY2020") is expected to be challenging. The global economy has been significantly affected by the Novel Coronavirus ("COVID-19") pandemic. Economic activity has slowed down significantly in countries where the virus has been identified as respective local governments undertake various measures to contain it. In addition, global markets have seen significant drops, oil prices have nearly halved since the start of the year and the International Monetary Fund projects lower global growth for 2020[2].

The Group has been affected by travel restrictions announced by the Indonesian government due to the COVID-19 outbreak as our mining contractor, PowerChina (based in China), has been unable to send its staff to Indonesia. At Silkroad Nickel, we are taking the COVID-19 pandemic very seriously and have implemented various precautionary and hygiene practices. We understand the need to prioritise the health of our people and society at large, and have also made arrangements to carry out operations using local staff for the next few months. At Silkroad Nickel, we take the challenges ahead very seriously and will be do our part to care for the health of our employees.

Despite the reserved outlook, we are upbeat about our long-term prospects. We will continue to pursue strategies and identify new avenues to continue transforming the Group into a fully-integrated nickel producer.

ACKNOWLEDGEMENTS & APPRECIATION

On behalf of the Board of Directors, I would like to express our sincere gratitude to our business partners and loyal shareholders for your faith and ongoing support. I would also like to thank our management and staff for their commitment and contribution. Let us all put our best foot forward and pave our way to success in the coming years.

Mr. Eddy Pratomo
Independent Chairman

[1] https://www.lme.com/en-GB/Metals/Non-ferrous/Nickel#tabIndex=2
[2] https://www.channelnewsasia.com/news/business/coronavirus-covid-19-us-china-trade-war-12539794

FINANCIAL & OPERATIONS REVIEW

OVERVIEW

The financial year ended 31 December 2019 ("FY2019") has been a momentous year for Silkroad Nickel despite challenges such as the trade disputes between America and China, and closer to home, the Indonesian ban on exporting ore. Despite the volatility of nickel prices, Silkroad Nickel was able to record stronger results and a profitable year.

FINANCIAL REVIEW

Profit & loss statement

Revenue for FY2019 increased by US$9.8 million or 169.6%, from US$5.7 million in FY2018, to US$15.5 million in FY2019. The increase was mainly due to the higher average selling price of nickel ore, in conjunction with a higher volume sold. The Group sold 674,007 metric tons ("MT") for the year under review as compared to 275,856 MT in FY2018.

Cost of goods sold also increased, from US$4.4 million in FY2018 to US$9.5 million in FY2019. The increase of US$5.1 million or by 114.1%, was a lower rate than the increase in revenue of 169.6%. This was mainly because of lower transportation costs resulting from selling on a Cost, Insurance, and Freight basis to a Free On Board basis, from April 2019 onwards.

Gross profit margin increased in FY2019, from 23.0% in FY2018, to 38.8% in FY2019. The increase in gross profit margin was because of the higher average selling price of nickel ore in tandem with the decrease in cost of goods sold per metric ton.

Administrative expenses increased by US$0.8 million, from US$4.2 million in FY2018, to US$5.0 million in FY2019. This was mainly due to higher professional fees, increased remuneration for independent directors, higher depreciation costs due to the adoption of new accounting standard SFRS(I) 16 Leases relating to the right-of-use assets, increased value-added tax due to the increase in sales in FY2019 and net foreign exchange loss due to the appreciation of USD against IDR in FY2019.

Finance expenses doubled from US$0.2 million in FY2018, to US$0.4 million in FY2019, mainly due to the interest incurred on the new borrowings obtained in FY2019, partially offset by the settlement of loans payable to ultimate holding company in September 2018.

As a result of the above, the Group recorded a profit after tax of approximately US$136,000 for FY2019, as compared to a loss after tax of US$4.8 million for FY2018.

BALANCE SHEET & CASHFLOW HIGHLIGHTS

Property, plant and equipment, and inventories remained largely unchanged. However, receivables and prepayments increased largely due to sales and deliveries made in the fourth quarter ended 31 December 2019 ("Q4 2019"), and advance payment to suppliers. This resulted in total assets increasing to US$25.5 million as at 31 December 2019, from US$15.1 million in as at 31 December 2018.

Meanwhile, total liabilities increased to US$13.1 million as at 31 December 2019, from US$2.8 million as at 31 December 2018, primarily due to higher production cost incurred as a result of the higher quantity of nickel ore produced in Q4 2019, sales advances from customers and a slight delay in payment to suppliers in FY2019, and increase in unbilled royalty fee and the accrual of interest expense of the new borrowings obtained.

As a result of the above, total equity remained largely unchanged at US$12.4 million as at 31 December 2019, from US$12.3 million as at 31 December 2018. Net assets value per share stood at US 4.76 cents per share as at 31 December 2019.

The Group's working capital position improved to US$1.6 million as at 31 December 2019, as compared to US$0.6 million as at 31 December 2018.

For FY2019, the Group's cash and cash equivalents (after netting the effects of exchange rate changes) decreased by approximately US$23,000, from approximately US$87,000 as at 1 January 2019 to approximately US$64,000 as at 31 December 2019.

OPERATIONAL REVIEW

Increase of Mineral Resources & Reserves

In FY2019, the Group's estimated Mineral Resources and Ore Reserves of the Mining Concession Area had significantly increased, upon completion of an updated Independent Qualified Person's Report ("IQPR2") dated 30 September 2019 and an Independent Valuation Report

("IVR") dated 1 November 2019. The Group's efforts from further exploration and drilling programs had proven fruitful in enlarging the Group's Mineral Resources to a total of 146.6 million wet metric tonnes ("WMT"), inclusive of 44.5 million WMT of Probable Reserves. In accordance with the terms of the agreement entered into between the Company and Far East Mining Pte. Ltd. ("FEM") in respect of the reverse acquisition by FE Resources Pte. Ltd. of the Company ("RTO"), the Company allotted and issued the earn-out consideration shares to FEM based on the IVR. Pursuant thereto, the RTO was completed in November 2019.

Definitive Agreement to operate Blast Furnace Smelter

The Group has executed and signed a definitive agreement with PT Artabumi Sentra Industri, Renewable and Sustainable Energy Holding Pte Ltd and PT Anugrah Tambang Smelter to form a joint venture to build and operate a blast furnace smelter facility for the production of nickel pig iron on the Group's mine site in Sulawesi, Indonesia. The Group expects due diligence and fundraising for capital expenditures and working capital to be completed by Q2 2020 and operations to start by Q3 2020, barring unforeseen circumstances.

Mine Site Developments

The Group has been consistently maintaining critical infrastructure such as hauling roads and two jetties stapled to the mine site. Furthermore, ongoing preparations in anticipation of the blast furnace project such as stockpiling ore, building of worker's dormitories and opening new pits have been carried out.

LOOKING AHEAD

2020 will be an extremely challenging year as the COVID-19 pandemic continues to affect economies globally at an unprecedented rate and extent.

Despite the challenges and uncertainties, we will forge ahead in continuing to lay the foundations for future growth. We will continue to focus on improving cost and operational efficiency while exploring opportunities to grow our capabilities and bring us closer to our goal of becoming a cost nickel producer with high quality nickel mining assets.

EXPLORING GREATER POTENTIAL

The core foundation of our business remains to be steadfast in the mining industry. At Silkroad Nickel, we seek to enhance our strength by increasing our production capacities and investing in new and improved equipment. We are seeking to divulge our potentials to utilise it for our further developments. By investing in our strategy to become an integrated nickel mining company, we aim to deliver excellence in every way possible.

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 holds the position as Special Envoy to the President of the Republic of Indonesia, Maritime Delimitations between Indonesia and Malaysia. Starting from the month of May 2020, Mr. Pratomo will be holding the position as the Dean of Faculty of Law, University of Pancasila in Jakarta, Indonesia. Currently 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.

BOARD OF **DIRECTORS**

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 of the Company. Mr. Giang is a senior director at RSM Risk Advisory, a leading governance, risk and consulting firm in Singapore. He is also interim non-executive independent chairman and chairman of audit and risk committee of Rich Capital Holdings Limited, and independent director of Cambodia Post Bank PLC and Funan Microfinance PLC. Mr. Giang was the executive director of the Singapore Institute of Directors and had served as executive director, independent director and chief financial officer of a number of listed companies. He started his career as a public accountant with a Big-4 firm in Canada and Singapore. He also has many years of experience in business management, having served as a senior executive at a multinational company and a regional conglomerate, and has managed companies in many industries including aerospace, food and beverage, flexible packaging, mining, oil and gas, real estate, telecommunications as well as trading and distribution. Mr. Giang holds a Bachelor of Administration degree with Great Distinction from the University of Regina, Canada and is a Chartered Accountant of Singapore, a Chartered Professional Accountant of Canada, and a member of the Singapore Institute of Directors.

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.

MR. OMRI SAMOSIR
(Independent Director)

Datuk Lim Kean Tin, a Malaysian citizen, is a Non-executive and Non-Independent Director of the Company. He is a self-made businessman, and does not have any formal educational qualifications. He currently has interests in several businesses in Malaysia, which spans, among others, the education, shipping, real estate, plantation and consultancy sectors. Datuk Lim Kean Tin is currently the group chairman of KTG Education Group, a private higher education provider located in Malaysia.

DATUK LIM KEAN TIN
(Non-Executive and Non-Independent Director)

KEY MANAGEMENT

MR. LIEW WEI CHUN
(Chief Financial Officer)

Mr. Liew Wei Chun, a Malaysian citizen and Singaporean Permanent Resident, is the Chief Financial Officer of the Group. Mr. Liew is responsible for all accounting, financial and taxation matters of the Group. He started his career as a tax advisor in Deloitte & Touche. He then joined as a group finance manager at PT Malindo Feedmill TBK and assisted the company to be the first Malaysia company listed on the Jakarta Stock Exchange. Mr. Liew joined Asian Agri Group as the financial controller in 2006 and was in charge of the entire finance spectrum for its upstream and downstream business. In 2012, he joined as a senior finance manager in Jurong Port Pte Ltd and managed over US$500 million worth of M&A joint venture activities, due diligence exercises and corporate finance. He then joined the start-up power generation company, Pacificlight Power Pte Ltd. as their finance manager in 2012. From 2015 to 2018, he was appointed as the chief financial officer in PGS (East Asia) Pte Ltd where he managed regional finance roles in Asia. Mr. Liew is a Graduate of University of Putra Malaysia (BS in Resource Management & Marketing), Charles Sturt University, Australia (Master of Accountancy) and a member of CPA Australia.

