

ISR CAPITAL LIMITED
(Company Registration No. 200104762G)
(Incorporated in the Republic of Singapore)
(the "**Company**")

RESPONSE TO SGX QUERIES

The Board of Directors (the "**Board**") of ISR Capital 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 2 January 2019 in relation to the Company's announcement dated 31 December 2018 (the "**Announcement**").

All capitalised terms used in this announcement shall, unless otherwise defined or provided for herein, shall bear the same meaning as ascribed to them in the Announcements and the Circular.

Query by SGX-ST:

We note that "for the purposes of Completion, the Company has agreed to waive the Conditions Precedent set out in Clause 4.1.8 of the First Sale and Purchase Agreement and Clause 4.1.9 of the Second Sale and Purchase Agreement, respectively, which relates to "the Cash Flow Budget and Liquidity Plan having been agreed on by the Buyer with the Seller and/or the Target Company" (the "Waiver)". Based on the disclosure in the Company's circular dated 15 October 2018, "(t)he Board confirms that the Company will not waive any conditions precedent if such waivers will be prejudicial to the interest of the shareholders, and the Board will be accountable to the shareholders of the Company" and "(t)he Company is unlikely to waive any material conditions that may have an adverse impact on the Company and the potential development and/or operation of the commercial production of the Target Company and the mining asset". Therefore, please seek shareholders' approval for the Waiver as shareholders had approved on the basis that the Company will not waive such material conditions. As this condition precedent is material and may have an adverse impact on the Company and the potential development and/or operation of the commercial production of the Target Company and the mining asset, kindly proceed to seek shareholders' approval for the waiver before proceeding with the payment to and for the Acquisition. Accordingly, please promptly inform shareholders of this.

Company's Response:

The Company is of the view that the condition precedent relating to the cash flow budget and liquidity plan is not a material condition precedent which will have an adverse impact on the Company and the potential development and/or operation of the commercial production of the Target Company and the mining asset for the following reasons:

- (a) The Company relies largely on the Technical Report prepared by Behre Dolbear dated 20 September 2018, which has valued the Project at a preferred value of US\$44.5 million, rather than the cash flow budget or a liquidity plan;
- (b) The cash flow budget and liquidity plan were intended to provide the Company with an estimate of the expenses required for the Project. Through its discussions with the Target Company and the Operating Company, it was estimated that the expenses required for the Project is likely to be between US\$10 million to US\$15 million. The estimated expenses are disclosed in paragraph 4.5 of the Circular, which states that that "[b]ased on preliminary estimates, it may require a further US\$10 million to US\$15 million to complete the pilot production, EIA study, feasibility study and project engineering design";

- (c) The Board is of the view that the cash flow budget and liquidity plan will be more reliable if these are prepared concurrently with / using the results of the studies which will be conducted after the Completion of the Proposed Acquisition. Further, the Company considers that it may be more appropriate for the Company, as the incoming major shareholder and holding company, to prepare the cash flow budget and liquidity plan taking into consideration the Company's plans for the Project post-Completion, rather than relying on the Vendor to prepare the reports without taking into account the Company's plans. Paragraph 4.6 of the Circular has stated that "the Company intends to acquire and control the Target Company first before conducting a feasibility study of the Project"; and
- (d) Without conducting the studies such as EIA study and feasibility study, the Target Company and the Operating Company would only be able to provide a rough estimate of the expenses, which has been estimated to be between US\$10 million to US\$15 million. For the Target Company and the Operating Company to provide a more detailed and reliable cash flow budget and liquidity plan, further studies on the Project will need to be conducted.

In light of the above reasons, the Company is of the view that the Waiver is not prejudicial to the interest of the shareholders and will not have an adverse impact on the Company and the potential development and/or operation of the commercial production of the Target Company and the mining asset, and thus shareholders' approval for the Waiver is not required.

Query by SGX-ST:

We refer to the disclosure in the Circular that "Apart from (the exploration licence), there are no other approvals, consents, licences and permits that are required in relation to the Proposed Acquisition" and The Business Times article of 1 January 2019 titled "ISR waives sale condition for mining asset purchase to go through". It was mentioned in The Business Times article that "(a) an extraordinary general meeting (EGM) in October where shareholder approval was achieved, executive chairman Chen Tong said it was not confirmed as to whether the full mining licence would ultimately be granted to them. A renewal application was sent in December 2016, but the licence has not been renewed since." Please clarify via SGXNet by 3 Jan 2019 as to whether the information in The Business Times article is accurate and reconcile this with the disclosure in the Circular.

Company's Response:

The Company has contacted Business Times and has updated the article to state that "the exploration licence was renewed starting from November 2018 for three years". Please refer to the revised article in the link below:

<https://www.businesstimes.com.sg/companies-markets/isr-capital-clears-way-to-complete-s3m-acquisition-of-tantalum-stake>

By Order of the Board
ISR Capital Limited

Chen Tong
Executive Chairman

2 January 2019