



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Silkroad Nickel Ltd.

Stock code: STP

Meeting details:

Date: 30 April 2021

Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. 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?**
- (ii) **What are the priorities for the group in the next 18-24 months?**
- (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?**

Q2. 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?**
- (ii) **Safe management: What are the safe management measures put in place to protect all its stakeholders from COVID-19?**
- (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?**
- (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?**
- (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?**
- (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?

Q3. 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.
- (ii) **How is the group sourcing for financing for its investments (e.g. furnaces)?**
- (iii) **Has the board considered capital injections by strategic investors who have long-term interests in nickel?**
- (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?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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