



REENOVA INVESTMENT HOLDING LIMITED

(formerly known as ISR Capital Limited)

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

SGX Stock Code: **5EC**

UNAUDITED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ("Q3 FY2019") AND NINE-MONTH ("9M FY2019") FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

NOTE:

The Group had completed its acquisition of a 60% shareholding interest in Reenova Holding (Mauritius) Limited (formerly known as Tantalum Holding (Mauritius) Ltd) (the "**Target Company**" or "**RHM**") 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 Reenova Global Pte. Ltd. (formerly known as 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 RHM and its wholly owned subsidiary, Tantalum Rare Earth Malagasy S.A.R.L.U. ("**TREM**") upon the transfer of RHM shares by the Vendor to the Group on 28 December 2018 (the "**Acquisition Date**"). Accordingly, the assets and liabilities of RHM 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 has embarked 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 RHM 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 third quarter ("**Q3 FY2019**") and nine months ("**9M FY2019**") ended 30 September 2019, the Group has not recognised any bargain purchase that may arise from the Acquisition.

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

1(a)(i) A consolidated statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended			9 months ended		
	30/09/2019 (Unaudited) S\$	30/09/2018 (Unaudited) S\$	Increase / (Decrease) %	30/09/2019 (Unaudited) S\$	30/09/2018 (Unaudited) S\$	Increase / (Decrease) %
Revenue	-	193,269	(100.0)	-	540,199	(100.0)
Other income	389	353	10.1	1,738	1,764	(1.5)
Employee benefits expense	(262,612)	(161,733)	62.4	(733,499)	(483,271)	51.8
Depreciation	(37,099)	(12,779)	>100.0	(112,729)	(38,384)	>100.0
Other operating expenses	(1,326,739)	(163,949)	>100.0	(2,021,618)	(589,436)	>100.0
Finance costs	(6,348)	-	N.M.	(12,694)	(236)	>100.0
Share of loss of joint venture	(8,108)	-	N.M.	(41,569)	-	N.M.
Loss before tax	(1,640,517)	(144,839)	>100.0	(2,920,371)	(569,364)	>100.0
Income tax expense	-	-	-	-	(161,384)	(100.0)
Loss for the period	(1,640,517)	(144,839)	>100.0	(2,920,371)	(730,748)	>100.0
Other comprehensive income:						
Currency translation differences arising from consolidation	337,949	-	N.M.	1,184,080	-	N.M.
Total comprehensive loss for the period	(1,302,568)	(144,839)	N.M.	(1,736,291)	(730,748)	
Loss attributable to:						
Equity holders of the Company	(1,280,362)	(144,839)	>100.0	(2,093,442)	(730,748)	>100.0
Non-controlling interest	(360,155)	-	N.M.	(826,929)	-	N.M.
	(1,640,517)	(144,839)		(2,920,371)	(730,748)	
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	(1,012,080)	(144,839)	>100.0	(1,190,562)	(730,748)	62.9
Non-controlling interest	(290,488)	-	N.M.	(545,729)	-	N.M.
	(1,302,568)	(144,839)		(1,736,291)	(730,748)	

Note: N.M. denotes not meaningful.

1(a)(ii) Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	3 months ended			9 months ended		
	30/09/2019 (Unaudited) S\$	30/09/2018 (Unaudited) S\$	Increase / (Decrease) %	30/09/2019 (Unaudited) S\$	30/09/2018 (Unaudited) S\$	Increase / (Decrease) %
Interest income on debt securities and bank deposits	28	193,322	> (100.0)	63	540,392	> (100.0)
Rental and operating leases	(39,227)	(22,600)	73.6	(111,670)	(67,664)	65.0
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 year	-	-	-	-	(161,384)	(100.0)

Note: N.M. denotes not meaningful.

