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**RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION  
(SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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The board of directors (the “**Board**”) of Silkroad Nickel Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the questions received from the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report (“**Annual Report 2020**”) for the financial year ended 31 December 2020 (“**FY2020**”). The Company wishes to provide its responses to the questions from SIAS below:

***SIAS Question 1: As noted in the chairman’s message, the group was negatively impacted by the Indonesian Government’s ban on the export of nickel ore which came into effect on 1 January 2020. For FY2020, the group reported revenue of US\$475,000 and a loss of US\$(3.6) million.***

***(i) Can the company elaborate further on the impact of the ban on the export of nickel ore? How does the ban affect the group’s business model?***

Company’s response:

The Indonesia Government’s ban on the export of nickel ore has restricted the Group’s ability to generate revenue from sale of nickel ore to international customers but has not affected its business model. The Group continues to supply nickel ore to domestic customers notably to the Tsingshan Group. We believe that the main intention of the export ban is to encourage stakeholders to invest in the downstream processing of nickel ore into higher-value added products such as Nickel Pig Iron/Ferronickel (“**NPI/FeNi**”) for the stainless steel industry and nickel compounds for the Electric Vehicles (“**EV**”) battery industry.

The legislation passed by the Indonesia Government in January 2020 reflects its efforts and intentions to spur Foreign Direct Investment (“**FDI**”) into Indonesia, specifically, in the nickel industry. This initiative appears to be working, as reported in various local Indonesian news articles, as international companies, such as Tesla and LG Chem, have either expressed investment interests or announced investments in excess of USD 20 billion in smelters, stainless steel plants and electric battery units in Sulawesi and Maluku. In addition, many Chinese companies, such as Tsingshan and Contemporary Amperex Technology Co., Limited (CATL), amongst others, have already invested in Indonesia. Indonesia expects to see FDI in nickel processing and petrochemicals double to USD 35 billion by 2023.

***(ii) What are the priorities for the group in the next 18-24 months?***

Company’s response:

The Group’s strategy is to become an integrated nickel producer combining the upstream mining operation and downstream smelter operations to produce nickel pig iron. Barring unforeseen circumstances, over the next 18 to 24 months, the Group:

- will continue to supply nickel ore to the Tsingshan Group through offtake agreements. The most recent offtake agreement signed in March 2021 is projected to generate USD 90 million in sales

over the next 2 years, barring unforeseen circumstances. Tsingshan is the world's largest and lowest-cost stainless steel producer and is continuing to expand and grow exponentially in Indonesia, which will increase its nickel ore requirements;

- expects to finalise and complete its proposed smelter projects including a partnership with Shandong Xinhai to serve the stainless steel industry; and
- expects to finalise and conclude its exclusive discussions with Ganfeng Lithium as a strategic partner to explore and develop opportunities in the EV sector in Indonesia.

The Group will continue to update shareholders on material developments and key milestones on these projects as and when appropriate.

***(iii) Would the executive director give shareholders a presentation of the company's operations, its business model, its prospects and the key milestones during the AGM to help shareholders better understand the group?***

Company's response:

As we value transparency with our shareholders, we have kept shareholders updated on the Group's significant business developments via announcements released via SGXNet. More information on the Group's current operations and business model, together with its expansion plans are available on the Group's website – [www.silkroadnickel.com](http://www.silkroadnickel.com).

***SIAS Question 2: Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:***

***(i) Mine: What is the current status of the mine? The group has a 1,301 hectares mining concession in Central Sulawesi (Buleleng and Torete Nickel Project) with mineral resources estimates of 146.6 Million wet metric tonnes. What is the level of activities in the mine since 2020?***

Company's response:

The Group's mine has been operational since 2013. In 2020, the Group's production and sales were affected as a result of the COVID-19 pandemic as well as the export ban. Production and sales commenced once again in March 2021 which have allowed the Group to complete to-date the delivery of its first shipment of nickel ore to the Tsingshan Group under the terms of the offtake agreement. The Group's target monthly production is approximately 50,000 metric tonnes of nickel ore.

***(ii) Safe management: What are the safe management measures put in place to protect all its stakeholders from COVID-19?***

Company's response:

For all our employees in the Jakarta and Singapore offices as well as the workers on the mine site, we have strictly enforced safe distancing measures and COVID-19 testing to lower the probability of spreading COVID-19. The Group is pleased to report zero COVID-19 cases to-date. In line with Singapore Government's requirements, the Group has strictly followed protective measures including wearing of masks during meetings and in the office, daily temperature taking, work from home procedures and staggered working hours.

