REENOVA INVESTMENT HOLDING LIMITED

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

SGX Stock Code: **5EC**

RESPONSE TO SGX QUERIES

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 responses to the questions raised by Singapore Exchange Regulation ("**Regco**") through SGXNET on 16 October 2020 ("**Questions**").

Capitalised terms that are not defined herein shall have the same meanings and expressions defined in the Questions.

Query by SGX-ST:

1. The Board represented in the Announcement that "*the Company has resumed discussions and negotiations with a third party to obtain a four-year term loan of up to US$30 million. Barring any unforeseen circumstances, the Company believes that the four-year term loan can be secured by the fourth quarter of this year.*"

   Given that we are now in the fourth quarter of this year, please provide an update on the status of the negotiations and whether any definitive agreement has been signed for the US$30 million. If no definitive agreement has been signed, please provide the expected date for the procurement of the said term loan. In your response to our query, the Board should confirm if the Company is able to procure the US$30 million funding by the fourth quarter of this year as committed by the Board as that formed their basis for the continued trading in the shares of the Company. The Company should also provide details of the potential lender with whom the Company is negotiating the term loan.

Company's Response:

1. The Company continues to be in discussions with the potential lender in relation to the terms and conditions of the term loan of US$30 million, and as such no definitive agreement has been signed in relation thereto. The global Coronavirus Disease 2019 (COVID-19) pandemic has slowed down the negotiation progress as the Singapore-based consultant that the Company is liaising with will be procuring potential investors/lenders for the term loan from the international market. As such, the Board is unable to confirm that the term loan can be procured by the fourth quarter of this year.

   In light of such delays, the Company has explored other funding options while negotiations on the US$30 million term loan is ongoing. The Company is in the final stages of negotiations for an off-take agreement between the Group and a potential buyer for the purchase of the rare earth oxides from the Group's Madagascar rare earth mine (the "**Rare Earth Project**"), which would also provide further

financing for the pilot production phase of the Rare Earth Project and the Company's operations. This is further elaborated in the Company's response to Questions (3)(d) and (3)(e) below.

The Company will continue its discussion with the consultant on the terms and conditions to progress the four-year term loan. The Company will update shareholders on this matter in due course, including on details of the potential lender.

Query by SGX-ST:

2. In the Announcement, the Company disclosed that it was also working on the feasibility of raising additional funds through either one or a combination of the following avenues: Placement of the Company's shares to acceptable placees and/or Rights issue to existing shareholders of the Company.

   To-date, we note that the Company had not proceeded with the proposed Placement announced on 26 August 2020 of 979,000,000 ordinary shares at an issue price of S$0.003 per Placement Share to raise gross proceeds of S$2.9 million. Please disclose the status of the Placement Agreement and whether the Placement Agreement has lapsed. Also disclose whether the Company is still able to raise the S$2.9 million funds from the Placement which formed the basis for the Board's opinion of the Company's ability to operate as a going concern for the next 12 months.

Company's Response:

2. The Company has been working very closely with UOB Kay Hian Private Limited (the "**Placement Agent**") since the Company announced the appointment of the Placement Agent on 26 August 2020. The Company understands that initial interests towards the proposed placement of the Company's shares (the "**Proposed Placement**") have been positive, and the Company is anticipating to raise gross proceeds of between approximately S$2,200,000 to S$2,600,000.

   Notwithstanding the above, the Board is of the view that the potential investors to the Proposed Placement and the existing shareholders of the Company should have visibility on the trading status of the Company's shares before proceeding with the Proposed Placement. Accordingly, the Company began communications with Regco to seek Regco's guidance and input in this regard. The communication process with Regco culminated in the current set of Questions from Regco. However, with the release of this announcement in response to Regco's Questions, the Board believes that the Company is now in the position to move ahead with the Proposed Placement, and will be making an announcement on the Proposed Placement very shortly.