1(b)(i) Statement of Financial Position of the Group and the Company

	Group		Company	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	S\$	S\$	S\$	S\$
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	103,120	151,555	83,719	136,068
Other receivables	46,726	38,305	32,349	37,303
Amounts due from subsidiaries	-	-	13,188,907	11,965,049
Other current assets	60,696	67,146	18,260	55,700
	210,542	257,006	13,323,235	12,194,120
Non-current assets				
Other receivables	1,610,886	1,665,342	-	-
Investments in subsidiaries	-	-	7	7
Investment in a joint venture	1,232,199	1,273,768	-	-
Property, plant and equipment	217,874	247,802	141,266	145,134
Intangible assets	7,952,042	7,953,827	-	-
Right-of-use asset	109,811	-	109,811	-
	11,122,812	11,140,739	251,084	145,141
Total assets	11,333,354	11,397,745	13,574,319	12,339,261
<u>LIABILITIES</u>				
Current liabilities				
Other payables	5,388,193	6,959,603	2,150,682	3,947,358
Convertible redeemable bonds	480,916	-	480,916	-
	5,869,109	6,959,603	2,631,598	3,947,358
Non-current liabilities				
Convertible redeemable bonds	-	961,122	-	961,122
Lease liability	112,060	-	112,060	-
Deferred income tax liabilities	13,912	13,912	2,954	2,954
	125,972	975,034	115,014	964,076
Total liabilities	5,995,081	7,934,637	2,746,612	4,911,434
NET ASSETS	5,338,273	3,463,108	10,827,707	7,427,827
<u>EQUITY</u>				
Share capital	42,191,116	37,816,578	42,191,117	37,816,578
Capital reserve	126,661	139,124	126,661	139,124
Fair value reserve	(7,779,920)	(7,779,920)	-	-
Currency translation reserve	871,976	(30,905)	-	-
Accumulated losses	(27,863,421)	(23,373,093)	(31,490,071)	(30,527,875)
Total equity attributable to owners of the Company	7,546,412	6,771,784	10,827,707	7,427,827
Non-controlling interest	(2,208,139)	(3,308,676)	-	-
Total equity	5,338,273	3,463,108	10,827,707	7,427,827

1(b)(ii) Aggregate amount of Group's Borrowings and Debt Securities

The Group has convertible redeemable bonds amounting to S\$480,916 as at 30 September 2019.

	30/09/2019 (Unaudited)		31/12/2018 (Audited)	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Convertible redeemable bonds				
Amount repayable within one year	-	480,916	-	-
Amount repayable after one year	-	-	-	961,122

Details of any collateral

Nil.

1(c) Consolidated Statement of Cash Flows

	GROUP	
	9 months ended 30/09/2019 (Unaudited) S\$	9 months ended 30/09/2018 (Unaudited) S\$
Cash flows from operating activities		
Net loss for the period	(2,920,371)	(730,748)
Adjustments for:		
Depreciation	112,729	38,384
Hire purchase interest expense	6,090	89
Convertible redeemable bond interest	6,603	147
Interest income	(63)	(540,392)
Impairment loss on other receivables	24,058	4,763
Reversal of impairment loss on trade and other receivables	(750,619)	-
Income tax expense	-	161,384
Share of loss of joint venture	41,569	-
Write-back for unutilised leave	(42,782)	-
Operating cash flows before working capital changes	(3,522,786)	(1,066,373)
Changes in working capital:		
Trade and other receivables and other current assets	28,429	(31,221)
Other payables	2,647,768	(157,183)
Cash used in operating activities	(846,589)	(1,254,777)
Interest received	63	192
Income tax paid, net	-	(161,384)
Net cash used in operating activities	(846,526)	(1,415,969)
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,161)	-
Debt securities extended to third party	-	(257,925)
Debt securities extended to a related party	-	(958,286)
Investment in a joint venture	-	(670,000)
Net cash used in investing activities	(22,161)	(1,886,211)
Cash flows from financing activities		
Hire purchase interest paid	(6,090)	(89)
Proceeds from issuance of convertible redeemable bonds	950,000	2,850,000
Share issue expense	(60,020)	(30,032)
Repayment of lease liability / finance lease liability	(63,638)	(9,255)
Net cash generated by financing activities	820,252	2,810,624
Net increase in cash and cash equivalents	(48,435)	(491,556)
Cash and cash equivalents at beginning of financial period	151,555	646,422
Cash and cash equivalents at end of financial period	103,120	154,866
List of significant non-cash transactions:		
Conversion of convertible redeemable bonds to ordinary shares	1,445,529	1,977,955
Issuance and allotment of ordinary shares as payment for the acquisition of 60% of Reenova Holding (Mauritius) Ltd (formerly known as 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	-	-	-	-	(2,093,442)	(826,929)	(2,920,371)
Other comprehensive income for the period	-	-	-	902,881	-	281,199	1,184,080
Adjustments for reduction in NCI due to 15% increase by Group	-	-	-	-	-	1,646,267	1,646,267
Total comprehensive loss for the period	-	-	-	902,881	(2,093,442)	1,100,537	(90,024)
Transactions with owners, recognised directly in equity:							
- Issuance of new ordinary shares	4,434,558	-	-	-	-	-	4,434,558
- Share issue expense	(60,020)	-	-	-	-	-	(60,020)
- Convertible redeemable bonds- equity component	-	(12,463)	-	-	-	-	(12,463)
- Acquisition of additional shares in a subsidiary	-	-	-	-	(2,396,886)	-	(2,396,886)
Transactions with owners, recognised directly in equity	4,374,538	(12,463)	-	-	(2,396,886)	-	1,965,189
Balance at 30 September 2019	42,191,116	126,661	(7,779,920)	871,976	(27,863,421)	(2,208,139)	5,338,273