***(iii) Blast furnace: What is the expected capital expenditure for the blast furnace which is part of the group's downstream expansion? Does the group have the expertise to manage the blast furnace?***

Company's response:

The total capital expenditure required for the blast furnace is approximately between USD 7 to 10 million for repairs, refurbishment and working capital. The Group's key management, comprising its Executive Directors and Executive Officers, and together with certain members of the Board have a combined experience of over 30 years in Indonesia and in the Commodity's business. In addition, the Group will be working with partners who have the necessary knowledge and expertise to manage the nickel pig iron production operations.

***(iv) Rotary-Kiln Electric Furnace (RKEF): Similarly, it would appear that a RKEF is required for the production of Nickel Pig Iron (NPI). What is the expected capital expenditure for the RKEF? How long would it take to set up a RKEF once committed?***

Company's response:

The RKEF is a much larger project, and the Group has conducted a pre-feasibility study. Depending on the final design, the total expected capital expenditure for the RKEF is approximately USD 400 million which will be funded by a combination of debt and equity. The Group is actively raising capital for this project. Once committed, a timeframe of 18 to 24 months would be needed for the RKEF to be set up and for operations to commence.

***(v) NPI: The group's inventories increased from US\$1.25 million as at 31 December 2019 to US\$4.87 million as at 31 December 2020 due to the purchase of NPI for trading. Can management help shareholders understand the group's margin in the trading business?***

Company's response:

Trading of NPI is not the Group's core operational business. Instead, upon commencement of our blast furnace and RKEF operations, the production of NPI for direct sales to third parties will be a core business operation of the Group. The downstream business is expected to have a net margin of 30%.

***(iv) Operations: In addition, can management elaborate further on its reliance on Chinese workers to carry out mining activities in the group's Indonesian mine?***

Company's response:

The Group engages Jo Sinohydro-Sepco II Indo (a PowerChina Group company) as its mining contractor for its mining operations. The mining contractor employs a mix of Chinese and Indonesian workers to carry out its operations, and its key management and supervisory staff are from China. The Group constantly evaluates its reliance on one mining contractor and is of view that PowerChina is an excellent partner to work with given its track record and professionalism and involvement in training the local Indonesian workers.

***SIAS Question 3: In the independent auditor's report, the auditors have highlighted the "Going concern assumption" of the group as a key audit matter (KAM). Key audit matters are those matters that, in the professional judgement of the independent auditor, were of most significance in the audit of the financial statements of the current period. As noted in the KAM, the group incurred a net loss of US\$(3.6) million and recorded a net cash outflow of US\$1.3 million from its operating activities. During the financial year, the company incurred a net loss of US\$(1.17) million. The group has cash and cash equivalents of US\$33,000 as at 31 December***

**2020. The critical accounting judgements on the use of going concern assumption can be found in Note 3 on pages 58 and 59.**

***(i) Has the board reviewed if the group has the appropriate capital structure to support its growth plans? Has it considered a rights issue to strengthen its financial position? This would provide the group with the necessary capital base to execute on its growth plans.***

Company's response:

Yes, the Board regularly reviews the Group's funding requirements to support its growth plans. When needed, the Board takes into account the Group's capital structure and considers possible debt and equity funding options, including the issuance of senior debt, convertible or exchange bonds, rights and warrants.

***(ii) How is the group sourcing for financing for its investments (e.g. furnaces)?***

Company's response:

The Group considers multiple avenues for raising funds and capital from a mix of institutional and private investors at the Group and project levels. The Group is in the final stages of completing the financing for its blast furnace project and is actively raising funding for its RKEF project.

***(iii) Has the board considered capital injections by strategic investors who have long-term interests in nickel?***

Company's response:

Yes, the Board has considered capital injections by strategic investors with long-term interests in nickel. In fact, the Group is currently in ongoing discussions with potential strategic investors and will make the relevant announcements when there are material developments.

***(iv) The company previously announced that it had signed a term sheet with Trafigura Asia to provide the group with US\$7.0 million prepayment financing and nickel pig iron offtake contract. Can management provide an update?***

Company's response:

The Group is in the process of finalising the documentation and will make the relevant announcements when there are material developments as and when appropriate.

#### **By Order of the Board**

Hong Kah Ing  
Executive Director and Chief Executive Officer  
29 April 2021

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

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

*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.*