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.

MR. ARIS PANDIN
(Head of Mining Operations)

Mr. Aris Pandin, an Indonesian citizen, is the Head of Mining Operations of the Group. He is responsible for the overall mining operations, including environmental, health and safety aspects of the mining operations. He also manages and controls all mine site operations in the mining concession area of the Group and ensures that production and other specific targets are met. Mr. Aris Pandin began his career as a junior geologist at Teguh Sinar Abadi Bayan Resource from February 2005 to December 2006. Since then, Mr. Aris Pandin has worked for various nickel ore mining companies such as PT International Nickel Indonesia from January 2007 to September 2010 as assistant geologist, PT TAS from October 2010 to January 2013 as mine technical chief and mine geologist, PT Tekonindo from February 2013 to December 2014 as senior geologist and, PT Tambang Bumi Sulawesi from January 2015 to August 2016 as mine technical chief and mine geologist. In 2016, Mr. Aris Pandin returned to join PT TAS (a subsidiary of the Company) as the head of mining operations. Mr. Aris Pandin obtained a Bachelor in Engineering from Hasanuddin University, Makassar, Indonesia in 2005.

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 146.6 Million Wet Metric Tonnes
- Of which, Probable Ore Reserves of 44.5 Million Wet Metric Tonnes

ENGAGING IN NEW OPPORTUNITIES

Our sights are set in stone for our commitment to gain leverage in the future of the Company. Following the transformation into a nickel mining company, we aim to generate sustainable plans and bolster our resources. The Group will continue to explore new possibilities that could be beneficial for the Company and the shareholders. Leaning on our strategic plans, we remain optimistic in the greater heights that we can achieve.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Eddy Pramoto
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

Datuk Lim Kean Tin
Non-Executive and Non-Independent Director

AUDIT AND RISK COMMITTEE

Mr. Giang Sovann (Chairman)
Mr. Eddy Pramoto
Mr. Omri Samosir

REMUNERATION COMMITTEE

Mr. Omri Samosir (Chairman)
Mr. Eddy Pramoto
Mr. Giang Sovann

NOMINATING COMMITTEE

Mr. Eddy Pramoto (Chairman)
Mr. Giang Sovann
Mr. Omri Samosir

COMPANY SECRETARY

Mr. Abdul Jabbar Bin Karam Din

REGISTERED OFFICE

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SHARE REGISTRAR & SHARE TRANSFER OFFICE

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SPONSOR

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INDEPENDENT AUDITOR

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

Partner-in-charge: Mr. Khor Boon Hong (a member of the Institute of Singapore Chartered Accountants)
(Appointed on 28 February 2018)

PRINCIPAL BANKER

Standard Chartered Singapore

SUMMARY OF MINERAL RESERVES
AND RESOURCES

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	19.3	12.6	0.83	0.07	33.38	19.3	12.6	0.83	0.07	33.38		
	Limonite	19.6	13.7	1.16	0.06	24.95	19.6	13.7	1.16	0.06	24.95		
	Saprolite	5.6	4.0	1.64	0.04	18.11	5.6	4.0	1.64	0.04	18.11	–10%	Note 2
Total		44.5	30.3	1.08	0.06	27.7	44.5	30.3	1.08	0.06	27.7	–	Note 1
RESOURCES*													
Measured	–	–	–	–	–	–	–	–	–	–	–	–	
Indicated	Limonite & Saprolite	56.8	38.6	0.99	0.05	24.3	56.8	38.6	0.99	0.05	24.3	–	Note 1
Inferred	Limonite & Saprolite	89.7	62.0	1.00	0.07	28.4	89.7	62.0	1.00	0.07	28.4	–	Note 1
Total		146.6	100.5	0.99	0.06	26.8	146.6	100.5	0.99	0.06	26.8	–	Note 3

Date of Report :
31 December 2019

Date of Previous Report :
30 September 2019

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

- *Mineral Resources are inclusive of Ore Reserves
- All estimates are depleted using topographic survey data as at 27 May 2019
- 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
- WMT : Wet Metric Tonne, Ni : Nickel, Co : Cobalt, Fe : Iron

Notes :

(1) Mineral Resources and Reserves classification reported as per Independent Qualified Persons Report 2 (“IQPR2”) dated 30 September 2019

(2) % Change of Probable Saprolite Reserves of 5.6M WMT (Ni ≥ 1.4%) is calculated after adjusting for production of 559,633 WMT from 27 May 2019 to 31 Dec 2019 (“Actual Production”)

(3) The Total Mineral Resources as at 31 December 2019 is the same as at 27 May 2019 (as explained in Note 4) except for the adjustment in production numbers stated in Note 2

(4) Due to the COVID-19 pandemic, travel prohibitions and employee safety precautions, it has not been possible to conduct a topography survey at the mine sites as at 31 December 2019. In the opinion of the Board of Directors, the Actual Production does not materially affect the quantity or quality of the mine’s Reserves and Resources and hence the summary of Mineral Resources and Reserves disclosed in this Annual Report FY2019 is as reported in the IQPR2 dated 30 September 2019

NAME OF QUALIFIED PERSONS / PROFESSIONAL SOCIETY AFFILIATION / MEMBERSHIP:

(1) Wahyu Asmantowi - Australasian Institute of Mining and Metallurgy/ MAusIMM #313740

(2) Widadi Akso Prabu - MAusIMM #328236

DATE : 3 April 2020

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 2019 ("**FY2019**") with specific reference made to the principals 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 FY2019, 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, though 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 Board or Board Committee members. 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 FY2019.

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. 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 meetings held for the General, Board and Board Committees, and the attendance of all Directors during FY2019:

	AGM	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Number of meetings held	**1**	**4**	**4**	**1**	**1**
Mr. Eddy Pratomo	1	4	4	1	1
Mr. Hong Kah Ing	1	4	4	1	1
Mr. Nasser Aljunied	1	4	4	1	1
Mr. Giang Sovann	1	4	4	1	1
Mr. Omri Samosir	1	3	3	1	1
Datuk Lim Kean Tin	0	0	N/A	N/A	N/A

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. The board has adopted an internal guiding principle that seeks to address competing time commitments that may be faced when a director holds multiple directorships. As a general rule, the Board has determined that any Director should not hold more than five listed company directorships. However, the Board recognises that the individual circumstances and capacity of each Director are unique and there may be instances in which the limit on board appointments may differ as appropriate.

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 a year in advance. 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 judgment 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 Board currently consists of six (6) Directors, of whom two (2) are Executive Directors, three (3) are Independent Directors and one (1) is a Non-Executive and Non-Independent Director. The Board is satisfied that there is a strong element of independent presence in the Board, as the Chairman of the Board is an Independent Director and Independent Directors comprise half of the Board. Independent Directors meet when necessary without the presence of the other Directors.

Provision 2.3

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)
Datuk Lim Kean Tin	(Non-Executive and Non-Independent Director)

The Board has considered its present size and composition, and is of the view that (i) the current Board size 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 Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Company. The size and composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has 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 on pages 30 to 32 of this Annual Report.

The Company is committed to building a diverse, inclusive and collaborative culture. The Company recognizes 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. 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 FY2019, 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 meets the other Independent Directors without the presence of other Directors and provides feedback to the Chairman 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.

Provision 4.2

In FY2019 and up to the date of this report, the NC comprises three (3) members, including the Lead Independent Director (Mr. Giang Sovann), all of whom are Independent Directors. The members of the NC are:

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

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, Article 104 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 Article 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. Omri Samosir, will be retiring and will be nominated for re-appointment. Mr. Eddy Pratomo and Mr. Omri Samosir, being eligible, have offered themselves for re-election.

Please refer to the section entitled "Appendix 7F to the Catalist Rules" of this Annual Report for information on the abovementioned retiring Directors nominated for re-election at the forthcoming AGM pursuant to Rule 720(5) of the Catalist Rules.

Each member of the NC has abstained from voting on any resolution in respect to his re-nomination as a Director.

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 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 except Datuk Lim Kean Tin during FY2019, 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.

Provision 5.1

While the Code recommends that the NC be responsible 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, the NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

Provision 5.2

The Board has implemented and continued the process for assessing the effectiveness of the Board as a whole. At the end of each financial year, each Director will complete a board questionnaire on self-evaluation basis, which will be collated by the Chairman for review and discussion by the NC. The NC focuses 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.

Although the Directors are not evaluated individually, 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 FY2019.

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.

Provision 6.1

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.

Provision 6.2

In FY2019 and up to the date of this report, the RC comprises three (3) members, all of whom are Independent Directors. The members of the RC are:

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

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 FY2019.

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 has 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 bon0us 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 Independent Directors and the Non-Executive and Non-Independent Director 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 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 total remuneration of the Independent Directors and the Non-Executive and Non-Independent Director is recommended for Shareholders' approval at each AGM. Directors' fees for the Independent Directors and the Non-Executive and Non-Independent Director of S$192,000 for FY2019 (with payment to be made quarterly in arrears) had been approved by shareholders at the last AGM held on 30 April 2019. In view of the continued weak market conditions of the industries which the Group operates in, the RC and the Board have recommended to maintain and not increase the Directors' fees for the Independent Directors and the Non-Executive and Non-Independent Director for the current financial year ending 31 December 2020, as compared to FY2019. Directors' fees for the Independent Directors and the Non-Executive and Non-Independent Director of S$192,000 for the current financial year ending 31 December 2020 (with payment to be made quarterly in arrears) have been recommended by 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 and key management personnel (who are not Directors or CEO) of the Company and its subsidiaries for FY2019 is set out below:

	Salary	Bonus	Allowances and Other Benefits	Directors' Fees	Total
	%	%	%	%	%
Below S$250,000					
Executive Directors					
Mr. Hong Kah Ing	92	8	–	–	100
Mr. Nasser Aljunied	84	8	8	–	100
Independent Directors					
Mr. Eddy Pratomo	–	–	–	100	100
Mr. Omri Samosir	–	–	–	100	100
Mr. Giang Sovann	–	–	–	100	100
Non-Executive and Non-Independent Director					
Datuk Lim Kean Tin	–	–	–	100	100
Key Management Personnel					
Mr. Edy Santi	91	7	2	–	100
Mr. Liew Wei Chun	78	7	15	–	100
Mr. Aris Pandin	91	8	1	–	100
Mr. Sabar Hutasoit	91	8	1	–	100
Ms. Letta Sheva	90	7	3	–	100

Save as 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 FY2019.