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	-	-	-	(730,748)	(730,748)
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	-	(22,649)	-	-	(22,649)
Total transactions with owners, recognised directly in equity	1,947,923	(22,649)	-	-	1,925,274
Balance at 30 September 2018	37,816,578	139,124	406	(29,783,454)	8,172,654

Company	Share capital (Unaudited) S\$	Capital reserve (Unaudited) S\$	Accumulated losses (Unaudited) S\$	Total equity (Unaudited) 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	-	-	(962,195)	(962,195)
Issuance of new ordinary shares	4,434,558	-	-	4,434,558
Share issue expense	(60,020)	-	-	(60,020)
Convertible redeemable bonds – equity component	-	(12,463)	-	(12,463)
Balance at 30 September 2019	42,191,116	126,661	(31,490,070)	10,827,707

Company	Share capital (Unaudited) S\$	Capital reserve (Unaudited) S\$	Accumulated losses (Unaudited) S\$	Total equity (Unaudited) 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	-	-	(1,089,696)	(1,089,696)
Issuance of new ordinary shares	1,977,955	-	-	1,977,955
Share issue expense	(30,032)	-	-	(30,032)
Convertible redeemable bonds – equity component	-	(22,649)	-	(22,649)
Balance at 30 September 2018	37,816,578	139,124	(30,059,635)	7,896,067

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\$551,937 in Q3 FY2019 arising from conversion of convertible redeemable bonds with a face value of S\$600,000 into 200,000,000 conversion shares. Share capital has increased to S\$4,374,538 in 9M FY2019 arising from conversion of convertible redeemable bonds with a face value of S\$1,500,000 into 500,000,000 conversion shares and due to the reclassification from other payables in FY2018 of the accrual of the purchase consideration for the acquisition of 60% shareholding in Reenova Holding (Mauritius) Limited (formerly known as Tantalum Holding (Mauritius) Ltd) ("RHM") to the share capital account in Q1 FY2019 where the issuance and allotment of 747,257,307 shares to REO Magnetic Pte Ltd was completed on 3 January 2019. The increase in 9M FY2019 is partially offset by the share issuance expense of S\$60,020.

The number of shares that may be potentially issued on conversion of the outstanding convertible redeemable bonds of S\$480,910 (with a face value of S\$500,000) as at 30 September 2019 is 166,666,666 conversion shares (30 September 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 September 2019 and 31 December 2018 are 4,407,339,976 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\$109,811 and S\$112,060 respectively as of 30 September 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.**

	3 months ended		9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
(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	(0.029)	(0.005)	(0.051)	(0.025)
(b) On a fully diluted basis	(0.029)	(0.005)	(0.051)	(0.025)
Weighted average number of ordinary shares outstanding for basic loss per share	4,372,557,367	3,160,082,669	4,104,989,163	2,896,850,068

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	
	30/09/2019 (Unaudited)	31/12/2018 (Audited)	30/09/2019 (Unaudited)	31/12/2018 (Audited)
Net asset value per ordinary share based on issued share capital at the end of:	0.12 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.**

A) Review of the Group's Results

Revenue for Q3 FY2018 and 9M FY2018 relates to interest income earned on debt securities. The Group, however, did not record any revenue for the third quarter ("**Q3 FY2019**") and the nine months ("**9M FY2019**") ended 30 September 2019.