Query by SGX-ST:

3. Please address the following questions regarding whether the Group has sufficient capital to support the Rare Earth Project to enable the Group to operate as a going concern:

   a. Please disclose the estimated cash burn for the next 12 months of the Company, noting that in the FY2019 Annual Report, the Company recorded employee benefits expenses of S$1.1 million, as well as cash required for at least another $1.7 million in other recurring operating expenses, which include inter alia, consultancy services expenses of $0.9 million, professional fees of $0.3 million, director's fees of $0.2 million, travel and entertainment expenses of $0.1 million and rental expenses of $0.2 million. The Company's cash balance as at 30 June 2020 amounted to only S$40,088 and the 2.0% Convertible Redeemable Bonds Due 2020 expired in September 2020. In light of these, please disclose the source of funds to pay for the Company's operational cash burn. Please quantify these funding sources to substantiate the Company's responses.

   b. Please provide a breakdown of the costs required for the development of the Company's Madagascar rare earth mine to pilot production.

   c. Please disclose the cost of production required to generate the projected revenue under the pilot production and the revenue that the Company reasonably expects to generate during its pilot production. Also, disclose whether and how the Company will be able to fund the costs of production prior to the sale of output from the pilot production and the collection of the sales proceeds from its customers.

   d. As set out in Practice Note 6.3, paragraph 3.1(b) of the Listing Manual, please provide the Directors' opinion, which must state without requiring a profit forecast, that in their reasonable opinion the working capital available to the applicant is sufficient for the present requirements and for at least 18 months after listing. Your response should also include the amount of financial resources currently available to the Company and elaborate on the basis as to whether and how the Company has sufficient working capital available for at least 18 months. Please quantify to support your response.

   e. Also, disclose whether the Company has in place any definitive agreements for the funding required to bring the Madagascar mine to commercialisation. Please provide the basis for such an opinion.

Company's Response:

3(a) Based on the unaudited financial statements of the Group for the half year period ended 30 June 2020, the Group is incurring expenses of, on average, approximately S$229,000 per month. However, for the next 12 months, the Company estimates that it will be able to manage its expenses based on

an average monthly cash burn of approximately S$160,000. The Group plans to utilise approximately S$700,000 from the Proposed Placement to pay existing creditors over the next six (6) to nine (9) months, while continuing to manage and work with such creditors on a deferred repayment scheme, pending the commencement of the pilot production activities. The balance amount of approximately S$1,900,000 raised from the Proposed Placement will be utilised for the cash burn for the next four (4) to five (5) months as well as to kick-start the initial pilot production phase. Once pilot production commences, the Company will be able to generate some revenue from the sale of the rare earth oxides generated from the pilot production activities. Such rare earth oxides will also enable the Company to secure off-take agreements with potential buyers, thereby allowing the Company to generate additional cash flows to support its operations while the pilot production is ongoing.

3(b) The estimated costs for commencing the initial pilot production is set out as follows:

	S$
Infrastructure costs (including rental of camp, pump stations, mobile generators, etc.)	500,000
Chemicals and material costs	200,000
Technical and labour costs	500,000
Others	150,000
Total:	**1,350,000**

The Company wishes to point out that the entire S$1,350,000 will not need to be utilised at the outset of the commencement of the pilot production activities. Payments in relation to the pilot production will be managed based on the stages or completion of activities.

3(c) The subsequent costs for pilot production would depend on the output of rare earth oxides that the Group intends to achieve. By way of an example, in order to achieve a production of approximately 30 tonnes per month, the estimated costs for chemicals and materials would work out to be approximately S$375,000 per month. Achieving a production of 30 tonnes of rare earth oxides per month could then generate revenue of approximately US$600,000 (or approximately S$815,000) per month.

Following the commencement of pilot production, the Group requires an estimated US$10,000,000 to US$15,000,000 to complete environmental impact assessment and social studies, feasibility and engineering studies, and to further scale up its production capabilities in preparation for the receipt of full mining licence and commercial production. This will be financed by a potential buyer under an off-take agreement, as further elaborated in the Company's responses to Regco's Questions (3)(d) and (3)(e) below.

3(d) The convertible redeemable bonds ("**Bonds**") amounting to S$1,000,000 were issued by the Company on 3 September 2020 and were fully converted into conversion shares by the subscriber of the Bonds on 7 September 2020. The funds were received by the Company in June 2020, August 2020 and September 2020 as interest-free advances from the subscriber and have been utilised to pay for the Group's operating expenses and working capital. Of this amount, approximately S$172,000 remains unutilised in the Company's bank account as at 16 October 2020.

