REENOVA INVESTMENT HOLDING LIMITED

(Incorporated in the Republic of Singapore | Company Reg. No.: 200104762G)

Website: **www.reenovagroup.com**

SGX Stock Code: **5EC**

RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S FOURTH QUARTER AND FULL YEAR UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the "**Board**") of Reenova Investment Holding Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to provide the following additional information in response to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in their email dated 6 April 2022 in relation to the Company's Fourth Quarter ("**Q4 FY2021**") and Full Year Unaudited Financial Statements for the Financial Year Ended 31 December 2021 ("**FY2021**") announced on 31 March 2022.

Query by SGX-ST:

1. We refer to the Company's financial statements for the year ended 31 December 2021. We note that the Company has impaired its mining rights up to the carrying amount of US$6 million based on the term sheet consideration price with GRM Group Limited announced on 10 November 2021, resulting in an impairment expense of S$27.9 million.

   a) What is the reason for the Company impairing the mining rights? To support the explanation with a valuation report.

   b) Does the Company expect that it or GRM Group Limited will not be able to renew the exploration license?

   c) Provide details on why GRM Group Limited had wanted to purchase this asset for US$6 million, yet the Company is now impairing this asset and has not provided any substantial updates on the sale of this asset.

Company's Response:

1(a) Whilst the Company has yet to formally commission an independent valuation on the mining rights as at 31 December 2021, the Company is of the view that the carrying amount of the mining rights is considered to be impaired as at 31 December 2021. In arriving at the carrying amount of mining rights of S$8.1 million, the Company considered, *inter alia*, the proposed consideration of US$6 million (approximately S$8.1 million) offered by a prospective purchaser, GRM Group Limited (the "**Purchaser**"), on 10 November 2021, in relation to the proposed disposal of the Company's wholly-owned subsidiary, Reenova Global Pte Ltd ("**Reenova Global**") to the Purchaser, which was indicative of the price arrived at by a willing buyer and willing seller in an arm's length transaction as at 31 December 2021. This is notwithstanding that the Exploration Licence held by Reenova Rare Earth (Malagasy) sarlu ("**RREM**") has expired on 5 November 2021. Through its 75% stake in Reenova Holding (Mauritius) Limited ("**RHM**"), which in turn owns 100% of RREM, Reenova Global effectively owns 75% of the mining rights. The Company has imputed a 25% haircut in arriving at the carrying amount of the mining rights of S$8.1 million as at 31 December 2021.

Prior to the expiry of the Exploration Licence on 5 November 2021, RREM has, on 15 September 2021, submitted an application to the Ministry of Mines and Strategic Resources of Madagascar, on an exceptional basis, for an extension of the period of validity of the Exploration Licence for an additional period of two (2) years due to the COVID-19 global pandemic. The outcome of this application is currently pending as at the date of this announcement. As previously announced on 20

September 2020, RREM had on 18 September 2020 submitted an application for the full mining licence (*Permis de Exploitation*) to the Madagascar Mining Cadastral Office (*Bureau du Cadastre Minier de Madagascar*) in relation to the Rare Earth Project. The outcome of this application is also pending as at the date of this announcement. Shareholders should note that there may be further changes or impairment required to the carrying amount of the mining rights as at 31 December 2021 between the date of this announcement and the date when the Group's financial statements for FY2021 are finalised and signed off by the auditors.

1(b) The Group has been following up with the Ministry of Mines and Strategic Resources of Madagascar, as well as the Madagascar Mining Cadastral Office (*Bureau du Cadastre Minier de Madagascar*) on its applications made on 15 September 2021 and 18 September 2020, respectively, for (i) an extension of additional two years period of validity for its exploration licence PR 6698 for prospecting and research in the Rare Earth Project that had expired on 5 November 2021, and (ii) the full mining licence (*Permis de Exploitation*) to the Rare Earth Project. The outcome of the aforementioned applications is currently pending as at the date of this announcement. Neither the Company nor GRM Group Limited is in a position to expect or predict if or when the Madagascar authorities would grant approvals of the aforementioned applications.

1(c) The proposed consideration of US$6,000,000 in cash (the "**Consideration**") for the proposed disposal of Reenova Global and its subsidiaries to GRM Group Limited ("**GRM**") has been arrived at on a "willing buyer and willing seller" basis. Please refer to the Company's response to Query 1(a) above for the Company's rationale behind impairing the asset. GRM has requested for more time to make the necessary payment of the deposit due to the strict foreign exchange controls in China; however, GRM has yet to respond despite regular follow-ups by the Company.