Other income increased by approximately 10.1% from S\$353 for Q3 FY2019 to S\$389 for Q3 FY2019, and decreased marginally from S\$1,764 in 9M FY2018 to S\$1,738 for 9M FY2019. This was due to the changes in wage credits from the Inland Revenue Authority of Singapore, MOM Special Employment credits and MOM-Temporary Employment credits received in Q3 FY2019 and 9M FY2019 as compared to Q3 FY2018 and 9M FY2018.

Employee benefits expense increased by approximately S\$101,000 or 62.4% from S\$162,000 for Q3 FY2018 to S\$263,000 for Q3 FY2019; and increased by approximately S\$250,000 or 51.8% from S\$483,000 for 9M FY2018 to S\$733,000 for 9M FY2019. This was mainly due to the aggregation of salaries paid to workers and staff in Madagascar for the period from January to September 2019.

Depreciation expense increased by approximately S\$24,000 from S\$13,000 for Q3 FY2018 to S\$37,000 for Q3 FY2019; and increased by approximately S\$74,000 from S\$38,000 for 9M FY2018 to S\$113,000 for 9M FY2019. 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.

Analysis of the Group's Other operating expenses are as follows:

	9M FY2019	9M FY2018	Variance	
	S\$	S\$	S\$	%
Directors' fee	117,000	117,000	-	-
Consultancy fees	717,405	-	717,405	N.M.
Exchange loss	1,206,304	-	1,206,304	N.M.
Insurance expense	35,891	40,425	(4,534)	(11.2)
Reversal of impairment loss on other receivables	(750,619)	-	(750,619)	N.M.
Professional fees	218,166	186,856	31,310	16.8
Rental expense	111,670	67,664	44,006	65.0
Travel and entertainment expenses	118,225	85,243	32,982	38.7
Listing related expenses	53,300	46,686	6,614	14.2
Office utilities and expenses	12,962	11,360	1,602	14.1
Repair and maintenance	5,508	10,265	(4,757)	(46.3)
Others	175,806	23,937	151,869	>100
	2,021,618	589,436	1,274,899	>100

The increase in operating expenses was mainly due to the consolidation of the financial statements of Reenova Holding (Mauritius) Limited (formerly known as Tantalum Holding (Mauritius) Ltd) ("**RHM**") and Tantalum Rare Earth Malagasy S.A.R.L.U. ("**TREM**") into the Group's financial statements for 9M FY2019. The exchange loss recorded for 9M FY2019 was mainly due to the depreciation of the Malagasy Ariary ("**MGA**") against Euro and USD during 9M FY2019 where MGA 1: Euro 0.00025 and MGA 1: USD 0.00029 as at 31 December 2018 and MGA 1: Euro 0.00024 and MGA 1: USD 0.00026 as at 30 September 2019.

Finance costs increased by approximately S\$6,300 to S\$6,348 for Q3 FY2019; and increased by approximately S\$12,400 from S\$240 for 9M FY2018 to S\$12,694 for 9M FY2019. 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 recognised 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\$109,811 and S\$112,060 respectively as of 30 September 2019 for its leases previously classified as operating leases.

As at 30 September 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\$345,000 (unaudited) for the nine months ended 30 September 2019. Thus, under equity accounting method, the Group recognised approximately S\$42,000 as the Group's share of loss in the joint venture for 9M FY2019.

Loss before tax increased by approximately S\$1.50 million from S\$0.14 million for Q3 FY2018 to S\$1.64 million for Q3 FY2019; and increased by approximately S\$2.35 million from S\$0.57 million

for 9M FY2018 to S\$2.92 million for 9M FY2019. This was mainly due to the consolidation of the financial statements of Reenova Holding (Mauritius) Limited (“**RHM**”) and Tantalum Rare Earth Malagasy S.A.R.L.U. (“**TREM**”) into the Group’s financial statements for Q3 FY2019 and 9M FY2019.

No income tax expense was recognised for Q3 FY2019 and 9M FY2019. 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.

B) Review of the Group’s Financial Position

Current assets decreased by approximately S\$46,000 or 18.1% from S\$0.26 million as at 31 December 2018 to S\$0.21 million as at 30 September 2019. This was mainly to (i) decrease in cash and cash equivalents from S\$0.15 million as at 31 December 2018 to S\$0.10 million as at 30 September 2019, resulting from cash used in both operating and investing activities which was partially offset by cash generated from the proceeds from issuance of convertible redeemable bonds; (ii) increase in other receivables from S\$0.04 million as at 31 December 2018 to S\$0.05 million as at 30 September 2019 due to deposit held by a legal firm; and (iii) decrease in other current assets from S\$0.07 million as at 31 December 2018 to S\$0.06 million as at 30 September 2019 due to a decline in prepayments.