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 (5) 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 FY2019.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

Provision 8.3

The Company does not have any share option scheme or other share incentive schemes in place for its employees. The Company is proposing the adoption of a performance share plan to be approved by Shareholders, details of which will be set out in a circular to Shareholders in due course.

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.

Provision 9.1

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 FY2019, Mr. Hong Kah Ing, Executive Director and CEO of the Company, and Mr. Liew Wei Chun, CFO of the Company, had provided assurance on a quarterly 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 quarterly 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 2019.

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.

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 FY2019 and up to the date of this report, the AC comprises three (3) members, all of whom are Independent Directors. The members of the AC are:

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

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.

<u>Provision 10.4</u>

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.

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.

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 FY2019 was S$120,000 for audit services rendered for the audit of the financial statements for FY2019. The AC noted that no non-audit services were rendered by Baker Tilly in FY2019 as there were no non-audit services rendered by Baker Tilly in FY2019. 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 2020, 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 engagement partner 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. 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 FY2019, the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of audit firms 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.

<u>Provision 10.5</u>

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.

The Company has in place a whistle-blowing framework where staff of the Company can raise concerns about improprieties in matters of financial reporting or other matters through normal channels to the dedicated officers of the Company or to the AC via email or letter. In FY2019 and as of to-date, there were no reports received through the whistle- blowing mechanism established by the Company.

During FY2019, the AC had, among others, carried out the following activities:

(a) reviewed the quarterly 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 judgment 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 FY2019, 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 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.

Provision 11.2

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.

Provision 11.3

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. In FY2019, save for Datuk Lim Kean Tin (Non-Executive and Non-Independent Director), all Directors attended the Company's annual general meeting held on 30 April 2019.

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 corporate website.

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 recommended any dividend for FY2019 as the Group recorded small net profit in FY2019 and the Board deems it appropriate to conserve cash for the Group's business activities and growth.

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.

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 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 ("**EGM**").

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 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. To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is 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 two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year (if the Company is subject to quarterly results announcements) and one month before the announcement of the Company's half yearly and annual 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 FY2019 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 office space by PT Teknik Alum Service (a subsidiary of the Company) ("**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, 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	181	–
PT Anugrah Tambang Smelter ("**PT ATSM**") - Deposit for investment by PT TAS to PT ATSM for the development of smelter plant	PT ATSM is 1% and 99% owned by (i) Mr. Hong, who is a controlling shareholder of the Company and the Executive Director and Chief Executive Officer of the Company; and (ii) PT BMS	115	–
Hong Kah Ing ("**Mr. Hong**") - Rental of cars to PT Teknik Alum Service from Mr Hong - Indemnity in respect of the shortfall and penalty in royalty payments of PT TAS	A controlling shareholder of the Company and the Executive Director and Chief Executive Officer of the Company	177	–
Total		**473**	–

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 FY2019, or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2018.

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. in FY2019.

DIRECTORS' STATEMENT

Year ended 31 December 2019

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Silkroad Nickel Ltd. and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of Silkroad Nickel Ltd. (the "Company") for the financial year ended 31 December 2019.

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 36 to 79 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 2019 and of the financial performance, changes in equity and cash flows of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (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
Datuk Lim Kean Tin
Eddy Pratomo
Omri Samosir
Giang Sovann

Arrangements 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 1.1.2019**	**At 31.12.2019**	**At 21.1.2020**	**At 1.1.2019**	**At 31.12.2019**	**At 21.1.2020**
The Company						
Datuk Lim Kean Tin	8,252,400	8,252,400	8,252,400	–	–	–
Hong Kah Ing	–	–	–	88,896,103	220,127,138	220,127,138
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	–	88,896,103	220,127,138	220,127,138
Ultimate holding corporation						
Far East Mining Pte. Ltd.						
Hong Kah Ing	64,308	64,308	64,308	–	–	–
Syed Abdel Nasser Bin Syed Hassan Aljunied	24,387	24,387	24,387	–	–	–
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

* 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 2019, Far East Mining Pte. Ltd. holds 220,127,138 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.

Except as disclosed in this statement, no director of the Company who held office at the end of the financial year had interests in shares, share options or debentures of the Company or related corporations, either at the beginning or at the end of the financial year.

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 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 independent auditors;
- quarterly 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

30 March 2020

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 36 to 79, which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, 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, Chapter 50 (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 2019 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.

<u>Impairment assessment of trade receivables</u>

(Refer to Notes 3, 15 and 27(b) to the financial statements)

As at 31 December 2019, the Group's trade receivables comprise 2 debtors which represented 100% of the trade receivables amounted to US$10,314,775, representing 82% of the total current assets of the Group.

The Group determines expected credit loss ("ECL") of trade receivables by making debtor-specific assessment of expected impairment loss for its trade receivables. These assessments required management to use significant judgement and consideration of multiple factors, including the age of the balances, recent payments, outlook of relevant economic environments and any other available information concerning the creditworthiness of each individual debtors. 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 reviewing the ageing profile of the trade receivables, recent payments and reviewing documentary evidence and explanations from management to assess the recoverability, where applicable. In addition, our audit procedures included circularisation of trade receivable confirmations and checking to evidence of receipts from the trade receivables subsequent to the end of the reporting period. We also assessed the adequacy of the disclosures made in the financial statements.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019, 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.

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.

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

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

- 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.

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 corporation 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 Khor Boon Hong.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

30 March 2020

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

Year ended 31 December 2019

	Note	2019 US$	2018 US$
Revenue	4	**15,498,487**	5,748,934
Cost of goods sold		**(9,500,919)**	(4,429,037)
Gross profit		**5,997,568**	1,319,897
Other income	5	**236,914**	480,252
Expenses			
Administrative expenses		**(4,952,396)**	(4,202,876)
Finance costs	6	**(360,694)**	(170,786)
Other expenses	7	**–**	(2,136,536)
Profit/(loss) before tax	8	**921,392**	(4,710,049)
Tax expense	10	**(785,138)**	(122,940)
Profit/(loss) for the financial year		**136,254**	(4,832,989)
Other comprehensive (loss)/income for the financial year, net of tax:			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefits liabilities, net of tax		**(32,030)**	21,376
Total comprehensive income/(loss) for the financial year		**104,224**	(4,811,613)
		Cents	Cents
Earnings/(loss) per share			
Attributable to equity holders of the Company			
- Basic and diluted	11	**0.10**	(4.34)

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2019

		Group		Company	
		2019	2018	**2019**	2018
	Note	**US$**	US$	**US$**	US$
Non-current assets					
Property, plant and equipment	12	**12,329,576**	12,139,203	**70,912**	43,686
Investments in subsidiaries	13	**–**	–	**66,240,886**	50,000,000
Deferred tax assets	14	**240,666**	198,935	**–**	–
Receivables	15	**332,169**	261,046	**1,688,333**	900,000
		12,902,411	12,599,184	**68,000,131**	50,943,686
Current assets					
Inventories	16	**1,249,524**	1,111,459	**–**	–
Receivables and prepayments	15	**11,296,913**	1,308,712	**3,110,349**	2,606,392
Cash and cash equivalents		**63,983**	87,364	**2,243**	8,722
		12,610,420	2,507,535	**3,112,592**	2,615,114
Total assets		**25,512,831**	15,106,719	**71,112,723**	53,558,800
Non-current liabilities					
Liabilities for post-employment benefits	17	**520,644**	246,234	**–**	–
Finance lease liabilities	18	**–**	10,794	**–**	–
Lease liabilities	19	**51,769**	–	**–**	–
Provisions	20	**743,285**	646,202	**–**	–
Borrowings	21	**741,268**	–	**741,268**	–
		2,056,966	903,230	**741,268**	–
Current liabilities					
Payables and accruals	22	**7,922,779**	1,604,905	**499,999**	180,391
Finance lease liabilities	18	**–**	167,895	**–**	–
Lease liabilities	19	**270,445**	–	**40,029**	–
Tax payables		**1,038,801**	102,940	**20,071**	9,270
Borrowings	21	**1,791,867**	–	**1,791,867**	–
		11,023,892	1,875,740	**2,351,966**	189,661
Total liabilities		**13,080,858**	2,778,970	**3,093,234**	189,661
Net assets		**12,431,973**	12,327,749	**68,019,489**	53,369,139
Equity					
Share capital	23	**8,978,815**	8,978,815	**86,386,509**	70,145,623
Accumulated profits/(losses)		**3,453,158**	3,348,934	**(18,367,020)**	(16,776,484)
Total equity		**12,431,973**	12,327,749	**68,019,489**	53,369,139

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENTS OF
CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital US$	Accumulated profits US$	Total equity US$
Group			
Balance at 1 January 2018	1	7,316,253	7,316,254
Loss for the financial year	–	(4,832,989)	(4,832,989)
Other comprehensive income			
Remeasurement of post - employment benefits liabilities	–	21,376	21,376
Total comprehensive loss for the financial year	–	(4,811,613)	(4,811,613)
Loans waived by ultimate holding company	–	844,294	844,294
Issue of shares pursuant to the reverse acquisition	6,980,324	–	6,980,324
Issue of shares as payment of professional fees	1,998,490	–	1,998,490
Balance at 31 December 2018	8,978,815	3,348,934	12,327,749
Profit for the financial year	–	136,254	136,254
Other comprehensive loss			
Remeasurement of post - employment benefits liabilities	–	(32,030)	(32,030)
Total comprehensive income for the financial year	–	104,224	104,224
Balance at 31 December 2019	**8,978,815**	**3,453,158**	**12,431,973**

	Share capital US$	Translation reserve US$	Accumulated losses US$	Total equity US$
Company				
Balance at 1 January 2018	17,091,937	681,987	(9,035,310)	8,738,614
Loss for the financial year	–	–	(7,217,665)	(7,217,665)
Other comprehensive loss				
Currency translation differences arising from reverse acquisition	–	(150,300)	–	(150,300)
Total comprehensive loss for the financial year	–	(150,300)	(7,217,665)	(7,367,965)
Issue of shares pursuant to the reverse acquisition	50,000,000	–	–	50,000,000
Issue of shares as payment of professional fees	1,998,490	–	–	1,998,490
Effect of change in functional currency	1,055,196	(531,687)	(523,509)	–
Balance at 31 December 2018	70,145,623	–	(16,776,484)	53,369,139
Loss and total comprehensive loss for the financial year	–	–	(1,590,536)	(1,590,536)
Issue of shares pursuant to earn-out consideration shares	16,240,886	–	–	16,240,886
Balance at 31 December 2019	**86,386,509**	**–**	**(18,367,020)**	**68,019,489**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