Query by SGX-ST:

2. We note significant accrued operating expenses and other payables of S$1,936,039 and S$3,658,357 respectively as at 31 December 2021.

   a) Provide a breakdown of material items for both the accrued operating expenses and other payables as at 31 December 2021.

   b) How does the Company intend to repay these creditors, noting the current cash balance of $15,160.

   c) With reference to the Company's announcement on 29 March 2022 on the Formal Notice from the Labour Inspectorate of Madagascar on unpaid wages of RREM, quantify the amount of unpaid wages owed by RREM, as well as those amounts owed in the letters of demand from a former landlord and employee. Is such amounts included in accrued operating expenses or other payables?

Company's Response:

2(a) The breakdown of material items/creditors in accrued operating expenses as at 31 December 2021 are as follows:

Name of creditor	Amount (S$'000)
One Target	1,068
Directors' fees	231
RT LLP	58
PricewaterhouseCoopers Ltd (Mauritius)	51
Salaries and employer's contributions to defined contribution plans	249

The breakdown of material items/creditors (excluding those that are no longer in contact, disputed, could be potentially written back and trade sensitive) in Other payables as at 31 December 2021 are as follows:

Name of creditor	Amount (S$'000)
One Target	2,004
Provision for bonus	157
Provision for unutilised leave	78
Octave FinComm Private Limited	111
Blueberry Road Holdings Oy	78
Pankrot Holdings Oy	70
Societe IDF	108
SMTP	79
Bureau Du Cadastre Minier	67

2(b) As announced on 30 March 2022, the Company has obtained a loan of S$150,000 to settle the fees that are outstanding and owing by the Group to its auditors. The Company continues to explore and source for such forms of financing, where possible. The Company may also reach out to the creditors with a repayment proposal, which may include issuing shares as payment, in due course and will update shareholders of the Company on any further material development on these matters by way of further announcement(s) as and when necessary.

2(c) The amount of unpaid wages being owed by RREM that is being sought in the Formal Notice from the Labour Inspectorate of Madagascar amounts to approximately S$163,000, of which approximately S$96,000 has been accrued as at 31 December 2021. The amount being demanded by the former landlord is approximately S$108,000 while the amount being demanded by the employee amounts to approximately S$9,000. The unpaid wages are being accrued as accrued operating expenses while the amount being owed to the former landlord is accrued as other payables.

Query by SGX-ST:

3. We note an increase in Director's fee from S$126,000 in FY2020 to S$132,194 in FY2021. Disclose the reasons for the increase despite the significant impairment of the mining rights recognised and the Company not having any operating activities in FY2021.

Company's Response:

3. The increase in directors' fee from S$126,000 in FY2020 to S$132,194 in FY2021 was mainly due to the appointment of Mr Eddy Lim as an independent director of the Company with effect from 30 Dec 2020 and this was partially offset by the resignation of Mr Kwok Wei Woon, the former lead independent director, in FY2020 where he resigned with effect from 1 July 2020. Overall, please note that the directors' fee has decreased when compared against the directors' fee of S$156,000 in FY2019 (prior to Mr Eddy Lim's appointment and Mr Kwok's resignation). Please note that bulk of the directors' fees for FY2020 to FY2021 are still outstanding and unpaid and have been accrued as at 31 December 2021 (as noted in the response to Query 2(a) above) as the independent directors in particular have recognised the pressing need for cash by the Company and have not sought payment to enable the Company to apply its cash towards sustaining its operations.

Query by SGX-ST:

4. We note that the Company made a full impairment of S$14.8 million in FY2021 for the amounts due mainly from Reenova Global. How much of the S$14.8 million is attributable to Reenova Global and what did Reenova Global use the loan for?

Company's Response:

4. The full impairment amount of S$14.8 million was attributable to Reenova Global. The amounts due from Reenova Global were mainly used to extend loans to Reenova Holding (Mauritius) Limited over the period from the last quarter of FY2016 to FY2021 and expenses and costs paid on behalf Reenova Global by the Company.

Cautionary Statement

Notwithstanding that the trading of the Company's shares is suspended, Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. In the event of any doubt as to the action they should take, Shareholders and potential investors should consult their stock brokers, bank managers, solicitors, or other professional advisers.

On behalf of the Board
Reenova Investment Holding Limited

Chen Tong
Executive Chairman

8 April 2022