The Company plans to commence the pilot production phase of the Rare Earth Project utilising the monies raised from the aforementioned issuance of Bonds and the Proposed Placement. It is contemplated that, should the Proposed Placement be completed, and pilot productions commences, the Rare Earth Project is expected to generate rare earth oxides (92% REO) samples within four (4) months from the commencement of the pilot production. For the initial pilot production, the Group intends to produce rare earth oxides (92% REO) samples of up to six (6) tonnes.

Some rare earth oxides samples generated from the initial pilot production phase will be provided to potential buyers, for their testing, so that the Group may enter into negotiations with them, with a view to eventually enter into off-take agreements and obtain upfront payment deposits to further finance the Group's operations and continue further pilot production. This will allow the Group to produce more rare earth oxides for the buyers in consideration of the payment deposits received. For this subsequent phase of pilot production, the Group is working towards achieving an annual production volume of between 300 to 800 tonnes of the rare earth oxides. Based on an average price of US$20,000 per tonne, the annual production volume will be worth approximately US$6,000,000 to US$16,000,000. It is typical for the Group, as the seller, to seek a deposit of up to 30% of this amount from the buyer(s). With financing secured through off-take agreements, the Group will be able to continue with pilot production activities until receipt of the full mining licence from the Madagascar Mining Cadastral Office.

The Company's recent announcements on its progress on the Rare Earth Project have also brought a potential buyer back into negotiations with the Company. The potential buyer and the Company has been working towards finalising an off-take agreement. Under the said off-take agreement, the potential buyer will commit to provide financing of up to approximately US$25,000,000 to the Group subject to the Group being able to fulfil the certain conditions. The financing provided by the potential buyer will furnish the Group with sufficient working capital for at least 18 months and allow the Group to leverage on and scale up its pilot production activities to achieve a higher production volume of rare earth oxides. This particular off-take agreement is expected to be finalised soon, and more information will be provided in the announcement on this off-take agreement very shortly.

For the reasons elaborated above, the Board is of the view that if the Proposed Placement is completed and the entry of the Group into the off-take agreement with the potential buyer, the Board, including the Company's Audit Committee, is of the opinion that the Company will have sufficient working capital available for at least 18 months to continue to operate as a going concern. Accordingly, the Company will proceed to work with the Placement Agent to close and complete the Proposed

Placement as soon as possible.

In addition, as the Rare Earth Project develops, the Group plans to carry out a bankable feasibility study as well as undertake a revaluation of the project at an appropriate stage. The objective is to obtain further funding from banks and investors required for subsequent phases of mine development, where more plants and infrastructure will be constructed, thereby allowing the Group to further scale up its production capabilities.

3(e) As referred to in the response to Question (3)(d) above, the Company is working towards finalising an off-take agreement with a potential buyer. This particular off-take agreement is expected to be finalised soon, and more information will be provided in the announcement on this off-take agreement very shortly.

The Company will also be engaging with other potential buyers, with the aim of concluding further off-take agreements.

Query by SGX-ST:

4. In the Company's 19 August 2020 announcement, it disclosed the engagement of Ramboll Environ Africa (Pty) Ltd to assist in providing environmental impact assessment ("**EIA**") services for the pilot production area that is within the 238km^2 concession area that hosts rare earth oxides in north-western Madagascar, Africa. In its 20 September 2020 announcements, it disclosed its entry into a pilot mining agreement with YQS ARC Limited as well as the submission of an application for the full mining licence on 18 September 2020. Please address the following:

   a. Practice Note 6.3, paragraph 1.4 of the Listing Manual states that a portfolio of a mineral, oil and gas company would be considered meaningful if the quantity of reserves is of sufficient substance. The 'reserves' must be able to generate sufficient revenues through production to support the plans to proceed with development. Please disclose whether any feasibility study has been undertaken to satisfy the Board that the Madagascar greenfield rare earth mine is commercially feasible to allow the Company to operate as a going concern and if so, what the breakeven production level for the mine is.

   b. Please disclose the identity and track record of the independent qualified professional who has undertaken the feasibility study to confirm that the Company's Madagascar rare earth mine is commercially feasible, taking into account development costs, mining costs and projected revenue.

   c. Please substantiate with a qualified person's report that the Madagascar mine will be able to generate sufficient revenues to support the Company's plans to proceed with development of the mine to full commercialisation.

d. Please disclose the procedures outstanding for the Company to receive the full mining licence, when the approval of the full mining licence of the Company is expected and whether this will be received before the expiration of the current pilot production licence. Also, disclose how long the Board expects to operate the mine at commercial production levels taking into account the expiration date of the current concession of the mine.

e. Please provide the Board's opinion and bases as to whether the mine is commercially viable and whether the Company would be able to generate sufficient operating cash flow and profits from full commercialisation of its mine to enable the Company to operate as a going concern.