Year ended 31 December 2019

	Group	
	2019	2018
	US$	US$
Cash flows from operating activities		
Profit/(loss) before tax	**921,392**	(4,710,049)
Adjustments for:		
Acquisition costs arising from reverse acquisition	**–**	3,385
Amortisation of discount on provision for assets retirement obligations (Note 6)	**12,509**	12,405
Cost of professional fees paid in shares	**–**	1,998,490
Depreciation of property, plant and equipment (Note 12)	**1,012,633**	681,465
Gain on disposal of property, plant and equipment (Note 5)	**(19,319)**	–
Interest income	**(7,760)**	(9,265)
Interest expense	**348,185**	158,381
Post-employment benefits (Note 17)	**221,430**	124,920
Provision for mine reclamation and rehabilitation (Note 20)	**56,477**	15,212
Unrealised foreign exchange loss/(gain)	**79,715**	(44,830)
Waiver of interest by a third party	**–**	(52,432)
Waiver of interest by ultimate holding company	**–**	(129,088)
Operating cash flow before working capital changes	**2,625,262**	(1,951,406)
Changes in operating assets and liabilities		
Inventories	**(138,065)**	(273,821)
Receivables and prepayments	**(9,965,606)**	(668,751)
Payables and accruals	**5,622,840**	(97,574)
Cash used in operations	**(1,855,569)**	(2,991,552)
Interest received	**7,760**	9,265
Taxes paid	**(60,413)**	(136,588)
Net cash used in operating activities	**(1,908,222)**	(3,118,875)
Cash flows from investing activities		
Deposit for investment to a related party	**(84,937)**	–
Net payment on behalf to a related party	**(5,612)**	–
Net proceeds from reverse acquisition	**–**	8,978,179
Net proceeds from disposal of property, plant and equipment	**70,771**	–
Purchases of property, plant and equipment (Note 12(c))	**(765,250)**	(1,469,931)
Net cash (used in)/generated from investing activities	**(785,028)**	7,508,248

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF
CASH FLOWS

Year ended 31 December 2019

	Group	
	2019	2018
	US$	US$
Cash flows from financing activities		
Interest paid	**(298,297)**	(438,133)
Net advances from directors	**–**	2,198
Repayment of advances from directors	**(2,198)**	–
Net payment on behalf of ultimate holding company	**–**	(60,494)
Loans received from third parties	**4,611,096**	–
Loan repayment to a third party	**(2,170,116)**	(3,621,686)
Net advances from related parties	**54,684**	–
Net advances from ultimate holding company	**30,870**	–
Repayment of lease liabilities (Note 19)	**(359,196)**	(256,358)
Repayment of advances from third party	**(518)**	(457,364)
Advances received from third party	**800,000**	457,882
Net cash generated from/(used in) financing activities	**2,666,325**	(4,373,955)
Net (decrease)/increase in cash and cash equivalents	**(26,925)**	15,418
Cash and cash equivalents at beginning of financial year	**87,364**	77,157
Effect of exchange rate changes on cash and cash equivalents	**3,544**	(5,211)
Cash and cash equivalents at end of financial year	**63,983**	87,364

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

The accompanying notes form an integral part of these consolidated financial statements.

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 "SGX-ST").

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 13.

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"), have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and 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, trade and other current receivable and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards

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 except as disclosed below.

SFRS(I) 16 Leases

<u>When the Group is the lessee</u>

SFRS(I) 16 replaces the existing SFRS(I) 1-17: Leases for the financial period beginning 1 January 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability.

2 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 16 Leases (cont'd)

When the Group is the lessee (cont'd)

The Group has adopted and applied SFRS(I) 16 at the date of initial application on 1 January 2019 using the modified transition approach and has not restated the comparatives for 2018 reporting year.

On adoption of SFRS(I) 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as "Operating Leases" under SFRS(I) 1-17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

	Group 2019 US$	Company 2019 US$
Operating lease commitments disclosed as at 31 December 2018	92,271	92,271
Discounted using the weighted average lessee's incremental borrowing rate	(2,778)	(2,778)
Add: finance lease liabilities recognised as at 31 December 2018	178,689	–
Lease liabilities recognised as at 1 January 2019	268,182	89,493

The associated right-of-use assets were measured at the amount equal to the lease liability (adjusted for any prepaid or accrued lease payment) on date of initial adoption. The right-of use assets are presented within "property, plant and equipment" in the statements of financial position.

The effect of adoption of SFRS(I) 16 on the Group's and the Company's financial statements on 1 January 2019 are summarised as follows:

	Increase/(decrease)	
	Group 2019 US$	Company 2019 US$
Property, plant and equipment	89,493	89,493
Finance lease liabilities	(178,689)	–
Lease liabilities	268,182	89,493

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases; and
- exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application.

When the Group is the lessor

There are no material changes to accounting by the Group as a lessor.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 December 2019 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.

2 Summary of significant accounting policies (cont'd)

(b) Business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. 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.

Reverse acquisition

The acquisition of FE Resources Pte. Ltd. ("FE Resources") and its subsidiaries (collectively, the "Target Group") was accounted for as a reverse takeover or reverse acquisition for accounting purposes as the shareholders of the Target Group became the controlling shareholders of the Company upon completion of the acquisition in the previous financial year. The consolidated financial statements in the previous financial year represent a continuation of the financial position, performance and cash flows of the Target Group. Accordingly, the consolidated financial statements in the previous financial year were prepared on the following basis:

(a) the assets and liabilities of the Target Group were recognised and measured in the consolidated statement of financial position at its pre-acquisition carrying amount;

(b) the assets and liabilities of the Company were recognised and measured in the consolidated statement of financial position of the Group at their acquisition date fair value;

(c) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the Target Group immediately before the reverse acquisition;

(d) the amount recognised as issued equity interest in the consolidated financial statements were determined by adding the issued equity of FE Resources immediately before the business combination to the fair value of the shares issued by the Company pursuant to the reverse acquisition. However, the equity structure appearing in the consolidated financial statements shall reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the legal parent to effect the reverse acquisition; and

(e) the consolidated statement of comprehensive income for the corresponding period reflected that of the Target Group acquired pursuant to the reverse acquisition for the full year together with the post-acquisition results of the Company.

Business combination under common control

Business combinations involving entities or businesses under common control are accounted for by applying the pooling of interest method which involves the following:

- assets and liabilities are reflected at their existing carrying amounts;
- no amount is recognised for goodwill;
- prior to the issue of shares by the Company in connection with the reverse acquisition, the aggregate paid-up capital and accumulated profits of the subsidiary held directly by the Company is shown as the Group's share capital and accumulated profits for financial periods under review; and
- any difference between the consideration paid by the Company and the net identifiable assets of the subsidiary is recognised in the consolidated statement of comprehensive income as acquisition costs arising from the reverse acquisition.

Other acquisition

All other business combinations are accounted for using acquisition method. The consideration transferred for the acquisition of a subsidiary or business 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.

2 Summary of significant accounting policies (cont'd)

(b) Business combinations (cont'd)

Other acquisition (cont'd)

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 from bargain purchase in profit or loss on the date of acquisition.

(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, investments 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 investments are recognised in profit or loss.

(d) Revenue recognition

Sales of nickel ore

Revenue from sales of nickel ore is recognised at the point when the goods are delivered to the customer. 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.

Interest income

Interest income is recognised using the effective interest method.

Rental income

Lease payments from operating leases are recognised on a straight-line basis over the lease term.

(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 accounting policy for leases before 1 January 2019 is as follows:

When a Group entity is the lessee:

Finance leases

Leases of property, plant and equipment in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is taken to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset as the lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a Group entity is the lessor:

Operating leases

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2 Summary of significant accounting policies (cont'd)

(f) Leases (cont'd)

The accounting policy for leases after 1 January 2019 is as follows:

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 liability is 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 liability 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.

The lease liability is presented as a separate line in the statements of financial position.

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

The Group remeasures the lease liability (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 liability, 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. 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 period of the lease term and useful life of the underlying asset.

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 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(k).

2 Summary of significant accounting policies (cont'd)

(f) Leases (cont'd)

The accounting policy for leases after 1 January 2019 is as follows (cont'd):

When a Group entity is the lessor:

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(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).

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 income 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 income tax is provided on temporary differences arising on investments 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.

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 - 2.25
Buildings and infrastructure	20
Vehicles	4 - 8
Machineries	8
Office equipment	3 - 8
Heavy equipment	8 - 16
Lab equipment	4
Renovation	3

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.

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.

2 Summary of significant accounting policies (cont'd)

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

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 exits, 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 sales amount in the ordinary course of business, less the estimated costs of completion and selling expenses.

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.

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.

2 Summary of significant accounting policies (cont'd)

(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 trade and other receivables (excluding prepayments). 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.

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.

2 Summary of significant accounting policies (cont'd)

(m) Financial assets (cont'd)

Impairment (cont'd)

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, accruals and lease liabilities. Financial liabilities are recognised on the consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

(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.

(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 and the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2 Summary of significant accounting policies (cont'd)

(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.

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in the preceding paragraphs).

Going concern assumption

During the financial year, the Group recorded a net cash outflow of US$1,908,222 (2018: US$3,118,875) from its operating activities, which was mainly financed by loans from third parties. During the financial year, the Company incurred a net loss of US$1,590,536 (2018: US$7,217,665).

The directors of the Company have assessed and are satisfied that the Group and the Company will be able to generate sufficient cash flows from the continued mining operations and obtain additional funding in order to enable the Group and the Company to pay their debts as and when they fall due, after considering the mine plan, management's cash flow forecast and the available loan facility.

As at 31 December 2019, the Group has available loan facility of approximately US$6.6 million (equivalent to IDR 90 billion), which has not been utilised as of the reporting date (Note 27(b)).

In view of the above, the directors have determined that it is appropriate for the financial statements of the Group and the Company to be prepared on going concern basis.

