ISR CAPITAL LIMITED

(Company Registration No. 200104762G)
(Incorporated in the Republic of Singapore)
(the "Company")

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2018

The Board of Directors (the "**Board**") of ISR Capital Limited (the "**Company**") 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 26 December 2018 in relation to the Company's Unaudited Financial Statements for the Third Quarter and 9 Months period ended 30 September 2018 announced on 13 November 2018:

Query by SGX-ST:

1. In the consolidated statement of comprehensive income, it was disclosed that revenue decrease from S$428,443 to S$193,269. Please elaborate on the reasons for the of 54.9% decrease in revenue.

Company's Response:

The decrease in revenue from S$428,443 for Q3 2018 as compared to S$193,269 for Q3 2017 was explained in section 8 on page 9 of the announcement made via SGXNET on 13 November 2018. The interest income earned on the loan to Tantalum Holding (Mauritius) Ltd ("THM") for the period from September 2016 to September 2017 was recognised only in Q3 2017 when the Group received the Independent Qualified Persons Technical Report from Behre Dolbear Australia Pty Limited (the "BDA Report") in September 2017 which then indicated a most likely valuation of the Project in Madagascar as US$48.1 million which in turn supported the recoverability of the interest income earned on the loan to THM for the period between September 2016 to September 2017. Prior to the issuance of the BDA Report, the Group was unable to assess the recoverability of the interest income on the loan to THM and as such, did not recognise interest income on the loan to THM for the period from September 2016 to September 2017. The interest income earned on debt securities for the three-month period from July 2018 to September 2018 was recognised in Q3 2018.

Query by SGX-ST:

2. In the statement of financial position, "Trade receivables" amounts to S$1,116,274. It was disclosed that the increase was mainly due to the interest accrued on debt securities. Please:-
   i. Provide the identity of the debtor;
   ii. Disclose the aging schedule and the due dates of these debt securities;
   iii. Explain why the interest have not been paid;
   iv. Provide the credit standing of the trade debtors for the amount of S$1,116,274;
   v. Provide details on when are the interest payments expected to be received; and
   vi. Elaborate on the reasons for the significant increase in accrued interests.

Company's Response:

(i) As announced via SGXNET on 2 April 2018, the trade debtors/borrowers are as follows:
   (a) Tantalum Holding (Mauritius) Ltd; and
   (b) Tantalus Rare Earths AG

(ii) The due date for the payment of interest and repayment of principal on these debt securities is 31 December 2018.

(iii) Please refer to the response to Question No. 2(ii) above.

(iv) The debt securities issued to Tantalum Holding (Mauritius) Ltd ("THM") was secured by a share pledge over a 60% shareholding interest in THM held by REO Magnetic Pte. Ltd., which was provided in favour of ISR Global Pte. Ltd. The debt securities issued to Tantalus Rare Earths AG ("TRE AG") was secured by a share pledge over 15% shareholding interest in THM held by TRE AG, which was provided in favour of ISR Global Pte. Ltd.

(v) Please refer to the response to Question No. 2(ii) above.

(vi) The reason for the increase in accrued interests was mainly due to interests accrued on the drawdowns of approximately S$958,000 and S$258,000 made in FY2018 by THM and TRE AG respectively.

Query by SGX-ST:

3. It was disclosed that S$7,732,000 was utilized for "Investments and general working corporate purposes". This amount consists of loans provided to Tantalum Holding (Mauritius) Ltd and Tantalus Rare Earths AG of S$2.06 million and S$653,000 respectively. Please disclose details on the balance of S$5.019 million.

Company's Response:

The details on the balance of S$5.019 million are as follows:

	S$'million
Investment in Straits Hi-Rel Pte Ltd	1.340
Loan to PT Permata Selaras Mandiri ("PT PSM")	3.108
Project and investment-related expenses	0.571
Total	5.019

Query by SGX-ST:

4. It was disclosed that the "Group is working with SHR to determine a timeline for the final two stages of investment". Please:-

   i. Provide details on the contracts for the pipeline of projects that have been obtained so far;
   ii. Provide details on the status of these projects;
   iii. Disclose when the Company will start to receive payments for these projects;
   iv. For the remaining stage 3B and 4, please state the contract values for the pipeline of projects to be obtained before further investments are made by the Company; and
   v. Quantify the remaining investments to be made by the Company.

Company's Response:

(i) The Company was informed by SHR that it is not able to accede to the request of publicly disclosing and providing a detailed breakdown and quantity of projects, forthcoming purchase orders, and request for quotes as SHR has entered into legally binding non-disclosure agreements with the customers. Further, as a technical service company, SHR would directly affect the end-customers' supply chain confidentiality if it were to disclose such information.

The condition for the final two stages (Stage 3B and Stage 4) of investment in the amendment agreement with SHR dated 28 December 2017 states that funding will be provided upon "receiving satisfactory evidence that SHR has a cumulative pipeline of projects of not less than US$1,000,000". This cumulative project pipeline of US$1,000,000 is currently under review and is expected to be completed by 31 January 2019. The cumulative project pipeline total includes projects completed in 2018, projects currently in-progress, and upcoming projects in 2019. A timeline has been established for the final two stages (Stage 3B and Stage 4) of investment which is targeted to occur by Q2 2019, after completion of the cumulative project pipeline review.

(ii) Please refer to the response to Question No. 4(i) above.

(iii) We understand that SHR expects to begin receiving payments for the projects referred to in the response to Question No. 4(i) in early 2019.

(iv) Per the amendment agreement with SHR dated 28 December 2017, the cumulative pipeline of projects through Stage 3B must not be less than US$1,000,000.

(v) The remaining investments to be made under Stage 3B and Stage 4 are S$670,000 each stage for a total of S$1,340,000.

BY ORDER OF THE BOARD
ISR Capital Limited

Chen Tong
Executive Chairman

31 December 2018