REENOVA INVESTMENT HOLDING LIMITED

(formerly known as ISR Capital Limited)
(Registration No: 200104762G)

UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR SECOND QUARTER ("2Q2019") AND HALF YEAR PERIOD ENDED 30 JUNE 2019 ("HY2019")

NOTE:

The Group had completed its acquisition of a 60% shareholding interest in Tantalum Holding (Mauritius) Ltd (the "**Target Company**" or **"THM"**) from REO Magnetic Pte. Ltd. (the "**Vendor**") (the "**Acquisition**"). As announced on 3 January 2019, the Vendor had on 28 December 2018, transferred its shares of the Target Company representing a 60% stake to ISR Global Pte. Ltd., a wholly-owned subsidiary of the Company (the "**Transfer**"). The consideration for the Acquisition, being 747,257,307 ordinary shares in the Company (the "**Consideration Shares**"), was also satisfied by the Company on the allotment and issue of the Consideration Shares to the Vendor on 3 January 2019.

Notwithstanding that the Consideration Shares were allotted and issued to the Vendor subsequent to 31 December 2018, the Group was deemed to have acquired control over THM and its wholly owned subsidiary, Tantalum Rare Earth Malagasy S.A.R.L.U. (**"TREM"**) upon the transfer of THM shares by the Vendor to the Group on 28 December 2018 (the **"Acquisition Date"**). Accordingly, the assets and liabilities of THM and TREM have been included and consolidated in the Group's consolidated financial statements for FY2018 based on the carrying amounts in their unaudited management accounts as at 31 December 2018. The Group will embark on a Purchase Price Allocation (**"PPA"**) exercise in respect of the Acquisition and expects to finalise the PPA exercise within one year from the Acquisition Date. Accordingly, the fair values of assets and liabilities of THM and TREM on Acquisition Date shall be adjusted upon finalisation of the PPA exercise. At this juncture, in preparing the Group's unaudited consolidated financial statements for the second quarter and half year period ended 30 June 2019, the Group has not recognised any bargain purchase that may arise from the Acquisition.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group					
	3 months ended			6 months ended		
	30/06/2019 (Unaudited)	30/06/2018 (Unaudited)	Inc/(Dec)	30/06/2019 (Unaudited)	30/06/2018 (Unaudited)	Inc/(Dec)
	S$	S$	%	S$	S$	%
Revenue	-	180,498	(100.0)	-	346,930	(100.0)
Other income	22	724	(97.0)	1,349	1,411	(4.4)
Employee benefits expense	(310,374)	(161,046)	92.7	(470,887)	(321,538)	46.4
Depreciation	(43,993)	(12,802)	243.6	(75,630)	(25,605)	195.4
Other operating expenses	315,696	(222,695)	(241.8)	(694,879)	(425,487)	63.3
Finance costs	(4,044)	(148)	2,632.4	(6,346)	(236)	2,589.0
Share of loss of joint venture	(20,289)	-	N.M	(33,461)	-	N.M
Loss before tax	**(62,964)**	**(215,469)**	(70.8)	**(1,279,854)**	**(424,525)**	201.5
Income tax expense	-	-	-	-	(161,384)	(100.0)
Loss for the period	**(62,964)**	**(215,469)**	(70.8)	**(1,279,854)**	**(585,909)**	(37.7)
Other comprehensive income:						
Currency translation differences arising from consolidation	**616,289**	**-**	N.M	**846,131**	**-**	N.M
Total comprehensive income/(loss) for the period	**553,325**	**(215,469)**	(356.8)	**(433,723)**	**(585,909)**	(26.0)
Loss attributable to:						
Equity holders of the Company	**(46,907)**	**(215,469)**	(78.2)	**(813,080)**	**(585,909)**	38.8
Non-controlling interest	**(16,057)**	**-**	N.M	**(466,774)**	**-**	N.M
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	**539,224**	**(215,469)**	(350.3)	**(178,482)**	**(585,909)**	(69.5)
Non-controlling interest	**14,101**	**-**	N.M	**(255,241)**	**-**	N.M

N.M. -- Not Meaningful

Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income

Loss, net of tax is arrived after (charging)/crediting the following items:

	Group					
	3 months ended			6 months ended		
	30/06/2019 (Unaudited)	30/06/2018 (Unaudited)	Inc/(Dec)	30/06/2019 (Unaudited)	30/06/2018 (Unaudited)	Inc/(Dec)
	S$	S$	%	S$	S$	%
Interest income on debt securities and bank deposits	22	180,498	(100.0)	35	346,930	(100.0)
Rental and operating leases	(57,911)	(22,546)	156.9	(72,443)	(45,064)	60.1
Reversal of impairment on trade and other receivables	750,619	-	N.M	750,619	-	N.M
Income tax expense – under provision in respect of prior years	-	-	-	-	(161,384)	(100.0)

N.M.: Not Meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/06/2019 (Unaudited)	31/12/2018 (Audited)	30/06/2019 (Unaudited)	31/12/2018 (Audited)
	S$	S$	S$	S$
ASSETS				
Current assets				
Cash and cash equivalents	**393,498**	151,555	**342,080**	136,068
Other receivables	**38,321**	38,305	**36,344**	37,303
Amounts due from subsidiaries	**-**	-	**12,686,203**	11,965,049
Other current assets	**64,538**	67,146	**19,719**	55,700
	496,357	257,006	**13,084,346**	12,194,120
Non-current assets				
Other receivables	**1,619,748**	1,665,342	**-**	-
Investments in subsidiaries	**-**	-	**7**	7
Investment in a joint venture	**1,240,307**	1,273,768	**-**	-
Property, plant and equipment	**231,407**	247,802	**147,192**	145,134
Intangible assets	**7,952,042**	7,953,827	**-**	-
Right-of-use asset	**131,773**	-	**131,773**	-
	11,175,277	11,140,739	**278,972**	145,141
Total assets	**11,671,634**	11,397,745	**13,363,318**	12,339,261
LIABILITIES				
Current liabilities				
Other payables	**4,685,979**	6,959,603	**1,526,475**	3,947,358
	4,685,979	6,959,603	**1,526,475**	3,947,358
Non-current liabilities				
Convertible redeemable bonds	**1,053,351**	961,122	**1,053,351**	961,122
Lease liability	**133,564**	-	**133,564**	-
Deferred income tax liabilities	**13,912**	13,912	**2,954**	2,954
	1,200,827	975,034	**1,189,869**	964,076
Total liabilities	**5,886,806**	7,934,637	**2,716,344**	4,911,434
NET ASSETS	**5,784,828**	3,463,108	**10,646,974**	7,427,827
EQUITY				
Share capital	**41,639,179**	37,816,578	**41,639,179**	37,816,578
Capital reserve	**133,303**	139,124	**133,303**	139,124
Fair value reserve	**(7,779,920)**	(7,779,920)	**-**	-
Currency translation reserve	**603,693**	(30,905)	**-**	-
Accumulated losses	**(26,583,059)**	(23,373,093)	**(31,125,508)**	(30,527,875)
Total equity attributable to owners of the Company	**8,013,196**	6,771,784	**10,646,974**	7,427,827
Non-controlling interest	**(2,228,368)**	(3,308,676)	**-**	-
Total equity	**5,784,828**	3,463,108	**10,646,974**	7,427,827

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

The Group has convertible redeemable bonds amounting to S$1,053,351 as at 30 June 2019.

	Group		Group	
	30/06/2019 (Unaudited)		31/12/2018 (Audited)	
	Secured S$	Unsecured S$	Secured S$	Unsecured S$
Convertible redeemable bonds				
Amount repayable after one year	-	1,053,351	-	961,122

Details of any collateral

NIL

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	6 months ended 30/06/2019 (Unaudited)	6 months ended 30/06/2018 (Unaudited)
	S$	S$
Cash flows from operating activities		
Net loss for the period	**(1,279,854)**	(585,909)
Adjustments for:		
Depreciation	**61,025**	25,605
Hire purchase interest expense	**4,351**	88
Convertible redeemable bond interest	**-**	93
Interest income	**(35)**	(347,070)
Impairment loss on other receivables	**1,359**	3,603
Reversal of impairment loss on trade and other receivables	**(750,619)**	-
Income tax expense	**-**	161,384
Share of loss of joint venture	**33,461**	-
Operating cash flows before working capital changes	**(1,930,312)**	(742,206)
Changes in working capital:		
Trade and other receivables and other current assets	**46,829**	30,742
Other payables	**1,271,057**	(180,264)
Cash used in operating activities	**(612,426)**	(891,728)
Interest received	**35**	140
Income tax paid, net	**-**	(161,384)
Net cash used in operating activities	**(612,391)**	(1,052,972)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(19,161)**	-
Debt securities extended to third party	**-**	(97,350)
Debt securities extended to a related party	**-**	(801,757)
Investment in a joint venture	**-**	(670,000)
Net cash used in investing activities	**(19,161)**	(1,569,107)
Cash flows from financing activities		
Hire purchase interest paid	**(4,351)**	(88)
Proceeds from issuance of convertible redeemable bonds	**950,000**	2,850,000
Share issue expense	**(30,020)**	(30,032)
Repayment of lease liability / finance lease liability	**(42,134)**	(9,255)
Net cash generated by financing activities	**873,495**	2,810,625
Net increase in cash and cash equivalents	**241,943**	188,546
Cash and cash equivalents at beginning of financial period	**151,555**	646,422
Cash and cash equivalents at end of financial period	**393,498**	834,968
List of significant non-cash transactions:		
Conversion of convertible redeemable bonds to ordinary shares	**863,592**	962,628
Issuance and allotment of ordinary shares as payment for the acquisition of 60% of Tantalum Holding (Mauritius) Ltd	**2,989,029**	-