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

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 investments 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. Fair value less cost to sell calculation is based on observable market prices or market valuations less incremental costs for disposing asset. 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.

When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on the forecasted performance of the subsidiary. The carrying amount of the Company's investment in subsidiaries at the end of the reporting period is disclosed in Note 13.

(b) Calculation of loss allowance

When measuring ECL, the Group and Company use reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. 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.

For trade receivables, the Group and the Company incorporated information and current conditions of each individual debtors, including the age of the balances, recent payments, outlook of relevant economic environments and any other available information concerning the creditworthiness of customers. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions and requires management to use judgement and consideration of multiple factors. The Group's 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 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 receivables, loan to a subsidiary and amount due from a subsidiary. Details of ECL measurement and carrying value of trade receivables, loan to a subsidiary and amount due from a subsidiary at reporting date are disclosed in Note 15 and Note 27(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.

Asset 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 20.

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

(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 12.

(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.

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 12.

(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$240,666 (2018: US$ 198,935). The carrying amounts of the Group's and the Company's tax payables at the end of the reporting period are US$1,038,801 (2018: US$ 102,940) and US$ 20,071 (2018: US$ 9,270) respectively.

4 Revenue

	Group	
	2019	2018
	US$	US$
Sales of nickel ore	**15,498,487**	5,748,934

The revenue is solely derived from Indonesia. The revenue is recognised at a point in time when the Group transfers control of the goods.

5 Other income

	Group	
	2019	2018
	US$	US$
Gain on disposal of property, plant and equipment	**19,319**	–
Gain on foreign currency exchange, net	**–**	58,357
Interest income	**7,760**	9,265
Rental income	**193,986**	231,049
Waiver of interest by ultimate holding company	**–**	129,088
Waiver of interest by a third party	**–**	52,432
Others	**15,849**	61
	236,914	480,252

6 Finance costs

	Group	
	2019	2018
	US$	US$
Amortisation of discount on provision for assets retirement obligations (Note 20)	**12,509**	12,405
Interest expenses on:		
- loans	**297,520**	90,037
- lease liabilities	**48,389**	68,344
- others	**2,276**	–
	360,694	170,786

7 Other expenses

	Group	
	2019	2018
	US$	US$
Professional fees incurred in relation to reverse acquisition	**–**	2,133,151
Acquisition cost arising from reverse acquisition	**–**	3,385
	–	2,136,536

8 Profit/(loss) before tax

	Group	
	2019	2018
	US$	US$
This is arrived at after charging/(crediting):		
Included in cost of goods sold:		
Changes in inventories	**(138,065)**	(273,821)
Depreciation of property, plant and equipment	**742,820**	651,263
Fuel expenses	**43,486**	55,294
Mining contractor charges	**5,604,133**	2,171,609
Provision for mine reclamation and rehabilitation (Note 20)	**56,477**	15,212
Rental of equipment and vehicles	**16,603**	27,766
Royalty fees	**1,043,885**	244,332
Staff costs	**410,527**	285,781
Transportation and port clearance expenses	**803,227**	796,412
Included in administrative expenses:		
Claims and penalties	**152,187**	324,132
Directors' fee	**140,597**	48,608
Depreciation of property, plant and equipment	**269,813**	30,202
Loss on foreign currency exchange, net	**158,011**	–
Professional fees	**711,234**	890,843
Audit fees paid/payable to:		
- Auditor of the Company	**99,412**	87,783
- Other auditors of the Group*	**22,851**	9,975
Non-audit fees:		
- Auditor of the Company	**–**	–
- Other auditors of the Group*	**–**	–
Rental of office premises and vehicles	**104,600**	234,139
Staff costs	**1,352,913**	1,299,104
Travelling expenses	**214,259**	285,392

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

9 Staff costs

	Group 2019 US$	Group 2018 US$
Directors of the Company:		
- Salaries and related costs	**374,123**	259,185
- Contribution to defined contribution plans	**10,301**	7,496
Other key management personnel (non-directors):		
- Salaries and related costs	**204,845**	222,297
- Contribution to defined contribution plans	**11,321**	16,255
Total key management personnel compensation	**600,590**	505,233
Other personnel:		
- Salaries and related costs	**922,974**	941,511
- Contribution to defined contribution plans	**18,446**	13,221
- Post-employment benefits (Note 17)	**221,430**	124,920
	1,763,440	1,584,885

10 Tax expense

	Group 2019 US$	Group 2018 US$
Tax expense attributable to profit/(loss) is made up of:		
Current income tax	**788,930**	1,812
Adjustment to prior years' tax	**–**	47,651
Withholding tax	**27,263**	4,456
	816,193	53,919
Deferred tax (Note 14):		
- current year	**(31,055)**	69,021
	785,138	122,940

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 2019 US$	Group 2018 US$
Profit/(loss) before tax	**921,392**	(4,710,049)
Tax calculated at domestic rate applicable to profit/(loss) in the countries in which the Group entities operate	**355,502**	(934,006)
Expenses not deductible for tax purposes	**404,313**	1,006,849
Under recognition of income tax in prior years	–	47,651
Income not subject to tax	**(1,940)**	(2,010)
Others	**27,263**	4,456
	785,138	122,940

The corporate income tax rates applicable to the Company is 17% (2018: 17%). The corporate income tax rate applicable to the subsidiaries in Indonesia is 25% (2018: 25%).

11 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.

Diluted 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 plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

For the previous financial year ended 31 December 2018, the weighted average number of ordinary shares was calculated based on:

(a) the number of ordinary shares outstanding from the beginning of the financial year, up to the reverse acquisition date was computed based on the weighted average number of ordinary shares of FE Resources outstanding during the financial period multiplied by the exchange ratio established in the sale and purchase agreement; and

(b) the number of ordinary shares outstanding from the reverse acquisition date, up to the end of the reporting period was the actual number of ordinary shares of the Company outstanding during the financial period.

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

	Group	
	2019	2018
	US$	US$
Net profit/(loss) attributable to equity owners of the Company	**136,254**	(4,832,989)
	Number of ordinary shares	
	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**142,167,897**	111,233,821
Basic and diluted earnings/(loss) per share (cents)	**0.10**	(4.34)

As at 31 December 2019, diluted earnings per share is similar to basic earnings per share as there were no dilutive potential ordinary shares.

As at 31 December 2018, there was no difference between the basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

12 Property, plant and equipment

	Office premises	Mining properties	Buildings and infrastructure	Vehicles	Machineries	Office equipment	Heavy equipment	Lab equipment	Renovation	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Group										
Cost										
At 1 January 2018	–	3,231,268	8,966,413	187,857	70,699	205,991	1,444,892	79,624	–	14,186,744
Additions for the year	–	–	1,307,519	–	–	29,242	331,505	1,077	21,667	1,691,010
At 31 December 2018	–	3,231,268	10,273,932	187,857	70,699	235,233	1,776,397	80,701	21,667	15,877,754
Recognition of right- of-use asset on initial application of SFRS(I) 16	89,493	–	–	–	–	–	–	–	–	89,493
At 1 January 2019, restated	89,493	3,231,268	10,273,932	187,857	70,699	235,233	1,776,397	80,701	21,667	15,967,247
Additions for the year	399,715	–	687,938	–	–	77,312	–	–	–	1,164,965
Disposals for the year	–	–	–	–	–	–	(72,638)	–	–	(72,638)
At 31 December 2019	489,208	3,231,268	10,961,870	187,857	70,699	312,545	1,703,759	80,701	21,667	17,059,574
Accumulated depreciation										
At 1 January 2018	–	227,587	2,126,268	51,469	45,302	191,736	378,928	35,796	–	3,057,086
Depreciation charge	–	31,955	476,706	20,201	6,226	8,561	114,910	21,112	1,794	681,465
At 31 December 2018	–	259,542	2,602,974	71,670	51,528	200,297	493,838	56,908	1,794	3,738,551
Depreciation charge	215,943	68,842	507,939	22,224	5,790	24,847	137,728	22,097	7,223	1,012,633
Disposals for the year	–	–	–	–	–	–	(21,186)	–	–	(21,186)
At 31 December 2019	215,943	328,384	3,110,913	93,894	57,318	225,144	610,380	79,005	9,017	4,729,998
Net carrying value										
At 31 December 2018	–	2,971,726	7,670,958	116,187	19,171	34,936	1,282,559	23,793	19,873	12,139,203
At 31 December 2019	**273,265**	**2,902,884**	**7,850,957**	**93,963**	**13,381**	**87,401**	**1,093,379**	**1,696**	**12,650**	**12,329,576**

12 Property, plant and equipment (cont'd)

	Office premises US$	Office equipment US$	Renovation US$	Total US$
Company				
Cost				
At 1 January 2018 and 31 December 2018	–	25,923	21,667	47,590
Recognition of right-of-use on initial application of SFRS(I) 16	89,493	–	–	89,493
At 1 January 2019, restated	89,493	25,923	21,667	137,083
Additions for the year	–	5,438	–	5,438
At 31 December 2019	**89,493**	**31,361**	**21,667**	**142,521**
Accumulated depreciation				
At 1 January 2018 and 31 December 2018	–	2,110	1,794	3,904
Depreciation charge	51,139	9,343	7,223	67,705
At 31 December 2019	**51,139**	**11,453**	**9,017**	**71,609**
Net carrying value				
At 31 December 2018	–	23,813	19,873	43,686
At 31 December 2019	**38,354**	**19,908**	**12,650**	**70,912**

(a) Included in property, plant and equipment of the Group and Company are right-of-use assets of US$759,344 (1.1.2019: $714,608) (Note 19) and US$38,354 (1.1.2019: US$89,493) (Note 19) respectively.

(b) At 31 December 2018, the net carrying values of plant and equipment of the Group acquired under finance lease agreements (classified as finance lease under SFRS(I) 1-17) amounted to US$625,115.

