ISR CAPITAL LIMITED

(the "Company")
(Company Registration No. 200104762G)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

The Board of Directors (the "**Board**") of ISR Capital Limited (the "**Company**") wishes to provide the following information in response to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in its email dated 12 August 2016:-

Query by SGX-ST:

1) It was announced in the Company's half year results ended 30 June 2016 ("HY2016") that the increase in Revenue was "contributed by interest income earned on debt securities in HY2016". Please provide details of these debt securities, a breakdown of the issuers and how much loans have been extended to these issuers.

Company's Response:

As at 30 June 2016, a total principal amount of approximately S$3.67 million has been extended to a subscriber of debt securities issued by a subsidiary of the Company. The debt securities have a maturity period of five years due 2020 and interest is charged at 12% per annum with a 5% arrangement fee deducted upfront at each disbursement.

Query by SGX-ST

2) In the income Statement, "Employee benefits expense" amounts to S$741,380. Please disclose the number of employees the Company has and how much of the S$741,380 is due to the share award expense.

Company's Response:

As at 30 June 2016, the Group has 8 employees, 3 of whom are executive directors. The share award expense of approximately S$211,000 was recognised in HY2016 following share awards granted to 9 eligible directors and employees, 5 of whom are directors of the Company, under the ISR Performance Share Plan as approved by shareholders at an Extraordinary General Meeting held on 8 September 2015.

Query by SGX-ST

3) It was disclosed by the Company that the increase in "Other operating expenses" was mainly due to "the increase in listing expenses in relation to bond conversion, public relation expenses and project expenses". Please provide details of this "project" and its related expenses.

Company's Response:

The "project" in this case refers to the proposed acquisition of 60% of Tantalum Holding (Mauritius) Ltd from REO Magnetic Pte Ltd, which has been announced via SGXNET on 10 June 2016 and 1 July 2016. The related expense of approximately S$12,000 pertains to the payment for the updated NI 43-101 Technical Report as part of the Group's due diligence work on the ionic clay project in Northern Madagascar.

Query by SGX-ST

4) It was disclosed that "Rental and operating leases" amounts to S$200,464. Please provide reasons for the increase from S$189,838 to S$200,464 noting that Revenue amounted to only S$182,222 and mainly from interest income earned from debt securities.

Company's Response:

In HY2015, the rental and operating leases income collected for the first two months of 2015 from a former subsidiary that was disposed of in March 2015 were used to set off against the rental and operating leases expenses of the Company for HY2015. There was no such set off for HY2016 and this resulted in an increase in rental and operating leases for HY2016 as compared to HY2015.

Query by SGX-ST

5) In the Balance Sheet, "Trade receivables" amounts to S$2,381,842. Please:-

   i) Provide a breakdown of these S$2.382mil of trade receivables;

   ii) Explain why these trade receivables are still outstanding;

   iii) Disclose the nature of the underlying items of these trade receivables;

   iv) Explain why are the debtors not repaying the Company; and

   v) Provide the aging schedule of these receivables.

Company's Response:

i) The trade receivables of S$2.382 million comprised management consultancy fee receivables of S$2.275 million and interest receivable on debt securities of approximately S$107,000.

ii) The debtors have yet to make repayments.

iii) The trade receivables of S$2.382 million comprised management consultancy fee receivables of S$2.275 million and interest receivable on debt securities of approximately S$107,000.

iv) The debtors were not able to repay the Company on time; however, they have represented their intent to repay.

v) The aging schedule of these receivables are as follows:

		<---------- Outstanding Amount ---------->					
		Current (0 to 1 mth)	> 1 to 3 mths	> 3 to 6 mths	> 6 to 9 mths	> 9 mths	Total
		S$	S$	S$	S$	S$	S$
Individual A	Management consultancy	-	-	-	50,000	-	50,000
Company A	Management consultancy	-	-	-	1,678,900	-	1,678,900
Company B	Management consultancy	-	-	-	546,216	-	546,216
Company C	Interest receivable on debt securities	100,726	6,000	-	-	-	106,726
		100,726	6,000	-	2,275,116	-	2,381,842

Query by SGX-ST

6) In the Cash Flow Statement, "Interest income" amounts to S$182,230. If this relates to interest income on debt securities, why was the amount not received? Please disclose the terms of payment and when will the interests be paid to the Company.

Company's Response:

Interest income of S$182,230 relates to interest income on debt securities. Interest received during HY2016 as disclosed on the consolidated cash flow statement, as announced on 5 August 2016, amounts to S$130,009. Interest is accrued and charged over a three-month period and shall be due and payable on the Interest Payment Date, which is the last day of an Interest Period of three months.

Query by SGX-ST

7) Please disclose significant trends and competitive conditions of the industry in which the Company operates and any known factors or events that may affect the Company in the next reporting period and the next 12 months.

Company's Response:

This was already disclosed in paragraph 10 of the Company's announcement on 5 August 2016.

Query by SGX-ST

8) Please provide an update on the Defence and Counterclaim made by Kingsbridge Capital Pte Ltd (the "Defendant") in response to a writ of summons initiated by the Company against the Defendant for rent and service fees as announced by the Company on 7 January 2016.

Company's Response:

The Defence and Counterclaim filed by Kingsbridge Capital Pte Ltd (the "Defendant") in response to the Company's claim is being dealt with together with the Plaintiff's claim. The Company is of the view that the Defendant's Defence and Counterclaim is without merit and is vigorously defending the Defendant's Counterclaim. Presently parties have just completed providing further and better particulars to their pleadings and are exploring court dispute resolution proceedings. The Company will provide further updates as and when they arise.

BY ORDER OF THE BOARD

Quah Su-Yin
Chief Executive Officer and Executive Director

16 August 2016