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital (Unaudited)	Capital reserve (Unaudited)	Fair value reserve (Unaudited)	Currency translation reserve (Unaudited)	Accumulated losses (Unaudited)	Non-controlling interest (Unaudited)	Total equity (Unaudited)
	S$	S$	S$	S$	S$	S$	S$
Balance at 1 January 2019	**37,816,578**	**139,124**	**(7,779,920)**	**(30,905)**	**(23,373,093)**	**(3,308,676)**	**3,463,108**
Loss for the period	**-**	**-**	**-**	**-**	**(813,080)**	**(466,774)**	**(1,279,854)**
Other comprehensive income for the period	**-**	**-**	**-**	**634,598**	**-**	**211,533**	**846,131**
Adjustments for reduction in NCI due to 15% increase by Group	**-**	**-**	**-**	**-**	**-**	**1,335,549**	**1,335,549**
Total comprehensive loss for the period	**-**	**-**	**-**	**634,598**	**(813,080)**	**1,080,308**	**901,826**
Transactions with owners, recognised directly in equity :							
- Issuance of new ordinary shares	**3,852,621**	**-**	**-**	**-**	**-**	**-**	**3,852,621**
- Share issue expense	**(30,020)**	**-**	**-**	**-**	**-**	**-**	**(30,020)**
- Convertible redeemable bonds- equity component	**-**	**(5,821)**	**-**	**-**	**-**	**-**	**(5,821)**
- Acquisition of additional shares in a subsidiary	**-**	**-**	**-**	**-**	**(2,396,886)**	**-**	**(2,396,886)**
Transactions with owners, recognised directly in equity	**3,822,601**	**(5,821)**	**-**	**-**	**(2,396,886)**	**-**	**1,419,894**
Balance at 30 June 2019	**41,639,179**	**133,303**	**(7,779,920)**	**603,693**	**(26,583,059)**	**(2,228,368)**	**5,784,828**

Group	Share capital (Unaudited)	Capital reserve (Unaudited)	Currency translation reserve (Unaudited)	Accumulated losses (Unaudited)	Total equity (Unaudited)
	S$	S$	S$	S$	S$
Balance at 1 January 2018	35,868,655	161,773	406	(29,052,706)	6,978,128
Loss for the period, representing total comprehensive loss for the period	-	-	-	(585,909)	(585,909)
Transactions with owners, recognised directly in equity:					
Issuance of new ordinary shares	1,977,955	-	-	-	1,977,955
Share issue expense	(30,032)	-	-	-	(30,032)
Convertible redeemable bonds – equity component	-	(54,881)	-	-	(54,881)
Total transactions with owners, recognised directly in equity	1,947,923	(54,881)	-	-	1,893,042
Balance at 30 June 2018	37,816,578	106,892	406	(29,638,615)	8,285,261

Company	Share capital (Unaudited)	Capital reserve (Unaudited)	Accumulated losses (Unaudited)	Total equity (Unaudited)
	S$	S$	S$	S$
Balance at 1 January 2019	37,816,578	139,124	(30,527,875)	7,427,827
Loss for the period, representing total comprehensive loss	-	-	(597,633)	(597,633)
Issuance of new ordinary shares	3,852,621	-	-	3,852,621
Share issue expense	(30,020)	-	-	(30,020)
Convertible redeemable bonds – equity component	-	(5,821)	-	(5,821)
Balance at 30 June 2019	**41,639,179**	**133,303**	**(31,125,508)**	**10,646,974**