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

	Group 2019 US$	Group 2018 US$
Cash outflow on acquisition	**765,250**	1,469,931
Acquisition under finance leases	**–**	221,079
Acquisition to right-of-use assets	**399,715**	–
	1,164,965	1,691,010

13 Investment in subsidiaries

	Company 2019 US$	Company 2018 US$
Unquoted equity shares, at cost		
Balance at beginning of financial year	**50,000,000**	–
Acquisition during financial year arising from the reverse acquisition	**–**	50,000,000
Earn-out consideration shares (Note 23)	**16,240,886**	–
Balance at end of financial year	**66,240,886**	50,000,000

13 Investment in subsidiaries (cont'd)

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

Name of subsidiary		Effective ownership interests held by the Group	
(Country of incorporation)	Principal activities	2019 %	2018 %
FE Resources Pte. Ltd. (2) (Singapore) ("FER")	Investment holding	**100**	100
Subsidiary held by FER			
PT Anugrah Tambang Sejahtera (1) (Indonesia) ("ATS")	Investment holding	**100***	100*
Subsidiary held by ATS			
PT Teknik Alum Service (1) (Indonesia) ("TAS")	Mining of nickel ore	**100#**	100#

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

(2) Audited by Baker Tilly TFW LLP.

* 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.

\# 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.

14 Deferred tax assets

The movement in the deferred tax assets are as follows:

	Group	
	2019	2018
	US$	US$
At beginning of the financial year	**198,935**	275,081
Tax credit/(charge) to profit or loss (Note 10)	**31,055**	(69,021)
Tax credit/(charge) to other comprehensive loss (Note 17)	**10,676**	(7,125)
	240,666	198,935

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

	Group	
	2019	2018
	US$	US$
Liabilities for post-employment benefits	**130,161**	61,558
Accelerated accounting depreciation for property, plant and equipment	**(68,728)**	(17,001)
Provisions	**179,233**	154,378
	240,666	198,935

At 31 December 2019, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is US$11.0 million (2018: US$9.0 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.

15 Receivables and prepayments

	Group		Company	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
Current				
Trade receivables	**10,314,775**	645,412	**–**	–
Other receivables				
- third parties	**22,516**	16,199	**–**	–
- a subsidiary	**–**	–	**72,647**	60,553
- related party	**5,612**	–	**–**	–
- directors	**143,690**	–	**–**	–
- ultimate holding company	**23,992**	33,134	**–**	9,292
Loan to a subsidiary – Loan A	**–**	–	**3,019,166**	2,517,326
Deposits	**13,891**	14,170	**13,891**	14,170
Deposit for investment to a related party	**190,883**	–	**–**	–
Prepayments	**498,079**	517,741	**4,645**	5,051
Tax recoverable	**83,475**	82,056	**–**	–
	11,296,913	1,308,712	**3,110,349**	2,606,392
Non-current				
Preservation deposits	**332,169**	261,046	**–**	–
Loan to a subsidiary				
- Loan A	**–**	–	**–**	900,000
Loan to a subsidiary				
- Loan B	**–**	–	**1,688,333**	–
	332,169	261,046	**1,688,333**	900,000

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

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

Loan to a subsidiary

(a) Loan A is unsecured, bears interest at 6% (2018: 6%) per annum and is to be repaid through monthly instalment of US$200,000 from December 2018 to May 2020. The carrying amount of the loan approximates its fair value at the end of the reporting period.

(b) Loan B is unsecured, bears interest at 6% (2018: Nil) per annum and repayable in full on 13 November 2021. 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 2019 amounting to US$332,169 (2018: US$261,046) are placed in fixed deposits as security deposits for mine reclamation purposes. The fixed deposits are refundable and bear interest at 3% to 6% (2018: 3% to 6%) per annum at the end of the reporting period.

Deposit for investment to a related party

The amount relates to deposit for investment by a subsidiary to a related party, PT Anugrah Tambang Smelter for the development of smelter plant. Included in this deposit is an amount of US$105,946 which was reclassified from prepayment made in the previous financial year. The amount is unsecured, interest-free and refundable.

16 Inventories

	Group	
	2019	2018
	US$	US$
Nickel ore	**1,155,132**	1,021,845
Fuel	**5,292**	6,166
Spare parts	**89,100**	83,448
	1,249,524	1,111,459
Consolidated Statement of Comprehensive Income		
Inventories recognised as an expense in cost of goods sold	**7,333,618**	3,314,199

17 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	
	2019	2018
	US$	US$
Normal retirement age	55 years	55 years
Salary increment rate per annum per annum	10%	10%
Discount rate per annum annum	7.90%	8.30%
Mortality rate	TMI - 2011	TMI - 2011
Disability level	5% of TMI - 2011	5% of TMI - 2011
Resignation level per annum 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$46,685 (2018: US$24,167) lower, while if the discount rate had been 1 percent lower, the present value of defined benefits obligation would have been US$54,745 (2018: US$28,656) higher.

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

	Group	
	2019	2018
	US$	US$
Present value of defined benefit obligations	**520,644**	246,234
Movements in the account are as follows:		
At beginning of the financial year	**246,234**	160,132
Remeasurement recognised in other comprehensive income, gross of tax	**42,706**	(28,501)
Post-employment benefits expense (Note 9)	**221,430**	124,920
Exchange difference	**10,274**	(10,317)
At end of the financial year	**520,644**	246,234

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

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

	Group	
	2019 US$	2018 US$
Current service cost	**200,218**	114,433
Interest cost on defined benefit obligation	**21,212**	10,487
Post-employment benefits expense	**221,430**	124,920

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	
	2019 US$	2018 US$
At beginning of the financial year	**(21,480)**	7,021
Other comprehensive income	**42,706**	(28,501)
At the end of the financial year	**21,226**	(21,480)

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

	Group	
	2019 US$	2018 US$
Gross amount of remeasurement	**42,706**	(28,501)
Less tax (Note 14)	**(10,676)**	7,125
Amount net of tax	**32,030**	(21,376)

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.

18 Finance lease liabilities

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2(a).

	Group 2018	
	Minimum lease payments US$	Present value US$
Not later than 1 year	179,833	167,895
Later than 1 year but not later than 5 years	10,916	10,794
Total minimum lease payments	190,749	178,689
Less: future finance charges	(12,060)	–
Present value of finance lease liabilities	178,689	178,689

18 Finance lease liabilities (cont'd)

	Group 2018 US$
Represented by:	
Current	167,895
Non-current	10,794
	178,689

In 2018, the finance leases bore an effective rate of interest ranging from 11.36% to 14.50% per annum. The net carrying values of property, plant and equipment acquired under finance lease arrangements are disclosed in Note 12(a).

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

	Group	
	2019 US$	2018 US$
Balance at beginning of financial year	**178,689**	217,324
Adoption of SFRS(I) 16 (Note 19)	**(178,689)**	–
Changes from financing cash flows:		
- Repayments	–	(256,358)
- Interest paid	–	(68,344)
Non-cash changes:		
- Interest expense	–	68,344
- Additions of new leases	–	221,079
- Exchange differences	–	(3,356)
Balance at end of financial year	–	178,689

19 Leases

	Group		Company	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
Current	**270,445**	–	**40,029**	–
Non-current	**51,769**	–	**–**	–
	322,214	–	**40,029**	–

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

	Group
	2019
	US$
Balance at 1 January 2019	**–**
Reclassification from finance lease liabilities on adoption of SFRS(I) 16 (Note 18)	**178,689**
Adoption of SFRS(I) 16	**89,493**
Changes from financing cash flows:	
- Repayments	**(359,196)**
- Interest paid	**(48,389)**
Non-cash changes:	
- Interest expense	**48,389**
- Additions of new leases	**399,715**
- Exchange differences	**13,513**
Balance at 31 December 2019	**322,214**

(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 from non-related parties. The leases have an average tenure of between one to two years.

ii) In addition, the Group leases 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 27(b).

19 Lease (cont'd)

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

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

Carrying amount of right-of-use assets

	Group		Company	
	31.12.2019	1.1.2019	**31.12.2019**	1.1.2019
	US$	US$	**US$**	US$
Classified within property, plant and equipment				
Office premises	**273,265**	89,493	**38,354**	89,493
Vehicles	**26,059**	30,591	**–**	–
Heavy equipment	**460,020**	594,524	**–**	–
	759,344	714,608	**38,354**	89,493

Amounts recognised in profit or loss

	Group
	2019
	US$
Depreciation charge for the year	
Office premises	**215,943**
Vehicles	**4,532**
Heavy equipment	**134,504**
	354,979
Interest expense on lease liabilities	**48,389**
Lease expense not included in the measurement of lease liabilities	
Lease expense - short-term leases	**121,203**

Total cash flow for leases amounted to $528,788.

(b) The Group as a lessor

Nature of the Group's leasing activities

The Group leased out its heavy equipment to third parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from heavy equipment is disclosed in Note 5.

20 Provisions

	Group	
	2019	2018
	US$	US$
Provisions for mine reclamation and rehabilitation	**630,577**	550,214
Provision for assets retirement obligations	**112,708**	95,988
	743,285	646,202

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

	Group	
	2019	2018
	US$	US$
At beginning of the financial year	**550,214**	572,107
Provision for the year changed to profit or loss (Note 8)	**56,477**	15,212
Exchange difference	**23,886**	(37,105)
At the end of the financial year	**630,577**	550,214

Movements in provision for assets retirement obligations are as follows:

	Group	
	2019	2018
	US$	US$
At beginning of the financial year	**95,988**	89,552
Interest accretion charged to profit or loss (Note 6)	**12,509**	12,405
Exchange difference	**4,211**	(5,969)
At the end of the financial year	**112,708**	95,988

21 Borrowings

	Group and Company	
	2019	2018
	US$	US$
Non-current		
Loans from third parties - Loan 1	**741,268**	–
Current		
Loan from third party - Loan 2	**1,791,867**	–
Total	**2,533,135**	–

21 Borrowings (cont'd)

Loan 1

The loans from third parties are unsecured, bear interest at 15.0% per annum and repayable in full on 31 January 2021.

Loan 2

The loan from a third party is unsecured, bears interest at 10.8% per annum and repayable in full on 6 August 2020.

The subsidiary, FE Resources Pte. Ltd. acted as agent to obtain the loans from third parties and provide back-to-back loans to the Company with same interest rate and condition. The loans are covered by corporate guarantees from the Company.