Company's Response:

4(a) Please refer to the Summary of Mineral Resources for the Reenova Rare Earth Madagascar Project as updated by SGS Canada Inc. as at 31 December 2019 (as announced on SGXNET on 29 February 2020) as set out below:

Resource Category	Mineral Type*	Gross Attributable to Licence					Net Attributable to Issuer (75%)						Remarks
		Tonnage (t)	TREO (ppm)	TREOnoCe (ppm)	CREO (ppm)	HREO (ppm)	Tonnage (t)	TREO (ppm)	TREOnoCe (ppm)	CREO (ppm)	HREO (ppm)	Change from previous update (%)	
Measured	52% PED / 48% SAP	40,103,550	975	660	296	187	30,077,663	975	660	296	187	The gross attributable numbers have not changed, only the net numbers have changed from 60% to 75%	Refer to the 2016 report for complete details
Indicated	39% PED / 61% SAP	157,580,640	878	554	255	166	118,185,480	878	554	255	166		
Inferred	48% PED / 52% SAP	429,999,525	894	574	247	149	322,499,644	894	574	247	149		
TOTAL	**46% PED / 54% SAP**	**627,683,715**	**895**	**574**	**252**	**156**	**470,762,786**	**895**	**574**	**252**	**156**		

- The cut-off grade is applied to TREOnoCe because it has good correlation with the material value. Ce has high grades but low recovery and market price.
- The cut-off grade is 300 ppm TREOnoCe for areas sloping greater than 5 degrees
- The cut-off grade is 500 ppm TREOnoCe for flat areas

* PED is Pedolite and SAP is Saprolite

TREO = LREO+HREO TREOnoCe = TREO-Ce_2O_3

CREO = Nd_2O_3+Y_2O_3+Eu_2O_3+Tb_2O_3+Dy_2O_3

HREO = Y_2O_3+Eu_2O_3+Gd_2O_3+Tb_2O_3+Dy_2O_3+Ho_2O_3+Er_2O_3+Tm_2O_3+Yb_2O_3+Lu_2O_3

Totals may not add up due to rounding

A Mineral Reserve as defined by NI 43-101 is the economically mineable part of a Measured or Indicated Mineral Resource, demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined. In terms of the Rare Earth Project, a Mineral Resource has been defined (as set out above) but insufficient work has been undertaken at this stage to define a reserve.

Additional work (such as trial leaching and pilot production, further test work and at least a preliminary feasibility study) will need to be carried out in order to upgrade or convert a measured or indicated mineral resource into probable and proven mineral reserves.

In this regard, the commencement of pilot production, which would include trial leaching and conducting further test work, is a crucial step in the project implementation that would lead towards upgrading the measured resource into probable and proven mineral reserves.

It is therefore crucial for the Group to embark on pilot production as the next phase of project implementation.

Depending on the actual output of rare earth oxides achieved during the pilot production phase, the Company estimates that it is highly likely that the Group could return to profitability if it achieves an annual production volume of approximately 800 tonnes, and the Group will be striving to achieve such an output volume. The Company estimates that the Group should be in a position to sustain its operations at an annual production volume of approximately 350 to 400 tonnes.

For completeness, the Company understands that the relevant mining regulations in Madagascar does not impose a limit on the maximum quantity of rare earth oxides that can be extracted during pilot production phase.

Following the commencement of pilot production and the securing of sufficient funding, the Group plans to undertake a pre-feasibility study to to consider alternative project development scenarios and a feasibility study on the preferred development scenario and process flowsheet to define the costs and development parameters (so as to determine the scope and scale of commercial mining, the budget/funding required and profitability based on the proposed scale of commercial mining).