Company	Share capital (Unaudited)	Capital reserve (Unaudited)	Accumulated losses (Unaudited)	Total equity (Unaudited)
	S$	S$	S$	S$
Balance at 1 January 2018	35,868,655	161,773	(28,969,939)	7,060,489
Loss for the period, representing total comprehensive loss	-	-	(788,927)	(788,927)
Issuance of new ordinary shares	1,977,955	-	-	1,977,955
Share issue expense	(30,032)	-	-	(30,032)
Convertible redeemable bonds – equity component	-	(54,881)	-	(54,881)
Balance at 30 June 2018	**37,816,578**	**106,892**	**(29,758,866)**	**8,164,604**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share capital has increased by S$863,592 in Q2 2019 arising from conversion of convertible redeemable bonds with a face value of S$900,000 into 300,000,000 conversion shares. Share capital has increased by S$3,822,601 in HY2019 arising from conversion of convertible redeemable bonds with a face value of S$900,000 into 300,000,000 conversion shares and due to the reclassification from other payables in FY 2018 of the accrual of the purchase consideration for the acquisition of 60% shareholding in Tantalum Holding (Mauritius) Ltd ("THM") to share capital account in 1Q2019 where the issuance and allotment of 747,257,307 shares to REO Magnetic Pte Ltd was completed on 3 January 2019.

The number of shares that may be potentially issued on conversion of the outstanding convertible redeemable bonds of S$1,053,351 (with a face value of S$1,100,000) as at 30 June 2019 is 366,666,667 conversion shares (30 June 2018: 333,333,333 conversion shares).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares excluding treasury shares as at 30 June 2019 and 31 December 2018 are 4,240,673,309 and 3,160,082,669 respectively.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as those used for the most recent financial statements for the financial year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted SFRS(I) 16 *Leases* on 1 January 2019, using the modified retrospective approach, where comparative amounts for the year prior to first adoption will not be restated.

The Group applied the practical expedient to recognise amounts of right-of-use ("ROU") assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with SFRS(I) 16. Subsequent to initial recognition, ROU assets are carried at cost less accumulated depreciation and any accumulated impairment losses while the carrying amount of lease liabilities will take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 resulted in the Group recognising ROU asset and lease liability of S$131,773 and S$133,564 respectively as of 30 June 2019 for its leases previously classified as operating leases.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	3 months ended		6 months ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
(Loss) per ordinary share of the Group after deducting any provision for preference dividends (Singapore cent per share):				
(a) Based on weighted average number of ordinary shares on issue; and	(0.001)	(0.01)	(0.02)	(0.02)
(b) On a fully diluted basis	(0.001)	(0.01)	(0.02)	(0.02)
Weighted average number of ordinary shares outstanding for basic loss per share	4,053,860,122	2,818,187,065	3,968,619,321	2,763,052,283

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	30/06/2019 (Unaudited)	31/12/2018 (Audited)	30/06/2019 (Unaudited)	31/12/2018 (Audited)
Net asset value per ordinary share based on issued share capital at the end of:	0.14 cent	0.11 cent	0.25 cent	0.24 cent

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

I) CONSOLIDATED STATEMENT OF PROFIT OF LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Revenue for 2Q2018 and HY2018 relates to interest income earned on debt securities; however the Group did not record any revenue for the second quarter ("2Q2019") and half-year period ended 30 June 2019 ("HY2019").

Other income

Other income decreased by approximately S$700 or 97.0% from S$724 for 2Q2018 to S$22 for 2Q2019; and decreased by approximately S$60 or 4.4% from S$1,400 for HY2018 to S$1,340 for HY2019. This was due to the decrease in wage credits from the Inland Revenue Authority of Singapore ("IRAS"), MOM Special Employment credits and MOM-Temporary Employment credits received in 2Q 2019 and HY2019 as compared to 2Q2018 and HY2018.

Employee benefits expense

Employee benefits expense increased by approximately S$149,000 or 92.5% from S$161,000 for 2Q2018 to S$310,000 for 2Q2019; and increased by approximately S$149,000 or 46.4% from S$322,000 for HY 2018 to S$471,000 for HY2019. This was mainly due to the aggregation of salaries paid to workers and staff in Madagascar for the period from January to June 2019.