Non-current assets remained stable at S\$11.1 million as at 30 September 2019, as compared to 31 December 2018.

Current liabilities decreased by approximately S\$1.09 million or 15.7% from S\$6.96 million as at 31 December 2018 to S\$5.87 million as at 30 September 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 Reenova Holding (Mauritius) Limited to the share capital account in 1Q FY2019 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\$1.03 million in 9M FY2019.

Non-current liabilities decreased by approximately S\$0.85 million or 87.1% from S\$0.98 million as at 31 December 2018 to S\$0.13 million as at 30 September 2019. This was mainly due to the reclassification of convertible redeemable bonds to current liabilities as the maturity date of the convertible redeemable bonds subscription agreement is 16 September 2020 and the decrease was partially offset by the recognition of the Company’s office rental as lease liability in accordance with SFRS(I) 16 *Leases*.

Shareholders’ equity increased from S\$6.77 million as at 31 December 2018 to S\$7.55 million as at 30 September 2019. This was mainly due to the increase in share capital by approximately S\$4.37 million or 11.6% from S\$37.82 million as at 31 December 2018 to S\$42.19 million as at 30 September 2019 as a result of 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 Reenova Holding (Mauritius) Limited on 3 January 2019, as well as the conversion of Sub-Tranche 2 of Tranche 3 bonds and partial conversion of Sub-Tranche 3 of Tranche 3 (face value of S\$500,000) during the 9M FY2019.

C) Review of the Group’s Cash Flow

Cash and cash equivalents decreased by approximately S\$49,000 or 32.0% from S\$152,000 as at 31 December 2018 to S\$103,000 as at 30 September 2019. The decrease was mainly due to net

cash flows used in operating activities and investing activities of S\$847,000 and S\$22,000 respectively and partially offset by net cash flows of S\$820,000 generated by financing activities.

Status on the Utilisation of Proceeds Raised from Issuance of Convertible Redeemable Bonds (“CRB”) of S\$13,000,000 as at 30 September 2019

The Company refers to the net proceeds of approximately S\$12.05 million raised from the issuance of CRB as at 30 September 2019.

As at 30 September 2019, the status on the use of the net proceeds raised from the issuance of CRB is as follows:

	Amount Utilised
	S\$'000
Investments and general corporate purposes	8,336 *
General working capital	3,715 **
Total net proceeds raised from issuance of CRB	12,051

* Including loans provided to Reenova Holding (Mauritius) Limited 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:

Wages, salaries, bonuses and other short-term employee benefits and employer's contributions to Central Provident Fund	1,734
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	3,715

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 238km² concession area in north-western Madagascar, Africa that hosts rare earth oxides (the “**Rare Earth Project**”), through a 60% stake in Reenova Holding (Mauritius) Limited (formerly known as Tantalum Holding (Mauritius) Ltd) (“**RHM**”), which in turn owns 100% of Tantalum Rare Earth Malagasy S.A.R.L.U. (“**TREM**”).

Subsequently, the Group increased its shareholding in RHM 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 the 60% stake in RHM.

Amid the global economic slowdown, the Group is committed to using its best endeavours to bring the Rare Earth Project to commercial production to maximise value for its shareholders. The Group will make further funding arrangements, while it continues its discussion and negotiation 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) and plans for the next phase of work on the Rare Earth Project. The next phase of work includes trial leaching, pilot production, feasibility studies, engineering studies, and environmental impact assessments. The Group will keep its shareholders updated on the progress as and when there are material developments.

The outlook of the global rare earth metals market remains bright despite the ongoing trade dispute between the United States and China, geopolitical uncertainties and global economic slowdown. Nevertheless, the Group remains mindful in the management of its operations amid challenges in the business 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 interim dividend has been declared or recommended for the quarter ended 30 September 2019 as the Group wants to conserve cash to fund its operating activities and the Company is in an accumulated loss position as at 30 September 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 Q3 FY2019 and 9M FY2019. The Group is in the process of making further funding arrangements and planning the next phase of work that includes trial leaching, pilot production, feasibility studies, engineering

studies and environmental impact assessments.

15. Negative Assurance Confirmation On Third Quarter 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 third quarter and the nine months ended 30 September 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

14 November 2019