4(b) As referred to in the response to Question (4)(a) above, the Group has yet to undertake a feasibility study. It is to be noted that the Group is embarking on pilot production and not commercial production. Behre Dolbear Australia Pty Limited ("**BDA**") has stated in its Independent Qualified Persons Technical Report dated 20 September 2018 (the "**BDA Report**") (please refer to Appendix A found on pages 55 to 124 of the Circular dated 15 October 2018) that the next stages in project implementation are likely to involve on-site in-situ leaching and trial heap leaching, together with further metallurgical bench scale testing, to optimise extraction and to determine recovery factors. Test work will be required on the solutions produced to determine the optimum precipitation and purification reagents and methods. All of these activities are permitted under the current exploration licence. The rare earth concentrate produced will be used as a basis for discussions with potential buyers in relation to entry into off-take agreements. It is likely that in-fill pitting will be required to better define higher grade areas in preparation for early production (please refer to page 52 of the BDA Report).

4(c) The BDA Report issued by BDA states that "[o]nce a trial heap leach and pilot in-situ leach tests have been undertaken, subject to results and confirmation of costs and approvals, BDA considers that conversion of a portion of the resource to a reserve should be feasible."

Although additional work will need to be carried out in order to upgrade or convert a measured or

indicated mineral resource into probable and proven mineral reserves, BDA in the BDA Report accepted that the Rare Earth Project has a significant potential mine life and that there remains substantial upside exploration potential (please refer to page 53 of the BDA Report).

It is therefore crucial for the Group to embark on pilot production as the next phase of project implementation.

4(d) The Company has announced on 20 September 2020 that it has submitted an application for a full mining licence to the Madagascar Mining Cadastral Office. It is to be noted that the issuance of the full mining licence remains the prerogative of the Madagascar Government and there is no certainty when the full mining licence will be granted or what conditions will be attached to such licence. The Group intends to follow up closely with the Madagascar Mining Cadastral Office with the aim of securing the full mining licence within 12 months from the application date.

Further, the Company would like to point out that since it has already submitted an application for a full mining licence in September 2020, based on the relevant mining regulations in Madagascar, the Group can continue with the pilot production phase until it receives the official response regarding its application for the full mining licence. In other words, the Group does not need to cease operations upon the expiration of its current exploration licence in November 2021.

The Board understands that the initial validity of the full mining licence (*Permis de Exploitation*), should it be granted, will be for 40 years and the licence could subsequently be renewed for periods of 20 years per renewal. This means the full mining licence will allow the Group to operate the Rare Earth Project at commercial production levels for an initial period of 40 years and subsequently for another 20 years each time the licence is renewed.

4(e) Without commencing with the pilot production and completing a feasibility study, the Board is unable to conclude definitively whether the mine will be commercially viable. Notwithstanding the above, based on information currently available to the Board, the Board is of the opinion that the Rare Earth Project can enable to Company to generate sufficient operating cash flows and profits and enable the Company to operate as a going concern.

Query by SGX-ST:

5. The Company is required to provide an update in its Listing Rule 1313(2) Quarterly Update for Q3 FY2020 to be announced no later than 13 November 2020, which must be able to demonstrate to the Exchange and to its Shareholders that the plans set out in its 25 June 2020 response to operate as a going concern has been substantially met. The Company must **substantiate its response with definitive agreements announced on SGXNet** to demonstrate that (i) it is able to operate as a going concern, (ii) it has sufficient funds to bring its Madagascar rare earth mine to commercialisation and operate as a going concern and (iii) the mining of the Madagascar rare earth mine is commercially

feasible and is able to generate substantial revenue.

You should forewarn investors that if the Company is unable to demonstrate its ability to operate as a going concern in its Q3 FY2020 Quarterly Update, it must immediately request for a trading suspension of its securities as required under Listing Rule 1303(3). The trading suspension will remain in place until the Company is able to demonstrate its ability to operate as a going concern and submits a resumption proposal in accordance with Listing Rule 1304.

Company's Response:

5. The Company is aware of the compliance requirement under Listing Rule 1313(2) and 1303(3). The Company will update Shareholders on the latest developments in due course.

CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution in trading the shares of the Company. If the Company is unable to demonstrate its ability to operate as a going concern in its Q3 FY2020 Quarterly Update, the Company will request for a trading suspension of its securities as required under Listing Rule 1303(3). The trading suspension will remain in place until the Company is able to demonstrate its ability to operate as a going concern and submits a resumption proposal in accordance with Listing Rule 1304.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

On behalf of the Board
Reenova Investment Holding Limited

Chen Tong
Executive Chairman

19 October 2020