Depreciation

Depreciation expense increased by approximately S$31,000 or 238.5% from S$13,000 for 2Q2018 to S$44,000 for 2Q2019; and increased by approximately S$50,000 or 192.3% from S$26,000 for HY2018 to S$76,000 for HY2019. The increase in depreciation was mainly due to the depreciation of right of-use asset which is the office rental lease. With effect from 1 January 2019, according to IFRS 16 *Leases*, entities have to account all leases which are more than 12 months as right-of-use asset and lease liability on balance sheet and depreciate over the lease period.

Other operating expenses

The breakdown of "Other operating expenses" are as follows:

Other operating expenses

	Group			
	HY2019	HY2018	Variance	
	S$	S$	S$	%
Directors' fee	78,000	78,000	-	-
Consultancy fees	430,269	-	430,269	N.M
Insurance expense	23,927	27,337	(3,410)	(12.5)
Intangible assets expensed off	631,242	-	631,242	N.M
Reversal of impairment loss on other receivables	(750,619)	-	(750,619)	N.M
Professional fees	79,839	143,663	(63,824)	(44.4)
Rental expense	72,443	45,064	27,379	60.8
Travel and entertainment expenses	1,814	68,040	(66,226)	(97.3)
Listing related expenses	37,327	32,086	(5,241)	16.3
Office utilities and expenses	6,083	7,256	(1,173)	(16.2)
Repair and maintenance	3,888	7,060	(3,172)	(44.9)
Others	81,666	16,981	64,685	380.9
	694,879	425,487	269,392	63.3

The increase in operating expenses was mainly due to the consolidation of the financial statements of Tantalum Holding (Mauritius) Ltd and Tantalum Rare Earth Malagasy S.A.R.L.U. ("TREM") into the Group's financial statements for HY2019.

Finance costs

Finance costs increased by approximately S$3,900 or 2,632.4% from S$150 for 2Q2018 to S$4,044 for 2Q2019; and increased by approximately S$6,100 or 2,589.0% from S$240 for HY2018 to S$6,346 for HY2019. This was mainly due to interest expense recognised on lease liability of the office rental. The Group applied the practical expedient to recognise amounts of right-of-use ("ROU") assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with SFRS(I) 16. The adoption of SFRS(I) 16 resulted in the Group recognising ROU asset and lease liability of S$131,773 and S$133,564 respectively as of 30 June 2019 for its leases previously classified as operating leases.

Share of loss of a joint venture

As at 30 June 2019, the Group invested S$1.34 million for a 12.5% shareholding in Straits Hi-Rel Pte Ltd ("SHR"). SHR incurred a net loss of approximately S$268,000 (unaudited) for the half year period ended 30 June 2019. Thus, under equity accounting method, the Group recognised approximately S$33,500 as the Group's share of loss in the joint venture for HY2019.

Loss before tax

Loss before tax increased by approximately S$479,000 or 222.8% from S$215,000 for 2Q2018 to S$694,000 for 2Q2019 and increased by approximately S$855,000 or 201.5% from S$425,000 for HY2018 to S$1.28 million for HY2019. This was mainly due to the consolidation of the financial statements of Tantalum Holding (Mauritius) Ltd and Tantalum Rare Earth Malagasy S.A.R.L.U. ("TREM") into the Group's financial statements for 2Q2019 and HY2019.

Income tax expense

No income tax expense was recognised for 2Q2019 and HY2019. The income tax expense recorded for HY2018 was due to an under-provision of prior years' income tax expense which the Group is disputing with IRAS for which response is pending from IRAS since September 2018.

II) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents

Cash and cash equivalents increased by approximately S$242,000 or 159.6%% from S$152,000 as at 31 December 2018 to S$394,000 as at 30 June 2019. The increase was mainly due to net cash flows of S$873,000 generated by financing activities and partially offset by net cash flows used in operating activities and investing activities of S$612,000 and S$19,000, respectively.

Other payables

Other payables decreased by S$2.27 million or 32.7% from S$6.96 million as at 31 December 2018 to S$4.69 million as at 30 June 2019. The decrease was mainly due to the reclassification from other payables of S$2,989,029, being the accrued purchase consideration for the Group's acquisition of 60% shareholding in THM to the share capital account in 1Q2019 following the issuance and allotment of the Company's shares to REO Magnetic Pte. Ltd. on 3 January 2019. The decrease was partially offset by the increase in accrued consultancy fees of S$430,000 in HY2019.

Lease liability

Lease liability as at 30 June 2019 arose due to the recognition of the Company's office rental as lease liability in accordance with SFRS(I) 16 *Leases*.