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

	Borrowings	
	2019	2018
	US$	US$
Balance at beginning of financial year	–	–
Changes from financing cash flows:		
- Repayments	**(2,170,116)**	–
- Interest paid	**(247,632)**	–
- Loans received	**4,611,096**	–
Non-cash changes:		
- Interest expense	**297,520**	–
- Exchange differences	**42,267**	–
Balance at end of financial year	**2,533,135**	–

22 Payables and accruals

	Group		Company	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
Current				
Trade payables	**4,269,796**	339,575	–	–
Accrued operating expenses	**2,686,073**	1,259,049	**333,089**	180,391
Other payables	**86,933**	–	**86,933**	–
Amount due to related parties	**54,738**	54	**54,738**	–
Amount due to a director	–	2,198	–	–
Amount due to ultimate holding company	**25,239**	3,511	**25,239**	–
Advances from third party	**800,000**	518	–	–
	7,922,779	1,604,905	**499,999**	180,391

Amounts due to related parties, a director and ultimate holding company

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

22 Payables and accruals (cont'd)

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

	Advances from third party and loans	
	2019	2018
	US$	US$
Balance at beginning of financial year	518	3,989,252
Changes from financing cash flows:		
- Repayments	(518)	(4,079,050)
- Interest paid	–	(369,789)
- Advances received	800,000	457,882
- Payment on behalf	–	(28,783)
Non-cash changes:		
- Transfer of loan resulted from reverse acquisition	–	970,394
- Interest expense	–	90,037
- Exchange differences	–	(3,611)
- Waiver by ultimate holding company	–	(973,382)
- Waiver by a third party	–	(52,432)
Balance at end of financial year	800,000	518

23 Share capital

	2019		2018	
	Number of ordinary shares	US$	Number of ordinary shares	US$
Group				
Balance at beginning of financial year	127,103,447	8,978,815	276,000,000	1
Share consolidation (1)	–	–	(248,400,001)	–
Issuance of consideration shares (3)	–	–	95,793,103	6,980,324
Issuance of arranger shares (4)	–	–	2,772,414	1,500,000
Issuance of ZICO shares (5)	–	–	937,931	498,490
Issuance of earn-out consideration shares (7)	134,110,345	–	–	–
Balance at end of financial year	261,213,792	8,978,815	127,103,447	8,978,815
Company				
Balance at beginning of financial year	127,103,447	70,145,623	276,000,000	17,091,937
Effect of change in functional currency	–	–	–	1,055,196
Share consolidation (1)	–	–	(248,400,001)	–
Issuance of consideration shares (2)	–	–	95,793,103	50,000,000
Issuance of arranger shares (4)	–	–	2,772,414	1,500,000
Issuance of ZICO shares (5)	–	–	937,931	498,490
Issuance of earn-out consideration shares (6)	134,110,345	16,240,886	–	–
Balance at end of financial year	261,213,792	86,386,509	127,103,447	70,145,623

All issued shares are fully paid ordinary shares with no par value.

23 Share capital (cont'd)

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.

(1) On 4th July 2018, the Company consolidated its every ten existing shares into one new consolidated share.

(2) This represented the purchase consideration for the Company's acquisition of the Target Group which was satisfied by the allotment and issuance of 95,793,103 ordinary shares at S$0.725 (equivalent to US$0.522) per share.

(3) This represented the fair value of the consideration transferred in relation to the reverse acquisition. As FE Resources is a private entity, the quoted market price of the Company's shares provided a more reliable basis for measuring the fair value of the share in the Target Group. The consideration transferred was determined using the fair value of the issued equity of the Company before the acquisition, being 27,599,999 consolidated shares at S$0.345 (equivalent to US$0.253) per share which represented the quoted and traded price of the shares as at 1st trading day upon completion of the reverse acquisition.

(4) This represented part payment of the arranger fee to Strategic Advisory & Capital Pte Ltd, in respect of the professional services rendered to the Company in connection to the reverse acquisition.

(5) This represented part payment of the professional fee to ZICO Capital, in respect of the professional services rendered to the Company in connection to the reverse acquisition.

(6) This represents issuance of the earn-out consideration shares to the ultimate holding company, Far East Mining Pte. Ltd. upon fulfilling the conditions for the earn-out amount, which was satisfied by the allotment and issuance of 134,110,345 ordinary shares at S$0.165 (equivalent to US$0.121) per share on 21 November 2019.

(7) The deemed consideration for the reverse acquisition was determined using the fair value of the issued equity of the Company before the reverse acquisition. Therefore, the issuance of the earn-out consideration shares has no impact on the net assets of the Group.

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:

	2019	2018
	US$	US$
<u>With director of the Company</u>		
Expenses recharged by the Group	**143,690**	–
Rental expenses paid to director	**30,582**	50,373
Payments made on behalf by director	**–**	4,808
<u>With ultimate holding company</u>		
Assignment of loan	**–**	2,625,948
Offset of ultimate holding company receivables against payables to the Group	**10,652**	–
Expenses paid on behalf by the Group	**1,360**	341,669
Expenses paid on behalf by the ultimate holding company	**36,013**	1,423
Waiver of loan by ultimate holding company to retained earnings	**–**	844,294
Waiver of interest by ultimate holding company to other income	**–**	129,088
<u>With other related parties</u>		
Deposit for investment to a related party	**84,937**	–
Prepayment to a related party	**–**	105,946
Expenses paid on behalf by the Group	**15,770**	–
Rental expenses paid to a related party	**132,603**	93,840
Offset of related parties receivables against payable to the Group	**10,158**	–
Offset of related parties receivables against payable to a third party	**113,192**	–
Advances from related parties	**18,171**	–
Expenses paid on behalf by related parties	**45,819**	–

24 Significant related party transactionsl (cont'd)

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 Lease commitments - where the Group is a lessee

The Group leases office premises under non-cancellable operating lease agreement. The lease has a tenure of 3 years with varying rates for different period during the lease term.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are as follows:

	Group 2018 US$
Not later than one year	52,726
Later than one year but not later than five years	39,545
	92,271

As disclosed in Note 2(a), the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statements of financial position as at 1 January 2019.

26 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$**	**Singapore** **US$**	**Consolidated** **US$**
Revenue			
31 December 2019			
Total sales to external customer	**15,498,487**	**–**	**15,498,487**
31 December 2018			
Total sales to external customer	5,748,934	–	5,748,934
Non-current assets			
31 December 2019	**12,258,664**	**70,912**	**12,329,576**
31 December 2018	12,095,517	43,686	12,139,203

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

26 Segment information (cont'd)

Information about major customers

Revenue of US$15,498,487 (2018: US$5,748,934) is derived from two (2018: two) external customers who individually contributed 10% or more of the Group's revenue as detailed below:

	Group	
	2019	2018
	US$	US$
Customer 1	**–**	1,530,496
Customer 2	**3,609,488**	4,218,438
Customer 3	**11,888,999**	–
	15,498,487	5,748,934

27 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	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
Financial assets				
Financial assets at amortised costs	**11,111,511**	1,057,325	**4,796,280**	3,510,063
Financial liabilities				
Financial liabilities at amortised costs	**10,778,128**	1,783,594	**3,073,163**	180,391

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.

27 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
2019			
Denominated in	**IDR**	**SGD**	**SGD**
	US$	**US$**	**US$**
Receivables	**10,956,718**	**37,883**	**86,538**
Cash and cash equivalents	**59,640**	**3,235**	**2,243**
	11,016,358	**41,118**	**88,781**
Financial liabilities			
Payables and accruals	**(7,356,853)**	**(506,527)**	**(499,999)**
Lease liabilities	**(282,185)**	**(40,029)**	**(40,029)**
Borrowings	**–**	**(2,533,135)**	**(2,533,135)**
	(7,639,038)	**(3,079,691)**	**(3,073,163)**
Net exposure	**3,377,320**	**(3,038,573)**	**(2,984,382)**
2018			
Receivables	922,776	38,012	74,723
Cash and cash equivalents	77,365	8,722	8,722
	1,000,141	46,734	83,445
Financial liabilities			
Payables and accruals	(1,407,532)	(188,973)	(171,991)
Finance lease liabilities	(178,689)	–	–
	(1,586,221)	(188,973)	(171,991)
Net exposure	(586,080)	(142,239)	(88,546)

The following table demonstrates the sensitivity to a reasonably possible change in the IDR, SGD and AUD 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 after tax		Increase/(decrease) in loss after tax	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
IDR/USD				
- Strengthened 5% (2018: 5%)	**126,650**	(21,978)	**–**	–
- Weakened 5% (2018: 5%)	**(126,650)**	21,978	**–**	–
SGD/USD				
- Strengthened 5% (2018: 5%)	**(126,101)**	(5,903)	**123,852**	3,675
- Weakened 5% (2018: 5%)	**126,101**	5,903	**(123,852)**	(3,675)

27 Financial instruments (cont'd)

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

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 income and operating cash flows are substantially independent on changes in market interest rates as the Group and the Company has no significant interest-bearing assets and liabilities, except for lease liabilities (Note 19) and certain receivables and prepayments (Note 15).

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 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.

27 Financial instruments (cont'd)

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

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

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;

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; 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.

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 information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group) as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables are generally not recoverable.

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.

The Group's trade receivables comprise 2 debtors (2018: 2 debtors) that represented 100% of the trade receivables.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statement of financial position.

27 Financial instruments (cont'd)

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

Credit risk (cont'd)

Estimation techniques and significant assumptions (cont'd)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2019	2018
	US$	US$
By geographical areas		
Indonesia	**10,314,775**	645,412
By type of customers		
Third parties	**10,314,775**	645,412

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 payments, outlook of relevant economic environments and any other available information concerning the creditworthiness of each individual debtor.

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 two customers during the financial year. The Group assesses that the credit risk exposure is low as there is no expected credit loss for current year's trade receivables hence the gross trade receivables.

Other financial assets at amortised cost

Other financial assets at amortised costs include cash and cash equivalents, loan to a subsidiary and other receivables. The credit quality of the loan to a subsidiary is 12-month ECL. The credit loss for cash and cash equivalents, loan to a subsidiary and other receivables is immaterial as at 31 December 2019 and 31 December 2018.

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 flexibility through the use of stand-by credit facilities.

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 liquidity position and the liquidity risk management approach as described in Note 3, 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.

On 8 November 2019, PT TAS entered into offtake financing agreement with a third party to revise the loan facility from IDR40 billion (approximately US$2.8 million) to IDR90 billion (approximately US$6.6 million). The loan is secured on certain assets of a family member of the Company's director, bears interest at 7.5% per annum and repayable in the 13th month from the date of drawdown of the funding. PT TAS has the option to extend the repayment period by another 12 months, if required.