Share capital

Share capital increased by approximately S$3.82 million or 10.1% from S$37.82 million as at 31 December 2018 to S$41.64 million as at 30 June 2019. This was mainly due to the issuance and allotment of 747,257,307 new ordinary shares at an issue price each of S$0.004 as payment to REO Magnetic Pte Ltd for the acquisition of 60% shareholding in Tantalum Holding (Mauritius) Ltd on 3 January 2019 and the partial conversion of sub-tranche 2 of Tranche 3 bonds (with a face value of S$900,000) during the HY2019.

III) CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents increased by approximately S$242,000 or 159.6%% from S$152,000 as at 31 December 2018 to S$394,000 as at 30 June 2019. The increase was mainly due to net cash flows of S$873,000 generated by financing activities and partially offset by net cash flows used in operating activities and investing activities of S$612,000 and S$19,000 respectively.

STATUS ON THE UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF CONVERTIBLE REDEEMABLE BONDS OF S$13,000,000 AS AT 30 JUNE 2019

The Company refers to the net proceeds of approximately S$12.05 million raised from the issuance of convertible redeemable bonds as at 30 June 2019.

As at 30 June 2019, the status on the use of the net proceeds raised from the issuance of convertible redeemable bonds in S$'000 is as follows:

	Amount utilised S$'000
Investments and general corporate purposes	8,336*
General working capital	3,705**
Total net proceeds raised from issuance of convertible redeemable bonds	12,041

* Including loans provided to Tantalum Holding (Mauritius) Ltd and Tantalus Rare Earths AG of S$2.48 million and S$653,000 respectively.

** The breakdown of the amount utilised for general working capital is as follows:

	S$'000
Wages, salaries, bonuses and other short-term employee benefits and employer's contributions to Central Provident Fund	1,724
Office and warehouse rental	333
Directors' fees	393
Professional fees (including legal, secretarial, investor relations)	311
Listing related expenses	169
Office expenses	80
Repair and maintenance	69
Insurance premiums	139
Others	487
Total	3,705

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group had on 3 January 2019 legally completed the acquisition of the 238km^2 concession area in north-western Madagascar, Africa that hosts rare earth oxides (the "**Rare Earth Project**"), through a 60% stake in Tantalum Holding (Mauritius) Ltd ("**THM**"), which in turn owns 100% of Tantalum Rare Earth Malagasy S.A.R.L.U. ("**TREM**").

Subsequently, the Group increased its shareholding in THM to 75% on 15 May 2019 with the enforcement of share pledges made by Tantalus Rare Earths AG, which had defaulted on its obligations of repayment under the loan facility agreements. The Group had also on 28 June 2019 received the approval from its shareholders at the extraordinary general meeting on the waiver of a condition precedent related to the acquisition of 60% stake in THM.

The Group continues to demonstrate its commitment to bringing the Rare Earth Project to commercial production to maximise value for its shareholders, through the non-binding memorandum of understanding ("**MOU**") with China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. (中国有色金属建设股份有限公司) ("**NFC**"), a listed company on the Shenzhen Stock Exchange, on 24 June 2019. Discussions and negotiations on potential developments of the Rare Earth Project are ongoing, and the Group will keep its shareholders updated on the progress of its discussion with NFC as and when there are material developments in connection with the MOU.

The outlook for global rare earth metals market continues to be positive amid the ongoing trade dispute between the United States and China, as well as the 5G revolution. While the positive outlook bodes well for the Group, it will continue to be mindful in the management of its operations amid this macroeconomic environment.

11. Dividend

(a) Current Financial Period Reported On

Any interim (final) dividend declared (recommended) for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the half year ended 30 June 2019 as cashflows are being directed to fund the Group's operating activities and the Company was in an accumulated loss position as at 30 June 2019.

13. Interested Person Transactions

The Group has no general mandate for interested person transactions under Rule 920(1) of the SGX-ST Listing Manual.

14. Details of exploration (including geophysical surveys), development and/or production activities undertaken by the Company and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.

There were no exploration and production activities conducted by the Group during 2Q2019 and HY2019. The Group is in the process of making further funding arrangements and planning the next phase of work which includes trial leaching, pilot production, feasibility studies, engineering studies and environmental impact assessments.

15. Negative Assurance Confirmation On Half Year Financial Results Pursuant To Rule 705(5) Of The Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results for the second quarter and half year ended 30 June 2019 to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the SGX Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers pursuant to Rule 720(1) of the SGX Listing Manual.

BY ORDER OF THE BOARD

CHEN TONG
Executive Chairman and Director

15 August 2019