27 Financial instruments (cont'd)

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

Liquidity risk (cont'd)

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

	On demand or within 1 year	Within 2 to 5 years	Total
	US$	US$	US$
Group			
At 31 December 2019			
Payables and accruals	7,922,779	–	7,922,779
Lease liabilities	284,728	53,153	337,881
Borrowings	1,883,078	880,258	2,763,336
	10,090,585	933,411	11,023,996
At 31 December 2018			
Payables and accruals	1,604,905	–	1,604,905
Finance lease liabilities	179,833	10,916	190,749
	1,784,738	10,916	1,795,654
Company			
At 31 December 2019			
Payables and accruals	499,999	–	499,999
Lease liabilities	41,332	–	41,332
Borrowings	1,883,078	880,258	2,763,336
	2,424,409	880,258	3,304,667
At 31 December 2018			
Payables and accruals	180,391	–	180,391

28 Fair values of assets and liabilities

The carrying amounts of financial assets and liabilities (except for non-current receivables, non-current finance lease liabilities and non-current payables) of the Group and the Company are reasonable approximation of their fair values due to relatively short-term maturity of these financial instruments.

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 lease liabilities and borrowings 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 effective interest rates of the Group's existing lease liabilities. This fair value measurement for disclosure purposes is categorised in Level 3 of the fair value hierarchy.

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 2019 and 31 December 2018.

30 Subsequent events

Following the travel restrictions announced by the Indonesia Government due to the emergence of COVID-19 since early 2020, it has brought about uncertainties to the Group's production and has impacted the Group's financial position subsequent to the financial year end due to the absence of Chinese workers. The Group is cognizant of the challenges posed by these developing events and the potential impact they have on our business sector. The Group will continuously assess the situation, work closely with the local authorities in China to support their efforts in containing the spread of COVID-19, and put in place measures to minimise impact to our business. As the situation is still evolving, the full effect of the outbreak is subject to uncertainty and could not be ascertained yet.

31 Authorisation of financial statements

The financial statements of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors dated 30 March 2020.

APPENDIX 7F TO
THE CATALIST RULES

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

Name of Director	Mr. Eddy Pramoto	Mr. Omri Samosir
Date of first appointment	5 July 2018	5 July 2018
Date of last re-appointment (if applicable)	N/A	N/A
Age	66	67
Country of principal residence	Indonesia	Indonesia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Eddy Pramoto as an Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Eddy Pramoto's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Omri Samosir as an Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Omri Samosir'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	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Independent Chairman, Chairman of the NC and a member of the AC and the RC	Independent Director, Chairman of the RC and a member of the AC and the NC
Professional qualifications	Doctorate in International Law	Bachelor of Engineering in Mining Engineering
Working experience and occupation(s) during the past 10 years	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 2006 to 2009: Director General of Law and International Treaties Affairs	2009 to Present: PT Kopa Mitra Tijari – Director 2016 to 2019: PT Geo Invention Indonesia – Commissioner 2013 to 2015: PT Bintang Smelter Indonesia – Executive Advisor 2012 to 2013: PT Ifishdeco – Executive Advisor 2010 to 2012: PT Pan China International – Executive Advisor 2007 to 2009: PT Renown Resources – President Commissioner 2003 to 2010: PT Benchaario – President Director 2003 to 2010: PT Cibadak Pramata – Director
Shareholding interest in the listed issuer and its subsidiaries	No	No
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	Nil
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

Name of Director		Mr. Eddy Pramoto	Mr. Omri Samosir
Other Principal Commitments* Including Directorships# *** "Principal Commitments" has the same meaning as defined in the Code.** **# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)**			
Past (for the last 5 years)		PT Titik Mitra Dirgantara (Commissioner)	PT Geo Invention Indonesia (Commissioner)
Present		PT Bino Artomas(Commissioner) PT Anugrah Triniti Properti (Commissioner)	PT Kopa Mitra Tijari (Director)
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
(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

Name of Director	Mr. Eddy Pramoto	Mr. Omri Samosir
(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
(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 Pramoto	Mr. Omri Samosir
(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.	Yes. Mr. Eddy Pramoto is currently a Director of the Company.	Yes. Mr. Omri Samosir is currently a Director of the Company.
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 31 March 2020

DISTRIBUTION OF SHAREHOLDERS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	6	0.58	249	0.00
100 - 1,000	335	32.49	221,420	0.08
1,001 - 10,000	523	50.73	2,212,150	0.85
10,001 - 1,000,000	161	15.62	11,412,104	4.37
1,000,001 AND ABOVE	6	0.58	247,367,869	94.70
	1,031	100.00	261,213,792	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	UOB KAY HIAN PTE. LTD.	175,086,554	67.03
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	56,257,465	21.54
3	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,784,280	3.36
4	DBS NOMINEES PTE. LTD.	4,547,560	1.74
5	TAN CHONG JIN	1,416,900	0.54
6	RAFFLES NOMINEES PTE. LTD.	1,275,110	0.49
7	TAN KIM SENG	772,500	0.30
8	UNITED OVERSEAS BANK NOMINEES PTE. LTD.	626,000	0.24
9	LIM ENG HOE	556,410	0.21
10	STRATEGIC ADVISORY AND CAPITAL PTE. LTD.	527,714	0.20
11	CITIBANK NOMINEES SPORE PTE. LTD.	451,600	0.17
12	NG SOON KAI	450,000	0.17
13	SONG KIM HUAT	400,000	0.15
14	OCBC SECURITIES PTE. LTD.	380,990	0.15
15	GHIRARDELLO LUIGI FORTUNATO	361,800	0.14
16	PHILLIP SECURITIES PTE. LTD.	329,200	0.13
17	YAP THIAM JOO	321,370	0.12
18	LEE KIM LEONG STEVEN (LI JINLIANG)	200,000	0.08
19	LEE PUAY CHIN	200,000	0.08
20	CHUA SOH HAR	192,000	0.07
	TOTAL:	253,137,453	96.91

STATISTICS OF **SHAREHOLDINGS**

As at 31 March 2020

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)
NUMBER OF TREASURY SHARES	:	NIL
NUMBER OF SUBSIDIARY HOLDINGS	:	NIL

SUBSTANTIAL SHAREHOLDERS

(As per the Company's Register of Substantial Shareholders as at 31 March 2020)

	DIRECT INTEREST		DEEMED INTEREST	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Far East Mining Pte. Ltd.	192,311,555	73.6	–	–
Hong Kah Ing	–	–	192,311,555[1]	73.6
Syed Abdel Nasser Bin Syed Hassan Aljunied	–	–	192,311,555[2]	73.6

Notes:

(1) Mr Hong owns 72.5% 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.

(2) Mr Aljunied owns 27.5% 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 Mining Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act.

PERCENTAGE OF SHAREHOLDINGS HELD IN PUBLIC HANDS

Based on the information available to the Company as at 31 March 2020 and to the best knowledge of the Directors of the Company, approximately 23.2% 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.

PROPOSED
RESOLUTIONS

For Forthcoming Annual General Meeting

As announced by the Company on 26 March 2020, the Annual General Meeting ("**AGM**") of the Company for the financial year ended 31 December 2019 ("**FY2019**") has been postponed and will be convened on or before 29 June 2020. Accordingly, this Annual Report is not accompanied by the Notice of AGM and the Proxy Form. The Notice of AGM, together with the Proxy Form and any relevant supporting documents, will be sent to shareholders of the Company at a later date. Shareholders are advised to refer to further announcement(s) to be made by the Company via SGXNet.

Following are the proposed resolutions to be voted/passed at the AGM of the Company for FY2019.

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2019, together with the Auditor's Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$192,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears [2019: S$192,000]. **(Resolution 2)**

3. To re-elect Mr. Eddy Pratomo and Mr. Omri Samosir who are retiring under Article 103 of the Constitution of the Company, and who, being eligible, offer themselves for re-election, as Directors of the Company.

   (i) Mr. Eddy Pratomo **(Resolution 3)**
   [See Explanatory Note 1]

   (ii) Mr. Omri Samosir **(Resolution 4)**
   [See Explanatory Note 2]

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

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

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolution (with or without amendments):

6. **Authority to allot and issue shares in the capital of the Company**

   That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors of the Company may in their absolute discretion deem fit, 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 that might or would require shares to be issued or other transferable rights to subscribe for or purchase of shares (collectively, "**Instruments**"), 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 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 the resolution was in force,

   provided always that:

   (1) 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 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings), 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 does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings), and for the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings), as calculated in accordance with sub-paragraph (2) below);

(2) (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 (1) above, the percentage of issued shares will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this resolution, after adjusting for:

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

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

Adjustments in accordance with sub-paragraph 2(a) or sub-paragraph 2(b) 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.

(3) 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

(4) such authority shall, unless revoked or varied by the Company at a general meeting, 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 Instrument. **(Resolution 6)**

[See Explanatory Note 3]

Explanatory Notes:

1. Mr. Eddy Pratomo will, upon re-election as a Director of the Company, remain as the Independent Chairman of the Board, Chairman of the Nominating Committee of the Company, as well as a member of the Audit and Risk Committee and the Remuneration Committee of the Company. The board of directors of the Company (the "**Board**") considers Mr. Eddy Pratomo to be independent for the purpose of Rule 704(7) of the Catalist Rules.

   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 Annual Report 2019. 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.

2. Mr. Omri Samosir will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, Chairman of the Remuneration Committee of the Company, as well as a member of the Audit and Risk Committee and the Nominating Committee of the Company. The board of directors of the Company (the "**Board**") considers Mr. Omri Samosir to be independent for the purpose of Rule 704(7) of the Catalist Rules.

   Detailed information on Mr. Omri Samosir can be found in the sections entitled "Board of Directors", "Corporate Governance Report", "Directors' Statement" and "Appendix 7F to the Catalist Rules" of the Annual Report 2019. There are no relationships (including immediate family relationships) between Mr. Omri Samosir and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

3. The Ordinary Resolution 6, if passed, will empower the Directors of the Company from the date of the forthcoming AGM of the Company until the conclusion of the next AGM of the Company or the date by which the next AGM 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 earliest, to issue shares and convertible securities in the Company up to (a) the aggregate number of shares to be issued (including shares to be issued in pursuance of Instruments made or granted) on a pro rata basis to shareholders of the Company does not exceed 100% of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings), and (b) of which the aggregate number of shares to be issued (including shares to be issued in pursuance of Instruments made or granted) other than on a pro rata basis to shareholders of the Company does not exceed 50% of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings).

SILKROADNICKEL

SILKROAD NICKEL LTD.

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